

An aerial night photograph of the Utah State Capitol building in Salt Lake City. The building's central dome is brightly lit with warm yellow lights, and the surrounding wings are also illuminated. The city lights of Salt Lake City are visible in the background, and the Utah mountains can be seen in the distance under a dark sky. A semi-transparent dark blue rectangle is overlaid on the top half of the image, containing the title and subtitle text.

ASSET AND INVESTMENT REVIEW TASK FORCE

A Report to the Utah Legislature on
Findings and Recommendations

2025

Submitted pursuant to Utah Code § 67-4-21
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Executive Summary

The [Asset and Investment Review Task Force](#) was established by [S.B. 323](#) (2025 General Session) and codified in [Utah Code § 67-4-21](#) to conduct a comprehensive review of reserve levels and investment options available for those reserves across the state’s public entities, including the state, counties, cities, school districts, charter schools, and special districts. The task force was charged with: 1) evaluating the growth of reserve balances and the drivers behind that growth; 2) assessing whether statutory thresholds or best practices for reserves need to be updated; 3) examining economic outcomes of public funds investment, including trade-offs between placing money on deposit with local financial institutions to drive local economic activity versus investing in debt instruments per the Money Management Act; and 4) making recommendations to the Executive Appropriations Committee.

Key Findings

1. Deposits and investments have increased across all public sectors.

Between 2019 and 2025, deposits and investments held by Utah’s public entities increased from \$17.4 billion to \$30.5 billion, a nominal change of \$13.1 billion (75.3%). After adjusting for inflation, balances rose from \$17.4 billion to \$24.2 billion, a real change of \$6.8 billion (39.1%). Over this same period, deposits and investments increased as follows:

- a) The state grew from \$4.4 billion to \$14.6 billion in nominal terms (231.8%) and from \$4.4 billion to \$11.6 billion in real terms (163.6%).
- b) Counties and cities grew from \$6.9 billion to \$12.5 billion in nominal terms (81.2%) and from \$6.9 billion to \$9.9 billion in real terms (43.5%).
- c) Local Education Agencies (LEAs) grew from \$3.5 billion to \$5.7 billion in nominal terms (62.9%) and from \$3.5 billion to \$4.6 billion in real terms (31.4%).
- d) Special districts grew from \$2.3 billion to \$3.8 billion in nominal terms (65.2%) and from \$2.3 billion to \$3.0 billion in real terms (30.4%).

2. Growth of reserves and revenue have outpaced population growth and inflation.

Between 2019 and 2024, deposits and investments grew much faster than population and inflation, but did not outpace statewide revenue growth, which increased slightly more over the same period.

3. Drivers of reserve growth are multifaceted, and continued reporting and analysis are necessary.

Public entities pointed to pandemic-era federal transfers, stronger revenues, and higher interest earnings as key drivers of reserve growth, with delayed capital projects further allowing balances to accumulate. Conservative fiscal practices and credit rating considerations also played a role. However, these factors do not fully explain the scale of the statewide increases, highlighting the importance of ongoing reporting and analysis to better understand the underlying dynamics.

4. Public funds are governed by a clear legal and reporting framework that may warrant targeted refinement.

Utah’s Money Management Act¹ and statutory fund-balance requirements establish how public entities manage and invest reserves, but rising balances and evolving fiscal conditions suggest that improvements to reporting clarity, such as enhancements to the Deposit and Investment (D&I) report, may be warranted. At the same time, because entities maintain reserves for many legitimate and varied

¹ Utah Money Management Act. Title 51, Chapter 7. Utah Legislature. Retrieved from <https://le.utah.gov/xcode/Title51/Chapter7/51-7.html>.

reasons, the task force cautions against prescriptive statutory changes and recommends that any broader adjustments be considered carefully if elevated reserve levels persist.

5. Modeling suggests meaningful economic benefits may be achievable when additional public deposits help expand Utah-based lending.

Theoretical modeling² suggests Utah’s community banks and credit unions could generate measurable economic gains if increased public deposits translate into additional loans to Utah households and businesses. Although the scale of these benefits depends on the degree of incremental in-state lending, the analysis shows a clear potential for positive outcomes, including benefits that could exceed the yield differential relative to higher-returning investment options. Utah’s longstanding fiduciary framework—safety → liquidity → yield—remains appropriate and continues to guide public-fund management. However, a limited, data-driven pilot program would allow policymakers to determine whether, under what circumstances, and to what extent, additional public deposits can be converted into new Utah loans and whether the resulting lending is associated with measurable local economic benefits.

Recommendations

While task force members did not agree with every concept examined throughout the report, they reached **unanimous consensus on the policy recommendations** listed below and discussed in greater detail beginning on page 31.

- 1. Continue to uphold Utah’s investment framework for public funds.**
- 2. Support and sustain Transparent Utah and the Governmental Asset & Investments Dashboard.**
- 3. Encourage continued refinement of Deposit and Investment (D&I) reporting and analytics.**
- 4. Study regulatory constraints and private-credit growth, and explore market-based ways to strengthen local lending.**
- 5. Authorize a limited, data-driven pilot on public deposits and local lending.**
- 6. Continue monitoring reserve trends and engaging public entities on persistent growth.**
- 7. Consider studying the potential effects of including investment yield in the certified property tax rate calculation.**

Task force members expressed a strong interest in remaining engaged in any next steps, including offering feedback and public comment on specific policy proposals that may emerge from this work.

² Daley, P. R., Stisser, M. H., Mueller, L. E., & Srivastava, N. (2025). Potential Economic Impact of PTIF Funds on Bank Deposits. Tur Partners and University of Chicago. Retrieved from https://treasurer.utah.gov/wp-content/uploads/Economic-Effects_of-Public-Fund-Investment_-Utah.pdf.

Introduction

The Utah legislature enacted [S.B. 323](#) (2025 General Session)³ in response to observed increases in deposits and investments across Utah’s public entities. Recognizing the need for a clearer, data-driven understanding of the scope and drivers of these changes, the legislature created the [Asset and Investment Review Task Force](#) and charged it with evaluating reserve levels and investment practices statewide.

Under S.B. 323, the task force was charged with addressing three core responsibilities:

- **Identifying and evaluating reserve levels**, including determining current balances across public entities, assessing appropriate thresholds where applicable, and analyzing the drivers of recent growth.
- **Examining investment strategies for public reserves**, including an analysis of the potential economic impact of placing funds on deposit at local financial institutions;
- **Developing recommendations** for any policy or statutory changes needed to support responsible reserve management, consistent reporting, and sound investment practices.

Between May and December 2025, the task force met seven times, reviewed aggregated data compiled by the Office of State Auditor, and analyzed survey responses from more than 250 public entities. The task force found that deposits and investments grew substantially across all public sectors between 2019 and 2025, outpacing underlying demographic and cost pressures.

Public entities attributed rising balances to federal pandemic transfers, stronger revenues, higher interest earnings, and delayed or phased capital projects. Utah’s fiduciary and reporting framework continues to support prudent reserve management, although targeted improvements to reporting clarity could help policymakers and the public better understand trends over time. The task force acknowledges growing public interest in understanding how rising reserve levels intersect with local budgeting and tax decisions, underscoring the importance of clear, consistent financial information.

The PTIF has attracted significant attention in recent years from those interested in using public money to provide positive economic benefits to the state. However, the PTIF is governed by strict fiduciary standards requiring the state treasurer to manage the fund solely for the benefit of its more than 750 public-entity investors. Proposals to use the PTIF to advance objectives that do not benefit all participants, no matter how well-intentioned, would violate these obligations and therefore cannot be considered. Individual PTIF participants, however, retain full discretion to direct their own investment allocations within the bounds of the Money Management Act.

As directed by statute, the Office of State Treasurer contracted with a third party—Tur Partners and the University of Chicago—to evaluate whether placing a portion of Utah’s public reserves in Utah-based depository institutions could generate measurable in-state economic benefits. Their modeling suggests that Utah depository institutions could produce meaningful gains for the state and local governments if additional public deposits translate into higher levels of Utah lending.

These benefits, however, depend largely on the extent to which new deposits are used to fund Utah-based loans, an outcome that appears likely but cannot be confirmed without real-world evidence and may vary based on the extent to which participating depository institutions’ lending is constrained by deposit growth.

³ S.B. 323. Utah Legislature (2025). Retrieved from <https://le.utah.gov/~2025/bills/static/SB0323.html>.

For this reason, the task force recommends that the legislature consider authorizing a limited, data-driven pilot program using a small portion of state cash reserves (not PTIF funds) to test how the model performs in practice. The pilot framework described in this report would position Utah to conduct the first in-the-nation empirical evaluation of this concept. A carefully structured pilot (grounded in transparent data collection, clear performance metrics, and robust fiduciary safeguards) offers a path for determining whether enhanced local-lending benefits would offset the current returns on these invested reserves.

S.B. 323 directed the task force, chaired by State Treasurer Marlo Oaks, to submit its findings and recommendations to the Executive Appropriations Committee. While task force members did not agree with every concept examined throughout the report, they reached unanimous consensus on the policy recommendations beginning on page 31.

Core Deliverables

1. Asset and Investment Review Task Force Report

An analysis of statewide deposits and investments held by Utah's public entities, documenting the scale and growth of reserves from 2019-2025, examining how growth compares to population and revenue trends, identifying the primary drivers behind rising balances, and assessing the legal and reporting framework governing public funds. The report also evaluates whether current statutory structures remain appropriate given elevated reserves and reviews the potential, yet unproven, local economic effects of placing additional public deposits in banks operating in Utah.

2. Public Entity Survey⁴

Responses from more than 250 entities describing reserve policies, investment practices, and rationale for current balances.

3. Governmental Asset & Investments Dashboard⁵

The Office of State Auditor created an interactive dashboard integrating D&I Reports, Annual Comprehensive Financial Reports (ACFRs), and responses from a statewide public-entity survey. The data explorer provides entity-level and statewide visualizations of unrestricted cash, cash reserves, reserve ratios, and survey-derived insights, offering a transparent and searchable tool to support fiscal oversight and analysis.

4. Investment Study⁶

An independent study conducted by the University of Chicago and Tur Partners evaluating how a reallocation of public deposits into banks and credit unions operating in Utah could affect local lending and economic activity under varying assumptions, including conversion rates of deposits into Utah loans, collateral requirements, and interest-rate differentials. The primary recommendation is to conduct a pilot program that measures the impact of placing state cash reserve deposits with local financial institutions willing to provide data on local lending activity resulting from those deposits.

⁴ Public Entity Survey. (2025) Utah Office of State Treasurer and Utah Office of State Auditor. Results available on the Governmental Asset and Investments Dashboard. Retrieved from <https://gai-dash-main-778714388561.us-west3.run.app/>.

⁵ Utah Office of State Auditor. Governmental Asset & Investments Dashboard. <https://gai-dash-main-778714388561.us-west3.run.app/>

⁶ Daley, P. R., Stisser, M. H., Mueller, L. E., & Srivastava, N. (2025). Potential Economic Impact of PTIF Funds on Bank Deposits. Tur Partners and University of Chicago. Retrieved from https://treasurer.utah.gov/wp-content/uploads/Economic-Effects_of-Public-Fund-Investment_-Utah.pdf.

5. Bank Deposits Economic Dashboard⁷

The Bank Deposits Economic Dashboard is an interactive tool that allows users to adjust key assumptions—such as the share of loan activity that remains in Utah, the interest-rate differential, and the marginal product of capital—and observe how those inputs might affect projected economic impacts. By varying these parameters, the dashboard theorizes the conditions under which additional bank-based lending might produce local economic benefits.

Constitutional and Statutory Roles in Collaborative Financial Transparency Modernization

Utah’s financial governance framework assigns complementary responsibilities to the state treasurer and state auditor. The treasurer oversees public-fund custody, investment, and debt and cash management, while the auditor maintains statewide financial-reporting systems and ensures transparency in public-entity financial data. The Asset and Investment Review Task Force builds on this alignment by combining the treasurer’s expertise in public-fund investment practices with the auditor’s work to strengthen consistency, accessibility, and comparability of local-government financial data.

Transparent Utah and related financial transparency platforms, which fall under the auditor’s constitutional and statutory responsibilities, play an important role in this structure by providing a centralized source for uniform accounting, budgeting, and financial-reporting information. The Auditor’s Office already works with hundreds of local governments to support timely and accurate submissions, and existing tools and compliance processes help ensure that statewide financial data remains reliable.

Recent modernization efforts by the two offices have created the foundation for the task force’s system-wide analysis. First, the transition to electronic submission and standardized formatting of D&I Reports has improved the consistency and quality of data available across local-government entities. Second, the integration of public-entity financial information (including D&I Reports and ACFR data) into a unified analytical environment now allows for direct, cross-entity comparisons. Third, the development of the Governmental Asset & Investments Dashboard makes this information accessible in a uniform structure for the first time.

Continued modest enhancements in automation, data validation, and user-interface features will further support legislators, local officials, and citizens in monitoring reserve trends and evaluating fiscal conditions without creating new statutory mandates or administrative obligations. Collectively, these improvements advance the objectives of S.B. 323 and offer an unprecedented statewide view of public-entity reserve levels and reserve management.

⁷ Bank Deposits Economic Dashboard. Tur Partners and University of Chicago. <https://economic-impact-utah-dashboard-3.onrender.com/>.

Task Force Meetings⁸

Date	Focus	Key Outcomes
May 23	Inception and Scoping	Defined statutory objectives; reviewed available datasets (D&I Reports and ACFRs); discussed rising reserves as the impetus for the study; agreed to distribute a statewide survey to gather contextual information.
Jun 25	Initial Dashboard Overview	Presented the first integrated version of the Assets & Investments Data Explorer; demonstrated comparative and statewide analytics; discussed enhancements including ratio analysis, inflation adjustments, bank-type categorization, and expanded trend analysis.
Aug 15	Investment Study Kickoff & Dashboard Expansion	Reviewed dashboard enhancements (inflation toggle, expanded metrics, bank-type analysis); considered categorizing depositories by size and local economic footprint; discussed the scope and timeline of the University of Chicago/Tur Partners investment study.
Sep 30	Preliminary Findings	Received preliminary University of Chicago/Tur Partners banking-sector analysis (long-term deposit growth; reviewed broad survey themes; discussed challenges in distinguishing deposits vs. investments; prepared for October legislative briefing.
Nov 3	Investment Study Results & Report Planning	Reviewed University of Chicago/Tur Partners modeling framework and banking-sector context; explored dashboard's survey-integration features; discussed varied drivers of reserve growth; refined priorities and structure for the final Task Force report.
Nov 21	Final Investment Study Review & Legislative Report Preparation	Presentation of the final University of Chicago/Tur Partners study; review of the draft Task Force Report; refinement of findings and recommendations; preparation for submission to the Executive Appropriations Committee.
Dec 3	Review Legislative Report & Approve Recommendations	Discuss final draft of Task Force Report to Executive Appropriations Committee; unanimous approval of recommendations.

Evaluation of Reserve Growth

S.B. 323 directed the task force to identify and evaluate reserve levels held by Utah's public entities, assess whether these balances were at appropriate levels, and analyze the factors that contributed to recent growth. Fulfilling this statutory charge required establishing a consistent mechanism to measure and evaluate reserves across all levels of government. This included determining what should be treated as a reserve for analytical purposes, how balances were distributed across entity types, how they were split between deposits and investments, and the purposes for which entities reported maintaining these balances.

From the outset, the task force recognized that not all deposits and investments are "reserves" in a strict accounting sense. Public entities hold cash and investments for many reasons, including legally restricted uses, bond proceeds awaiting expenditure, reimbursement-based grants, and working capital needed to bridge timing gaps between revenues and expenditures. For that reason, the analysis focused on 1) total deposits and investments as a measure of overall public savings and liquidity; and 2) unrestricted cash and cash equivalents as a closer proxy for discretionary reserves and flexible working capital. This distinction was a recurring theme in task force discussions and informed how the findings in this report should be interpreted.

Data Sources and Framework for Analysis

For this analysis, the task force began with 2019 data, the first year in which statewide public-fund information was consistently structured, electronically accessible, and comparable across entities. Beginning that year, both D&I Reports and ACFRs were produced in standardized formats suitable for integration into a unified analytical framework. Earlier filings, although available, lacked uniform formatting and categorization and could not be converted into reliable electronic data within the workgroup's time and resource constraints. Accordingly, the 2019-2025 period represents the earliest and most comprehensive timeframe for evaluating reserve-related data across all public-entity types. Due to ACFR reporting deadlines, 2024 is the most recent year for which

⁸ Asset and Investment Review Task Force. Utah Office of State Treasurer. Retrieved from <https://treasurer.utah.gov/air/>.

complete revenue and unrestricted cash and cash equivalents data is available. Accordingly, analysis incorporating ACFR data covers the 2019–2024 period.

To create a complete assessment, the task force used three principal data sources: semiannual D&I Reports, ACFRs, and a statewide survey of public entities. This provided both quantitative measures of deposits, investments, and unrestricted cash, and qualitative context on the circumstances and policies that have shaped current balances, enabling the task force to develop the first statewide, multi-source evaluation of public reserves in Utah. This approach ensured that the evaluation of reserve levels aligned with the statutory expectations in S.B. 323 and reflected the complexity of public-sector financial management in Utah.

Clarifying What Constitutes a Reserve

Task force deliberations and survey responses underscored that “reserves” do not represent a single, uniform category. Some balances are legally restricted, such as debt-service funds, impact fees, and bond proceeds tied to specific projects. Others are committed or assigned by governing boards for capital projects, stabilization purposes, or particular programs. Still others serve as working capital, enabling entities to meet payroll and operational needs between major revenue inflows, such as property-tax distributions or grant reimbursements.

Accordingly, this report uses total deposits and investments to describe the overall scale of public savings and relies on unrestricted cash and cash equivalents (as reported in ACFRs and related schedules) to approximate flexible reserves that can be reallocated if necessary. Survey responses and ACFR notes further help distinguish between balances that reflect long-term reserves and those that are restricted, earmarked, or driven by timing differences.

Throughout the analysis, the term “reserves” is therefore used in a functional sense to refer to liquid balances and savings held by public entities, while acknowledging that not all of these funds describe “reserves” in the traditional sense.

Deposit and Investment (D&I) Reports

D&I Reports are required under the Utah Money Management Act (Title 51, Chapter 7)⁹ and are submitted twice per year by all Utah public entities. Their primary purpose is to provide a uniform accounting of where public funds are held and to support statewide oversight of compliance with the Act, including the statutory priorities of safety, liquidity, and yield. The reports also support the work of the Money Management Council, which uses the information to identify entities whose deposits or investments may fall outside the parameters of the Act and to initiate corrective action when necessary.

D&I Reports contain several categories of information essential to evaluating reserve levels:

- Deposits, including all funds held in banks, credit unions, and other depository institutions, typically in insured, low-risk, and highly liquid accounts intended to support day-to-day cash needs;
- Investments, including balances held in the Public Treasurers’ Investment Fund (PTIF) and in other investment vehicles authorized under the Money Management Act;
- Account classifications, such as operating funds, capital project funds, debt-service funds, and other internally designated reserves; and
- Custodial and concentration information, identifying where public funds are placed, which financial institutions hold them, and the distribution of balances across those institutions.

⁹ Utah Money Management Act. Title 51, Chapter 7. Utah Legislature. Retrieved from <https://le.utah.gov/xcode/Title51/Chapter7/51-7.html>.

Because participation in the PTIF is voluntary and entities may utilize multiple Money Management Act–authorized investment options, PTIF balances alone do not provide a complete representation of total reserves. For this reason, the task force relied on the full D&I dataset, encompassing both deposits and investments across all public-entity types, as the primary basis for evaluating statewide reserve levels.

As with any self-reported statutory filing, the accuracy of the dataset is dependent on the completeness and correctness of the information submitted by individual entities. The [State Compliance Audit Guide](#) issued by the Office of State Auditor, requires CPA firms that audit local governments and LEAs to determine whether the D&I reported balances agree with financial institution statement year end closing balances at least every three years.

Annual Comprehensive Financial Report (ACFR)

ACFRs serve as the primary audited financial statements for Utah’s public entities and are prepared in accordance with generally accepted accounting principles (GAAP). ACFRs provide a broader financial and operational context that complements the more granular, account-level information contained in the D&I Reports. They are a critical tool in evaluating reserves because they present not only the amounts held in cash and investments, but also the purposes, restrictions, and fund-level classifications associated with those balances.

ACFRs typically include:

- Government-wide cash and investment balances, which reflect the total liquid resources available to the entity;
- Fund-level statements (e.g., General Fund, Capital Projects Fund, Debt Service Fund, Special Revenue Funds) that indicate how resources are allocated to operational needs, capital planning, and long-term obligations;
- Classifications of fund balance (restricted, committed, assigned, unassigned) that clarify the legal or policy constraints applicable to particular resources; and
- Notes and supplementary schedules that explain revenue timing differences, the receipt and use of federal awards, deferred capital or maintenance projects, one-time appropriations, and other factors that may affect year-end balances. Of note, disclosures specific to deposits and investments include the 1) measurement methods to report investments in the financial statements at fair value as of year end; 2) amounts of investment held at year end reported by investment type, investment maturity, and quality rating; and 3) risks associated various deposits and investments held by the government entity such as:
 - Credit Risk – The risk that an issuer or other counterparty to an investment will not fulfill its obligations.
 - Custodial Credit Risk – For deposits, this risk is that in the event of the failure of a depository institution the government will not be able to recover deposits or will not be able to recover collateral securities that are in possession of an outside party. For example, the amount of deposits in excess of the Federal Deposit Insurance Corporation (FDIC) insurance limits is disclosed as custodial credit risk. For investments, this is the risk that in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in possession of an outside party.
 - Concentration of Credit Risk – The risk of loss attributed to the magnitude of a government’s investment in a single issuer.
 - Interest Rate Risk – The risk that changes in interest rates will adversely affect the fair value of an investment.
 - Foreign Currency Risk – The risk that changes in exchange rates will adversely affect the fair value of an investment or deposit.

For this study, ACFRs were especially important in distinguishing between unrestricted reserves and working capital and balances held for legally restricted or clearly designated purposes. ACFRs also served as a cross-check on the D&I Reports, allowing the task force to verify the direction and scale of changes in balances and to interpret reserve levels within their broader financial environment. The auditor's opinion on the financial statements provides assurance that the ACFR amounts and disclosures are presented fairly in all material respects in accordance with generally accepted accounting principles.

