

Economic Update

Utah State Board of Education
Nestor M. Rodriguez
October 3, 2024

UTAH STATE BOARD OF EDUCATION



Economic Update:

- 2024 Preliminary Year End Estimates
 - General/Income Tax Funds Overview
 - Projected Ongoing Funds (2026)
- Overall Macroeconomic Update
 - Overall Economy
 - Labor Markets
 - Consumer Sentiment
 - Housing



Economic Update:

- 2024 Preliminary Year End Estimates
 - General/Income Tax Funds Overview
 - Details
 - WPU – ITF Comparison
 - Projected Ongoing Funds (FY2026)



2024 – Preliminary Year-End Estimates

- Summary:
 - General and Income Tax Funds (GF/ITF/USF)
 - Revenues - \$11.444 billion:
 - Represents Year-Over-Year (YOY) increase of -0.8%.
 - Target rate – 0.4%.



2024 – Preliminary Year-End Estimates

- Summary:
 - Income Tax Funds (ITF):
 - Revenues - \$6.226 billion:
 - Represents Year-Over-Year (YOY) increase of -3.0%.
 - Target rate – 2.6%.



2024 – Preliminary Year-End Estimates

- Summary:
 - Economic downturn concerns – seems to have moderated.
 - Income Tax Fund (ITF):
 - Revenue collections: Are in the middle of projected range.
 - ITF: YOY Estimates (last three months, 2024):
 - YOY:
 - Apr-24: -2.8%(Apr-23: -4.8%, Apr-22: 28.8%)
 - May-24: -3.2%(May-23: -5.4%, May-22: 14.8%)
 - Jun-24: -2.8% (Jun-23: -4.8%, June-22: 12.8%)
 - It looks like the decline is moderating.



2022 – Preliminary Year-End Estimates

MONTHLY STATE REVENUE SNAPSHOT FY 2022

based on the Utah State Tax Commission Monthly Revenue Summary (Report TC-23)

General Fund	Projected Growth Rate - February Estimates (Annual)	Actual Growth Rate	Projected Range in Collections Through 12 Months		Actual Collections	Condition	Forecast	22-Feb	22-Mar	22-Apr	22-May	22-Jun
Sales & Use Tax	13.6%	17.5%	\$2,712,000,000 - \$3,315,000,000	\$3,118,781,616	On target	\$2,981,794,549	20.0%	20.3%	19.1%	18.8%	17.5%	
All Other Sources	4.8%	27.8%	\$478,000,000 - \$585,000,000	\$648,528,363	Above target range	\$588,939,299	16.6%	17.8%	17.8%	27.1%	27.8%	
Subtotal General Fund	12.6%	19.2%		\$3,767,309,979			19.4%	19.8%	18.9%	20.1%	19.2%	
Sales & Use Tax Set-Asides	12.4%	19.0%	\$909,000,000 - \$1,111,000,000	\$1,069,394,131	On target	\$1,044,13,971	19.4%	19.3%	19.8%	18.7%	19.0%	
Education Fund/Uniform School Fund												
Individual Income Tax	-5.1%	10.8%	\$5,230,000,000 - \$6,392,000,000	\$6,781,887,436	Above target range	\$5,787,974,286	9.9%	-5.1%	28.7%	12.8%	10.8%	
Corporate Tax	-2.8%	26.4%	\$651,000,000 - \$796,000,000	\$940,558,286	Above target range	\$718,915,829	36.1%	34.0%	28.6%	28.7%	26.4%	
All Other Sources	3.8%	107.6%	\$27,000,000 - \$32,000,000	\$58,938,956	Above target range	\$58,827,111	-1.0%	186.0%	73.1%	136.0%	107.8%	
Subtotal Education Fund	-4.6%	12.8%		\$7,781,384,678			-5.2%	-1.1%	28.8%	14.8%	12.8%	
Subtotal GF/EF	0.6%	14.3%		\$11,548,694,657			3.0%	6.0%	25.7%	16.0%	14.3%	
Transportation Fund												
Motor Fuel Tax	6.0%	4.5%	\$357,000,000 - \$436,000,000	\$390,767,065	On target	\$402,439,824	5.7%	6.5%	5.4%	5.9%	4.5%	
Special Fuel Tax	-2.2%	-1.9%	\$144,000,000 - \$176,000,000	\$160,440,407	On target	\$168,105,276	0.0%	1.1%	-2.5%	3.0%	-1.9%	
Other	5.1%	5.3%	\$105,000,000 - \$128,000,000	\$116,460,522	On target	\$120,374,120	6.4%	4.9%	7.2%	6.1%	5.3%	
Subtotal Transportation Fund	3.7%	3.0%		\$667,667,994			4.4%	4.9%	3.7%	5.2%	3.0%	
Total, GF/EF/USF/TF	0.8%	13.6%		\$12,216,362,651			3.1%	5.9%	24.3%	15.3%	13.6%	

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2023 – Preliminary Year-End Estimates

MONTHLY STATE REVENUE SNAPSHOT JULY 2023

based on the Utah State Tax Commission Monthly Revenue Summary (Report TC-23)

General Fund	Projected Growth Rate - February Estimates (Annual)	YoY Growth Rate	Projected Range in Collections Through 12 Months		Actual Collections	Year-End Forecast	Mar-23	Apr-23	May-23	Jun-23
Sales & Use Tax	6.4%	5.8%	\$2,968,000,000 - \$3,628,000,000		\$3,300,305,784	\$3,297,805,000	8.1%	6.4%	5.5%	5.8%
All Other Sources	28.9%	38.3%	\$688,000,000 - \$841,000,000		\$821,007,662	\$800,493,229	31.6%	31.9%	36.5%	38.3%
Subtotal General Fund	10.2%	11.0%			\$4,121,313,446	\$4,098,298,229	11.8%	10.5%	10.6%	11.0%
Sales & Use Tax Set-Asides	10.9%	7.9%	\$1,087,000,000 - \$1,328,000,000		\$1,154,077,713	\$1,207,400,759	11.3%	10.4%	10.0%	7.9%
Income Tax Fund/Uniform School Fund										
Individual Income Tax	-1.6%	-5.3%	\$5,997,000,000 - \$7,330,000,000		\$6,422,390,636	\$6,613,306,667	18.0%	-5.0%	-5.6%	-5.3%
Withholding		4.9%			\$4,968,133,093		5.2%	6.0%	4.9%	4.9%
Final Payments (plus SALT Passthrough)		-28.9%			\$1,454,257,543		-27.6%	-28.7%	-28.9%	
Corporate Tax	-16.5%	-7.0%	\$704,000,000 - \$861,000,000		\$874,639,803	\$782,651,333	-11.6%	-8.3%	-8.2%	-7.0%
All Other Sources	19.3%	82.6%	\$103,000,000 - \$126,000,000		\$107,643,434	\$114,556,667	0.5%	96.1%	86.6%	82.6%
Subtotal Income Tax Fund	-3.1%	-4.8%			\$7,404,673,873	\$7,560,514,667	14.9%	-4.8%	-5.4%	-4.8%
Subtotal GF/ITF/USF	1.2%	0.3%			\$11,525,987,320	\$11,658,812,895	13.7%	0.1%	-0.3%	0.3%
Transportation Fund										
Motor Fuel Tax	2.6%	5.8%	\$369,000,000 - \$451,000,000		\$413,546,138	\$409,781,671	1.3%	3.1%	4.1%	5.8%
Special Fuel Tax	8.4%	7.0%	\$170,000,000 - \$207,000,000		\$171,734,379	\$188,514,159	3.3%	8.8%	5.3%	7.0%
Other	13.4%	11.9%	\$124,000,000 - \$151,000,000		\$130,313,059	\$137,709,667	10.5%	9.7%	11.5%	11.9%
Subtotal Transportation Fund	6.0%	7.2%			\$715,593,575	\$736,005,497	3.4%	5.7%	5.7%	7.2%
Total, GF/ITF/USF/TF	1.4%	0.7%			\$12,241,580,895	\$12,394,818,392	13.0%	0.4%	0.1%	0.7%

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2024 – Preliminary Year-End Estimates

MONTHLY STATE REVENUE SNAPSHOT JULY 2024

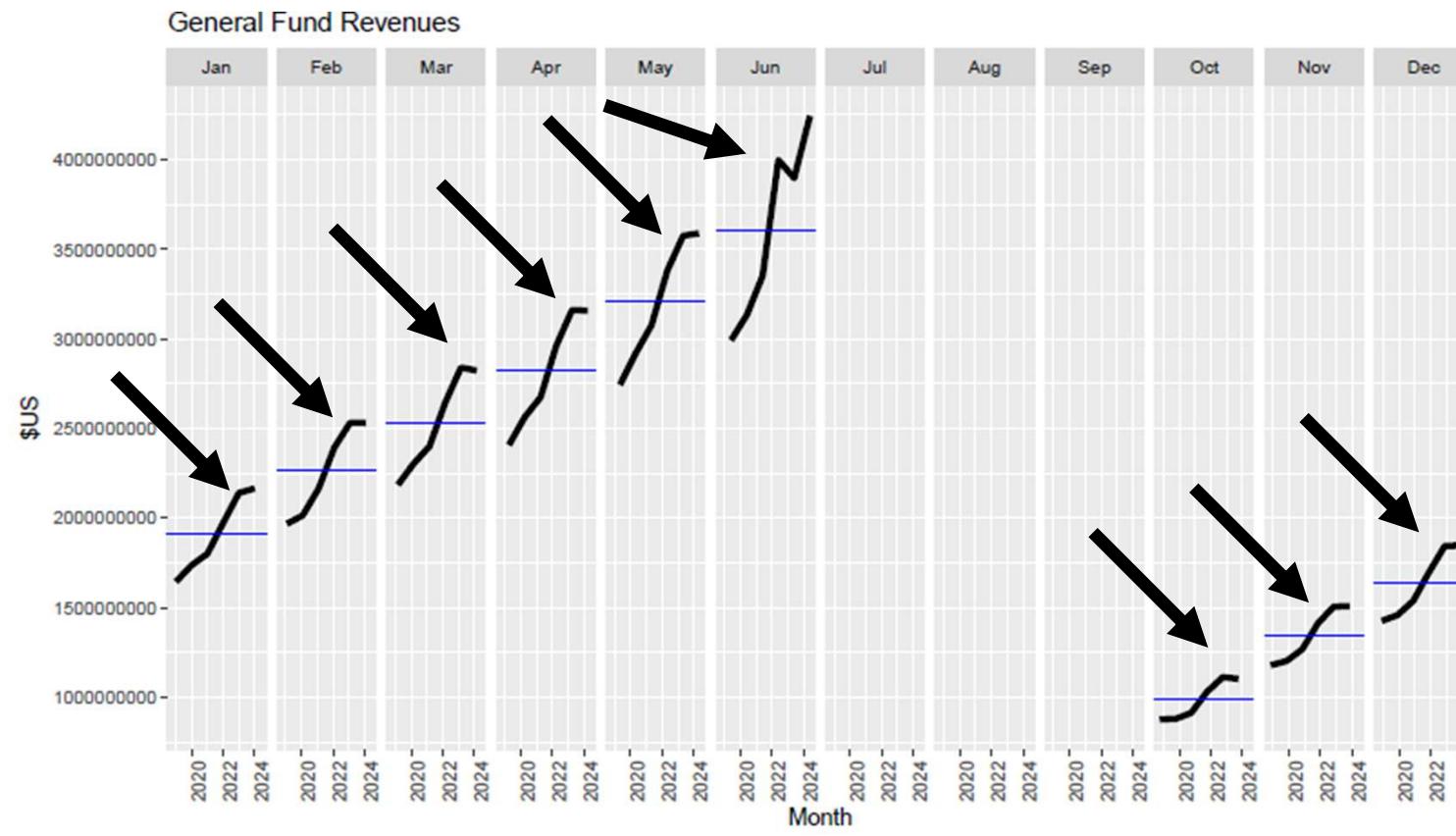
based on the Utah State Tax Commission Monthly Revenue Summary (Report TC-23)

