LEGISLATIVE FISCAL ANALYST

Revenue & Economic Update November 2010

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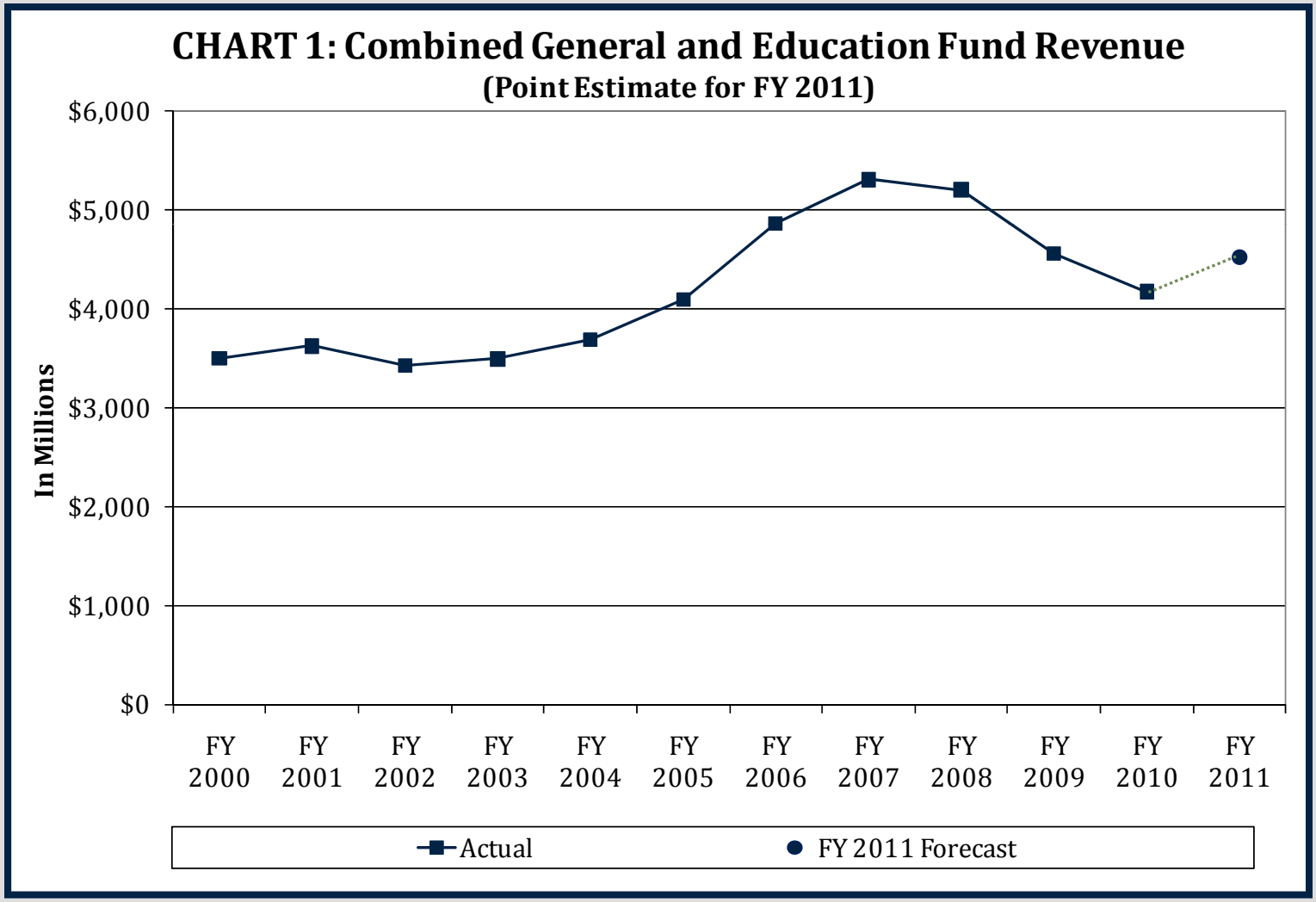
Report Structure

- Collections to Date
  - General Fund
  - Education Fund
- Wages and Employment
- Demographics
- Housing and Construction
- National Economic Conditions