Statewide Survey of Public Entities

To supplement statutory reporting and better understand the factors influencing reserve levels, the task force collected qualitative and contextual information through a statewide survey.¹⁰ The survey was distributed to more than 1,200 public entities, generating 264 responses.

The survey included 24 questions designed to capture both quantitative context and qualitative explanations related to reserve levels. Questions focused on changes in key financial indicators (including net position, unrestricted cash and cash equivalents, and unassigned fund balance), reserve adequacy and days cash on hand, factors driving year-over-year fluctuations, and any clarifications or additional considerations respondents wished to provide.

Responses offered meaningful detail on the underlying conditions influencing reserve patterns, including:

- **Drivers of growth or decline**, such as federal stimulus, increased investment earnings, changes in enrollment or taxable value, deferred capital projects, grant timing, and revenue volatility;
- **Intended uses of existing balances**, including capital outlay, stabilization purposes, debt management, self-insurance, contractual obligations, and other planned expenditures;
- **Liquidity and cash-flow requirements**, such as payroll timing, seasonal revenue collections, uneven expenditure patterns, and fund-flow timing needs;
- **Constraints on financial flexibility**, including statutory fund-balance limits, credit rating considerations, and limits on certain revenue sources; and
- **Effects of interest-rate changes**, particularly higher earnings on Money Management Act-authorized investment instruments.

The survey responses added important context by indicating whether growth in balances reflected structural increases in liquidity, temporary fiscal conditions, or planned uses tied to forthcoming expenditures. This information helped the task force evaluate whether elevated reserve levels were the result of intentional financial planning, timing dynamics, or other operational and economic factors.

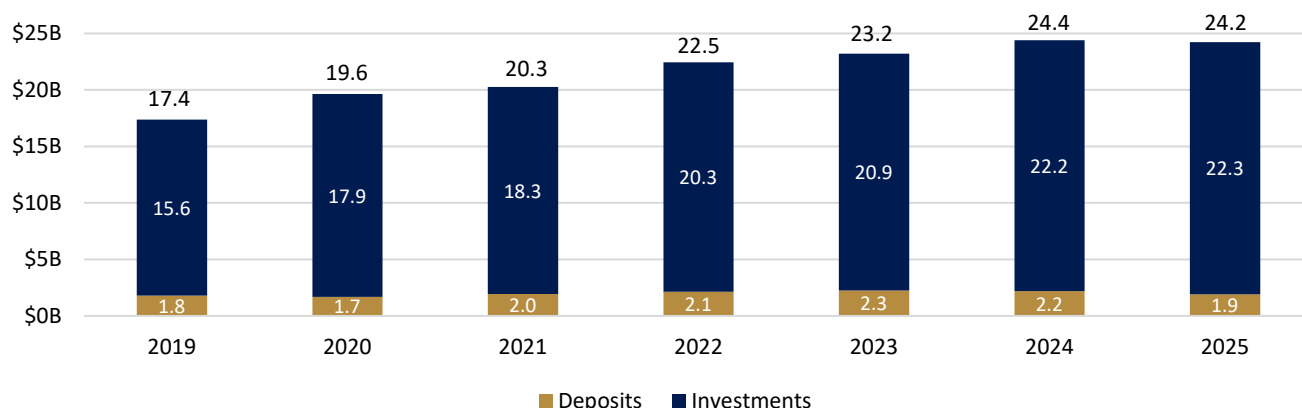
Growth of Deposits and Investments

All Public Entities

Between 2019 and 2025, total deposits and investments held by Utah's public entities increased from \$17.4 billion to \$30.5 billion, a nominal change of \$13.1 billion (75.3%) billion. After adjusting for inflation, statewide balances grew from \$17.4 billion to approximately \$24.2 billion in real terms, an increase of 39.1% (about \$6.8 billion in real growth).

¹⁰ Public Entity Survey. (2025) Utah Office of State Treasurer and Utah Office of State Auditor. Results available on the Governmental Asset and Investments Dashboard. Retrieved from <https://gai-dash-main-778714388561.us-west3.run.app/>.

Public Entity Deposits & Investments (Inflation Adjusted)



Source: Utah Office of State Auditor

Growth occurred in every major political subdivision (the state, cities and counties, LEAs, and special districts), indicating that higher balances are a statewide phenomenon rather than an effect driven by a small number of entities. Survey responses confirm this conclusion: the majority of entities of different sizes and governance structures reported holding larger balances in 2025 than in 2019.

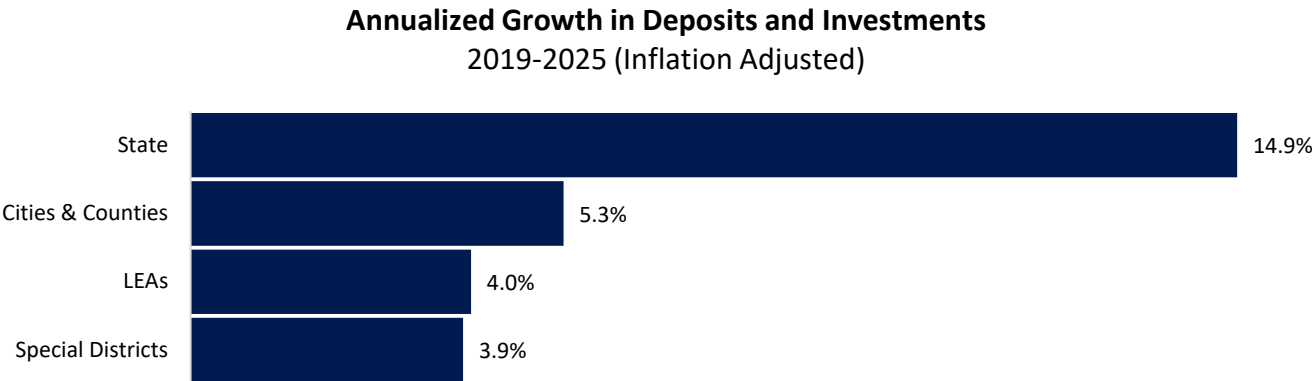
From an instrument perspective, both deposits and investments increased over the period analyzed, with investments growing at a much higher overall rate. Entities continued to rely on deposits (including demand deposits and traditional time deposits) for day-to-day liquidity, payroll, vendor payments, and short-term contingencies. At the same time, they increasingly placed more balances into Money Management Act-authorized investments (the PTIF and similar vehicles) that offer higher yields while preserving liquidity. By contrast, certificates of deposit and other less liquid deposit instruments were generally used where entities had clear project schedules and could afford to trade some liquidity for incremental return.

Explanations for Growth. Across sectors, survey responses identified a common set of themes explaining why deposits, investments, and unrestricted cash increased over this period:

- Temporary federal stimulus inflows during and after the COVID-19 pandemic, which boosted cash balances and, in some cases, freed up local funds for other purposes;
- Saving for capital and infrastructure projects, often over many years, to avoid or reduce bonding and to meet large construction and replacement needs, noting that with interest rates being at higher levels bonding for capital projects is less attractive;
- Conservative budgeting and risk management, including a preference to avoid long-term debt where possible and to maintain cushions for economic volatility, enrollment changes, or revenue risk;
- Stronger revenues in several sectors, sometimes augmented by both inflation and economic driven growth in tax bases;
- Higher investment earnings as interest rates increased, particularly through the PTIF and other Money Management Act-authorized instruments;
- Bond proceeds and debt-service timing, which temporarily raise balances while projects are underway or while funds are set aside to meet covenant requirements;
- Reimbursement-based federal and state programs that require entities to front cash and then wait for reimbursement;
- Pay and benefit increases necessary to stay competitive;
- Higher or lower URS pension liability (some see higher liability, others lower, varies annually); and
- Board-, statute-, or covenant-directed reserves that are held for specific, often long-term purposes.

Many respondents also commented on the appropriateness of their reserve levels, indicating that, as viewed from the perspective of their own missions, infrastructure obligations, and risk exposures, current balances are generally “about right,” even if they may appear high when viewed without context. At the same time, entities expressed concern that future inflation, economic downturns, or changes in federal and state funding could quickly alter that assessment.

Growth by Entity Type. All public entity groups across the state grew their deposits and investments from 2019 to 2025. However, there is wide dispersion between the various categories. The Annualized Growth in Deposits and Investments chart shows this discrepancy, with the state growing significantly over the seven year period, relative to the other public entities. The following analysis dives deeper into each category to explore the drivers of growth in deposits and investments, beginning with the state, cities and counties, LEAs, and finally, special districts.



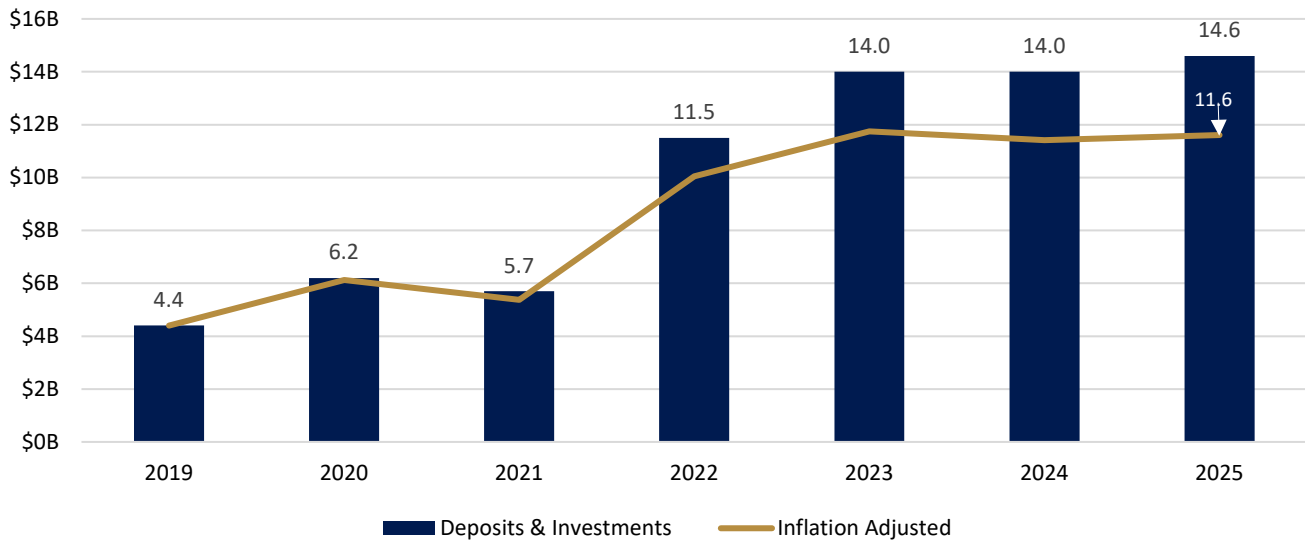
State of Utah

Between 2019 and 2025, deposits and investments held by the state grew from \$4.4 billion to \$14.6 billion, an increase of 231.8% in nominal terms, or 18.7% annual growth. When expressed in constant 2019 dollars, the 2025 total represents \$11.6 billion, a 163.6% increase in real (inflation-adjusted) terms, or a 14.9% annual increase. This dramatic difference illustrates how much of the increase reflects real expansion rather than inflation alone.

Although state agencies did not participate in the survey, extensive information from statutory stabilization mechanisms, ACFR data, and revenue patterns provides a clear picture of the forces driving growth. These sources show that state-level balances rose due to Utah’s consistently conservative fiscal posture, multi-year appropriations, and the timing features of federal funding.¹¹

¹¹ Interpretations draw on multiple sources, including: [ACFRs for FY 2019–2024](#) (general and education fund revenue patterns, federal funds timing, multi-year appropriations); the [debt affordability studies \(2019–2025\)](#); Utah Code §§ 63J-1-312 through 315 and §53-2a-603 governing automatic surplus deposits; and the Office of the State Auditor’s [Asset & Investments Data Explorer](#).

State Deposits & Investments



Source: Utah Office of State Treasurer

Overall Trends in State Balances. State-level deposits and investments are shaped by statutory and operational features that differ from those of local governments. Many accounts are legally restricted and tied to transportation, education, natural resources, and public safety. Others support multi-year appropriations for major capital projects, technology systems, or statewide infrastructure. Still others reflect federal reimbursement timing, which can temporarily elevate balances, or statutory stabilization mechanisms that automatically capture surpluses and build long-term reserves. As a result of these intersecting structures, 2025 balances were materially higher than in 2019, with the clearest indicator being the significant growth in the state’s stabilization funds over the period.

Stabilization Funds and State-Level Reserve Growth (2019–2025). Utah’s stabilization accounts (including the General Fund Budget Reserve Account, Income Tax Budget Reserve Account, Medicaid Stabilization Account, and Disaster Recovery Restricted Account) grew from just under \$700 million in 2019 to roughly \$1.49 billion in 2025, prior to year-end closeout, a 112.9% increase and an annual growth rate of 11.4%.¹²

2019–2020: Broad-Based Pre-Pandemic Growth. Balances increased steadily due to strong sales and income tax receipts, population and employment growth, and conservative budgeting practices that produced recurring operating surpluses.

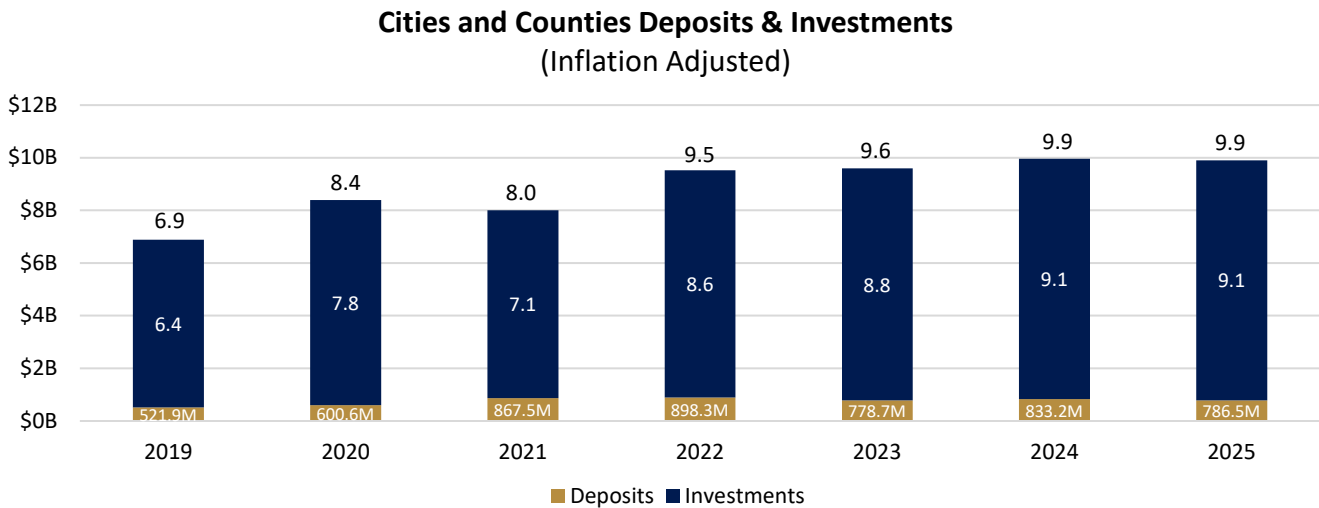
2020–2022: Extraordinary Revenue Gains. Despite the economic disruption of 2020, revenues rebounded quickly. Substantial federal stimulus (CARES, ARPA, unemployment enhancements, and direct payments), elevated demand for taxable goods and housing-related spending, inflation-driven increases in nominal sales tax collections, and robust wage growth all contributed to unusually strong receipts. These conditions generated large surpluses, leading to significant statutory deposits into stabilization funds and additional legislative appropriations. By 2022, combined balances exceeded \$1.2 billion, with notable increases in the Income Tax and Medicaid reserves.

¹² Stabilization-fund balances (General Fund Budget Reserve Account, Income Tax Fund Budget Reserve Account, Medicaid Rainy Day Fund, and Disaster Recovery Restricted Account) are derived from restricted-fund schedules in the State of Utah ACFRs (FY 2019–2024) and supporting fiscal-closeout reports published by the Governor’s Office of Planning and Budget. Estimates for 2025 reflect preliminary figures reported in the [2025 Debt Affordability Study](#).

2023–2025: Normalization with Continued Strength. As pandemic-era distortions receded, revenues moderated due to lower capital gains, structural income tax rate reductions, and the conclusion of federal stimulus programs. Even with this softening, the state budgeted conservatively, maintained spending below statutory limits, and continued to make required surplus deposits. Stabilization balances remained historically high, reaching \$1.5 billion in 2025.

Cities and Counties

Between 2019 and 2025, deposits and investments held by cities and counties increased from \$6.9 billion to \$12.5 billion in nominal terms (81.2% growth) and from \$6.9 billion to \$9.9 billion in real terms (43.5% growth, or about 5.3% annual real growth). These increases reflect a sustained upward trend in local-government reserve balances across the period.



Source: Utah Office of State Auditor

Overall Trends in Municipal and County Balances. Survey responses and ACFR/D&I data reveal that local governments held higher balances in 2025 than in 2019, although with notable year-to-year fluctuations based on the timing of capital projects and revenue collection cycles. Despite differences in size and structure, the consistent pattern is that municipalities and counties expanded their reserves over the period.

At the instrument level, municipalities and counties increased both deposits and investments. Deposits (including operating accounts and shorter-term instruments) are used to manage payroll, vendor payments, and cash-flow gaps between property-tax collections and ongoing expenditures. Investments grew somewhat faster, as local governments moved surplus funds into higher-yielding but still highly liquid vehicles. In 2020, many cities and counties followed the broader statewide pattern by shifting more temporarily into deposits before resuming investment growth.

Key Drivers of Cities and Counties’ Reserve Growth

Multi-Year Capital Projects and Infrastructure Needs. Cities and counties repeatedly cited long-term capital needs (roads, water and sewer systems, stormwater facilities, fire and public-safety stations, parks, and facility improvements) as the primary reason for higher balances. Many pursue “pay-as-you-go” strategies, deliberately building reserves over time to reduce or avoid bonding and to provide local match for grants. Some respondents noted that without multi-year savings, they would be unable to fund essential projects without substantial new debt.

Inflation and Construction Cost Escalation. Entities reported maintaining higher reserves due to uncertainty in construction markets and delays in bidding or contracting. Inflationary pressure on materials and labor made it necessary to expand capital reserves simply to keep planned projects viable at updated cost estimates.

Revenue Timing and Cash Flow Management. Cities and counties emphasized that property-tax receipts typically arrive late in the calendar year, requiring substantial balances on hand to cover operations in prior months. Reimbursement-based grants and fee-supported programs also require cash outlays before revenue is received, reinforcing the need for working capital held in deposits and short-term investments.

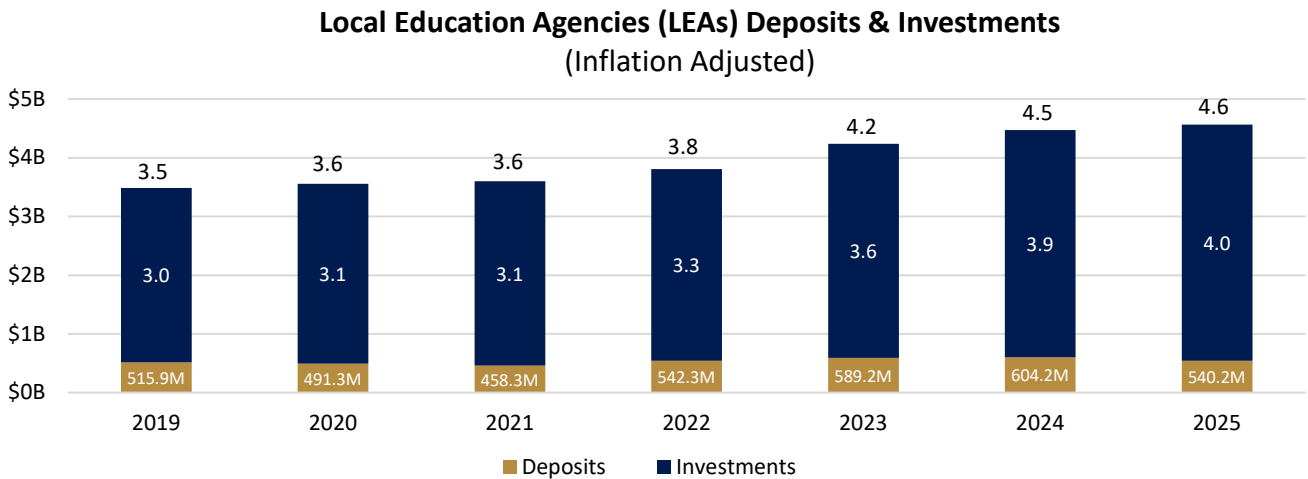
Debt, Bond Proceeds, and Credit Considerations. Several local governments reported elevated balances tied to bond proceeds held temporarily while projects were under design or construction. Others maintained higher liquidity to satisfy bond covenants or credit rating considerations and to reduce borrowing costs. In these cases, higher balances reflect capital-market requirements and project timing rather than unplanned surplus.

Conservative Budgeting, Stabilization, and Contingency Reserves. Many entities described adopting or strengthening reserve policies following the pandemic, inflationary pressures, or natural-disaster risks. Some explicitly noted a preference to avoid new debt where feasible, relying on accumulated reserves instead. PTIF earnings were often cited as a helpful but secondary support to overall liquidity. These policies resulted in higher deposits and investments over the period and are widely viewed by local officials as prudent rather than excessive.

Overall, the evidence shows that municipal and county balance growth reflects ongoing infrastructure responsibilities, conservative financial practices, reliance on investment income as a supplemental revenue source, and the timing structure of local revenues and capital spending.

Local Education Agencies (LEAs)

Between 2019 and 2025, LEAs, including both school districts and charter schools, saw a substantial rise in deposits and investments. On an inflation-adjusted basis, total deposits and investments increased from \$3.5 billion in 2019 to \$4.6 billion in 2025, an increase of \$1.1 billion, or 31.4% real growth (4.0% per year). In nominal terms, balances grew from \$3.5 billion to \$5.7 billion, an increase of about \$2.3 billion, or 62.9% over the period.