	Projected Growth Rate - February Estimates (Annual)	YoY Growth Rate	Projected Range in Collections Through 12 Months	FY 2024 Actual Collections	FY 2024 Year-End Forecast	Mar-24			
	Mar-24	Apr-24				Mar-24	Apr-24	May-24	Jun-24
General Fund									
Sales & Use Tax	2.0%	2.2%	\$2,996,000,000 - \$3,662,000,000	\$3,340,539,453	\$3,328,957,000	1.2%	1.5%	2.0%	1.2%
All Other Sources*	6.1%	8.8%	\$797,000,000 - \$974,000,000	\$904,350,739	\$885,070,333	13.2%	12.2%	9.8%	8.8%
Subtotal General Fund	2.9%	2.7%		\$4,244,890,192	\$4,216,316,000	3.5%	3.6%	3.6%	2.7%
Sales & Use Tax Set-Asides	1.8%	4.3%	\$1,095,000,000 - \$1,338,000,000	\$1,204,251,106	\$1,216,311,626	3.1%	4.3%	3.0%	4.3%
Income Tax Fund/Uniform School Fund									
Individual Income Tax	-2.6%	-3.0%	\$5,638,000,000 - \$6,891,000,000	\$6,226,662,900	\$6,264,321,833	-3.7%	-3.9%	-4.1%	-3.0%
Withholding		3.1%		\$5,122,000,000	\$5,122,000,000	1.9%	2.3%	2.1%	3.1%
Final Payments (plus SALT Passthrough)		-24.2%		\$1,102,842,969		-33.6%	-22.7%	-24.3%	-24.2%
Corporate Tax	0.0%	1.4%	\$783,000,000 - \$957,000,000	\$886,497,613	\$869,986,667	0.9%	5.3%	4.4%	1.4%
All Other Sources	3.9%	-19.6%	\$123,000,000 - \$150,000,000	\$86,538,026	\$136,540,000	7.2%	6.9%	2.6%	-19.6%
Subtotal Income Tax Fund	-2.2%	-2.8%		\$7,199,698,539	\$7,267,448,000	-3.2%	-2.8%	-3.2%	-2.8%
Subtotal GF/ITF/USF	-0.4%	-0.8%		\$11,444,588,731	\$11,483,764,000	-0.6%	-0.6%	-0.8%	-0.8%
Transportation Fund									
Motor Fuel Tax	6.6%	7.6%	\$406,000,000 - \$496,000,000	\$444,900,227	\$450,819,000	10.3%	9.4%	8.6%	7.6%
Special Fuel Tax	4.4%	9.8%	\$171,000,000 - \$209,000,000	\$188,500,363	\$189,953,333	8.0%	6.2%	6.0%	9.8%
Other	14.1%	18.7%	\$152,000,000 - \$186,000,000	\$154,723,256	\$169,405,667	18.7%	20.1%	19.3%	18.7%
Subtotal Transportation Fund	7.5%	10.1%		\$788,123,845	\$810,178,000	11.2%	10.5%	9.9%	10.1%
Total, GF/ITF/USF/TF	0.1%	-0.2%		\$12,232,712,577	\$12,293,942,000	0.1%	0.1%	-0.1%	-0.2%

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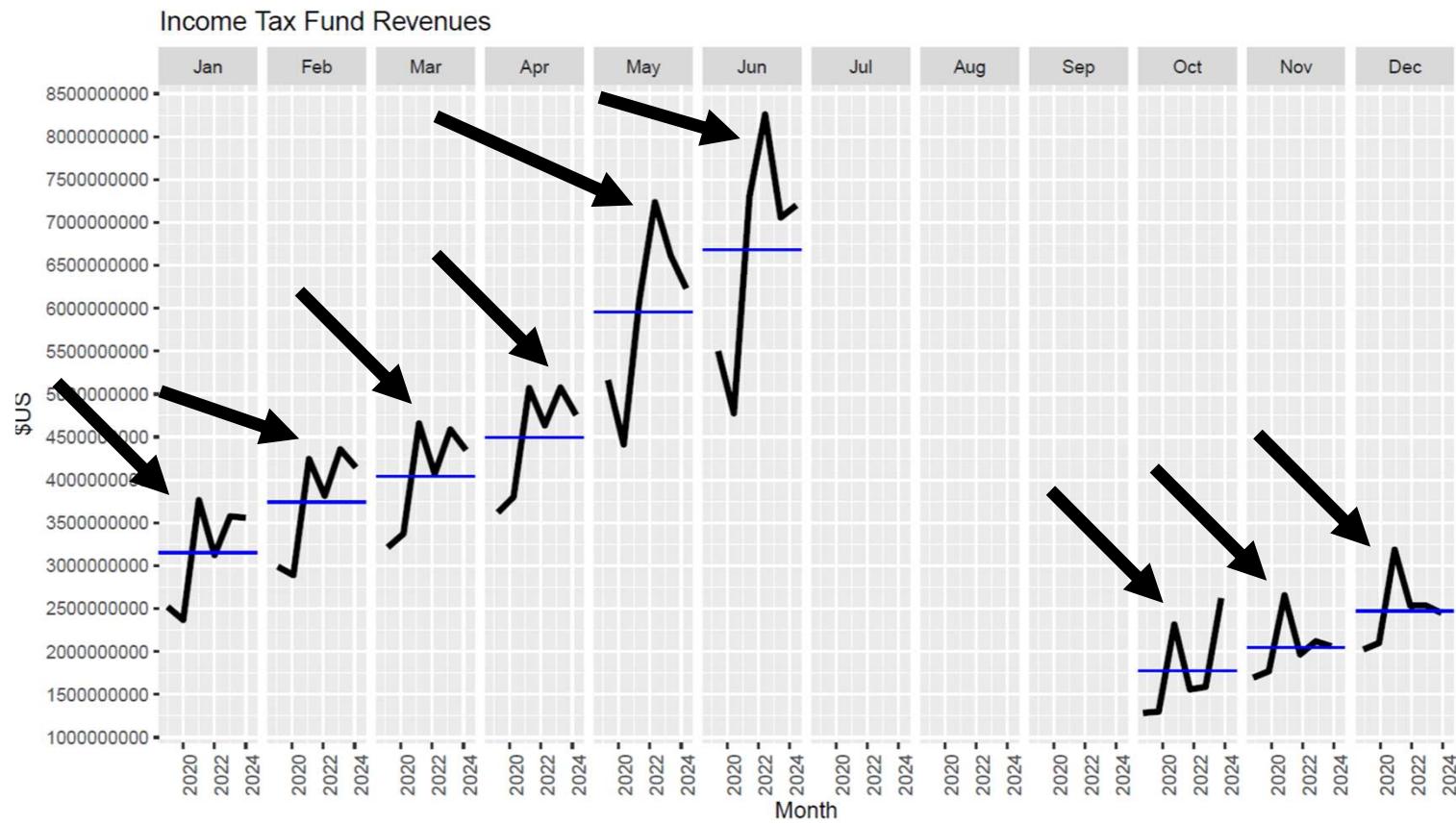
2024 – General Fund



