

The Pew Charitable Trusts' 2023 report "Tools for Sustainable State Budgeting" examines whether and how states are using long-term budget assessments and budget stress tests to measure and strengthen their fiscal outlooks.¹ This is one of 20 fact sheets describing the approaches of and opportunities to improve for each state that produces at least one of these analyses.²



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Utah: Tools for Sustainable State Budgeting

Long-term budget assessment: ✓	Budget stress test: ✓
Report: "Five-Year Long-Term Budget Analysis" ³	Report: "Budget Stress Testing 2022" ⁴
Office: Office of the Legislative Fiscal Analyst	Office: Office of the Legislative Fiscal Analyst and the Governor's Office of Planning and Budget

Analyses

Utah was an early leader in budget stress testing, producing its first in 2015.⁵ A 2018 law codified this practice by requiring the Office of the Legislative Fiscal Analyst (LFA) to conduct a budget stress test every three years.⁶

Utah's stress tests are notable for their thoroughness and rigor. The 2022 analysis examined three stress scenarios, estimated the effects on revenue and spending, projected those effects through fiscal year 2027, and compared the effects to a wide range of budget balancing tools.⁷

The same law that mandated the stress tests also required the LFA to produce “long-term budgets” every three years.⁸ So far, the LFA has produced two analyses under this requirement, which included five years of revenue and spending projections, but offered only brief discussions of the factors driving the results.⁹ The most recent long-term budget, published in 2021, was especially scant in this regard.¹⁰

Policy impact

Utah’s budget stress tests have helped the state develop a “fiscal sustainability toolkit” with options to close budget shortfalls caused by recessions, including various revenue increases, spending cuts, and reserves.¹¹ When the COVID-19 pandemic briefly ravaged revenue collections in 2020, this playbook helped Utah officials respond quickly and minimize budget balancing actions that would harm residents. For example, the state authorized borrowing to pay for infrastructure projects such as a new state prison, freeing up dollars to shore up other parts of the budget, and allowed agencies to use money left over from the previous fiscal year.¹²

Next steps

To be more relevant to policymaking, Utah’s next long-term budget (scheduled for 2024) could identify and analyze specific threats to long-term balance, such as particular revenue sources which are likely to stagnate or spending categories that analysts expect to experience rapid growth. The report could also discuss crosscutting factors such as economic and demographic trends and how they would affect revenue and spending.

For the stress test, analysts could explore whether different revenue and spending baseline expectations would change the results. Currently, the stress test assumes that, absent a stress scenario, revenue and spending will remain flat—an atypical approach that does not reflect real-world conditions.¹³

Endnotes

- 1 The Pew Charitable Trusts, "Tools for Sustainable State Budgeting" (2023), <https://www.pewtrusts.org/en/research-and-analysis/reports/2023/11/tools-for-sustainable-state-budgeting>.
- 2 The Pew Charitable Trusts, "States' Use of Sustainable Budgeting Tools" (2023), <https://www.pewtrusts.org/en/research-and-analysis/fact-sheets/2023/11/states-use-of-sustainable-budgeting-tools>.
- 3 Utah Office of the Legislative Fiscal Analyst, "Five-Year Long-Term Budget Analysis" (2019), <https://le.utah.gov/interim/2019/pdf/00002706.pdf>.
- 4 Utah Office of the Legislative Fiscal Analyst and Governor's Office of Planning and Budget, "Budget Stress Testing 2022" (2022), <https://le.utah.gov/interim/2022/pdf/00004778.pdf>.
- 5 J. Tennert et al., "State Budget Stress Testing: How Utah Budget-Makers Are Shifting the Focus From a Balanced Budget to Fiscal Sustainability" (Kem C. Gardner Policy Institute, 2019), 3, <https://gardner.utah.edu/wp-content/uploads/PEW-State-Budget-Stress-Testing.pdf>.
- 6 Utah Code Ann. § 36-12-13, https://le.utah.gov/xcode/Title36/Chapter12/36-12-S13.html?v=C36-12-S13_2023050320230503.
- 7 Utah Office of the Legislative Fiscal Analyst and Governor's Office of Planning and Budget, "Budget Stress Testing 2022."
- 8 Utah Code Ann. § 36-12-13.
- 9 Utah Office of the Legislative Fiscal Analyst, "Five-Year Long-Term Budget Analysis"; Utah Office of the Legislative Fiscal Analyst, "2021 Long-Term Budget" (2021), <https://le.utah.gov/interim/2021/pdf/00004244.pdf>.
- 10 Utah Office of the Legislative Fiscal Analyst, "2021 Long-Term Budget."
- 11 Tennert et al., "State Budget Stress Testing," 14-15.
- 12 The Pew Charitable Trusts, "How States Can Manage Midyear Budget Gaps" (2022), https://www.pewtrusts.org/-/media/assets/2022/03/midyearbudgetgaps_updated.pdf; D. Evans (senior managing director, budget and operations, Utah Governor's Office of Planning and Budget), interview with The Pew Charitable Trusts, Jan. 23, 2023.
- 13 Utah Office of the Legislative Fiscal Analyst and Governor's Office of Planning and Budget, "Budget Stress Testing 2022," 2-3.

For more information, please visit: pewtrusts.org/fiscaltools

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