Overall Trends Within LEAs. Across LEAs, deposits and investments in 2025 were materially higher than in 2019, reflecting a combination of one-time funding and structural financial dynamics. Many districts and charter schools experienced noticeable spikes during 2021–2023 due to federal COVID-19 relief programs (ESSER, ARPA, GEER). Other entities reported steady multi-year increases resulting from conservative budgeting and deliberate accumulation of resources for capital projects. Some LEAs showed temporary declines during years with major construction activity, particularly when bond proceeds were spent rapidly, followed by rebuilding of reserves once those projects concluded. More broadly, recent years reflect a normalization of balances as LEAs shift from accumulation to implementation of capital and program plans. Instrument-level patterns reflect the same themes. LEAs increased both deposits and investments, with investments rising slightly faster overall. Survey responses indicate that many LEAs view their reserves as appropriate given their mission, risk profile, capital demands, and credit rating considerations, even when balances appear elevated without context.

Key Drivers of LEA Reserve Growth

Federal Stimulus and One-Time Funding. ESSER, ARPA, and related federal programs temporarily boosted LEA cash and investment balances. In many cases, these funds arrived before expenditures or covered costs that otherwise would have drawn on local revenues, allowing General Fund and other balances to accumulate. LEAs consistently emphasized that these effects were temporary and that balances have been declining as stimulus programs end.

Capital Projects, Infrastructure Needs, and Pay-As-You-Go Strategies. Capital planning is one of the strongest explanations for elevated balances. Survey responses and LEA presentations note long-term, multi-decade master plans that require saving over many years to build or replace schools; deliberate reserve accumulation to avoid or reduce future bonding; preparation for major maintenance, seismic retrofits, and security upgrades; and the strategic use of capital and capital-outlay funds to mitigate sudden tax increases. In these cases, higher balances reflect intentional, time-bound campaigns to prepare for known capital demands.

Bond Covenants, Credit Ratings, and Access to Capital. LEAs with bonded debt reported maintaining higher reserves to reduce borrowing costs and demonstrate financial strength. Minimum days-cash thresholds, reserve requirements embedded in bond covenants, and credit rating considerations all contribute to maintaining liquidity beyond day-to-day needs. Some entities noted that reserves are deliberately sized to support future bond proposals or to avoid adverse credit outcomes during enrollment or funding declines.

Enrollment, WPU Growth, and Program Expansion. Several districts and charter schools reported enrollment and WPU growth increased both revenues and costs and required expanded instructional and support services. LEAs noted that these operational demands do not inherently create additional reserves. Instead, reserve increases occurred for unrelated reasons, such as conservative budgeting, timing differences between federal revenue and expenditures, or delayed capital projects. For smaller districts and charter schools, reserves also serve as a buffer against enrollment volatility, which can affect funding sharply from year to year.

Compensation, Benefits, and URS Pension Dynamics. Compensation and benefits remain central cost drivers. LEAs highlighted the need to raise salaries and benefits to remain competitive. These higher salaries flow through to the Utah Retirement Systems (URS) pension liabilities and affect financial statements in ways that are not strictly cash-based. Reserves and liquidity help LEAs manage these uncertainties without abrupt staffing or program changes.

Conservative Budgeting and Risk Management. Many LEAs explicitly described a conservative budgeting posture. They cited cautious revenue and expenditure assumptions during periods of economic or policy uncertainty, a preference to avoid new debt when possible by using accumulated reserves for one-time needs,

and the desire to maintain stability despite enrollment or funding fluctuations. Several respondents acknowledged that they may have been “too conservative” in certain years but framed this as a deliberate strategy to avoid layoffs and preserve flexibility.

Interest Income. Higher interest rates in recent years boosted returns on PTIF and other authorized investments. LEAs often budget conservatively for investment earnings, so as interest rates rose actual returns exceeded expectations, providing additional liquidity for ongoing operations and capital plans. Although not the primary driver of reserve growth, interest income meaningfully accelerated increases during the rising-rate environment.

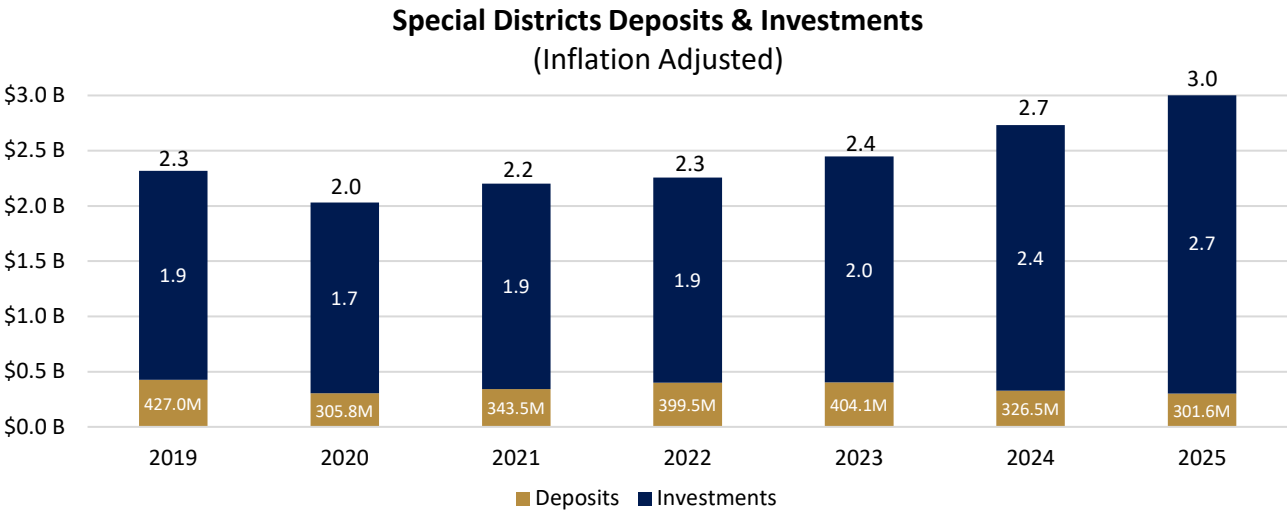
Stability, Cash Flow, and Property-Tax Timing. For school districts that rely heavily on property taxes, cash-flow timing is a critical factor. Because the fiscal year begins in July but major property-tax revenues are collected late in the calendar year, districts must hold substantial balances at fiscal year-end to meet payroll and operational needs. Without these balances, short-term borrowing or increased cash-flow risk would be unavoidable. LEAs emphasized that these balances serve as working capital rather than discretionary surpluses.

USBE-Designated and Board-Restricted Savings. Some portions of LEA reserves are designated for specific purposes, such as Utah State Board of Education (USBE) directives, board-approved reserves for economic stabilization, future capital, curriculum adoption, safety improvements, or matching requirements for federal or state grants. Even when classified as “unrestricted,” these funds are practically constrained by policy commitments.

Charter-School Self-Sufficiency and Lack of Taxing Authority. Charter schools emphasized that, without taxing authority, they must maintain higher reserves to ensure stability and satisfy bondholders, landlords, and other counterparties. Strong reserves help charter schools manage enrollment risk and funding changes without immediate program disruption.

Special Districts

Between 2019 and 2025, special districts, including water, sewer, fire, EMS, recreation, cemetery, and multi-county districts, experienced substantial growth in deposits and investments. Total balances increased from \$2.3 billion in 2019 to \$3.8 billion in 2025, a 65.2% increase in nominal terms, and from \$2.3 billion to \$3.0 billion in real terms, a 30.4% increase, equal to 3.9% annual real growth.



Source: Utah Office of State Auditor

Overall Trends in Special District Balances. Special districts typically operate with small administrative staffs, significant infrastructure responsibilities, and long-term funding cycles. These characteristics produce financial patterns distinct from those of general-purpose governments or school districts. Survey responses show balance growth across a wide range of districts, though the magnitude of increases varied depending on project timing. Investment balances increased by 42.1% between 2019 and 2025, with the strongest growth occurring from 2023 to 2025. Deposit balances fluctuated from year to year but declined overall by 29% during the same period.

Key Drivers of Special District Reserve Growth

Capital Intensity and Multi-Year Savings. Special districts consistently highlighted the capital-intensive nature of their operations. Many districts save over extended periods to fund major projects (such as facility upgrades, water or cemetery infrastructure, and road improvements) without issuing debt. Several boards have explicit policies to avoid bonding, resulting in deliberate multi-year accumulation of reserves to cover full project costs or to provide matching funds for federal or state grants.

Reimbursement-Based Funding and Cash-Flow Timing. Districts receiving grants reported maintaining higher balances because many programs require expenditures upfront before reimbursement. Respondents emphasized that reimbursement often lags by months, requiring districts to hold sufficient cash to cover ongoing work, contractor payments, or capital purchases during long project timelines.

Conservative Budgeting and Revenue Outperformance. Several districts attributed higher balances to conservative budgeting practices and actual revenues exceeding projections. This approach has allowed reserves to grow gradually while protecting operations against volatility or unforeseen needs.

Timing of Capital Projects and One-Time Grant Effects. Multiple responses noted that balances fluctuate depending on the timing of capital projects, federal capital-outlay grants, or deferred expenditures. Districts receiving large one-time grants explained that these inflows temporarily elevate balances and can distort financial ratios in the years in which they are received.

Board Philosophy Against Debt. A number of districts emphasized that their boards intentionally avoid issuing debt, which requires accumulating reserves over long periods to finance major improvements. This anti-debt philosophy is a major structural driver behind elevated balances.

Interest Earnings Supporting Reserve Levels. Although not the primary driver, several districts noted that higher yields on investments in recent years have modestly strengthened cash positions and Days Cash on Hand, supplementing other reserve-building practices.

Comparing Unrestricted Cash and Cash Equivalent Balances Across Government Types

In addition to deposit and investment balances, the task force reviewed trends in unrestricted cash and cash equivalents using data from the Governmental Asset & Investments Dashboard. The data show broad-based increases across nearly all government types between 2019 and 2024, with especially pronounced growth among general-purpose governments and education entities.

Highlight Table - Total Unrestricted Cash and Cash Equivalents by Government Type

Government Type	FY 2024	FY 2023	FY 2022	FY 2021	FY 2020	FY 2019
City	\$ 4,221,470,831	\$ 4,700,786,107	\$ 3,474,968,689	\$ 2,581,590,534	\$ 1,404,693,343	\$ 1,347,147,298
School District	\$ 3,791,445,041	\$ 3,270,430,893	\$ 3,177,245,490	\$ 3,074,332,260	\$ 2,898,512,225	\$ 2,790,450,435
County	\$ 2,430,412,527	\$ 2,437,320,207	\$ 2,234,085,184	\$ 2,077,548,054	\$ 1,381,898,867	\$ 1,246,176,907
Special District	\$ 1,703,408,856	\$ 1,660,717,892	\$ 1,572,884,369	\$ 1,364,834,362	\$ 1,183,719,991	\$ 968,142,938
Redevelopment Agency/Project Area	\$ 637,121,102	\$ 46,899,549	\$ 75,063,151	\$ 110,047,981	\$ 125,604,136	\$ 79,346,789
Charter School	\$ 361,405,721	\$ 328,880,887	\$ 282,989,521	\$ 256,155,970	\$ 236,072,514	\$ 200,310,789
Interlocal	\$ 340,381,591	\$ 366,555,237	\$ 270,634,902	\$ 317,734,680	\$ 278,207,683	\$ 252,430,613
Independent/Quasi-State Entity	\$ 271,305,584	\$ 268,686,668	\$ 430,178,940	\$ 328,722,899	\$ 192,557,972	\$ 129,766,028
Town	\$ 95,450,008	\$ 87,853,506	\$ 117,273,109	\$ 119,350,652	\$ 60,132,431	\$ 54,561,654
AOG	\$ 63,886,858	\$ 78,102,294	\$ 47,301,908	\$ 37,119,675	\$ 20,006,155	\$ 16,168,770
Housing	\$ 54,323,711	\$ 60,705,776	\$ 66,914,994	\$ 51,944,761	\$ 46,263,428	\$ 33,058,283
Non-Profits	\$ 22,509,066	\$ 1,277,444		\$ 1,803,506	\$ 40,929	\$ 20,154,720
Conservation District	\$ 3,785,284	\$ 3,787,547	\$ 3,922,382	\$ 4,053,636	\$ 1,962,888	\$ 1,494,945
District Health	\$ 2,427,525	\$ 2,058,763	\$ 2,152,116	\$ 2,077,029		
Non-Profit - URS Contributing	\$ 996,535					\$ 510,019
Educational Foundation or Component Unit	\$ 228,503		\$ 33,647,968	\$ 615,891	\$ 241,430	

Source: Utah Office of State Auditor, Governmental Asset & Investments Dashboard

Cities experienced the most substantial growth, rising from \$1.3 billion in 2019 to \$4.2 billion in 2024. School districts showed similarly large increases, with unrestricted cash and cash equivalents growing from about \$2.8 billion in 2019 to \$3.8 billion in 2024. County balances increased from \$1.2 billion in 2019 to \$2.4 billion in 2024.

Special districts, charter schools, redevelopment agencies/project areas, towns, interlocal entities, and other smaller categories showed steady but more moderate growth, generally rising in line with broader liquidity trends across the state.

Taken together, the data reflect a clear pattern: unrestricted cash and cash-equivalent balances grew materially across most government types between 2019 and 2024, with the largest increases concentrated among cities, school districts, counties, and other general-purpose or high-throughput entities. These trends mirror the growth observed in deposits and investments and reinforce the conclusion that statewide public-entity liquidity increased significantly over this period.

YOY Change Heat Table - Total Unrestricted Cash and Cash Equivalents by Government Type

Government Type	FY 2024	FY 2023	FY 2022	FY 2021	FY 2020
AOG	\$ (14,215,436)	\$ 30,800,385	\$ 10,182,234	\$ 17,113,520	\$ 3,837,385
Charter School	\$ 32,524,834	\$ 45,891,365	\$ 26,833,551	\$ 20,083,456	\$ 35,761,725
City	\$ (479,315,276)	\$ 1,225,817,418	\$ 893,378,155	\$ 1,176,897,190	\$ 57,546,045
Conservation District	\$ (2,263)	\$ (134,835)	\$ (131,254)	\$ 2,090,748	\$ 467,943
County	\$ (6,907,680)	\$ 203,235,024	\$ 156,537,130	\$ 695,649,187	\$ 135,721,960
District Health	\$ 368,761	\$ (93,353)	\$ 75,087		
Educational Foundation or Component Unit	\$ (33,419,465)		\$ 33,032,078	\$ 374,461	
Housing	\$ (6,382,065)	\$ (6,209,218)	\$ 14,970,233	\$ 5,681,333	\$ 13,205,145
Independent/Quasi-State Entity	\$ 2,618,916	\$ (161,492,272)	\$ 101,456,041	\$ 136,164,927	\$ 62,791,944
Interlocal	\$ (26,173,646)	\$ 95,920,335	\$ (47,099,778)	\$ 39,526,997	\$ 25,777,070
Special District	\$ 42,690,964	\$ 87,833,523	\$ 208,050,007	\$ 181,114,371	\$ 215,577,053
Non-Profit - URS Contributing	\$ 486,516				
Non-Profits	\$ 21,231,622	\$ (526,062)		\$ 1,762,577	\$ (20,113,791)
Redevelopment Agency/Project Area	\$ 590,221,553	\$ (28,163,602)	\$ (34,984,830)	\$ (15,556,155)	\$ 46,257,347
School District	\$ 521,014,148	\$ 93,185,403	\$ 102,913,230	\$ 175,820,034	\$ 108,061,790
Town	\$ 7,596,502	\$ (29,419,603)	\$ (2,077,543)	\$ 59,218,221	\$ 5,570,777

Table Legend: White is for values close to 0, Red is Positive Change, Blue is Negative Change.

Source: Utah Office of State Auditor, Governmental Asset & Investments Dashboard

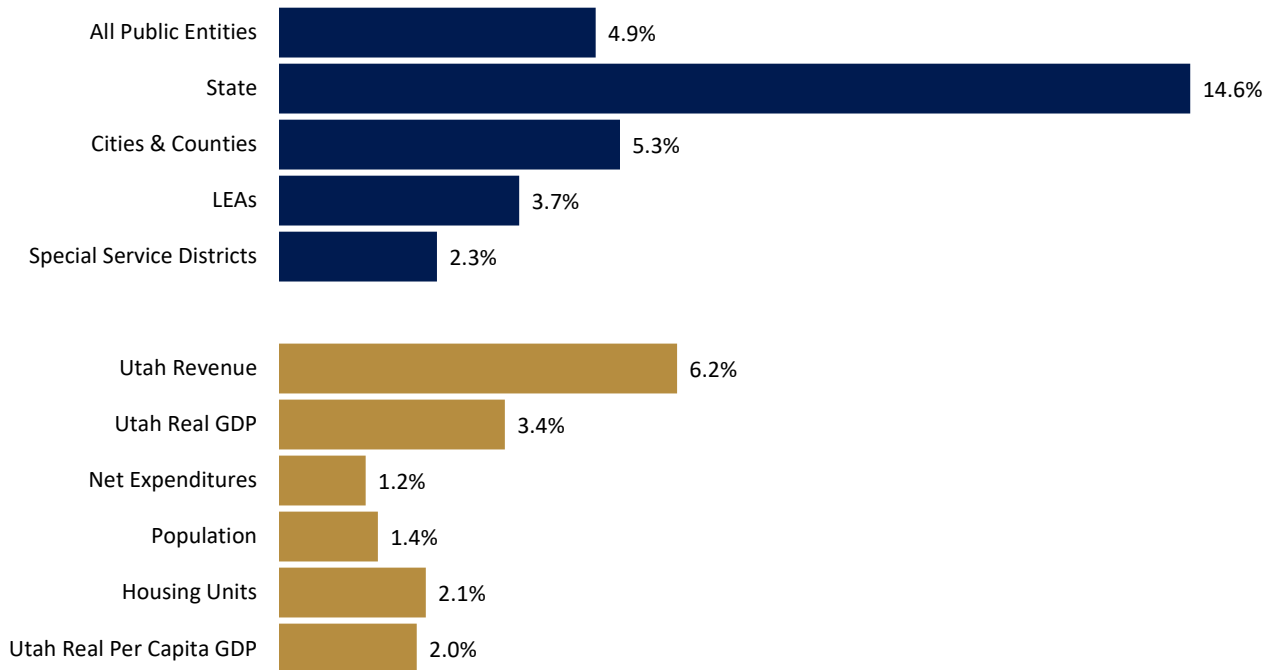
Growth Relative to Revenue, GDP, Expenditures, Population, and Housing Units

To better understand the forces behind changing reserve levels, the task force evaluated how reserves shifted relative to population growth, statewide revenue and expenditure trends, and broader economic conditions, including Utah's GDP performance and the pace of new housing construction, between 2019 and 2024. These comparisons are not intended to determine an appropriate reserve level, but instead to illustrate whether balance growth aligns with core operational pressures or reflects additional drivers.

During this period, Utah's population increased from 3,233,028 to 3,503,613, an increase of 8.4% (about 270,585 additional residents), or roughly 1.4% annual growth. Over the same period, the national Consumer Price Index (CPI-U) rose from 255.66 to 313.69, a 22.7% increase. In practical terms, a dollar in 2019 could purchase \$0.82 in 2024. Inflation of this magnitude substantially increased the cost of labor, construction, equipment, and materials for public entities, raising baseline funding needs even without expanded operations or service levels.

Utah's economy expanded over this period, though year-to-year GDP growth varied. These economic conditions influenced both revenue collections and public expenditures, providing important context for interpreting statewide reserve trends. However, because reserves outpaced growth in population, GDP, and expenditures, broader economic growth alone does not explain the increase in balances between 2019 and 2024.

Annualized Growth in Deposits and Investments 2019-2024 (Inflation Adjusted)



Sources: Utah Office of State Auditor, U.S. Census Bureau, and U.S. Bureau of Economic Analysis

All Public Entities

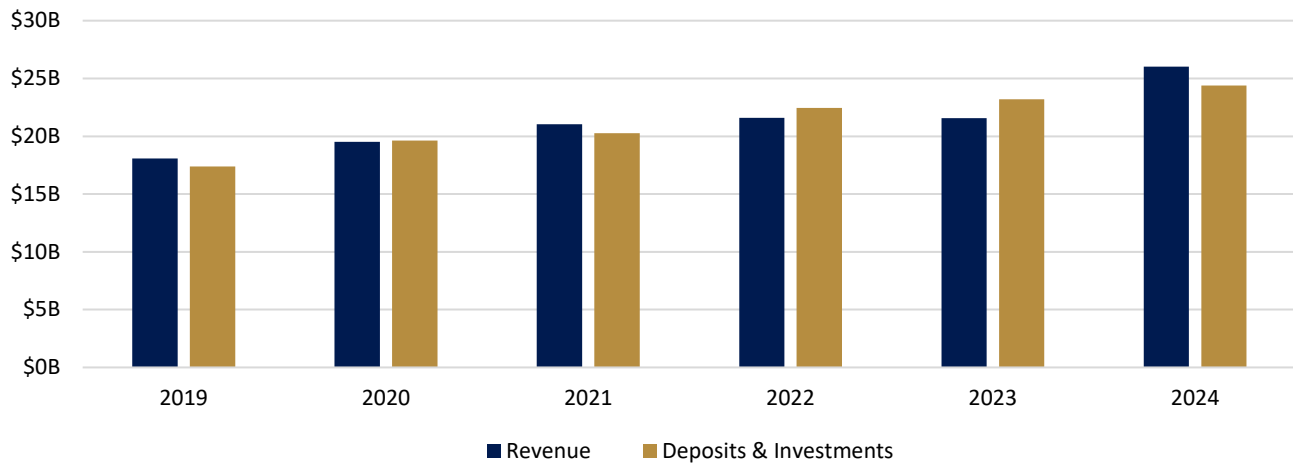
Deposits and investments across all public entities increased at a rate beyond what population growth or inflation alone would predict. After adjusting for inflation, total balances increased from \$17.4 billion in 2019 to \$24.4 billion in 2024, a 40.2% real increase (equivalent to \$7.0 billion in real growth), or approximately 4.9% annual real growth.

Nominal reserve growth was even more pronounced. Total deposits and investments rose from \$17.4 billion to \$29.9 billion, a 71.8% nominal increase (a gain of \$12.5 billion). The difference between the 71.8% nominal growth and the 40.2% real growth reflects the substantial inflationary environment, yet even after removing inflationary effects, statewide reserve accumulation remained far above operational cost pressures.