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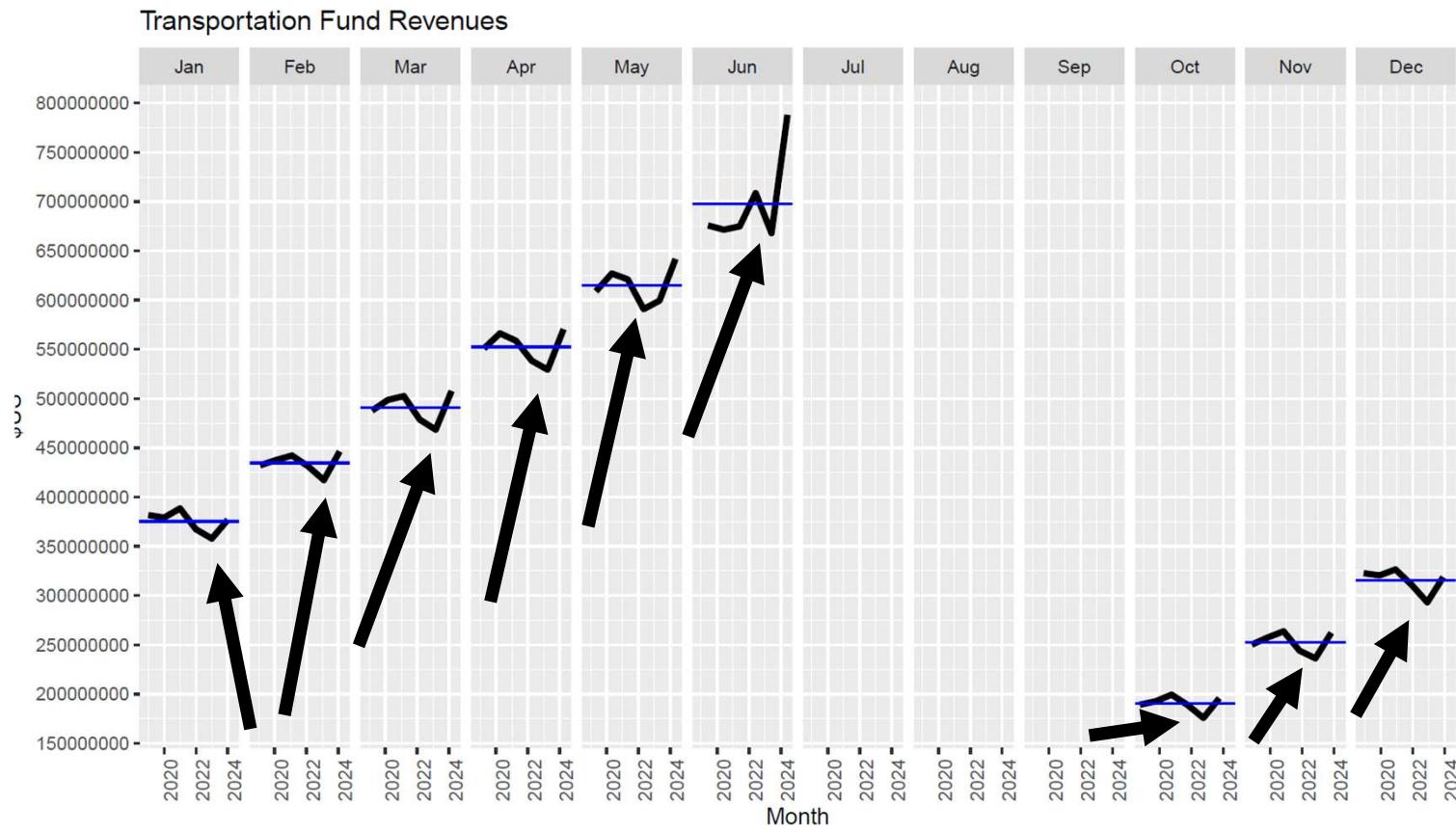
2024 – Income Tax Fund



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2024 – Transportation Fund



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Historical – WPU Changes

Year	WPU Value	% Change in WPU Value
2020-2021	\$ 3,596	N/A
2021-2022	\$ 3,809	5.92%
2022-2023	\$ 4,038	6.01%
2023-2024	\$ 4,280	5.99%
2024-2025	\$ 4,494	5.00%

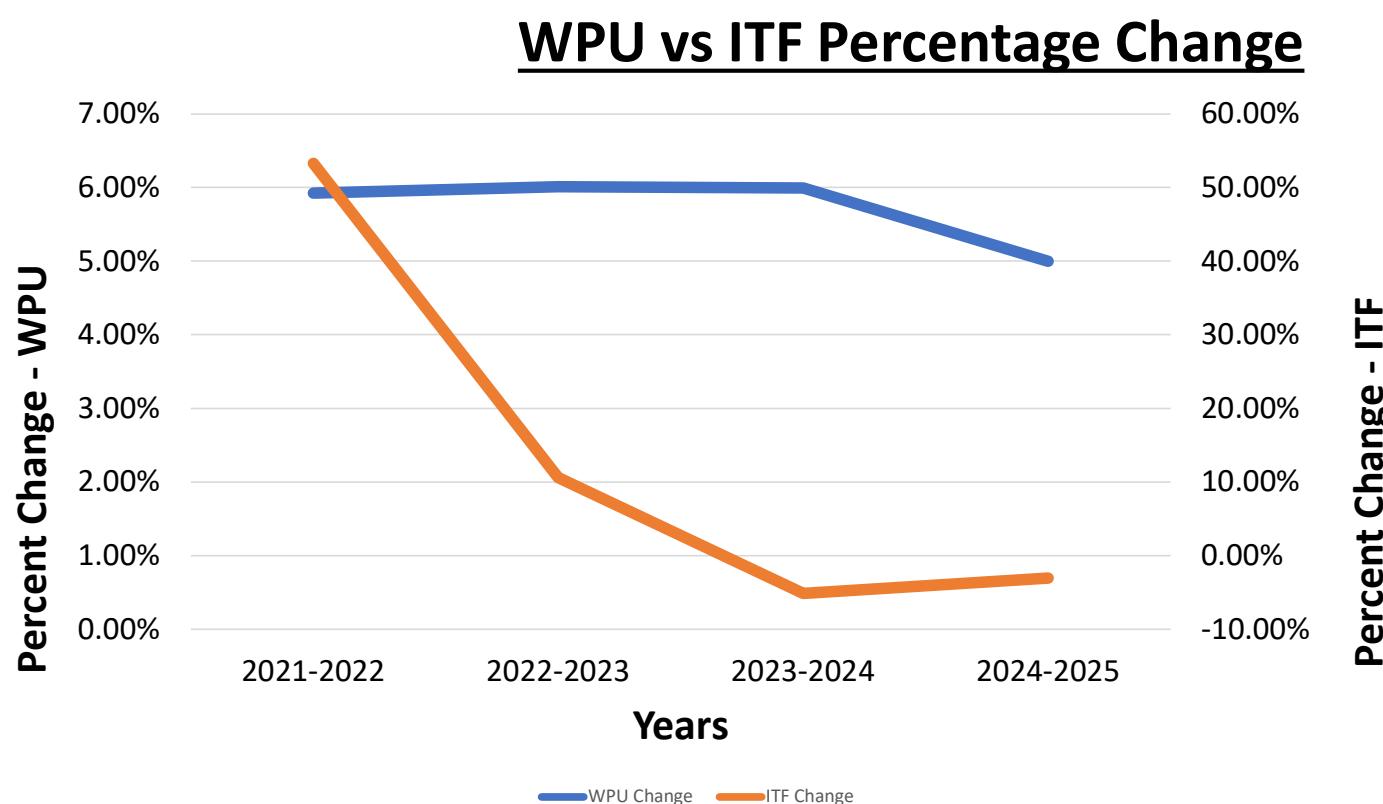


Historical –ITF Changes

Year	Income Tax Fund	Low	High	Range	% Change in ITF (Info from TC-23)
2020-2021	\$ 3,993,993,564	\$ 3,973,000,000	\$ 4,016,000,000	Low	N/A
2021-2022	\$ 6,122,845,381	\$ 4,992,000,000	\$ 5,991,000,000	Above	53.30%
2022-2023	\$ 6,771,925,738	\$ 5,219,000,000	\$ 6,379,000,000	Above	10.60%
2023-2024	\$ 6,422,390,636	\$ 5,997,000,000	\$ 7,300,000,000	Middle	-5.16%
2024-2025	\$ 6,226,662,900	\$ 5,638,000,000	\$ 6,891,000,000	Middle	-3.05%



Historical – WPU vs ITF Changes



Average WPU
Percent Change:
5.73%

Average ITC
Percent Change:
13.92%



New Public Education Spending – FY2024 vs FY 2025 vs FY 2026

<u>FY - 2024 - New Public Education Spending</u>		
WPU Value Increase - Inflationary Adjustment	\$ 131,979,600	
Statutory Enrollment Growth (Ongoing)	\$ 3,900,000	
Statutory Enrollment Growth(One-Time)	\$ 2,597,000	
Total	\$ 138,476,600	
<u>Entity</u>	<u>USBE</u>	<u>Legislature Appropriations</u>
New Ongoing(Requested)	\$857,750,400	\$769,637,500
One-Time(Requested)	\$193,855,000	\$214,418,800
Total	\$1,051,605,400	\$984,056,300
<u>FY - 2025 - New Public Education Spending</u>		
WPU Value Increase - Inflationary Adjustment	\$ 161,256,600	
Statutory Enrollment Growth (Ongoing)	\$ 48,249,800	
Statutory Enrollment Growth(One-Time)	\$ 9,122,900	
Total	\$ 218,629,300	
<u>Entity</u>	<u>USBE</u>	<u>Legislature Appropriations</u>
New Ongoing(Requested)	\$451,832,949	\$278,420,500
One-Time(Requested)	\$139,149,900	\$517,873,700
Total	\$590,982,849	\$796,294,200

***** More Detailed Spreadsheet available *****

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New Public Education Spending – FY2024 vs FY 2025 vs FY 2026 – Three Scenarios

<u>Low-Range</u>		<u>USBE</u>	<u>Projected</u>	<u>Additional Spending Available</u>
FY - 2026 - New Public Education Spending (Projected)				
WPU Value Increase - Inflationary Adjustment	\$ 177,382,260			
Statutory Enrollment Growth (Ongoing)	\$ 48,249,800			
Statutory Enrollment Growth(One-Time)	\$ 9,122,900			
Total	\$ 234,754,960			
Entity				
New Ongoing (Projected)	\$200,000,000			-\$34,754,960
New One-Time (Projected)		\$509,744,000		
Total		\$709,744,000		

*** Does not imply or reflect actual legislative appropriations. Created for USBE discussion purposes only.***

Assume 10% increase in inflationary adjustment

Keep these the same

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New Public Education Spending – FY2024 vs FY 2025 vs FY 2026 – Three Scenarios

<u>Mid-Range</u>		<u>USBE</u>	<u>Projected</u>	<u>Additional Spending Available</u>
<u>FY - 2026 - New Public Education Spending (Projected)</u>				
WPU Value Increase - Inflationary Adjustment	\$ 177,382,260			
Statutory Enrollment Growth (Ongoing)	\$ 48,249,800			
Statutory Enrollment Growth(One-Time)	\$ 9,122,900			
Total	\$ 234,754,960			
<u>Entity</u>				
<u>New Ongoing (Projected)</u>		<u>Projected</u>	<u>Additional Spending Available</u>	
New One-Time (Projected)	\$250,000,000		\$15,245,040	
Total		\$509,744,000	\$759,744,000	

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Assume 10% increase in inflationary adjustment

Keep these the same



New Public Education Spending – FY2024 vs FY 2025 vs FY 2026 – Three Scenarios

<u>High-Range</u>		<u>USBE</u>	<u>Projected</u>	<u>Additional Spending Available</u>
<u>FY - 2026 - New Public Education Spending (Projected)</u>				
WPU Value Increase - Inflationary Adjustment	\$ 177,382,260			
Statutory Enrollment Growth (Ongoing)	\$ 48,249,800			
Statutory Enrollment Growth(One-Time)	\$ 9,122,900			
Total	\$ 234,754,960			
Entity				
New Ongoing (Projected)	\$300,000,000			\$65,245,040
New One-Time (Projected)		\$509,744,000		
Total		\$809,744,000		

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Assume 10% increase in inflationary adjustment

Keep these the same

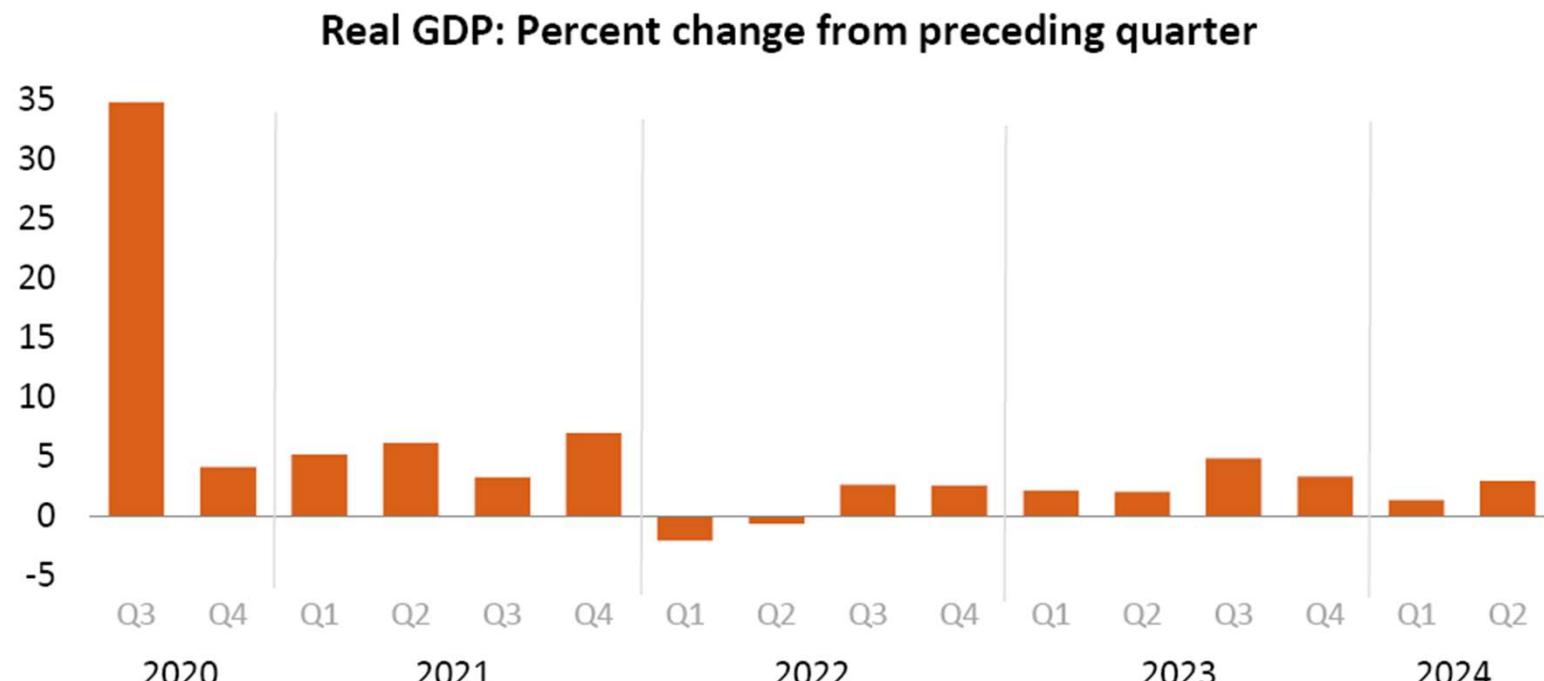


Overall Macroeconomic Situation

- Major Economic Highlights/Considerations
 - Updates/data/reports from LFA (Public data sources) and Federal government.
 - Real GDP Update:
 - 2nd Quarter Real GDP – increased at annual rate of 3.0 percent.
 - 1st Quarter Real GDP – increased 1.4 percent.
 - 3rd Quarter Preliminary Update – mid October.



Overall Macroeconomic Situation



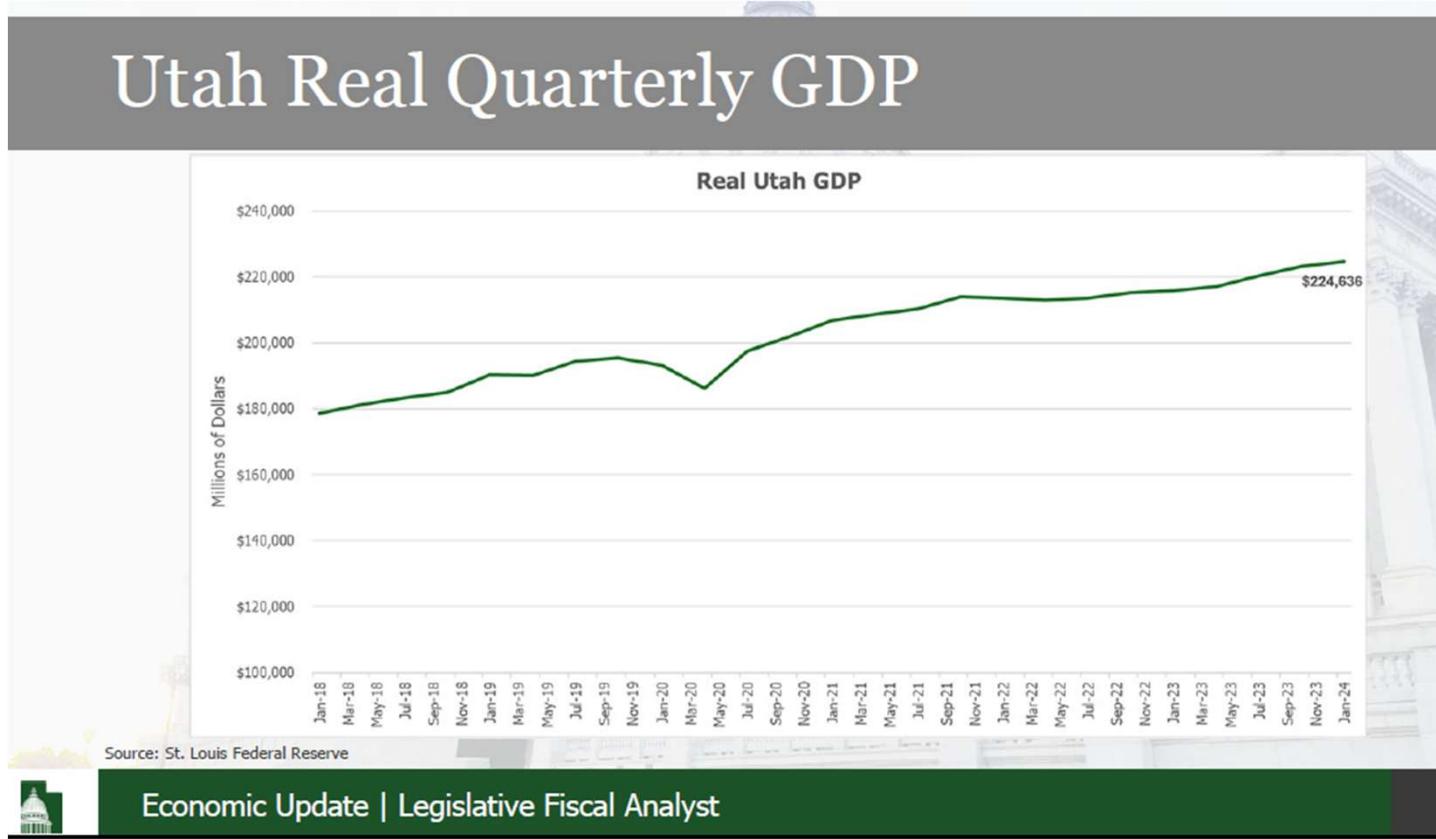
U.S. Bureau of Economic Analysis

Seasonally adjusted annual rates

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Overall Macroeconomic Situation



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Overall Macroeconomic Situation

- Major Economic Highlights/Considerations:
 - Interest Rates – have been higher for longer as inflation remains above 2% target rate.
Inflation has fallen:
 - Forecasts (have been in-line)
 - Consumer inflation expectations (more of an issue now).
 - Labor force has been resilient but has started to slow down in line w/ idea of “soft landing”.



Overall Macroeconomic Situation

National Inflation vs Wage Growth



Source: Bureau of Labor Statistics

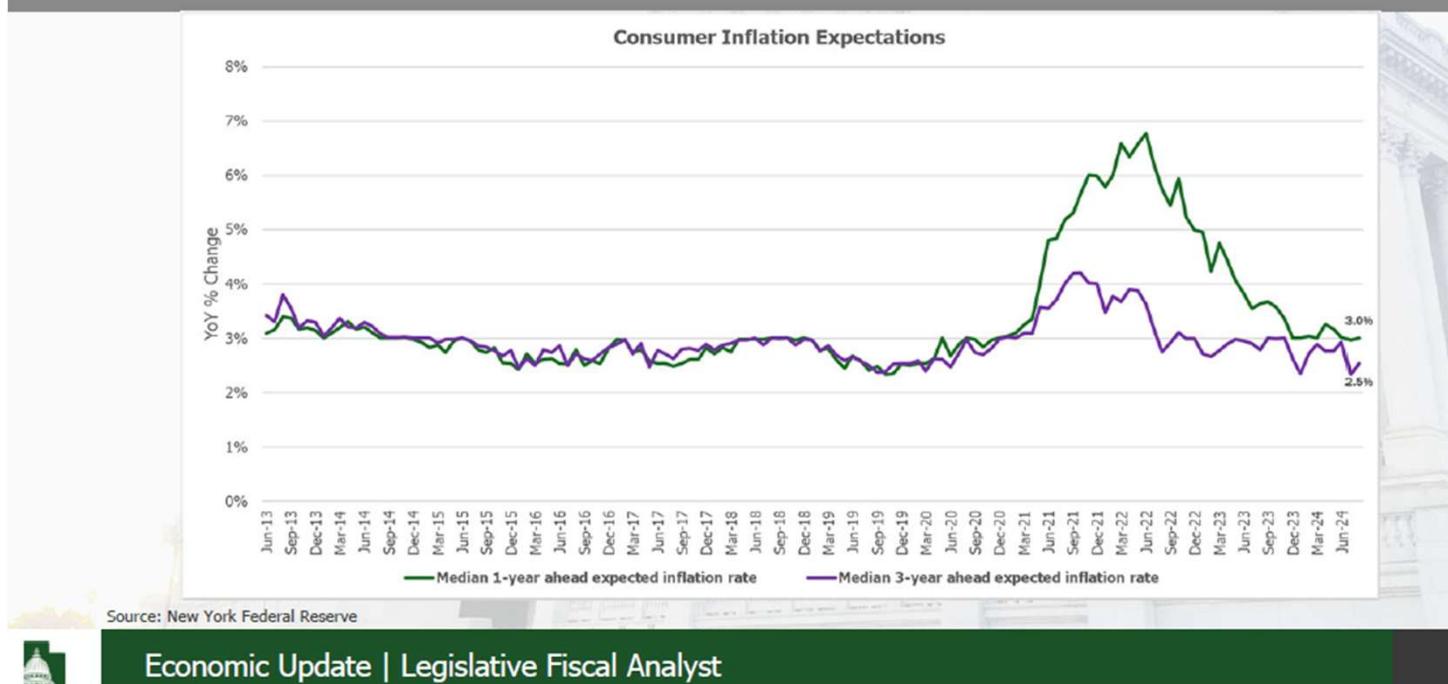
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Overall Macroeconomic Situation