Revenue trends also help explain the increase in balances. Between 2019 and 2024, statewide revenues grew from \$18.1 billion to \$31.9 billion, a 76.2% nominal increase (an increase of \$13.8 billion). Public entities reported that portions of this revenue growth exceeded immediate spending needs, enabling them to strengthen reserves for capital plans, stabilization purposes, and anticipated future commitments. Entities also noted that federal stimulus timing and elevated interest earnings supported higher year-end balances.

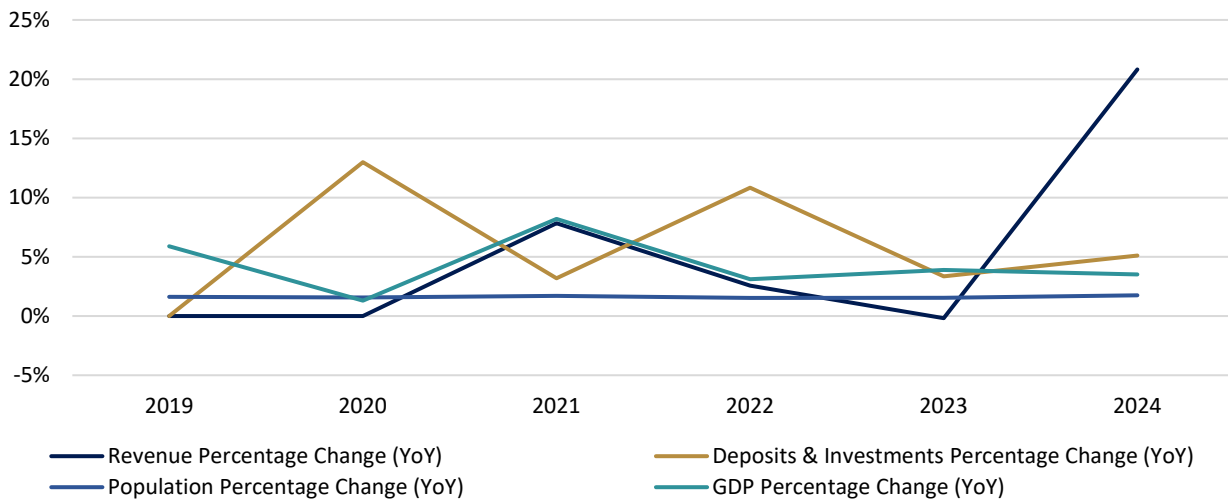
Taken together, these data indicate that statewide reserve growth from 2019 to 2024 cannot be attributed solely to population growth or inflation.

All Public Entities Revenue and Reserves (Inflation Adjusted)



Sources: Utah Office of State Auditor

All Public Entities Revenue, Reserves, Population & GDP (Inflation Adjusted)



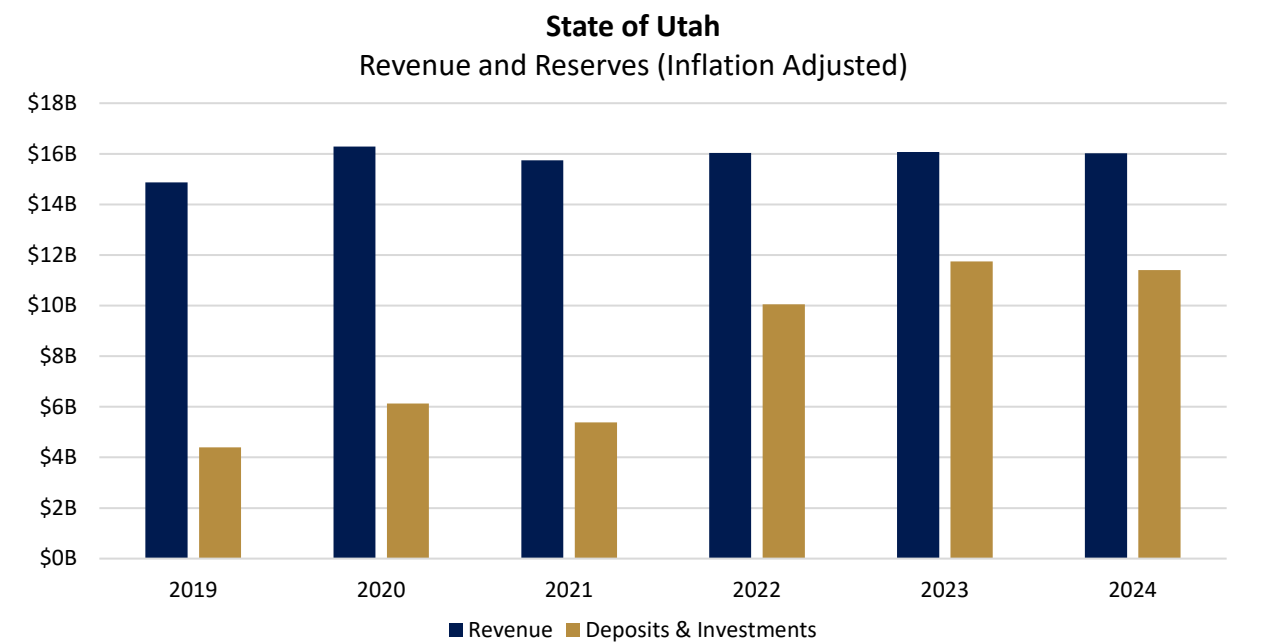
Sources: Utah Office of State Auditor, U.S. Census Bureau, and U.S. Bureau of Economic Analysis

State of Utah

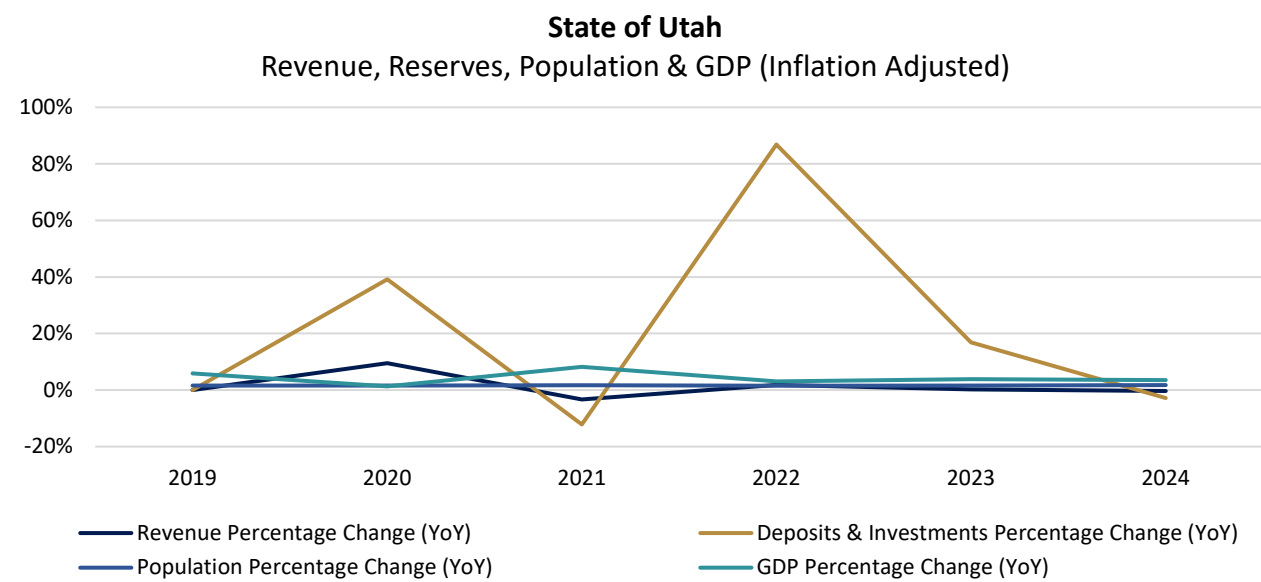
Between 2019 and 2024, the state experienced substantial and uneven growth in liquid deposits and investments, diverging significantly from the steadier trend in inflation-adjusted state revenues. After adjusting for inflation, state revenue increased from \$14.9 billion in 2019 to \$16.0 billion in 2024, a 7.4% real increase over the five-year period. Year-to-year changes were modest and relatively stable, ranging from a high of +9.5% in 2020 to a low of -3.3% in 2021, reflecting the incremental nature of state appropriations, economic activity, and federal pass-through funds. In contrast, reserves grew from \$4.4 billion in 2019 to \$11.4 billion in 2024 (after adjusting for inflation), a 159.1% increase.

There were large swings in reserve growth, after adjusting for inflation, potentially reflecting multi-year capital and infrastructure appropriations and one-time federal funds, rather than operational changes tied to

population or revenue. Even after accounting for inflation, population, and GDP, growth in state reserves far exceeded what would normally be required to maintain liquidity or meet cost escalation.



Sources: Utah Office of State Auditor



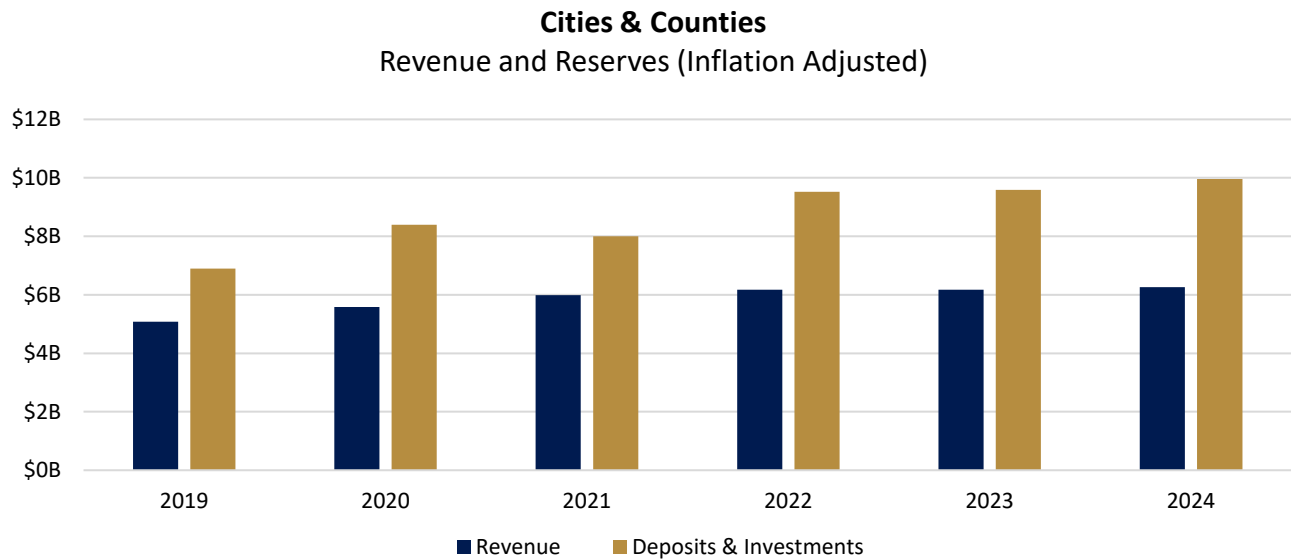
Sources: Utah Office of State Auditor, U.S. Census Bureau, and U.S. Bureau of Economic Analysis

Cities and Counties

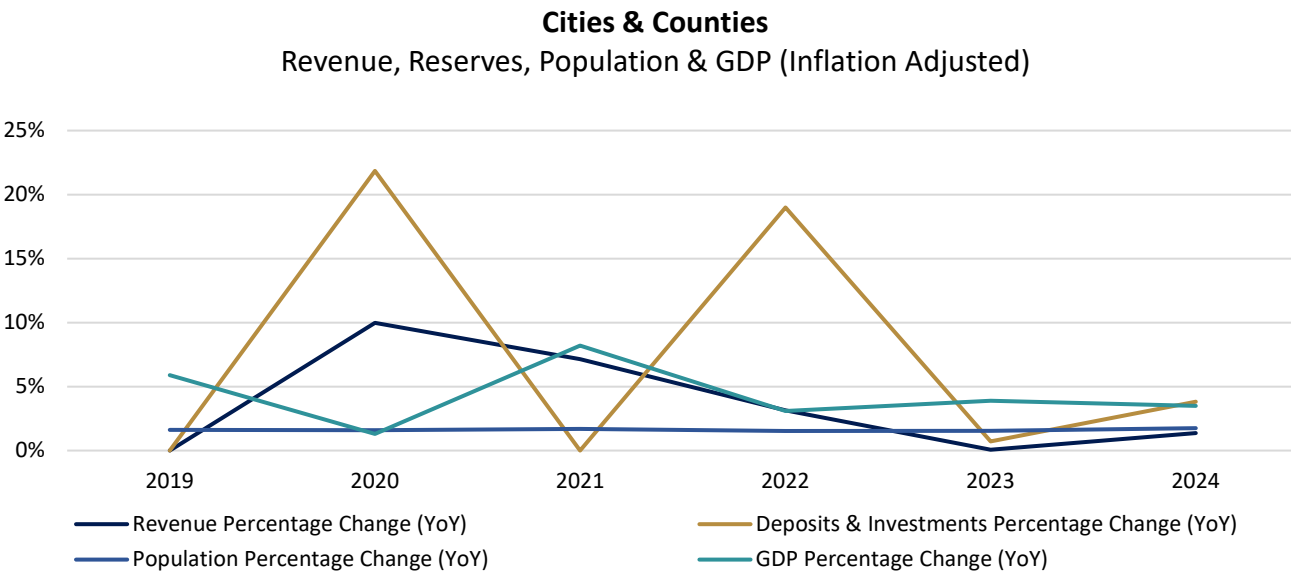
Between 2019 and 2024, cities and counties experienced substantial growth in deposits and investments, although the pattern fluctuated year to year. Deposits and investments rose from \$6.9 billion in 2019 to \$10.0 billion in 2024, an increase of 44.9% over the period. This growth significantly exceeded the cumulative population increase of 8.4% and tracked well above statewide GDP growth in four of the six years. Even after the temporary decline in reserves 2021 (a 4.6% decrease), balances rebounded sharply in 2022 with a nearly 19% increase, followed by steady expansion in 2023 and 2024.

City and county revenues also grew, rising from \$5.1 billion in 2019 to \$6.3 billion in 2024, an increase of 23.5%. Revenue growth helped support higher balances, especially in years when revenue outpaced both GDP and population growth. However, revenue gains consistently lagged behind the pace of deposit and investment growth, indicating that balance increases cannot be attributed solely to higher revenues.

Taken together, the data show that city and county balance growth reflected a combination of factors, including stronger-than-expected revenues, delayed or phased capital spending, higher investment earnings, and federal stimulus, rather than simple responses to population growth or inflationary cost increases.



Sources: Utah Office of State Auditor

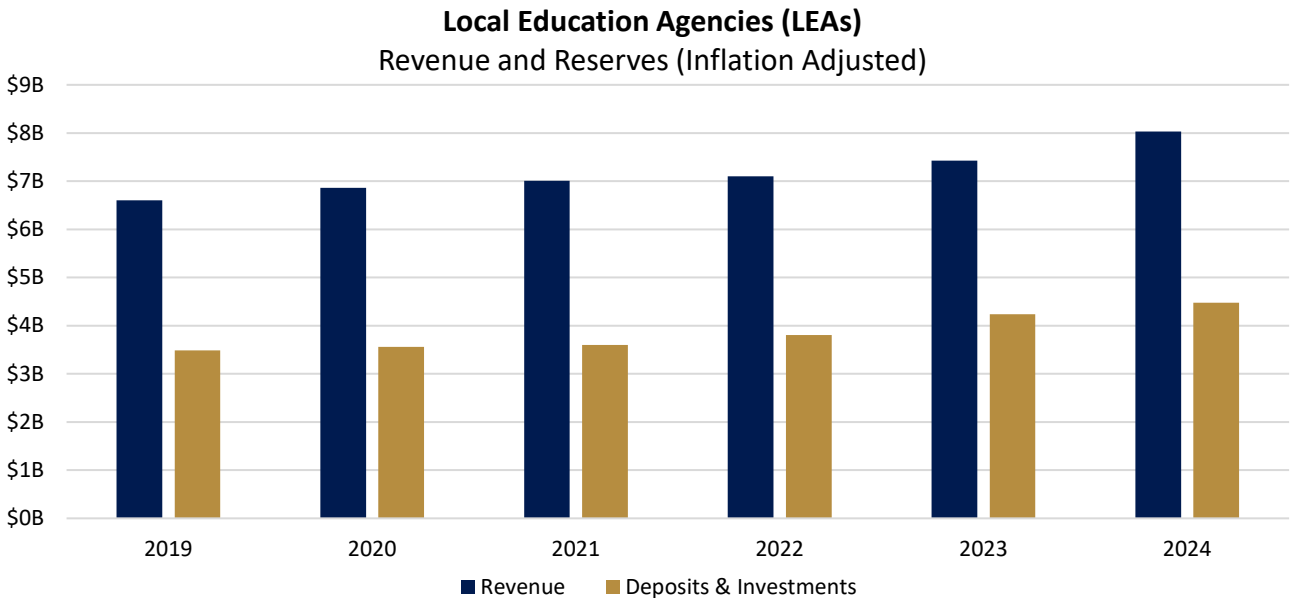


Sources: Utah Office of State Auditor, U.S. Census Bureau, and U.S. Bureau of Economic Analysis

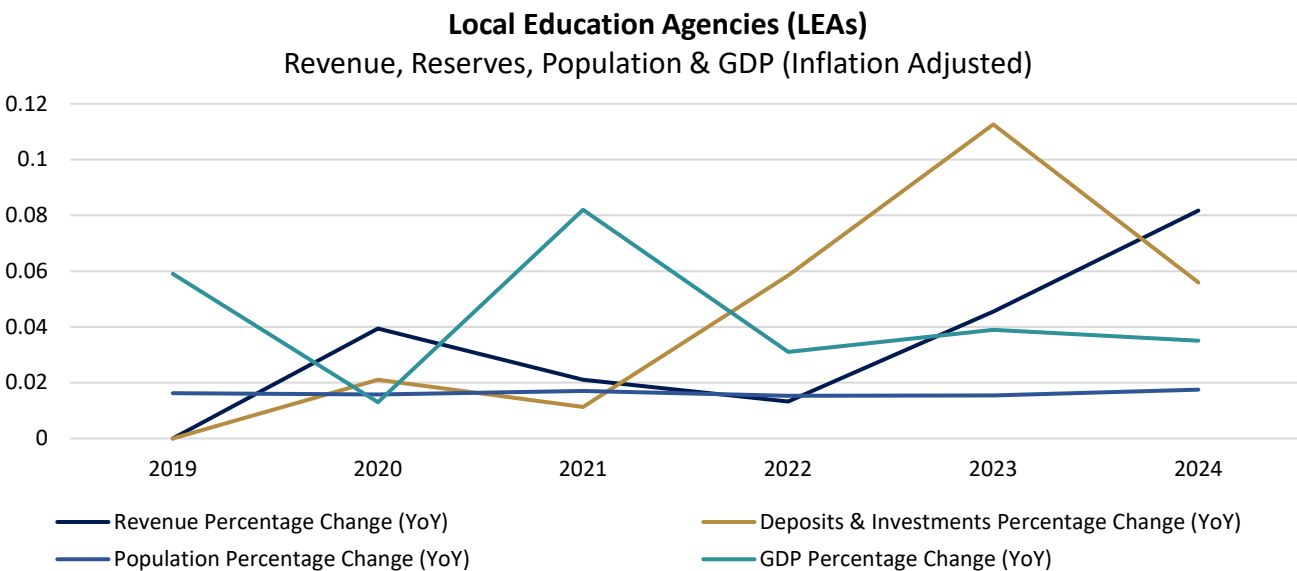
Local Education Agencies (LEAs)

LEAs experienced steady growth in both revenues and reserve balances between 2019 and 2024, though the pace of growth varied across years. After adjusting for inflation, LEA revenues increased from approximately \$6.6 billion in 2019 to \$8.0 billion in 2024, an overall real increase of 21.2%. Annual revenue growth ranged from modest increases of 1-4% in most years to a stronger 8.2% increase in 2024.

Deposits and investments held by LEAs increased at a generally faster rate than revenues. Balances rose from \$3.5 billion in 2019 to \$4.5 billion in 2024, a 28.6% increase overall. Year-over-year growth was particularly strong in 2023 (11.3%) and 2024 (5.6%). Although statewide population growth affects school enrollment only indirectly, LEAs continued to navigate shifts in student populations, with some districts experiencing increased enrollment and others experiencing plateauing or declining counts.