National Consumer Inflation Expectation

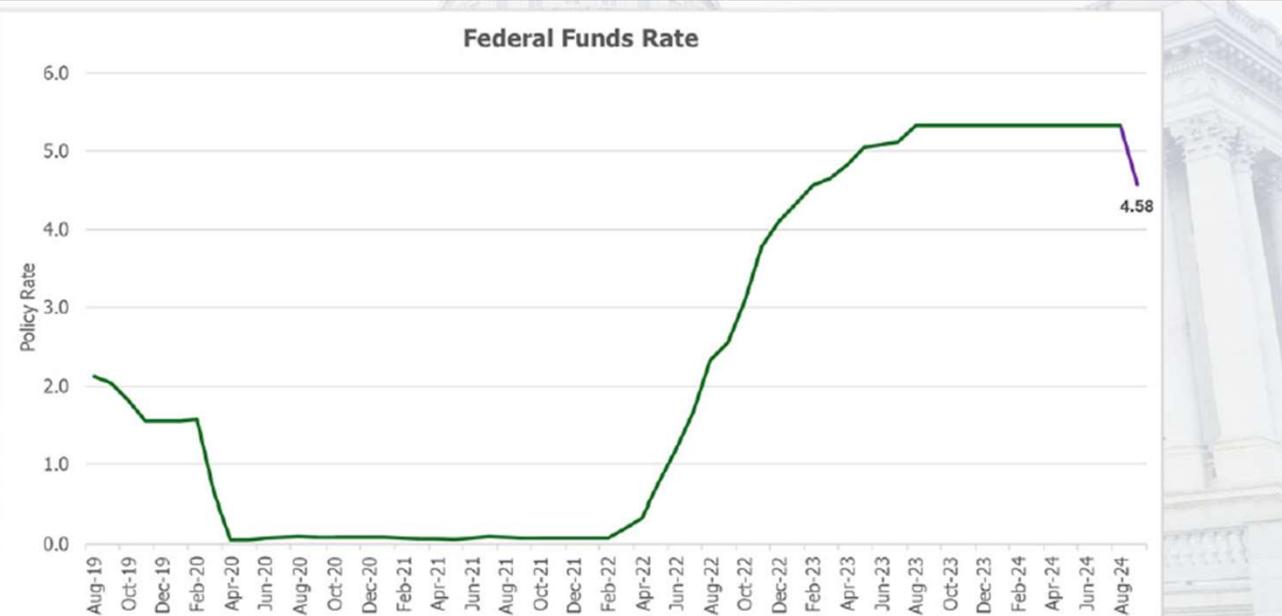


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Overall Macroeconomic Situation

Federal Reserve Rate Path



Source: St. Louis Federal Reserve

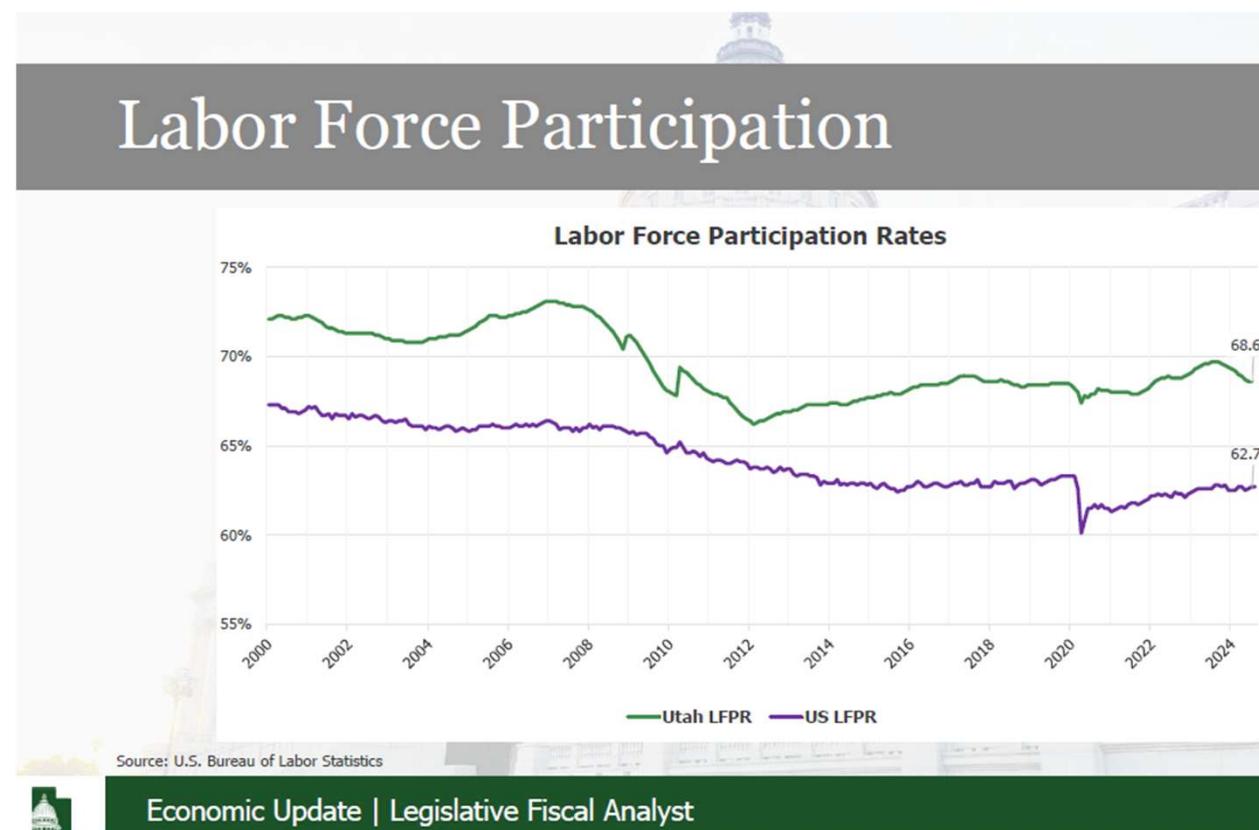


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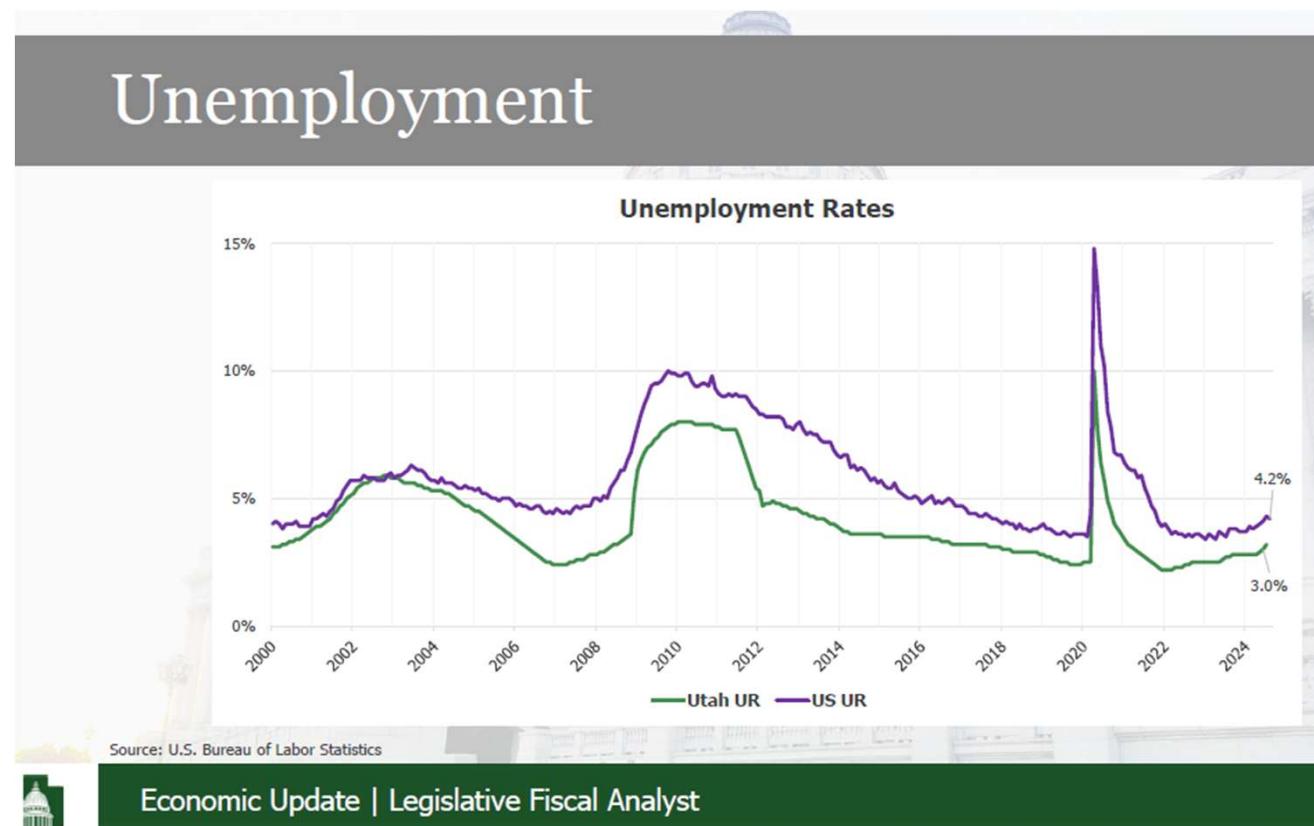
Overall Macroeconomic Situation