Sources: Utah Office of State Auditor



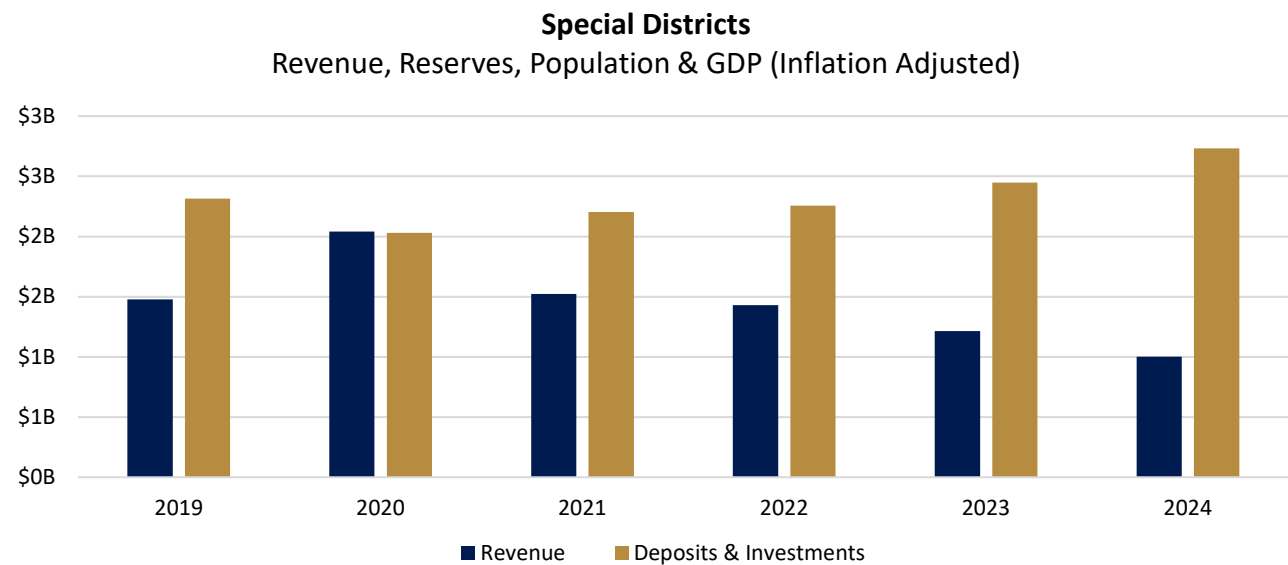
Sources: Utah Office of State Auditor, U.S. Census Bureau, and U.S. Bureau of Economic Analysis

Special Districts

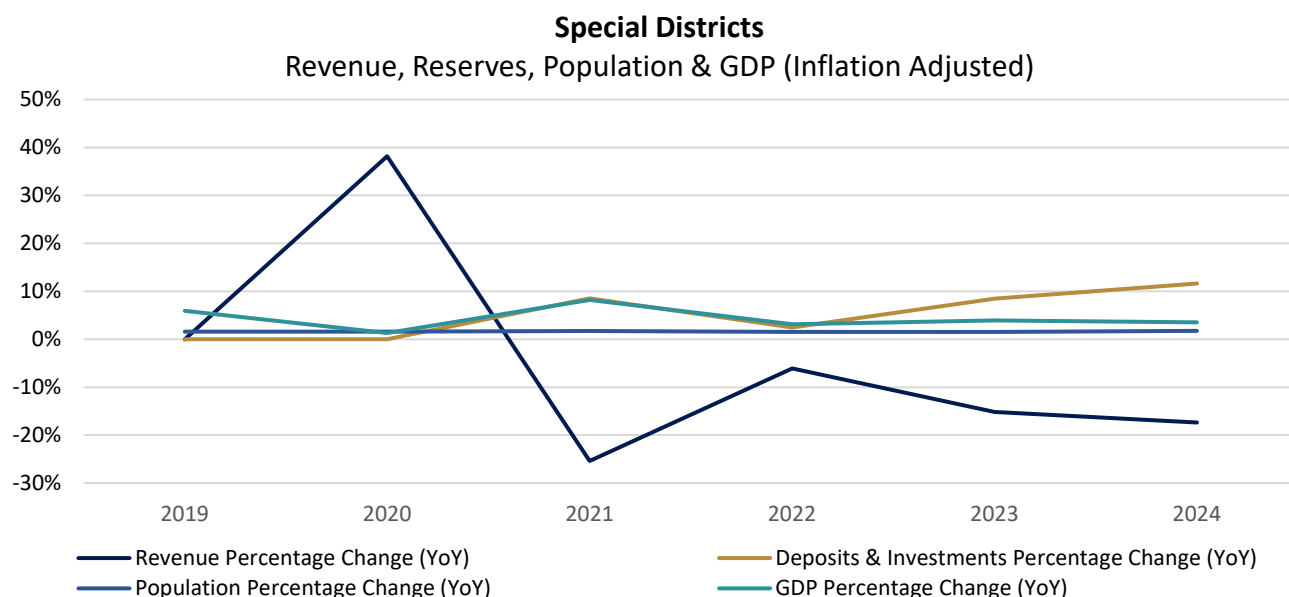
Special districts exhibit financial patterns distinct from cities, counties, and LEAs due to their mission and structure. These districts are typically small, capital-intensive entities that manage essential infrastructure (such as water, sewer, fire protection, and flood control) where costs arise in large, irregular intervals. Because many districts lack the administrative capacity to issue debt or prefer to avoid borrowing, they often build reserves over long periods to finance major projects, meet matching requirements for federal grants, or fund upfront costs before reimbursement. As a result, their year-to-year revenues and balances frequently fluctuate more than those of other public entities.

Inflation-adjusted deposits and investments increased from \$2.3 billion in 2019 to \$2.7 billion in 2024, a growth of roughly 17.4% (approximately \$400 million). Year-to-year changes varied considerably, including a decrease of 12.4% in 2020, followed by increases of 8.5% in 2021, 2.5% in 2022, 8.4% in 2023, and 11.6% in 2024. Despite volatility in individual years, the overall trend shows steady, long-term reserve accumulation consistent with multi-year capital planning. Revenues showed much sharper swings.

Between 2019 and 2020, inflation-adjusted revenue rose from \$1.5 billion to \$2.0 billion, an increase of 33.3%, almost entirely due to a one-time \$386.7 million capital contribution from the U.S. Department of the Interior to the Emery Water Conservancy District, whose normal annual revenue is roughly \$2.7 million. After this anomaly, revenues declined each year, including a decline of 25.4% in 2021, 6.1% in 2022, 15.1% in 2023, and 17.4% in 2024, reaching \$1.0 billion by 2024.



Sources: Utah Office of State Auditor



Legal, Regulatory, and Credit Framework Governing Public Reserves in Utah

Utah’s public entities operate within a well-defined legal and financial structure that governs how reserves are managed, invested, categorized, and deployed. This framework includes statewide investment rules, entity-specific statutory limits on certain categories of fund balance, national accounting standards that determine how reserves are classified, and credit rating practices that shape how external stakeholders evaluate financial strength. Together, these elements provide a framework to protect public funds while still giving governments the flexibility to plan for capital projects, navigate economic uncertainty, and maintain fiscal stability.

Utah Money Management Act

At the center of reserve governance is the Money Management Act (Utah Code Title 51, Chapter 7), which applies to every public entity in the state, unless explicitly exempted, including the state, counties, cities, school districts, charter schools, and special districts. The Act establishes the order of priorities that governs all public-fund investment decisions: safety of principal first, liquidity second, and yield third. These priorities are expressed through a constrained set of permissible investments that emphasize high-quality, short-duration fixed-income investments such as U.S. Treasuries, federal agencies, highly rated commercial paper, and the PTIF. Only a small number of long-term investment pools are exempt from the Act reflecting their higher risk tolerance and goal of growth over a longer time horizon.

Statutory Limits on Certain Reserves

In addition to investment restrictions, Utah law establishes limits on specific components of fund balances for many types of public entities. These limitations are designed to prevent excessive accumulation of unassigned cash in operating funds, while still allowing substantial savings for capital projects, debt service, stabilization needs, and legally restricted purposes.

For cities and towns, Utah Code §10-6-116 and §10-5-112 limit the unassigned General Fund balance to between 5% and 35% of estimated revenues, depending on local circumstances. Counties operate under Utah Code §17-36-17, which generally caps their unassigned General Fund balance at between 5% and 20% of total estimated revenues. Local Education Agencies are subject to Utah Code §53G-7-304, which authorizes an “undistributed reserve” of up to 5% of the General Fund budget that may be accessed only through formal board action, effectively making it a committed stabilization reserve under accounting standards. At the state level, the General Fund Budget Reserve Account, the Income Tax Fund Budget Reserve Account, the Medicaid Growth Reduction and Budget Stabilization Account, and the Disaster Recovery Restricted Account are governed by Utah Code §§ 63J-1-312 through 63J-1-315, which prescribe surplus deposit formulas and establish statutory caps.

Special districts are subject to the general budgeting statutes in Titles 17B and 17D. These laws limit the unrestricted carryforward available in operating funds but allow districts to maintain capital, debt service, and designated stabilization reserves when required by statute, board policy, grant agreements, or bond documentation.

Importantly, each of these limits applies only to discrete components of the General Fund, primarily the unassigned or undistributed portion. Utah law does not impose an overall cap on total cash or investments, nor does it restrict the ability of entities to maintain board-designated or statutorily assigned reserves for capital, stabilization, grant matching, curriculum cycles, or other long-term needs. This statutory structure explains why entities can comply fully with legislative limits while maintaining balances at levels that are appropriate for their operations, credit profile, and long-term planning responsibilities.

Reserve Classification Under GASB Standards

Reserve classification is governed by the Governmental Accounting Standards Board (GASB), which establishes the framework that determines how fund balances are categorized and reported. GASB distinguishes between restricted reserves, which are bound by external legal or contractual obligations; committed reserves, which can be used only through formal action by the governing board; assigned reserves, which are designated for specific purposes but do not require formal board action; and unassigned reserves, which represent the most flexible portion of fund balance.¹³

When rating agencies evaluate a public entity’s financial position, they do not limit their analysis to the statutory stabilization reserves described above. Instead, they look at the full sum of committed, assigned, and unassigned reserves as defined by GASB. This broader definition means that Utah’s statutory restrictions on unassigned fund balance do not constrain an entity’s ability to demonstrate strong liquidity to the credit markets. Committed and assigned reserves, such as those held for self-insurance, facility needs, curriculum cycles, or multi-year capital planning, are fully counted in the liquidity ratios that rating agencies evaluate.

Credit Rating Considerations for Liquidity and Fund Balance

Credit rating agencies, including Moody’s, S&P, and Fitch, place significant weight on the availability, flexibility, and adequacy of reserves when evaluating public-sector credit quality. Moody’s, for example, typically associates reserve levels of roughly 25% of annual revenues with its highest rating category, Aaa, although expectations vary by sector, size, and revenue structure. Agencies emphasize that healthy reserves reduce the

¹³Governmental Accounting Standards Board, Statement No. 54: Fund Balance Reporting and Governmental Fund Type Definitions (February 2009). Available at: <https://gasb.org/page/ShowPdf?path=GASBS+54.pdf&title=GASB+STATEMENT+NO.+54,+FUND+BALANCE+REPORTING+AND+GOVERNMENTAL+FUND+TYPE+DEFINITIONS>.

likelihood of short-term borrowing, increase financial flexibility during economic downturns, and signal disciplined long-term financial planning.¹⁴

Key Moody's Benchmarks¹⁵

Sub-factor	Sub-factor Weight	Aaa	Aa	A	Baa	Ba	B	Caa	Ca
Available Fund Balance Ratio (Available Fund Balance / Operating Revenue) ^{*4}	20%	≥ 25%	17.5 - 25%	10 - 17.5%	5 - 10%	0 - 5%	(5) - 0%	(10) - (5)%	< (10)%
Net Cash Ratio (Net Cash / Operating Revenue) ^{*5}	10%	≥ 25%	17.5 - 25%	10 - 17.5%	5 - 10%	0 - 5%	(5) - 0%	(10) - (5)%	< (10)%

*4 For the linear scoring scale, the Aaa endpoint value is 50%. A value of 50% or better equates to a numeric score of 0.5. The Ca endpoint value is (17.5)%. A value of (17.5)% or worse equates to a numeric score of 20.5.

*5 For the linear scoring scale, the Aaa endpoint value is 50%. A value of 50% or better equates to a numeric score of 0.5. The Ca endpoint value is (17.5)%. A value of (17.5)% or worse equates to a numeric score of 20.5.

Source: Moody's Investors Service

A key dynamic emerges when Utah's statutory reserve limits are viewed alongside these credit rating standards: the legal caps on certain reserve categories are far below the levels that rating agencies consider indicative of strong credit quality. For example, LEAs are limited to a 5% undistributed reserve in statute, and municipalities may hold no more than 20-35% of estimated revenues in unassigned fund balance. Yet, entities routinely exceed rating agency benchmarks because credit analysts evaluate total available liquidity, not merely the portion designated as a statutory stabilization fund.

Committed and assigned reserves (such as capital outlay funds, board-designated stabilization accounts, and grant-matching reserves) are included in those calculations, allowing entities to maintain liquidity well above statutory caps while remaining compliant with Utah law.

Key Moody's Benchmarks

	Aaa .5 - 1.49	Aa 1.5 - 4.49	A 4.5 - 7.49	Baa 7.5 - 10.49	Ba 10.5 - 13.49	B & Below ≤ 13.5
Median Household Income	≥ 120%	120% > n ≥ 100%	100% > n ≥ 80%	80% > n ≥ 65%	65% > n ≥ 50%	< 50%
Enrollment Trend	4% ≤ n ≥ 2%	2 > n ≥ 0% or n > 4%	0% > n ≥ -2%	-2% > n ≥ -5%	-5% > n ≥ -8%	< -8%
Fund Balance/Revenue	≥ 25%	25% ≥ n > 17.5%	17.5% ≥ n > 10%	10% ≥ n > 5%	5% ≥ n > 0%	< 0%
Net Cash/Revenue	≥ 25%	25% ≥ n > 17.5%	17.5% ≥ n > 10%	10% ≥ n > 5%	5% ≥ n > 0%	< 0%
Institutional Framework	All governments in Utah receive a score of 3 on this factor because the bulk of revenues are state controlled. State revenue control is offset by the ability to raise significant revenues through local sources (property taxes) and due to the State's history of consistent funding increases.					
Long-term Liabilities/Revenue	≤ 125%	125% < n ≤ 250%	250% < n ≤ 400%	400% < n ≤ 550%	550% < n ≤ 700%	> 700%
Fixed Costs/Revenue	≤ 15%	15% < n ≤ 20%	20% < n ≤ 25%	25% < n ≤ 30%	30% < n ≤ 35%	> 35%

Source: Zions Public Finance based on Moody's Investors Service Score Card

This distinction is one reason Utah consistently achieves among the strongest credit ratings in the nation. The statutory structure encourages transparency and prevents excessive unrestricted accumulation, but it does not interfere with an entity's ability to maintain the robust liquidity levels demanded by capital markets. As long as total reserves (committed, assigned, and unassigned) provide adequate financial flexibility, rating agencies consider Utah entities well-positioned, even when statutory stabilization funds represent only a small portion of their total cash and investments.

¹⁴ Moody's Investor Services. Rating Methodology: US Cities and Counties Available at: https://ma.moodys.com/rs/961-KCJ-308/images/PBM_1401434.pdf#:~:text=Rating%20approach.%20In%20this%20rating%20methodology%2C%20we,visibility%20into%20these%20risks%20and%20mitigants%20permits.

¹⁵ Source: Moody's Investors Service, moodys.com/k12

How the Framework Operates Across Sectors

The combined effect of the Money Management Act, entity-specific statutory reserve limits, GASB classification rules, and credit rating considerations creates a system that governs all public entities in Utah while allowing for considerable variation in operational needs. State agencies rely heavily on dedicated and restricted accounts tied to statutory programs and federal funding cycles. Cities and counties balance statutory limits with large capital reserves held in capital projects funds and enterprise operations. LEAs use a mix of committed and assigned reserves to manage capital replacement cycles, stabilization policies, curriculum adoptions, and employment-related costs. Special districts rely on multi-year savings for infrastructure-intensive operations and often maintain substantial capital and replacement reserves due to limited administrative capacity and the scale of their long-term obligations.

Across all sectors, the same principles apply: reserves must be invested safely under the Money Management Act, must be reported in accordance with GASB standards, must remain within statutory limits for unassigned or undistributed General Fund balances, and must be sufficient to meet the liquidity and financial-strength expectations of the credit markets.

Economic Effects of Placing Additional Public Deposits in Utah Banks and Credit Unions

The task force evaluated an analytical study conducted by the University of Chicago and Tur Partners that examined whether placing a portion of Utah's public reserves in Utah-based depository institutions could generate measurable local economic benefits.¹⁶ The study assessed whether higher public deposits would translate into additional in-state lending and whether the resulting economic activity could offset the lower investment yields typically associated with bank deposits compared with other authorized instruments.

Across the written report and briefings to the task force, the research team emphasized a central finding: no state has yet conducted a controlled, empirical evaluation of whether public deposits actually generate additional local lending, placing Utah in a unique position to test a concept that has only been modeled theoretically. The key question is not whether public deposits could stimulate lending in principle, but whether additional deposits would, in practice, translate into measurable increases in Utah-based loans.

Findings of the Analytical Model

The study presented two types of theoretical modeled scenarios. In an "ideal" or low-friction environment (one in which public deposits placed in Utah banks were fully converted into loans to Utah borrowers and the resulting economic activity remained largely in-state), the model produced a positive net economic effect. In this scenario, the increase in local income, business activity, and tax revenue more than offset the interest-rate disadvantage of placing deposits in banks rather than in PTIF-eligible securities. This idealized scenario relies on assumptions of near-perfect in-state loan origination and reinvestment, an outcome that is not likely replicable. More conservative or stressed scenarios, assuming lower levels of incremental lending and incorporating typical levels of participation sales, inter-state lending, and operational frictions, produced much smaller economic gains or even net losses. The decisive variable in this analysis is the degree of incremental Utah lending. Without

¹⁶ Daley, P. R., Stisser, M. H., Mueller, L. E., & Srivastava, N. (2025). Potential Economic Impact of PTIF Funds on Bank Deposits. Tur Partners and University of Chicago. Retrieved from https://treasurer.utah.gov/wp-content/uploads/Economic-Effects_of-Public-Fund-Investment_-Utah.pdf.

a meaningful level of new in-state loan origination, additional deposits would not produce measurable economic benefits. That means that Utah banks and credit unions would need to ensure direct reinvestment back within the state in the local economies, not out-of-state bank interests.

A well-designed pilot can measure whether increased deposits translate into expanded Utah-based lending and the broader economic gains identified in the economic analysis. As outlined in the study, when banks convert incremental deposits into new loans within Utah communities, those loans can increase local business investment, household consumption, and community development activity, producing measurable multiplier effects in the state economy.¹⁷ If participating banks achieve at least a 20% local-deployment rate, the model suggests that new lending could generate higher personal income, expanded small-business activity, and strengthened local credit markets, with those gains cycling back into the state through increased state and local tax revenues.¹⁸ For example, under conservative assumptions, \$100 million in deposits could generate approximately \$128 million in new lending activity and an estimated \$12.9 million in additional tax revenue as income circulates through Utah's economy.¹⁹ Beyond tax revenue, the report notes that this increased lending capacity can support business expansion, job creation, household financial stability, and long-term economic resilience for Utah residents.²⁰

Context from Utah's Banking and Credit Union Sectors

The study also reviewed broader sector data, drawn from FDIC call reports, Utah's economic dashboards, and national lending trends, to evaluate whether Utah banks have the capacity to absorb and deploy additional public deposits. Utah banks were shown to be well capitalized, resilient, and operating in one of the strongest state economies in the nation. Bank assets and deposits have grown consistently since 2007, with a pronounced surge in public deposits since 2020. At the same time, Utah mirrors national patterns in which commercial and industrial lending has grown more slowly relative to rapidly expanding private-credit markets. These structural features suggest both potential and constraints: Utah banks are healthy and active lenders, yet broader market forces may limit how much additional lending is driven solely by added public deposits.

Summary of Task Force Discussion

Task Force members engaged extensively with the study's core findings, seeking to understand both the opportunities and the practical constraints. Multiple members emphasized the challenge of verifying whether deposits would actually support new local lending. Federal reporting does not break out loan geography, meaning Utah cannot currently confirm what share of a bank's lending stays in-state. The Department of Financial Institutions noted that this could be addressed with a modest new reporting measure, such as a self-reported "local-loan-to-total-loan" ratio to demonstrate an institution's relative level of in-state lending activity, if policymakers chose to pursue it. However, members also discussed the fungible nature of deposits and the difficulty or impossibility of specifically tracking or reporting how a particular deposit is deployed by a financial institution. Members also stressed that if public deposits were placed at yields lower than other permissible investments, it would be essential to demonstrate that those deposits produced additional economic activity. Additionally, concerns were expressed about potentially incentivizing behavior that loosens underwriting standards to drive profitability.

¹⁷ Ibid., 3–4, 20–21, 23–24.

¹⁸ Ibid., 3–4, 20–21.

¹⁹ Ibid., 4.

²⁰ Ibid., 4.

Several members noted that Utah’s expanded public balances in recent years may present an opportunity to strengthen local lending, but that any policy must avoid directing credit to specific sectors or projects. Instead, any approach must preserve free-market lending, bank-level risk management, and regulatory compliance. Others noted the risk of geographic concentration and the need to preserve liquidity, though the presenters explained that Utah banks can offset such risk through participations or secondary-market sales.

Existing State Program

The Office of State Treasurer operates a longstanding deposit program that supports Utah banks and credit unions. The PTIF offers eligible institutions, “Qualified Depositories” according to the Department of Financial Institutions, wholesale funding at A2/P2 Financial Services Commercial Paper rates. The PTIF will purchase a certificate of deposit from an eligible bank or credit union willing to pay the designated rate. These rates align with other wholesale funding options available to these institutions such as brokered CDs. The program is designed to support local institutions while adhering to the Money Management Act framework that preserves the fiduciary obligations of the PTIF. Because deposits are placed only at competitive, market-driven rates, the program protects taxpayer interests and maintains appropriate liquidity through staggered maturities.

The program does not collect or require any data on the location or volume of new loans resulting from the deposits it places. For that reason, the program cannot be used to evaluate the potential economic effects of increasing public deposits in Utah financial institutions. Any meaningful study of these effects would therefore require a separate, purpose-built pilot program, distinct from existing CD purchases, that incorporates transparent reporting and performance metrics. Such a pilot would need to measure whether additional deposits actually result in incremental Utah lending and whether any resulting lending is associated with observable in-state economic benefits.

As a final note, the program has not been utilized in the past several years. There are a few reasons this may be the case, although these are speculative guesses and have not been confirmed: required interest rates may be higher than other sources available to these institutions, and/or firms may lack awareness of the program. The task force did not address the issue of interest rate levels. However, this will be the key issue of the proposed pilot program discussed below.

Proposed Pilot Program to Evaluate the Economic Effects of Additional Public Deposits in Utah Banks and Credit Unions

Given the study’s finding that measurable economic benefits can occur only if additional public deposits result in new local loans, an evaluation should be grounded in real-world lending outcomes rather than theoretical models. For that reason, the task force concludes that a carefully structured pilot program, separate from all existing state investment programs, is the most practical way to determine whether increased public deposits can generate incremental in-state lending and associated economic benefits.

Purpose and Structure of Pilot Program

The task force recommends the legislature authorize a carefully structured, limited pilot program consistent with the analytical framework developed by Tur Partners and the University of Chicago. The purpose of the pilot would be to determine 1) whether additional public deposits lead to incremental Utah loan origination, 2) whether that lending remains largely in-state, and 3) whether the resulting economic activity is sufficient to offset the yield differential between bank deposits and alternative authorized investments. The study conducted by Tur Partners and the University of Chicago modeled pilot sizes of \$50 million, \$100 million, and \$150 million,

concluding that this scale would be sufficient to evaluate the hypothesis. However, additional internal modeling supports a cap of \$300 million.