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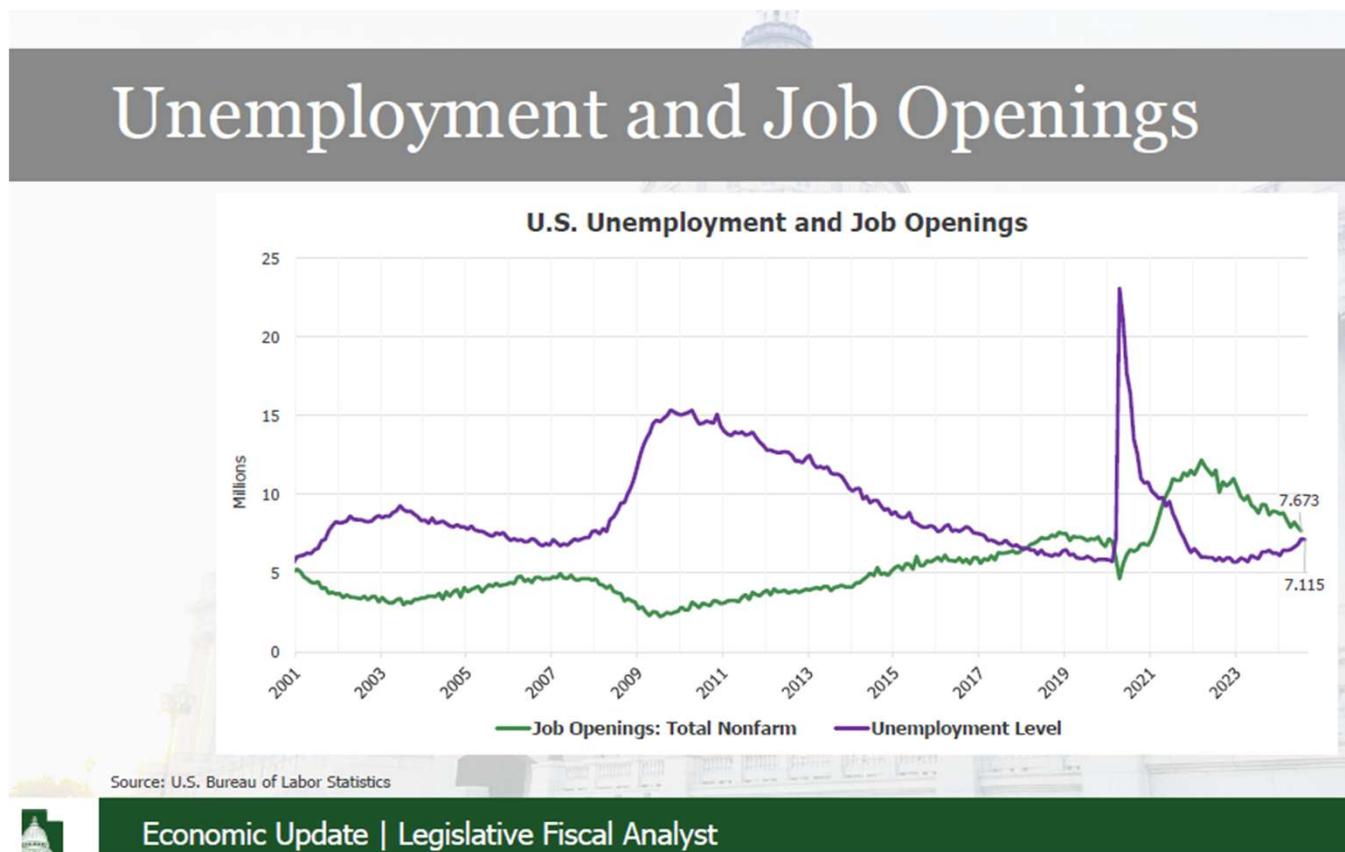
Overall Macroeconomic Situation



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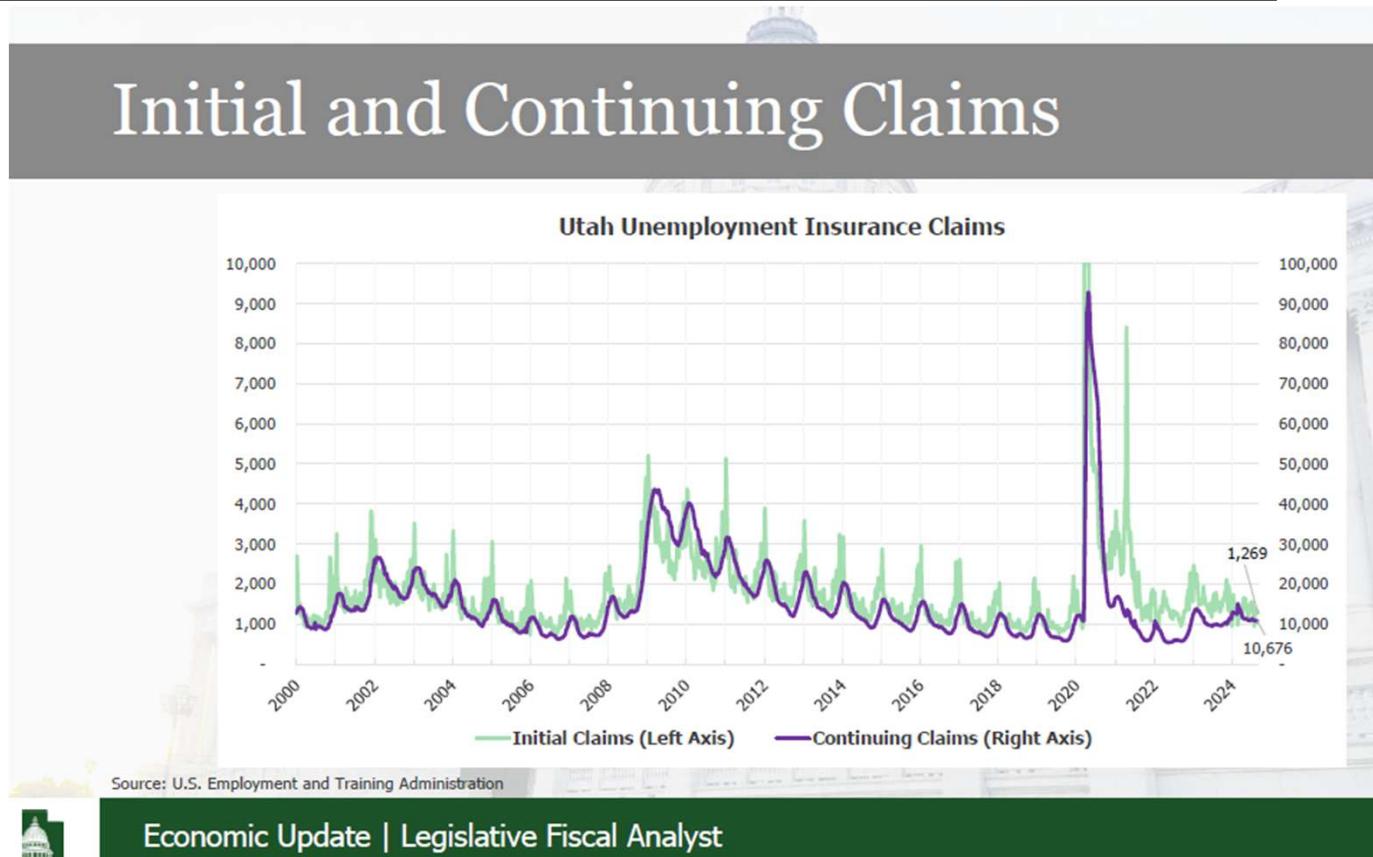
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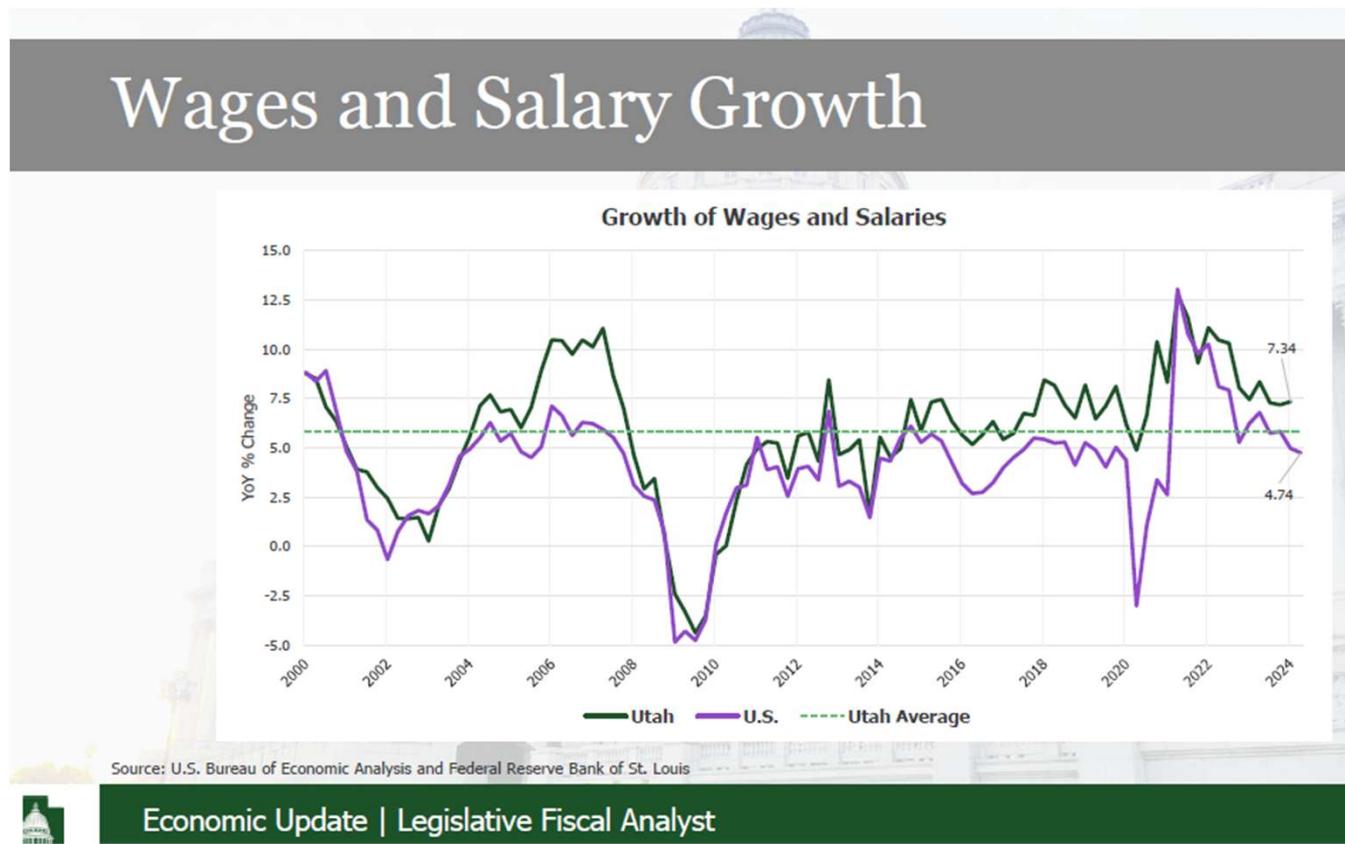
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Overall Macroeconomic Situation