A pilot should rely only on a limited pool of state funds, not PTIF balances, and would temporarily place a defined amount of money in one-year certificates of deposit that are fully collateralized and renewable annually based on performance. As with the Utah Homes Investment Program, the state may choose, on a limited, temporary basis, to forgo higher investment returns to test the policy hypothesis. Any foregone yield would represent the direct fiscal cost of the pilot.

Core Performance Standard: Local Lending Deployment

The study conducted by Tur Partners and the University of Chicago identifies a 20% local-lending deployment threshold as the point at which the economic multiplier begins to justify the program's cost. For the pilot to produce meaningful evidence, participating institutions would therefore need to demonstrate, through measurable and auditable data, that the incremental public deposits supported incremental loans to Utah borrowers. This requirement does not dictate loan type or borrower, nor does it direct credit to specific sectors; rather, it ensures that any benefits arise organically through free-market lending.

To support this measurement, participating institutions would report, on a quarterly basis, changes in their loan-to-deposit and loan-to-assets ratios relative to baseline, as well as a self-reported estimate of their Utah-loan-to-total-loan ratio. These metrics allow the state to evaluate performance without requiring banks to disclose proprietary lending strategies or customer-level data.

Eligibility and Participant Selection

Participation should be voluntary and limited to institutions already appearing on the Department of Financial Institutions' Qualified Depository List, which ensures the pilot relies on the state's existing safety and collateral infrastructure. This design naturally favors community banks and credit unions with a strong in-state lending footprint and a strategic interest in expanding Utah lending. According to the study by Tur Partners and the University of Chicago, larger regional or national banks are unlikely to participate, given the reporting requirements and the modest scale of the deposits, an outcome that aligns the program with institutions most likely to deliver the desired in-state impact.

Data Collection, Confidentiality, and Evaluation

Because evaluating incremental lending requires confidential bank-level information, the study recommends that data be collected and aggregated by an independent third party, such as a university research center, a qualified regulatory partner, or the Office of State Auditor. The third party would anonymize institution-level data before providing summary reports to policymakers, ensuring transparency without exposing proprietary information.

To carry out the required data validation, analysis, and public reporting, the pilot will require dedicated analytic capacity. The task force recommends appropriating funds for one full-time analyst within the Office of State Auditor or a similar resource allocation to another third party.

Duration and Evaluation Timeline

The pilot should run for one to three years, with most deposits placed and initial lending activity occurring during the first year. This front-loaded approach ensures that funds are deployed promptly, while the following

years allow lending effects to mature and economic impacts to fully develop, though early, measurable results are expected within the first year. Annual renewal decisions would allow the state to reallocate deposits toward high-performing institutions or exit the program if results prove insufficient. This renewal structure preserves liquidity and ensures that participation continues only where clear, measurable benefits exist. The evaluation should include: 1) verification of incremental lending relative to baseline; 2) analysis of local lending levels; 3) measurement of associated economic activity using econometric analysis, with recognition that tax-revenue effects may emerge only over a multi-year period; and 4) a final determination of whether benefits exceed the program's opportunity cost.

Safeguards and Accountability

For the pilot to remain fiscally responsible, clear consequences must be defined. Institutions that fail to provide required data or do not demonstrate meaningful lending growth should become ineligible for renewal or, if policy warrants, be subject to penalty rates. This ensures that only institutions capable of supporting Utah's economic objectives continue in the program.

Summary

In summary, the study indicates that while Utah may have an opportunity to strengthen local lending through targeted public-deposit placement, the economic case cannot be made from modeling alone. A carefully structured pilot, consistent with Utah's strong fiduciary standards, is the appropriate vehicle for gathering the evidence required for any future policy decisions.

Recommendations

The task force's work did not reveal any single statutory defect that would justify sweeping changes to Utah's reserve framework or investment laws. Instead, the findings point toward targeted, incremental actions that would preserve Utah's strong fiduciary standards, improve the usability of public data, deepen understanding of banking-sector dynamics, and ensure ongoing legislative oversight as reserves evolve. Members also repeatedly emphasized the importance of keeping taxpayer dollars working within Utah's economy wherever feasible, so long as core fiduciary obligations are fully maintained.

While not all members of the task force agreed with every concept covered in the report, there was **unanimous consensus on the recommendations that follow**. Task force members, and the entities and constituencies they represent, also expressed a strong desire to participate in any next steps by providing feedback and public comment on specific policy proposals that may emerge from this work. The recommendations below are offered in that spirit.

1. Continue to Uphold Utah's Investment Framework for Public Funds

The task force recommends the legislature continue to uphold the investment framework in the Money Management Act, which establishes a hierarchy for public-fund investments: safety of principal, then liquidity, then yield. Neither the reserve-growth analysis nor the independent investment study identified any evidence that this framework is misaligned with public-entity needs or that it has contributed to elevated risk-taking. Utah's emphasis on protecting taxpayer funds and ensuring ready access to liquidity has supported strong credit ratings, low borrowing costs, and fiscal resilience during periods of economic uncertainty.

2. Support and Sustain Transparent Utah and the Governmental Asset & Investments Dashboard

The task force recommends the legislature continue to support and adequately fund the state auditor's transparency and data-modernization initiatives, including Transparent Utah, the state's comprehensive public-finance portal, and the Governmental Asset & Investments Dashboard, which provides enhanced visibility into deposits, investments, and unrestricted cash across public entities. The Office of State Auditor works with hundreds of local governments and their auditors to ensure uniform accounting, budgeting, and financial reporting and has tools available to help ensure timely submission of this information, a role grounded in the auditor's constitutional and statutory authority. Transparent Utah aggregates a broad range of financial information, including revenues, expenditures, payroll, vendor payments, debt, and other fiscal data. The Governmental Asset & Investments Dashboard integrates D&I reports, ACFR information, and survey insights into a unified analytical platform. Together, these tools strengthen statewide financial visibility without creating new reporting obligations for local governments. Continued investments in the auditor's automation, data validation, and user-interface improvements will help ensure that legislators, local officials, and citizens can monitor reserve trends and evaluate fiscal conditions reliably, without imposing new statutory mandates or administrative burdens.

3. Encourage Continued Refinement of D&I Reporting and Analytics (Non-Statutory)

The state treasurer, in coordination with the state auditor and Money Management Council, should continue refining how D&I data are collected, structured, categorized, and presented. The task force's work demonstrated that relatively small improvements in this data can materially improve the quality of statewide analysis and use of this data.

4. Study Regulatory Constraints and Private-Credit Growth, and Explore Market-Based Ways to Strengthen Local Lending (Non-Statutory)

The state treasurer should continue to study the regulatory forces shaping Utah's banking sector and the reasons for the rapid expansion of private credit relative to traditional bank lending. Task force discussions highlighted that banks today operate within a complex web of capital requirements, supervisory expectations, and competitive pressures from nonbank lenders. These dynamics influence how readily additional deposits can be converted into new Utah loans.

5. Authorize a Limited, Data-Driven Pilot on Public Deposits and Local Lending

The task force recommends that, if the legislature wishes to move beyond modeling and obtain empirical evidence, it should authorize a time-limited pilot program placing between \$50 million and \$300 million of state deposits with Utah-based, well-capitalized institutions under clearly defined conditions. The pilot should be structured in two coordinated parts.

First, the state would analyze reported lending activity to determine whether pilot deposits result in incremental Utah lending relative to each institution's baseline and to evaluate the level, type, and geographic distribution of loans made in Utah during the pilot period. This component is designed to verify that new deposits support additional local credit. Second, an independent evaluator would conduct an econometric analysis of the lending supported by the pilot, examining whether it generates measurable economic activity and whether any identified economic benefits exceed the program's opportunity cost relative to other Money Management Act-authorized investments.

6. Continue Monitoring Reserve Trends and Engaging Public Entities on Persistent Growth

The task force recommends that the legislature continue to monitor reserve levels over time and actively question public entities if balances continue to grow materially faster than population, inflation, and revenue trends, particularly if that growth does not reverse as some survey respondents indicated it might. The Governmental Asset & Investments Dashboard now provides a practical mechanism for tracking whether current elevated balances gradually normalize as federal one-time funds are spent and deferred capital projects proceed, or whether reserves remain structurally higher. The expectation should be that reserve balances come back in line with pre-2020 reserve levels adjusted for inflation and population growth over the next 3 to 5 years. Regular use of this data in appropriations hearings, interim committee meetings, and entity-specific reviews would enable legislators to ask targeted questions: why reserves remain elevated; whether balances are tied to specific capital plans, covenants, or timing issues; and whether policies or practices have changed in ways that warrant closer scrutiny. This approach respects local discretion and acknowledges the legitimate reasons entities maintain reserves, while signaling that continued, unexplained growth will face ongoing inquiry.

7. Consider Studying the Potential Effects of Including Investment Yield in the Certified Property Tax Rate Calculation

Because investment returns appear to play a role in increasing reserves, the legislature may wish to study the potential impact of incorporating investment yield into the certified property tax rate calculation as part of a broader review of tax policy.

Conclusion

The Asset and Investment Review Task Force concludes that Utah's public entities have experienced significant growth in deposits and investments between 2019 and 2025, driven by a combination of temporary federal stimulus, conservative budgeting, capital planning, and credit rating considerations. While reserves and revenue have outpaced population and inflation, the task force found that these balances may reflect legitimate operational, capital, and risk-management needs.

Utah's existing fiduciary framework (centered on the Money Management Act's priorities of safety, liquidity, and yield) remains appropriate and supports strong credit ratings, low borrowing costs, and fiscal resilience. Rather than recommending sweeping statutory changes, the task force emphasizes targeted, incremental steps: sustaining and enhancing statewide transparency tools, refining D&I reporting and analytics, deepening understanding of banking-sector and private-credit dynamics, and, if the legislature so chooses, testing a limited, data-driven pilot on state deposits and local lending.

Going forward, the most important safeguards will be ongoing legislative oversight and effective use of the Governmental Asset & Investments Dashboard and related tools. These resources will allow policymakers to monitor whether elevated reserves normalize over time or remain structurally higher and to engage public entities with focused questions when growth appears misaligned with underlying needs, while respecting local judgment and Utah's longstanding commitment to prudent financial management.

Potential Economic Impact of PTIF Funds on Bank Deposits

Presented to the State of Utah's Asset and Investment Review Task Force

Final Report | November 21, 2025



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This report represents an independent analysis and professional judgment of its authors, based on the best available data and methodologies as of November 3, 2025. While we are committed to accuracy and rigor, all findings, projections, and policy recommendations are subject to future developments, data limitations, and changing economic conditions. This document is intended to inform decision-making and should not be construed as binding legal or financial advice. Stakeholders are encouraged to use their own judgment and consult additional expertise as appropriate.

Executive Summary

Utah's Public Treasurer's Investment Fund (PTIF), counts over 750 different public entities as investors. Because of the varied investor base the state treasurer is required to manage the assets according to fiduciary principles. This means the fund pursues the best risk-adjusted returns for the risk-tolerance of its mandate for the participating entities. Each investor, however, is able to choose to pursue other goals, on their own. The largest investor is the state, with \$13 billion in the fund. This report focuses on the ability of the state to allocate a small share of their assets to implement a pilot study, as outlined in this report.

This report does **not** assume that reallocating state funds toward local bank deposits will automatically lead to increased lending or economic growth. Instead, it provides a **data-driven, model-based evaluation** of the “*potential*” economic effects **if**, and only **if**, certain conditions are met - specifically, if participating institutions voluntarily choose to use additional deposits to expand lending within the communities of Utah.

No State in the Republic (to date) has **previously** implemented a CD allocation pilot tied to measurable local lending outcomes; all estimates in this report represent **hypothetical scenario - based modeling**, not predictions. The purpose of this work is to establish whether a properly designed **pilot program** - voluntary, evaluative, and based entirely on existing QDL infrastructure - could provide the State of Utah with meaningful information about how state investment reserves may or may not influence local lending behavior, economic activity, and state revenue.

The Economic Opportunity

Economic literature indicates that local lending can produce multiplier effects within regional economies. However, whether *additional state fund deposits* would translate into additional Utah lending *cannot be known in advance* and has *never been empirically tested* in the United States. Economic benefits become measurable only in cases where banks choose to deploy a meaningful portion of additional deposits *solely* focused on Utah-based lending. Potential benefits of the study include:

- **Expanded lending capacity** for Utah businesses and households.
- **Increased local economic activity** through capital formation and investment.
- **Enhanced tax revenues** from the broadened economic base.
- **Strengthened community financial infrastructure** supporting long-term resilience.

The critical variable determining success is based solely and specifically on **local lending intensity** - the proportion of new deposits that banks deploy as loans within the economy of Utah. **The economic modeling identifies a 20% local lending deployment rate as the threshold where economic gains become meaningful for the state.**

Key Findings

The Multiplier Effect:

IF and When Utah banks lend locally, the appropriated funds circulate through the economy and in theory should create a quantifiable multiplier effect:

- Each dollar deposited enables lending (after reserve requirements).
- Loans fund business investment, household consumption, and community development.
- Recipients should generate income, pay Utah state taxes, and also maintain further deposits that should further enable lending into the community.
- The cumulative effect, economically executed specifically in the community, should produce economic gains well beyond the initial deposit.

Our conservative modeling assumes a 20% reserve ratio and an income multiplier of 2.0 - parameters consistent with established economic literature.

Economic Impact at 20% Local Lending

Based on specific parameters including the 10.09% tax revenue rate in Utah¹:

- \$100 million in new deposits **could** generate approximately \$128 million in new lending **IF** banks achieve 20% local deployment.
- The lending activity would, in theory, generate an estimated \$12.9 million in additional tax revenue for the state and for the local governments.
- The potential economic benefits materialize over a 2-5 year horizon as the proposed deposits **should** convert to loans, and loans **should** generate income, and that income **should** produce incremental tax revenues.

Policy Recommendation: Targeted Pilot Program

The State of Utah may explore and potentially implement a thoughtfully designed **pilot program** that would leverage the existing qualified depository framework currently in place with the State while creating additional and quantifiable incentives to encourage impact based local lending. This potential framework and approach should build on established safety standards rather than creating new regulatory structures.

¹ The 10.09% tax revenue rate for Utah is sourced from the Tax Policy Center and reflects state and local tax revenue as a share of personal income. The measure includes revenues from corporate, general sales, individual income, property, and selective sales taxes, and excludes federal aid, user charges, and miscellaneous general revenue.

Program Design Principles

1. Implement within Existing Infrastructure:

- Participant banks must currently be on the Utah Department of Financial Institutions' Qualified Depository List as required by the state's Money Management Act.
- Qualified Depositories leverage the existing collateralization, safety, and creditworthiness standards currently in place for the State of Utah qualified depository program.
- No new regulatory qualification process needed.
- This approach would represent a modest evolution of the current practice, not a radical departure, and would require no new regulatory implementation.

2. Voluntary, Self-Selecting Participation:

- Open to all the institutions currently on the Utah Qualified Depository List.
- Banks should only opt in if they are confident in their ability to deploy funds locally.
- TBD Quarterly reporting requirements would serve as a performance screen for institutions truly committed to local lending.

3. Accountability Through Transparency:

- The Quarterly Reporting may initially consist of loan-to-deposit and loan-to-assets ratios including an initial baseline to most effectively align a quantifiable framework.
- An independent third party (university or regulator partnership) collects, aggregates, and protects all personal and confidential data.
- Accountability will focus on measurable local lending growth without mandating specific loan categories.

4. Aligned Incentives:

- One-year CDs (renewable annually based on performance) provide stable funding for potential lending expansion.
- The Banks that demonstrate meaningful lending growth may receive competitive rates and renewal eligibility based on performance.
- The Banks failing to report metrics or achieve lending growth would be subject to penalty rates (determined by policy) back to the state for non-performance.
- The aligned incentive structure ensures that only the institutions fully committed to the program would benefit from program participation.

5. Appropriate Scale

- The **potential pilot** allocation should remain modest relative to the state's cash reserves.
- Minimums and Maximums based on the institution's size ensure meaningful yet safe participation.
- The **Pilot Program** approach and scope allow for a proper evaluation period, before broader implementation.

Optimal Program Design Derived From Analysis

Current modeling indicates when participating banks deploy at least 20% of new deposits into local lending the effects may be as follows:

- Meaningful economic impact: The Local multiplier effects potentially generate substantial tax revenue and economic activity if deployed into the community
- Achievable target: The local Utah banks that may be **Deposit-Constrained** community banks can realistically reach this level with proper funding and oversight
- Natural selection bias: Only the banks positioned to lend locally will find this program attractive and confident in their capabilities and capacity to lend effectively into the community.

Banks unable or unwilling to achieve this lending intensity will naturally opt out or face a penalty for not deploying the appropriated capital into the community. The program should clearly self-select for institutions genuinely committed to expanding the local credit markets in Utah.

Implementation Framework

Eligibility Criteria

Requirement	Rationale
Listed on Utah Department of Financial Institutions' Qualified Depository List	Ensures institutions already meet State safety, collateralization, and creditworthiness standards—no new qualification process needed
Voluntary opt-in with commitment to quarterly reporting	Self-selection ensures only institutions confident in local lending capacity participate
Acceptance of annual renewal contingent on performance	Creates accountability while maintaining PTIF flexibility

- **Key Point:** Limiting eligibility to institutions already on the Qualified Depository List, this program leverages Utah's existing robust safety framework. The Department of Financial Institutions has already vetted these institutions for security of public funds. This pilot simply creates incentives to direct more PTIF assets to qualified depositories opting into the pilot.

Proposed Scale Parameters

While final allocation amounts remain subject to Legislative input and banker feedback, we suggest consideration of the following framework:

Institution Size	Indicative Minimum CD	Rationale
Small (<\$500M assets)	\$2-5M	Meaningful without overwhelming smaller institutions
Medium (\$500M-\$2B)	\$5-10M	Sufficient scale to measure lending impact
Larger community banks (>\$2B)	\$10-20M	Proportional to balance sheet capacity

Total pilot scale: Estimated \$50-150 million across participating institutions, maintaining minimal impact on overall liquidity and diversification of the state's investment reserves.

We emphasize that these figures are illustrative. Optimal sizing should emerge from dialogue with qualified institutions about their capacity and appetite for participation. Institutions on the Qualified Depository List range from small community banks to large regional institutions, but we anticipate that primarily community banks will opt in, given the program structure.

Reporting and Accountability

Quarterly Metrics Required:

- Loan-to-deposit ratio (relative to pre-program baseline)
- Loan-to-assets ratio (relative to pre-program baseline)
- Total loan growth (absolute dollars deployed)

Data Management:

-
- Independent entity (university research center or regulatory partnership) aggregates and anonymizes bank-level data.
 - The state treasurer and other government officials summarize trends without disclosing individual institution details.
 - Strong confidentiality protections encourage honest participation and protect competitive information.

Penalty Mechanism:

- Banks failing to report: Ineligible for renewal and/or pay penalty rate (to be determined).
- Banks reporting but showing minimal lending growth: Ineligible for renewal and/or pay penalty rate.
- Clear consequence structure ensures program integrity and self-selection of committed participants.

Program Structure

Year One:

- One-year CDs issued to qualifying participating institutions from the Qualified List.
- Quarterly reporting begins immediately upon CD issuance.
- Baseline lending metrics established in the first quarter.

Annual Renewal:

- CDs renewable each year based on performance.
- Only Banks demonstrating meaningful local lending growth would be eligible for renewal at competitive rates.
- Banks failing to meet lending thresholds or reporting requirements ineligible for renewal or subject to penalty rates.
- Annual review allows the state to reallocate funds to highest-performing institutions.

This annual review structure maintains full flexibility for the state while providing sufficient stability for banks to make meaningful lending commitments. Banks confident in their local lending capacity will welcome the opportunity; others will naturally decline participation.

Evaluation Timeline

Phase	Timeline	Focus
Pilot Launch	Year 1	Establish baselines, onboard participating institutions from the Qualified Depository List
Monitoring Period	Years 2-3	Track lending deployment, measure initial multiplier effects, refine participation based on performance
Impact Assessment	Years 4-5	Evaluate tax revenue impacts, assess pilot outcomes, identify highest-performing institution types
Decision Point	Year 5+	Determine program expansion, modification, or sunset based on evidence

Why Now?

The State of Utah is uniquely positioned to implement this initiative due to:

- Strong fiscal foundation and above-average growth trends.
- Existing QDL infrastructure ensures compliance without adding burden.
- Declining number of community banks and rising demand for local credit.
- National opportunity for Utah to establish a **first-of-its-kind, evidence-based model**.

Potential Benefits

For the State of Utah's Economy:

- Expanded credit access for small and medium-sized enterprises, particularly in rural and underserved markets
- Strengthened community development lending capacity
- Enhanced local economic resilience through distributed financial infrastructure
- Additional tax revenues from multiplier effects and wealth creation.

For Utah-based financial institutions:

- Stable, predictable funding source enabling strategic lending growth without volatile funding costs
- Reduced funding volatility supports longer-term relationship lending.
- Competitive advantage for institutions demonstrating local commitment and community focus.
- Ability to serve customers currently underserved by larger institutions.

For Small Pool of State Funds:

- Maintain adequate safety through existing Qualified Depository standards.
- Minimal liquidity impact via a one-year renewable structure.
- Demonstration of innovative public fund stewardship, building on proven infrastructure.

For Policymakers:

- Clear accountability metrics for program evaluation.
- Evidence-based framework for scaling future decisions.
- Replicable model for other potential public investment strategies.
- Accountable and transparent demonstration of the impact of public funds.
- Builds on existing regulatory infrastructure rather than creating new regulatory burden.

Appendix

Supporting Analysis and Technical Background

The following sections provide the economic analysis, methodology, and technical modeling that support the pilot program recommendations. This material is provided for transparency and to enable rigorous evaluation of the program's analytical foundation.

Existing Fund Allocation and Economic Profile

As of Q4 2024, Utah's state-managed assets totaled approximately \$35 billion, with record investment earnings of \$1.8 billion realized during the calendar year 2024.

By June 30, 2025, the total value of the state's investment portfolio was \$34.46 billion, maintaining a 360-day annualized yield of 4.42%. This portfolio is structured for short duration and high liquidity, meeting daily cash flow needs and prioritizing principal preservation.

A substantial portion of assets are allocated to Agency Notes—debt securities issued by government-sponsored enterprises or federal agencies—chosen for their high quality and favorable yields compared to direct US Treasuries. Additionally, 20.66% of holdings are in US Treasury notes, offering enhanced safety and liquidity.

Utah's reserves generally limit exposure to Certificates of Deposit, resulting in modest direct economic impact within local communities. This analysis addresses whether increasing allocations to CDs, specifically with institutions on the Qualified Depository List, could boost in-state economic activity without compromising the priorities of safety and liquidity. All potential depository institutions adhere to rigorous qualification processes administered by the Department of Financial Institutions; this analysis therefore focuses on strategies for optimal deployment rather than eligibility criteria.

Utah's Economic Profile

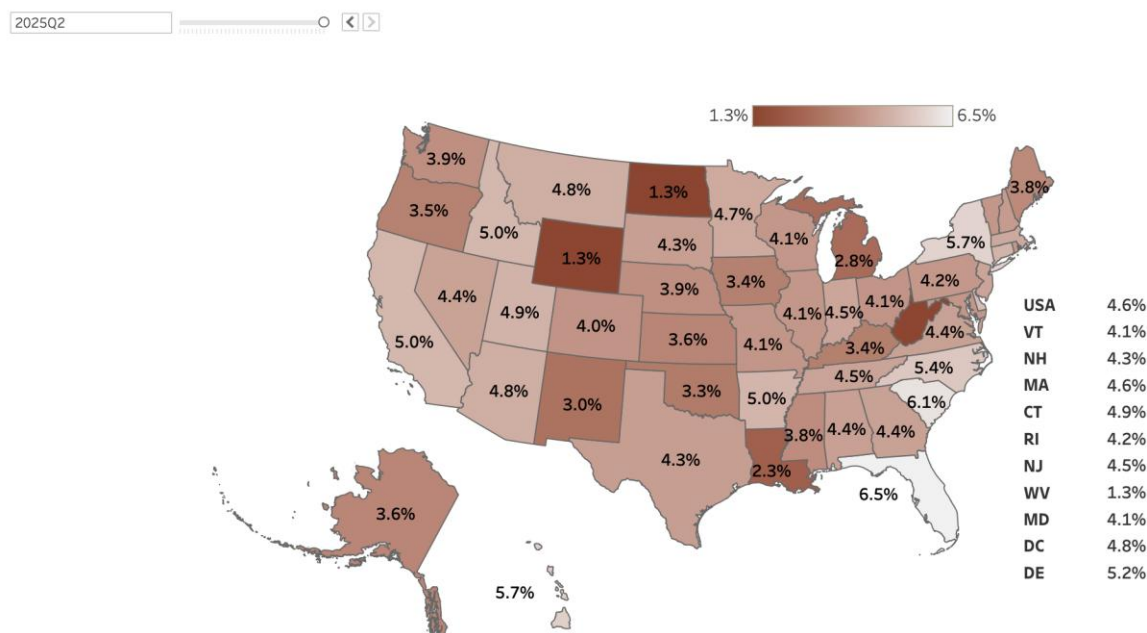
Utah's economy has demonstrated consistent resilience and robust growth over the past two decades. As of 2025 Q2, Utah's GDP stands at 4.9%, outpacing several regional peers and sustaining one of the strongest long-term growth trajectories in the United States. The chart below suggests that Utah's growth performance remains well above the national average across most periods, reflecting the state's strong fundamentals and low volatility in employment and output. Overall, Utah's economy offers a stable foundation for evaluating localized investment strategies such as state deposit reallocation.

Utah's personal income growth trends underscore the resilience of household earnings and the broader consumption base. From 2000 to 2024, annual income growth averaged 4-6%, significantly outperforming the national average. There were temporary downturns in tandem with the financial crisis and pandemic; however, they have been followed by sharp recoveries, with

double-digit rebounds in some quarters. The chart on Utah's Total Tax Revenue shows a significant and sustained increase in tax receipts. There has been a threefold increase in nominal terms from 2000 to 2024. Similar to income growth, tax revenues experienced periodic contractions, followed by rapid rebounds in subsequent years. This trajectory in both the personal income and tax revenue reflects not only higher economic activity but also an expanding and diversified response of the tax base to various economic downturns. For the purposes of the study, this trend reinforces the tax revenue feedback mechanism embedded in the adapted model, whereby increased local lending and income generation from state deposits can further enhance the fiscal base. Strong revenue performance also underscores Utah's capacity to sustain prudent experimentation, such as reallocation of investment funds towards local deposits, within the confines of a well-designed program that adheres to the same risk standards as outlined in the Utah Money Management Act.

Quarterly Gross Domestic Product By State

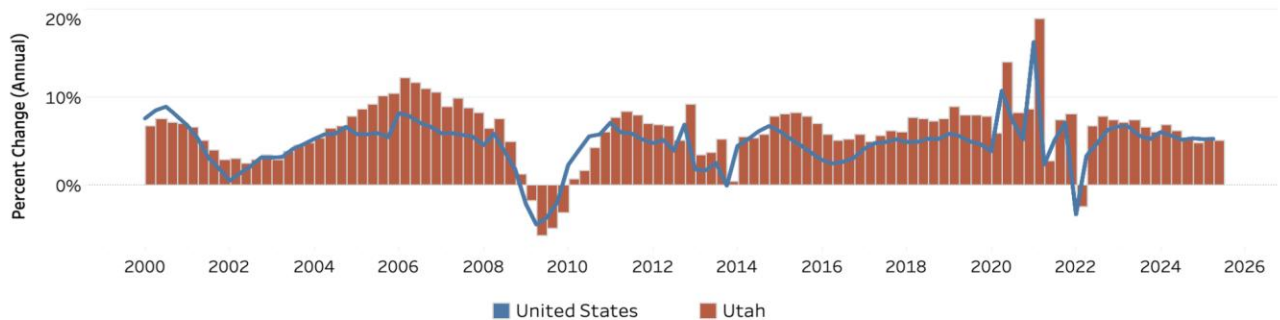
Year-Over Change



Source: U.S. Bureau of Economic Analysis

Source: <https://gardner.utah.edu/utah-economy/utah-economic-dashboard/>

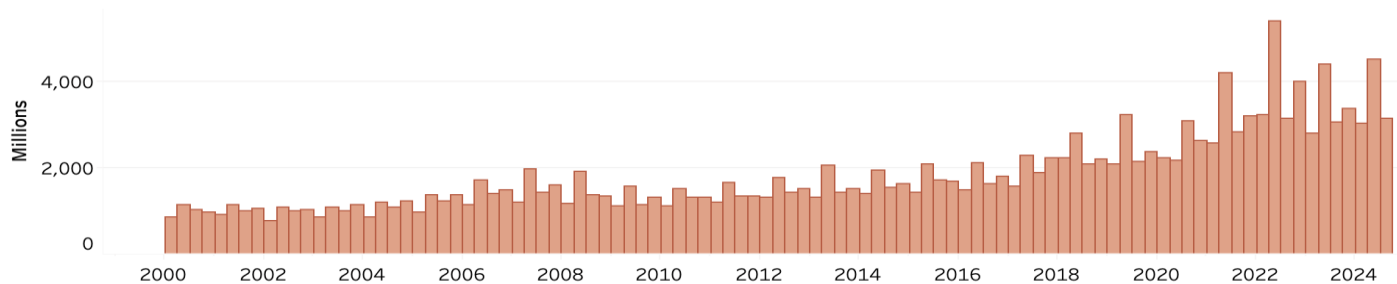
Utah Personal Income Growth 2000 Q1 to 2025 Q2



Source: U.S. Bureau of Economic Analysis

Source: <https://gardner.utah.edu/utah-economy/utah-economic-dashboard/>

Utah Total Tax Revenue 2000 Q1 to 2024 Q3



U.S. Census Bureau – Quarterly Tax Survey

Source: <https://gardner.utah.edu/utah-economy/utah-economic-dashboard/>

Mechanisms for Local Economic Impact

A Peek into Certificates of Deposits (CDs)

This project seeks to evaluate the economic benefits that could accrue to Utah's economy—particularly to its local communities—by allocating a portion of public funds to deposits in institutions on the Department of Financial Institutions' Qualified Depository List rather than investing primarily in market securities such as agency notes, U.S. Treasury securities, or money market instruments. At the heart of this study lies a key question: What level of economic benefit could Utah unlock by placing a greater share of public funds into Certificates of Deposit (CDs) at qualified community and regional banks? We explore whether such a shift can strengthen Utah's

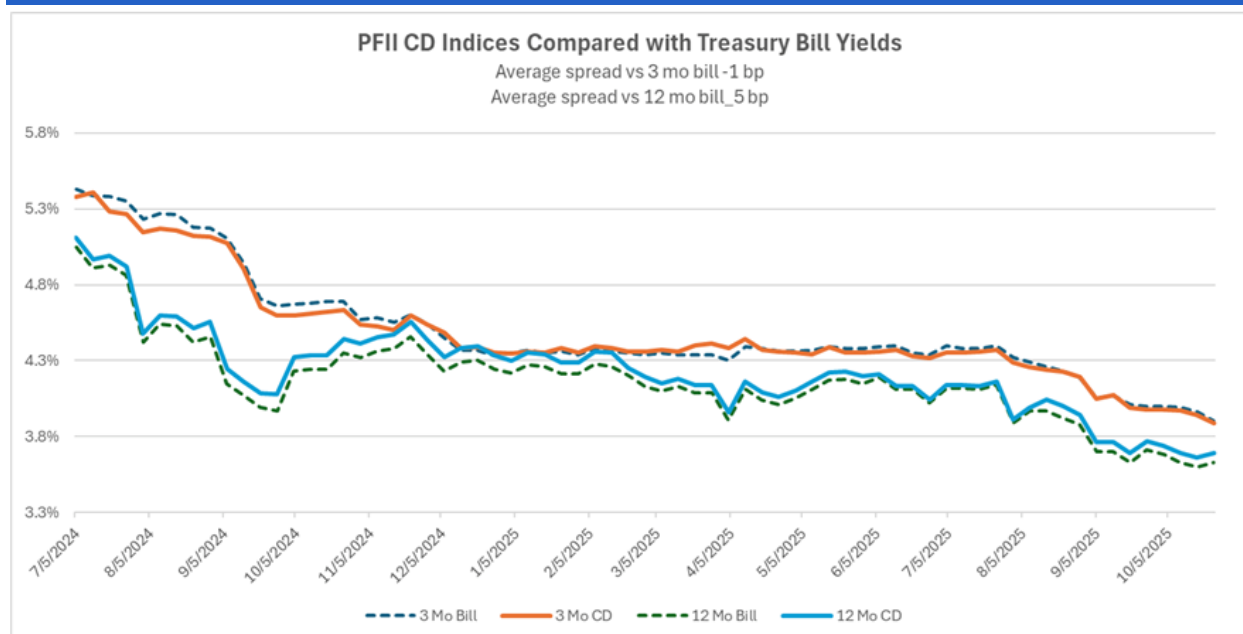
financial ecosystem by amplifying local lending, expanding business and household credit access, and generating deeper in-state economic multipliers that circulate capital back into communities.

According to a Bank for International Settlements’ study, Certificates of Deposits are the instruments most widely used by non-financial and financial companies for short-term funding on an unsecured basis.² CDs are a relatively recent innovation. CDs were first issued by First National City Bank of New York in 1961, in response to US regulations introducing ceilings on banks’ deposit rates. CDs can be non-negotiable or negotiable depending on whether their ownership can be transferred in a secondary market. Regardless, they serve functions comparable to time deposits, while their structure more closely resembles that of securities. For banks with a solid credit capacity, CDs are a flexible way to raise wholesale funding quickly. While there can be multiple considerations for a bank to issue CDs, most of the literature tends to focus on CDs from the bank’s liability side, building an understanding of how banks raise money. There is limited work on the downstream effects—how using CDs in local banks could translate into more local lending, jobs, or an economic multiplier.

A report by the Public Funds Investment Institute provides an interesting insight into Bank CDs and their value creation as an available form of Investment. The institute has developed a PFII CD index, which they have tracked and monitored for over a year now. As the study notes, **“PFII indices show collateralized CDs offer little, if any, rate advantage over investing in Treasury bills. Since we began compiling the indices in July 2024, the three-month CD index has averaged two basis points less than the rate on three-month Treasury bills.”**³ They also note that public units continue to invest in collateralized CDs despite the low advantage to treasury because of the familiarity and easy-to-buy nature of CDs. Although CDs are presumed to retain funds within local markets, evidence on how consistently those funds remain local is mixed and continues to be examined.

² Aquilina, Matteo, Andreas Schrimpf, and Karamfil Todorov. 2023. “CP and CDs Markets: A Primer.” *BIS Quarterly Review* (18 September). https://www.bis.org/publ/qtrpdf/r_qt2309e.htm

³ Margolis, Marty. “Bank CDs: Available for Investment, But Is There Value?” *Public Funds Investment Institute*, October 30, 2025. <https://pubfunds.org/bank-cds-available-for-investment-but-is-there-value/>



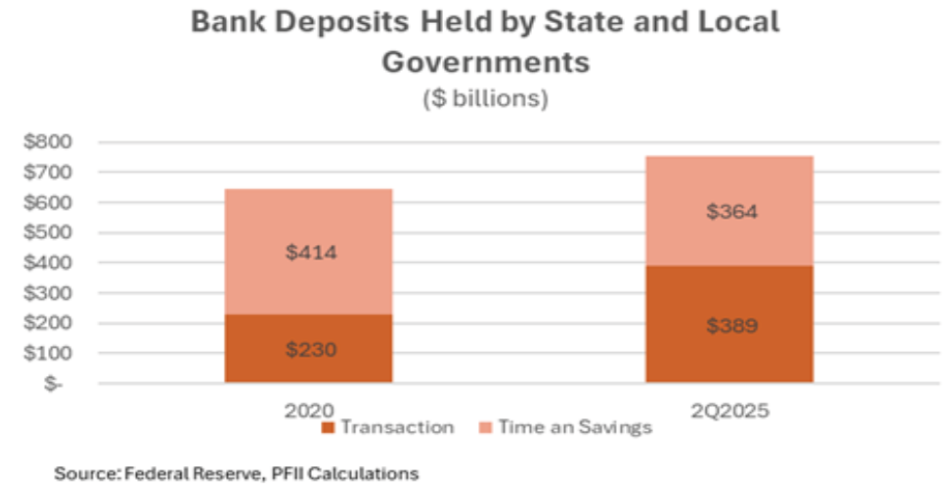
Source: The CD Indices are calculated and tracked by The Public Funds Investment Institute. <https://pubfunds.org/bank-cds-available-for-investment-but-is-there-value/>

PFII's analysis also helps explain why, despite expectations that CD rates should exceed Treasury bill yields, CD rates often do not. Several structural factors contribute:

1. **Banks prioritize fee-generating transaction services⁴** over offering higher-yielding CDs to attract deposits.
2. **Large banks can access cheaper wholesale funding**—including commercial paper, bonds, and negotiable CDs—reducing their need to price local CDs competitively.
3. **LGIPs intensify competition**, pushing banks away from competing purely on deposit rates and toward service-bundled accounts that offer below-market deposit rates, paired with earnings credits that are difficult to benchmark.

The PFII study has also tracked the mix of bank deposits and noted that they have changed. Transactions-based accounts gained \$159 billion while investment-type accounts (savings and time deposits CDs) lost \$50 billion. This marks a shift in how banks use market services and earnings credits, away from rate-based deposit gathering. Overall, the study concludes that selling transaction services is preferred from the bank's perspective. This puts bank customers—state and local governments—at somewhat of a disadvantage when evaluating bank products.

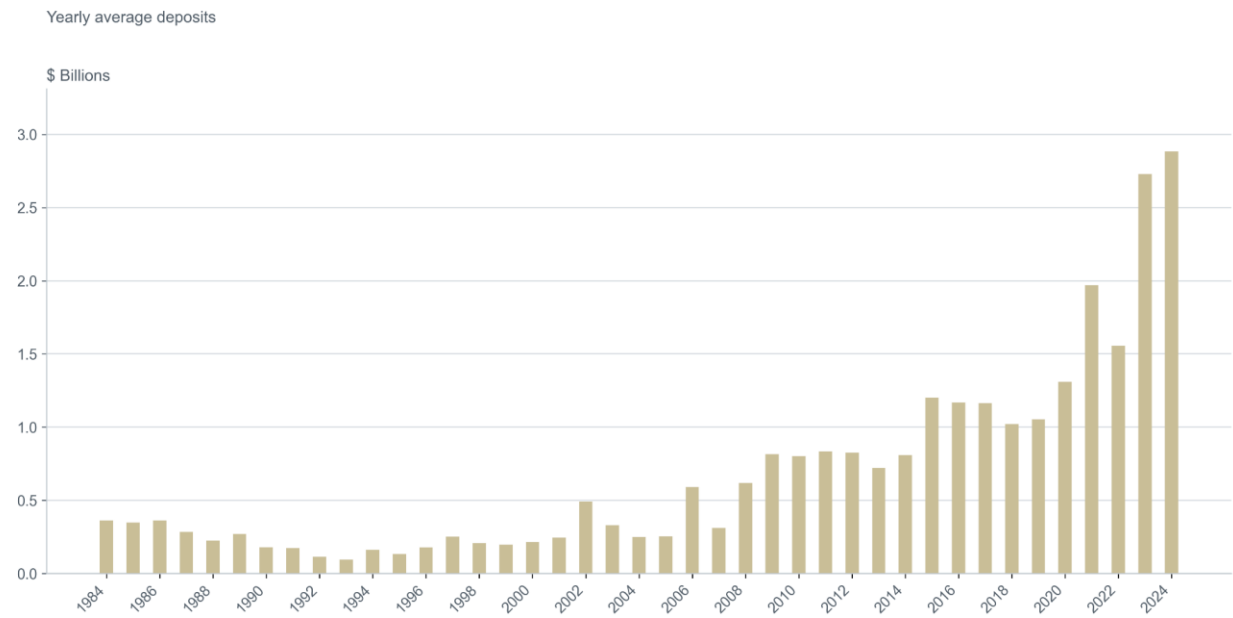
⁴ Includes revenue derived from payments and transaction processing, card services, deposit account services, and lending-related fees. This excludes strategies relying solely on certificates of deposit for revenue generation or balance sheet management.



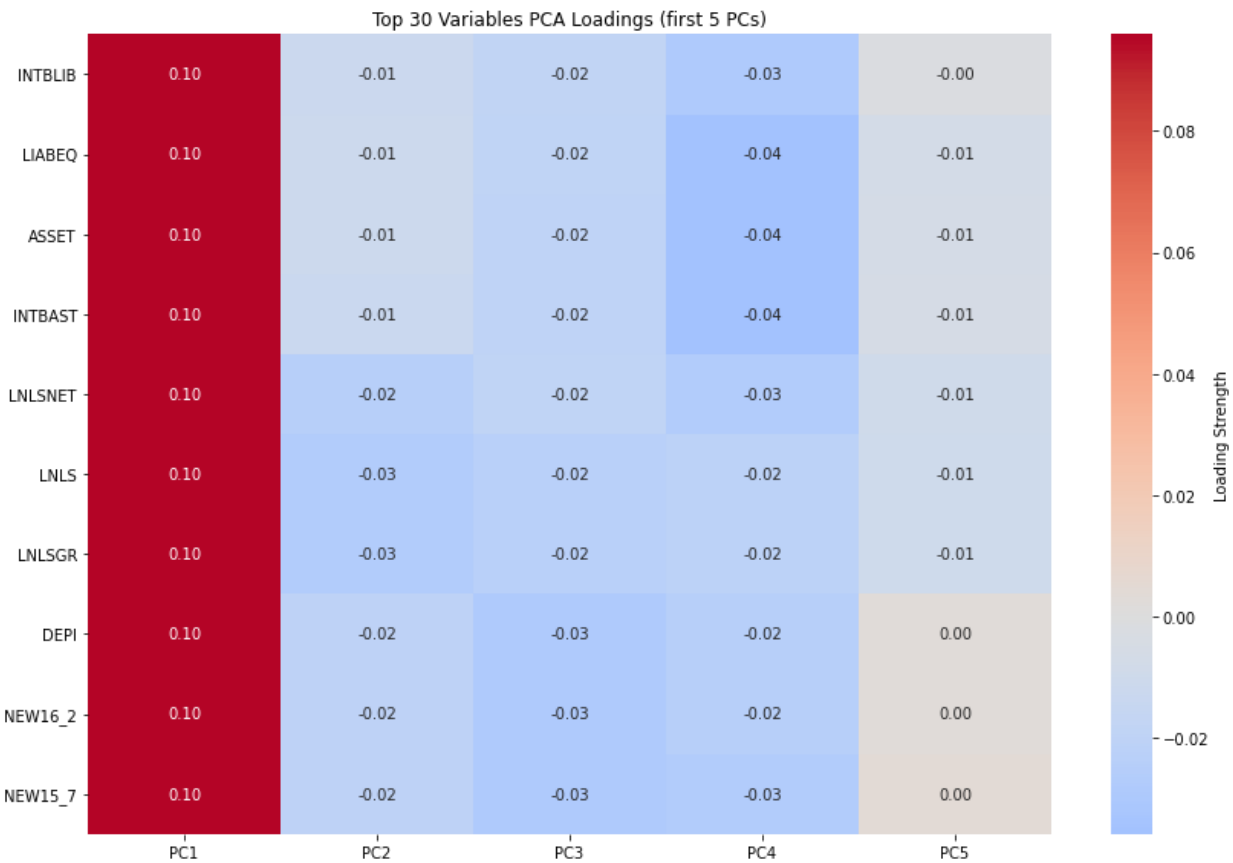
Source: <https://pubfunds.org/bank-cds-available-for-investment-but-is-there-value/>

Our analysis of FDIC data for Utah shows that deposits held by state and local government entities have **tripled since the 1980s and surged since 2020**, reflecting a significant surge in public-sector funds placed with Utah banks. While detailed data on the composition of Utah-specific public deposits are limited, we apply a principal component analysis (PCA) framework to panel data on bank balance-sheet characteristics, including deposits held by state and local governments, to identify the key financial drivers of public-sector deposit allocation. Deposits from state and political subdivisions appear to be driven primarily by “scale” variables—characteristics that reflect the size and balance-sheet strength of financial institutions. These determinants are tied to asset size, liabilities, deposit volumes, and loan portfolios, indicating that larger institutions have greater capacity to absorb and manage public-sector deposits. Funding structure also plays a critical role: the presence of both interest-bearing liabilities and interest-bearing deposits in the data suggests that states tend to favor banks with stable, deposit-based funding rather than those reliant on more volatile or wholesale sources. In addition, lending capacity emerges as an essential factor. Variables such as net loans and leases, gross loans and leases, and interest-earning assets point toward a preference for institutions that actively deploy deposits into lending.