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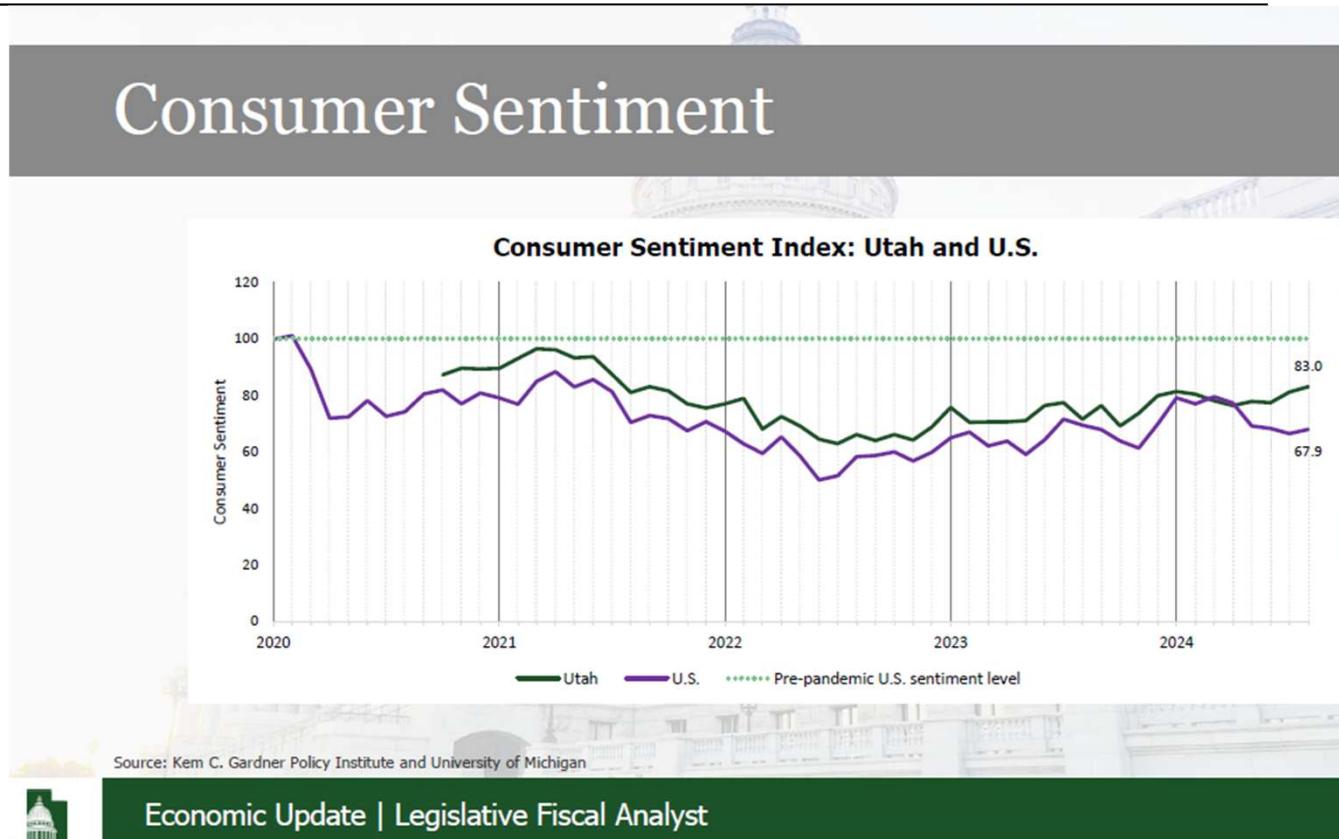


Overall Macroeconomic Situation

- Major Economic Highlights/Considerations:
 - Utah Economy:
 - Strong relative to nation.
 - Consumer sentiment – remains high as income and consumption grow.
 - Positioned to fare better if situation tightens or slows.
 - “Soft landing”.
 - Similar during Pandemic period.



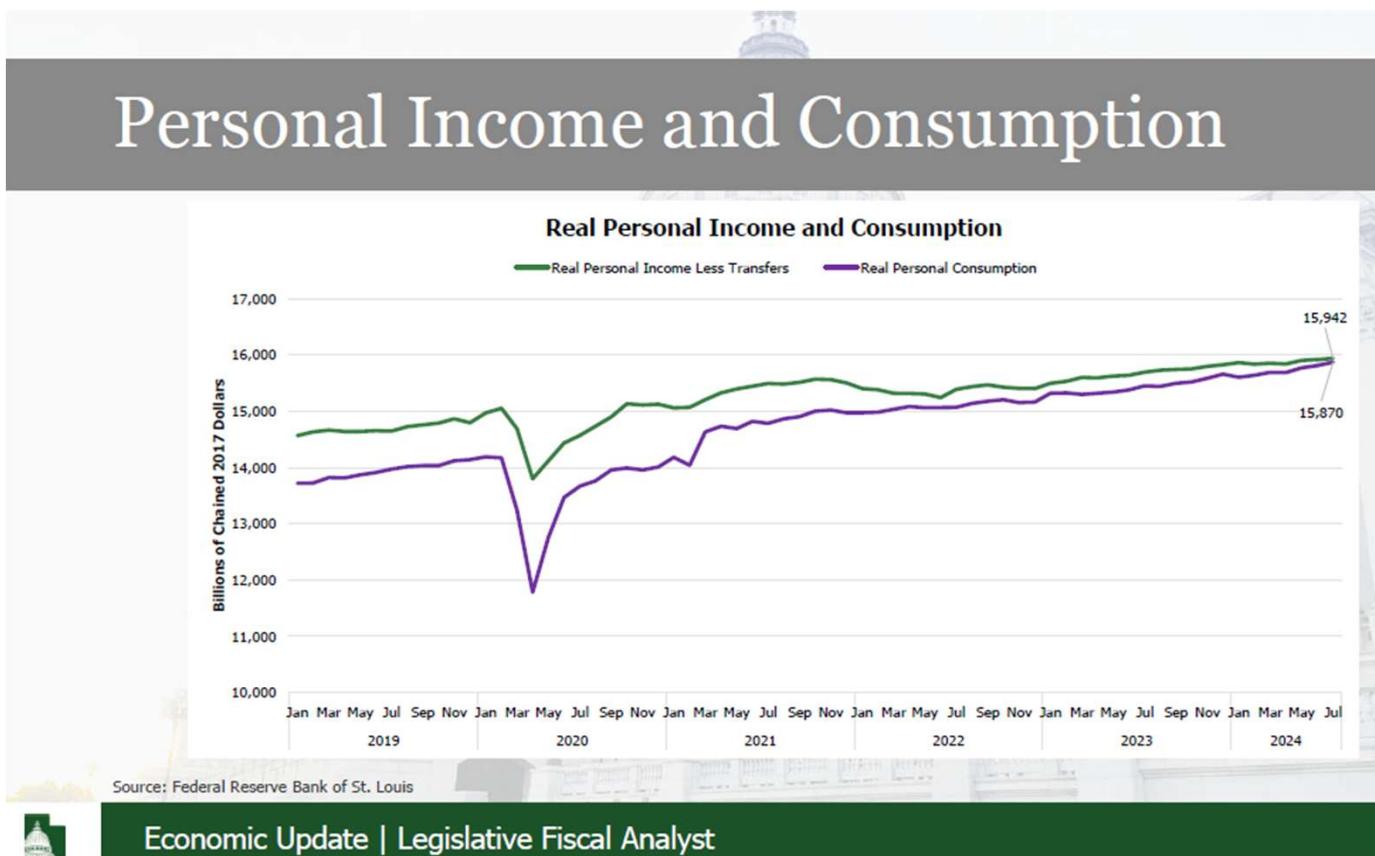
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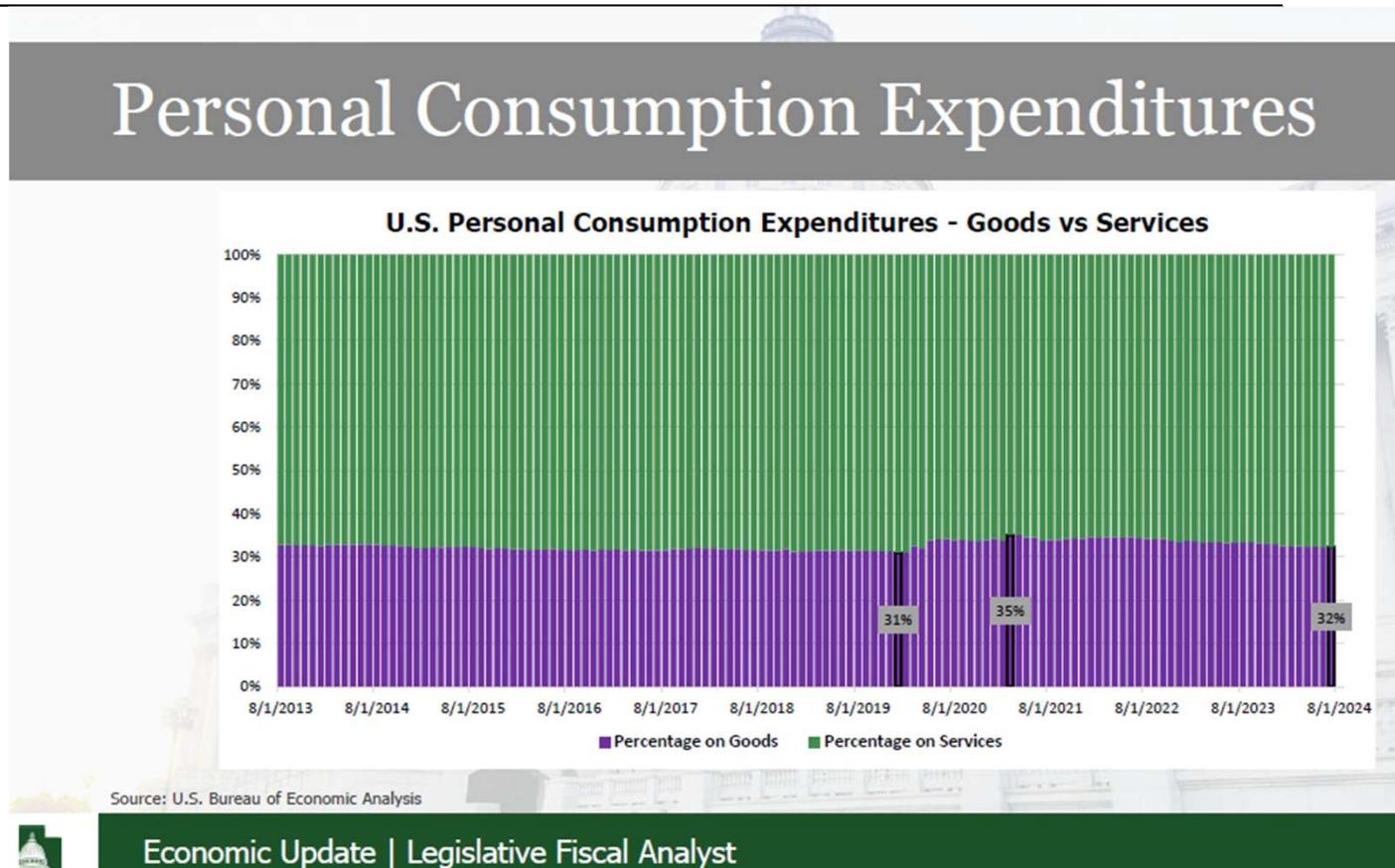
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Overall Macroeconomic Situation



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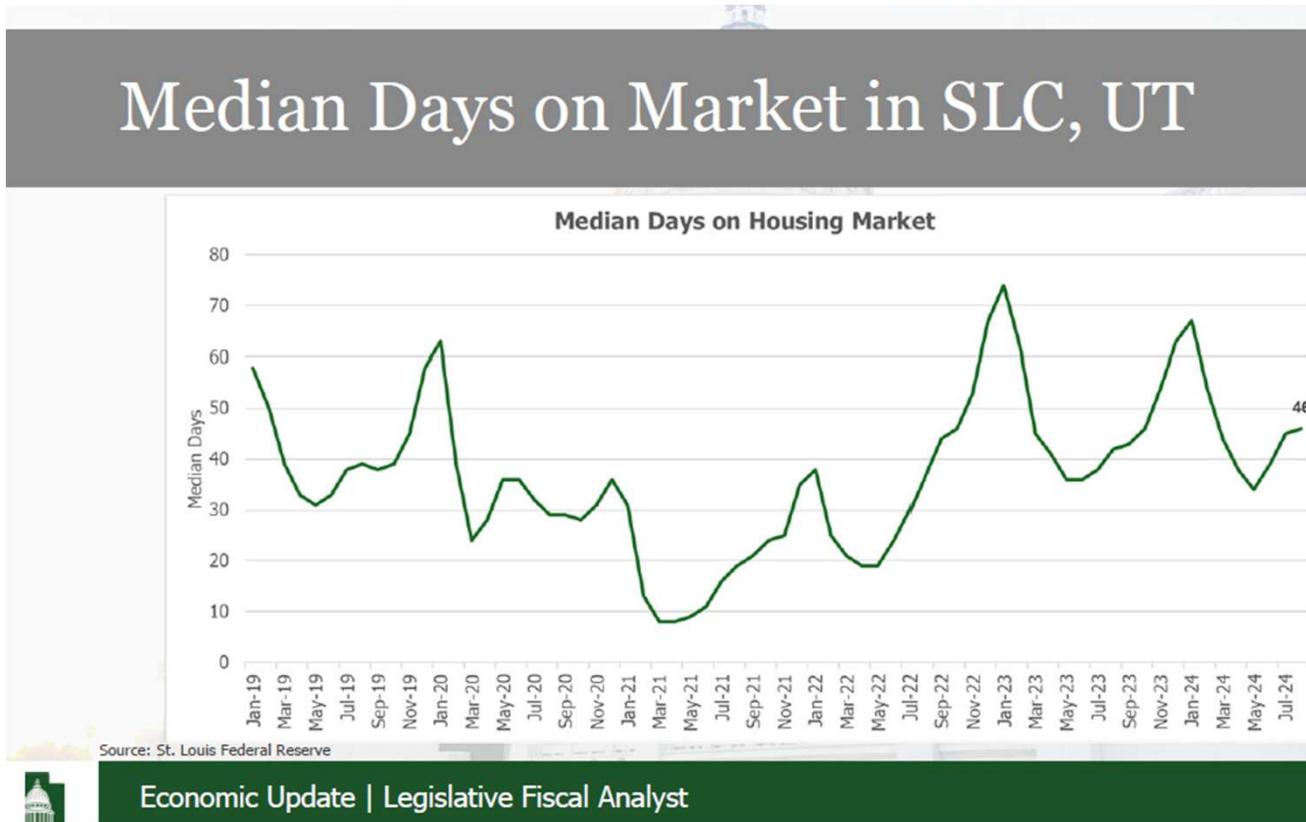


Overall Macroeconomic Situation

- Major Economic Highlights/Considerations:
 - Consumers – cautious.
 - In relative terms, the economy has “whipsawed” through many economic events over the past few years.
 - Housing affordability – remains challenged as mortgage rates are still high and home prices are high coupled w/ limited supply.



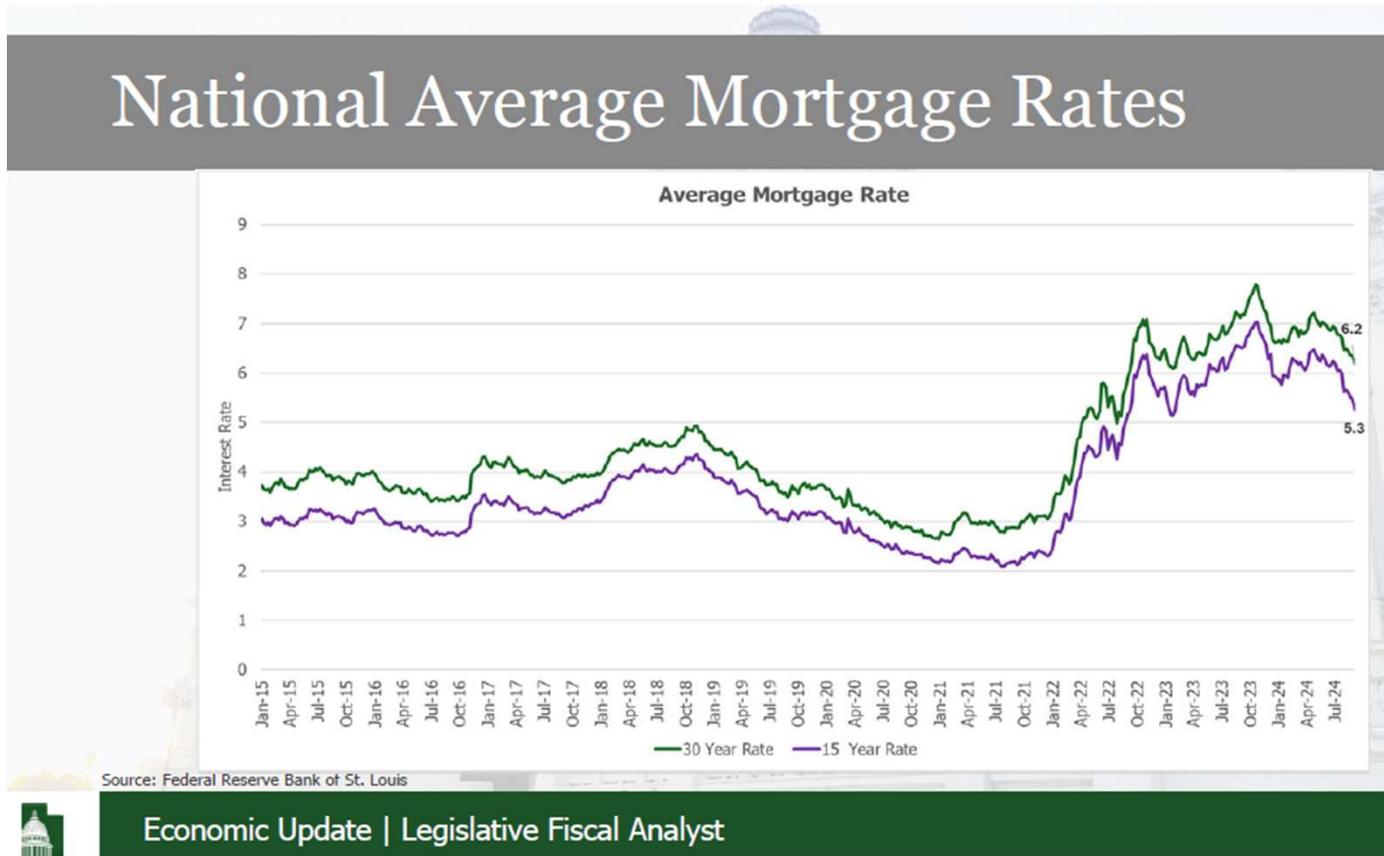
Overall Macroeconomic Situation



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Overall Macroeconomic Situation



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Thank you!

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