Deposits - State and Political Divisions



Source: FIDC Summary of Deposits. Author's calculations.



Together, these insights suggest that CDs may now play a relatively limited role in attracting public deposits through rate competition alone. Instead, state and local governments appear to gravitate toward banks with broader balance-sheet strength, stable funding structures, and active lending capacity. For the purposes of this study, this underscores an important point: institutions on Utah's Qualified Depository List that are deposit-constrained and actively seeking to expand lending represent the optimal targets for this pilot program. These institutions—primarily community banks and credit unions—have both the incentive to participate and the capacity to convert deposits into productive local lending.

While the degree to which CD issuance translates into productive lending — and whether CD rates consistently outperform Treasury yields — remains debated, the underlying mechanisms warrant close consideration. Assuming a relatively frictionless balance-sheet environment, qualified CDs placed with local banks can generate immediate, direct local economic effects. In an ideal setting, such deposits expand the lending capacity of community and regional banks, enabling increased credit to small and medium-sized enterprises, households, and community development projects. This can foster business growth, job creation, and broader financial inclusion. Accordingly, a central aim of this study is to quantify the economic ripple effects associated with public fund placements and assess the extent to which local financial institutions can translate these deposits into meaningful, real-economy gains for Utah communities.

To maintain analytical continuity within the study, we make the simplifying assumption that funds deposited through CDs to institutions on the Qualified Depository List are fully translated into direct consumer and community development lending. In other words, every dollar placed in CDs is assumed to generate an equivalent dollar of lending activity within local financial institutions, thereby maximizing the direct local impact in our model. While actual lending deployment will vary by institution—which is why the program requires quarterly reporting—this assumption establishes the theoretical maximum impact..

These findings explain why CDs don't compete with Treasuries on interest rates alone—banks prioritize transaction services and access wholesale funding that reduces their need for deposit-based funding. However, this analysis misses the complete economic picture: when local banks convert deposits into local lending, the resulting economic multiplier effects—through increased capital formation, income generation, and tax revenues—can offset the rate differential. This is the mechanism our model quantifies. The key question becomes not whether CDs match Treasury yields, but whether the total economic benefit to Utah (including multiplier effects and tax revenues) exceeds the opportunity cost of the rate differential.

Impact of Bank Deposits on the Local Economy

This analysis draws upon an existing model framework originally developed by the **Docking Institute of Public Affairs on How Public Funds Investment Policy Impacts the Kansas Economy: An Analysis and Adaptation of Previous Research**, which examines the relationship between deposit allocation, money creation, and regional economic impact. The model has been **adapted for Utah**, with parameters updated to reflect state-specific conditions,

including reserve ratios, income multipliers, and tax revenue assumptions. While the core structure of the model remains consistent with the original, this adaptation allows for a more precise evaluation of Utah's local institutional dynamics and public investment outcomes.

Methodology

While banks perform a range of functions, their primary role is to serve as intermediaries between those with surplus funds and those in need of financing.⁵ In fulfilling this role—and through the process of holding reserves—they effectively create additional money within the financial system. The process of money creation lies at the heart of the economic ripple effects that emanate from banking activity. Through this mechanism, banks play a pivotal role in shaping consumption and investment patterns, while their interconnected operations profoundly influence the overall stability of the financial system.

The deposit multiplier represents the maximum amount of money a bank can generate for each unit of reserves it holds, reflecting its central role in financial intermediation and money creation. The multiplier effect captures the relationship between the reserves a bank maintains and the funds it extends as loans. These loans circulate through the economy in several forms—such as deposits in other banks or as capital directed toward productive investments. Over time, the funds lent out re-enter the banking system, initiating a continuous cycle of deposits and lending that amplifies the overall money supply within the economy.

Money Multiplier Example

Suppose a bank maintains a 20% reserve ratio; the theoretical deposit multiplier would then be 5—the reciprocal of the reserve ratio. In a simplified, closed economy without regulatory frictions, a \$1,000 deposit could therefore generate up to \$5,000 in total money supply available for various economic activities. In practice, however, this multiplier is constrained by factors such as loan demand, banks' willingness to lend, and regulatory requirements. When the closed-economy assumption is relaxed, out-of-state leakages further reduce the multiplier's magnitude. Empirical studies estimate that with 50% of deposits leaking out of state and a 20% reserve ratio, the multiplier falls from 5 to 0.8. Even under a more conservative 10% leakage scenario, the multiplier declines from 5 to 3.2.

⁵ Gobat, Jeanne. 2025. "Banks: At the Heart of the Matter." *IMF Finance & Development Magazine*, Back to Basics. Accessed [date you accessed]. <https://www.imf.org/en/Publications/fandd/issues/Series/Back-to-Basics/Banks>

Once deposits are circulated into the economy through lending, they generate additional economic benefits via the income multiplier, as recipients save a portion of their income and reinvest it in further productive activities. Based on initial research, multiple studies have published estimates of approximate multiplier ranges for all US states and the nation as a whole. This study assumes an income multiplier value of 2 to capture the secondary effects of such reinvestment on overall economic activity.

Furthermore, the study employs an estimated state and local tax revenue rate of 10.09% of personal income for Utah as a key parameter in the model, as published by the Tax Policy Center.¹¹ As a baseline, the model assumes an incremental \$100 million in public deposits at Utah banks. However, the pilot program scale would be determined by participating banks' capacity and size, with minimum thresholds established to ensure meaningful but manageable pilot scope. The total allocation would remain modest relative to the state's cash reserves, estimated at \$50-150 million across multiple participating institutions from the Qualified Depository List.

For this analysis, we adopt a conservative income multiplier of 2.0, which falls within the range of established empirical estimates and accounts for Utah's robust economic conditions. This parameter captures the secondary rounds of spending and income

Study	Income Multiplier Range
Kansas Study ⁶	2
Crawford (2011) ⁷	1-2
Bolton (1996) ⁸	2
Bartik (2017) ⁹	1.5 - 3
Penn Budget Model and Carroll, C., Slacalek, J., Tokuoka, K. and White, M.N. (2017) ¹⁰	0.05-0.9 (National Estimates)

generation that occur as loan recipients use funds for business investment, household consumption, and other productive activities. While individual multiplier estimates vary by methodology and economic conditions, a value of 2.0 provides a reasonable, defensible baseline for policy analysis without overstating potential impacts.

⁶ Kansas Legislature. "FH Subcommittee REIT Testimony, November 18 2024." Kansas Legislature, 2024. https://www.kslegislature.gov/li_2024/b2023_24/committees/misc/fhsubreittesimony111824.pdf

⁷ Crawford, T. (2011). *Income Multipliers in Economic Impact Analysis: Review*. New Mexico State University, Las Cruces, NM. Guide Z-108.

⁸ Bolton, R. E. (1966). *Defense Purchases and Regional Growth*. Washington, DC: Brookings Institution.

⁹ Bartik, T. J. (2017). *New Evidence on State Fiscal Multipliers: Implications for State Policies*. Upjohn Institute Working Papers. Retrieved from https://research.upjohn.org/cgi/viewcontent.cgi?article=1293&context=up_workingpapers

¹⁰ <https://budgetmodel.wharton.upenn.edu/issues/2021/2/3/background-mpc-in-2021-economy>

¹¹ <https://taxpolicycenter.org/statistics/state-and-local-tax-revenue-percentage-personal-income>

Money Multiplier Effect

Assuming an initial increase of **\$100 million** in public deposits, of which **80% (or \$80 million)** is available for lending after accounting for reserve requirements, the money multiplier effect expands the total volume of deposits in the economy. Applying a multiplier of **2**, the total deposits generated amount to **\$160 million**. From this, the newly created loans are estimated at **\$128 million**, representing the portion of funds actively circulating within the economy to support consumption, investment, and business growth across Utah communities.

Income Multiplier Effect

The initial spending of **\$80 million**, corresponding to the portion of deposits deployed into the economy, triggers multiple rounds of income generation through the income multiplier process. With an assumed multiplier of **2**, the total new income generated is **\$160 million**. Adjusting for savings and other leakages, the **final personal income realized is approximately \$128 million**. Based on Utah's estimated state and local tax revenue rate of **10.09%**, this translates into an additional **\$12.91 million** in tax revenue for state and local governments, strengthening public finances while supporting local economic activity.

Sensitivity Model

This section of the analysis examines the sensitivity of overall revenue generation by Utah's local financial institutions. Assessing the broader impact of these institutions' revenue performance serves two key purposes: first, it enhances the overall health and resilience of the state's economy; and second, it strengthens the financial position of local institutions, thereby indirectly improving returns on state reserves. For this analysis, we assume a frictionless flow of funds among local institutions, the broader economy, and the state cash reserves, enabling the effects to circulate seamlessly across these interconnected entities.

As per Wong (2006) and the Kansas State Study conducted by Docking Institute of Public Affairs, the adapted model defines the Revenue function of Utah Local Institution as follows¹²:

$$\text{Revenue} = \text{Tax Revenues} + i(D) + i^*(A^*)$$

Where i = interest rate offered by Utah Banks, D = Deposits with Utah Banks, i^* = interest rate provided by out-of-state investments, and A^* = represents out-of-state investments and deposits. The tax revenue bucket can vary by source—individual state income taxes, state and local retail sales taxes, and state and local property taxes. In this study, tax receipts are treated as exogenous to the model.

¹²

https://www.kslegislature.gov/li/b2025_26/committees/ctte_s_fin_inst_ins_1/documents/testimony/20250313_20.pdf

Given that tax receipts don't change, a rational investor will allocate their deposits/assets to the asset offering the highest returns. On average, the CD rates offered by banks would be lower than the interest rates on out-of-state investments. The Kansas study outlines several reasons why local financial institutions tend to offer lower interest rates, with institutional size being a key factor. Smaller banks often face higher relative fixed costs, making certain investment products less profitable to offer. Moreover, certificates of deposit (CDs) primarily serve as a funding management tool for banks. Our literature review suggests that CD rates are influenced less by broader financial market conditions and more by the institution's internal balance sheet dynamics and liquidity management needs.

However, one advantage of placing deposits with Utah banks over out-of-state investments is the ability of Utah banking institutions to circulate funds back into the local economy. Utah banks have a better ability to track down high-quality local borrowers. Thus, out-of-state funds are less likely to seep back into Utah borrowers due to the high fixed costs of assessing them. While Utah banks are less likely to offer interest rates on par with other money market instruments, they offer the advantage of holding funds within the state and, in theory, boost the state economy by providing productive capacity through increased lending. When deposits are allocated to local financial institutions, they re-enter the economy through credit intermediation and capital investment, thereby increasing production capacity, employment, and income levels. As these positive economic effects materialize, they flow back to Utah's financial institutions through higher tax revenues—driven by an expanded tax base—and improved returns on local bank deposits.

Findings from the adapted model indicate that the apparent interest-rate disadvantage of Utah bank deposits relative to out-of-state investments may be offset by the economic gains from local lending activities that expand income and, in turn, the tax base. Building on this, the next question concerns how effectively Utah banks can reinvest deposits within the state by identifying and lending to local borrowers. This can be explored by analyzing their lending patterns and assessing the balance between in-state and out-of-state loan portfolios.

Since detailed information on the asset composition of Utah's financial institutions is limited and falls outside the scope of this study, the adapted model relies on a simplifying assumption regarding the structure of bank balance sheets. However, this presents a valuable opportunity to extend the analysis by examining banks' capacity to reallocate state deposits into lending activities and to deepen our understanding of how their balance sheets adjust in response to an infusion of new funds. Specifically, it assumes that total deposits are allocated between loan assets and other forms of assets, such as securities and reserves, represented by the following relationship:

$$\text{Deposits (D)} = \text{Loans (L)} + \text{Other Assets (O)}$$

In this framework, L denotes the volume of loans extended to Utah borrowers, while O captures all other assets held by the financial institutions. This formulation reflects the fundamental balance sheet identity of banks and provides a basis for analyzing how institutions respond when presented with additional deposits.

To further characterize the bank's lending behavior, the model defines the **Utah loan-deposit ratio**, $m = L/D$, which represents the proportion of total deposits reallocated into loans. This parameter serves as a key indicator of how effectively new deposits are transformed into productive lending within the state's economy.

A similar framework can be constructed for out-of-state investments, with slight adjustments to the underlying assumptions and variable definitions. Specifically, total out-of-state allocations are represented as:

$$A^* = I^* + O^*$$

Where I^* denotes the portion of out-of-state investments that eventually returns to Utah (for example, through indirect economic linkages or market flows), and O^* represents the share of assets created and retained outside the state using Utah's public funds. The share of out-of-state investments that effectively seep back into Utah's economy is expressed as: $m^* = I^*/A^*$

The Kansas study notes that, by construction, $L > I^*$, reflecting the assumption that Utah-based banks are better equipped to identify, evaluate, and extend credit to local borrowers than out-of-state investments generate limited feedback.

The difference between m and m^* affects the revenue function and, by extension, the effectiveness of putting state funds into bank deposits. Thus, we represent the revenue function in terms of the variables under consideration— m and m^* . Before we dive into exploring the revenue impacts, we build an understanding of how m affects tax revenues. The amount of capital Utah banks lend to the state directly affects the state's capital generation. Thus, the model defines the change in Utah Capital as follows:

$$\Delta k = m(\Delta D)$$

Additionally, the change in capital stock due to the injection of credit by out-of-state investments is given by:

$$\Delta k = m^*(\Delta A^*)$$

In addition to the general revenue function of Utah's local institutions, the model specifies the distribution of local government funds between Utah bank deposits and out-of-state investments, expressed as:

$$G = D + A^*$$

Under this framework, an increase in allocations to Utah banks is assumed to come at the expense of out-of-state investments, implying an inverse relationship such that:

$$D = -A^*$$

Consequently, the change in Utah's capital stock can be represented as:

$$\Delta k = m(D) - m^*(A^*)$$

Where $m(D)$ denotes the proportion of Utah deposits converted into local lending, and $m^*(A^*)$ represents the fraction of out-of-state investments that flow back into Utah. This formulation captures how shifts in fund allocation influence overall capital formation within the state.

Finally, the MR function of the state and local Utah institution can be simplified in terms of tax receipts as a function of in-state and out-of-state loans and capital stock effects, and additionally interest earned due to funds deposited in Utah financial institutions, minus the interest income foregone on out-of-state investments:

$$R = TaxReturn + i(D) + i^*(A^*)$$

$$MR = t(A)(m - m^*)(\Delta D) + i(\Delta D) - i^*(\Delta D)$$

$$MR = t(A)(m - m^*)(\Delta D) + (i - i^*)(\Delta D)$$

The model centers around two key components:

1. Utah Loan-to-Deposit Ratio (m):

This metric captures the proportion of deposits that Utah banks convert into loans within the state. A higher loan-to-deposit ratio indicates greater local lending, which in turn supports capital formation, stimulates income growth, and expands the tax base. Assuming a constant tax rate, higher incomes translate into increased tax revenues for local institutions. This ratio is a critical parameter in the study, as it reflects how effectively state funds—when placed in Utah banks—circulate through the economy to generate real economic activity.

2. Interest Rate Differential (Δi):

This represents the difference between the interest rates Utah banks offer on deposits and the returns from out-of-state investments. A larger differential, where Utah deposit rates are relatively lower, reduces the direct financial attractiveness of local placements and dampens the overall economic impact. Conversely, smaller differentials strengthen the case for local investment by minimizing the opportunity cost of depositing funds within the state.

Model Simulation and Results

Model

Parameters

Based on the stated assumptions and available data, the model variables are assigned the following baseline values:

- Tax Rate (τ): 10.09%
- Change in Deposits (ΔD): \$14 million
- Marginal Product of Capital (A): 1.05
- Proportion of Out-of-State Reinvestment (m^*): 0
- Interest Rate on Utah Deposits (i): 4%
- Interest Rate on Out-of-State Investments (i^*): 5%

1. Effect of the Utah Loan-to-Deposit Ratio (m)

To evaluate the effect of Utah's loan-to-deposit ratio, we vary the value of m while holding all other parameters constant. As m increases, the marginal revenue generated through local economic activity also rises. For the chosen parameter values, the **break-even point**—where the gain from expanded economic activity precisely offsets the loss in interest income—is estimated at **9.4%**. At this threshold, the economic gains from increased local lending compensate for the interest income the PTIF forfeits by investing in lower-yielding Utah bank CDs. Beyond 9.4%, the net effect becomes positive—local reinvestment creates more economic value than is lost through forgone interest returns. This finding aligns closely with the **Kansas State Study**, which reported a comparable threshold of **9.52%**.

2. Effect of Interest Rate Differentials ($\Delta i = i - i^*$)

This component illustrates how variations in the interest rate differential influence total revenue. When the differential is positive, the economic gains from increased local lending can outweigh the loss in interest income from lower-yielding Utah deposits.

In this analysis, the **interest rate on out-of-state investments (i^*)** is held constant at **5%**, reflecting limited control over external market rates. The **Utah loan-to-deposit ratio (m)** is assumed to be **20%**, and we vary the Utah deposit rate (i) accordingly.

The results suggest that the **break-even differential**—the point at which the state cash reserves would be indifferent between allocating funds to Utah banks or out-of-state investments—occurs at approximately **2.1%**. In other words, given that Utah banks lend 20% of their deposits to local borrowers, **out-of-state investment rates would need to exceed Utah bank deposit rates by at least 2.1 percentage points** for the state to be financially better off placing funds externally.

One key point to note is that each parameter may differ depending on the assumptions one makes. For this simulation, the threshold for interest rate differentials could change based on our assumption about how much Utah banks can loan to local borrowers.

M (Utah Loans to Deposit Ratio)	(i-i*)	
10%	-1%	Out-of-state investment rates should at least be higher than Utah bank rates by 1%
20%	-2.1%	Out-of-state investment rates should at least be higher than Utah bank rates by 2.1%
30%	-3.15%	Out-of-state investment rates should at least be higher than Utah bank rates by 3.15%

One additional point to be made out of the Kansas Study is that these are all long-term outcomes. The researchers estimated that the period for the deposits to transition to productive capital and for tax returns to be realized is 2 to 5 years. This can be further explored for the Utah context.

Recommendations and Next Steps

The simulation results demonstrate that a carefully designed CD reallocation program can generate meaningful economic benefits for Utah when participating institutions achieve at least 20% local lending deployment. The following recommendations translate these findings into actionable policy.

Key Policy Implications

Leverage Existing Infrastructure: All program participants should come from the Department of Financial Institutions' Qualified Depository List. This leverages existing safety standards, collateralization requirements, and institutional vetting—no new regulatory infrastructure is required. The State Treasurer's Office already maintains these relationships and monitoring capabilities.

Focus on Local Lending Intensity: The 20% local lending deployment threshold should serve as the program's core performance metric. This represents the point where economic multiplier effects justify the program investment. Quarterly reporting of loan-to-deposit and loan-to-assets ratios (relative to baseline) provides clear, measurable accountability without requiring disclosure of proprietary lending strategies.

Create Strong Selection Mechanisms: The program should be voluntary with clear performance expectations. Reporting requirements, the 20% lending threshold, and penalty provisions will naturally select for community banks and credit unions genuinely committed to expanding local lending. Large regional or national banks are unlikely to participate given administrative requirements relative to modest CD volumes—this natural selection is desirable and focuses resources where they generate maximum impact.

Maintain Flexibility Through Annual Renewal: One-year CDs renewable based on performance maintain investment flexibility while providing sufficient stability for banks to expand lending operations. Annual renewal decisions allow reallocation to highest-performing institutions and program exit if results disappoint.

Protect Confidential Data: An independent third party (university research center or regulator partnership) should collect, aggregate, and anonymize bank-level data before reporting summary trends to the state treasurer and other public officials. This protects competitive information while ensuring transparency and accountability.

Establish Clear Consequences: Banks failing to report metrics or achieve meaningful lending growth should face penalty rates (determined by policy) or ineligibility for renewal. This ensures only committed institutions benefit from program participation.

Implementation Priorities

Phase 1: Stakeholder Engagement (Months 1-3)

- Present findings and proposed framework to institutions on Qualified Depository List
- Solicit feedback on participation interest, capacity, and optimal CD sizing
- Engage Utah Department of Financial Institutions, Utah Bankers Association, and Utah Credit Union Association
- Identify likely participants and refine allocation parameters

Phase 2: Program Design (Months 4-6)

- Select independent third party for data collection and aggregation
- Establish confidentiality protocols and reporting templates
- Finalize CD minimums by institution size
- Define penalty rate structure (determined by policy)
- Create evaluation framework with clear success metrics and timeline

Phase 3: Legislative Action (Months 6-9)

- Draft enabling legislation incorporating:
 - Pilot structure and scale parameters
 - Eligibility limited to Qualified Depository List
 - Reporting requirements and timelines

- Penalty mechanisms for non-performance
- Annual renewal process based on results
- Evaluation timeline with predetermined decision points for continuation, modification, or sunset
- Secure Legislative approval and funding authorization

Phase 4: Pilot Launch (Months 9-12)

- Issue solicitation to all institutions on Qualified Depository List explaining opportunity, requirements, and expectations
- Accept opt-in commitments from qualifying institutions
- Establish baseline lending metrics (loan-to-deposit and loan-to-assets ratios) for each participant
- Issue initial one-year CDs
- Begin quarterly reporting cycle

Phase 5: Monitoring and Evaluation (Years 1-5)

- Collect quarterly metrics from all participants
- Track aggregate lending growth across program
- Monitor tax revenue impacts (with understanding that full effects materialize over 2-5 years)
- Annual renewal decisions based on performance
- Year 3-5: Comprehensive impact assessment
- Year 5: Decision point for program continuation, expansion, modification, or sunset

Critical Success Factors

Clear Communication: All institutions on the Qualified Depository List must understand the program is voluntary, performance-based, and focused on institutions genuinely capable of expanding local lending. Setting realistic expectations prevents later disappointment.

Rigorous Evaluation: Multi-year assessment with clear metrics enables evidence-based decisions about program continuation. Patience is essential—economic effects materialize gradually.

Flexibility: Annual renewal structure allows course corrections, reallocation to top performers, and program exit if results don't materialize.

Transparency: Public reporting of aggregate results (with individual bank confidentiality protected) builds trust and demonstrates accountability.

Realistic Scale: Modest initial allocation allows meaningful measurement without threatening the state's investment reserves.