FY 2011 Estimate



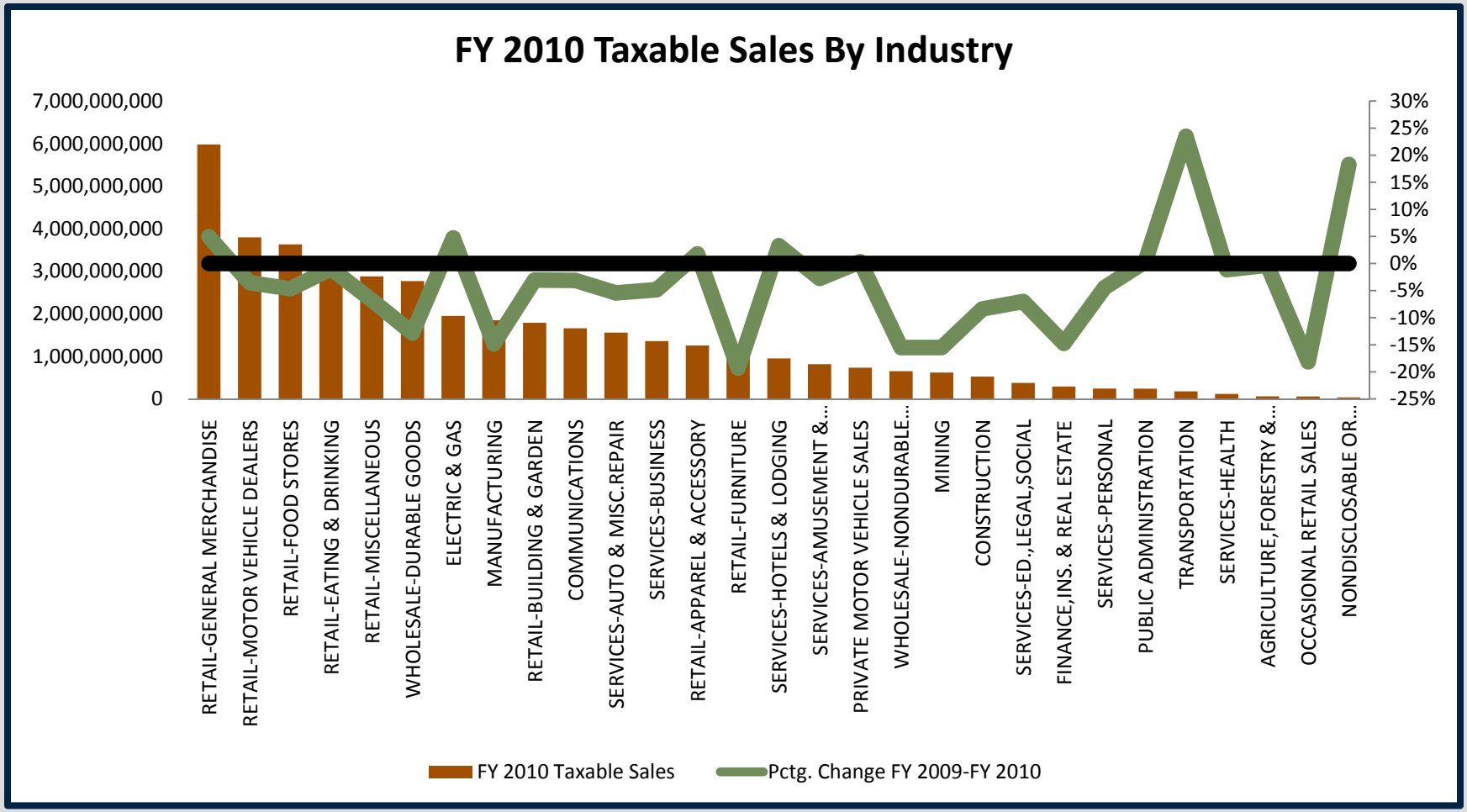
FY 2011 Estimate

Tax Revenue *(In Millions of Dollars)*	FY 2010 Forecast	FY 2010 Actual	Difference		FY 2011 February*	FY 2011 November*	FY 2011 Difference
General Fund	$1,763.43	$1,762.51	($0.92)		$1,866.90	$1,867.75	$0.85
Education Fund	2,456.68	2,412.23	($44.45)		2,539.55	2,545.03	$5.47
Total	**$4,220.10**	**$4,174.74**	**($45.37)**		**$4,406.45**	**$4,412.78**	**$6.33**

***Not including one-time deposits for H.B. 440 - Transportation Modifications ($113m) and H.B. 464 - Tobacco Trust Fund ($11.3m)**

Source: LFA, USTC, DOF

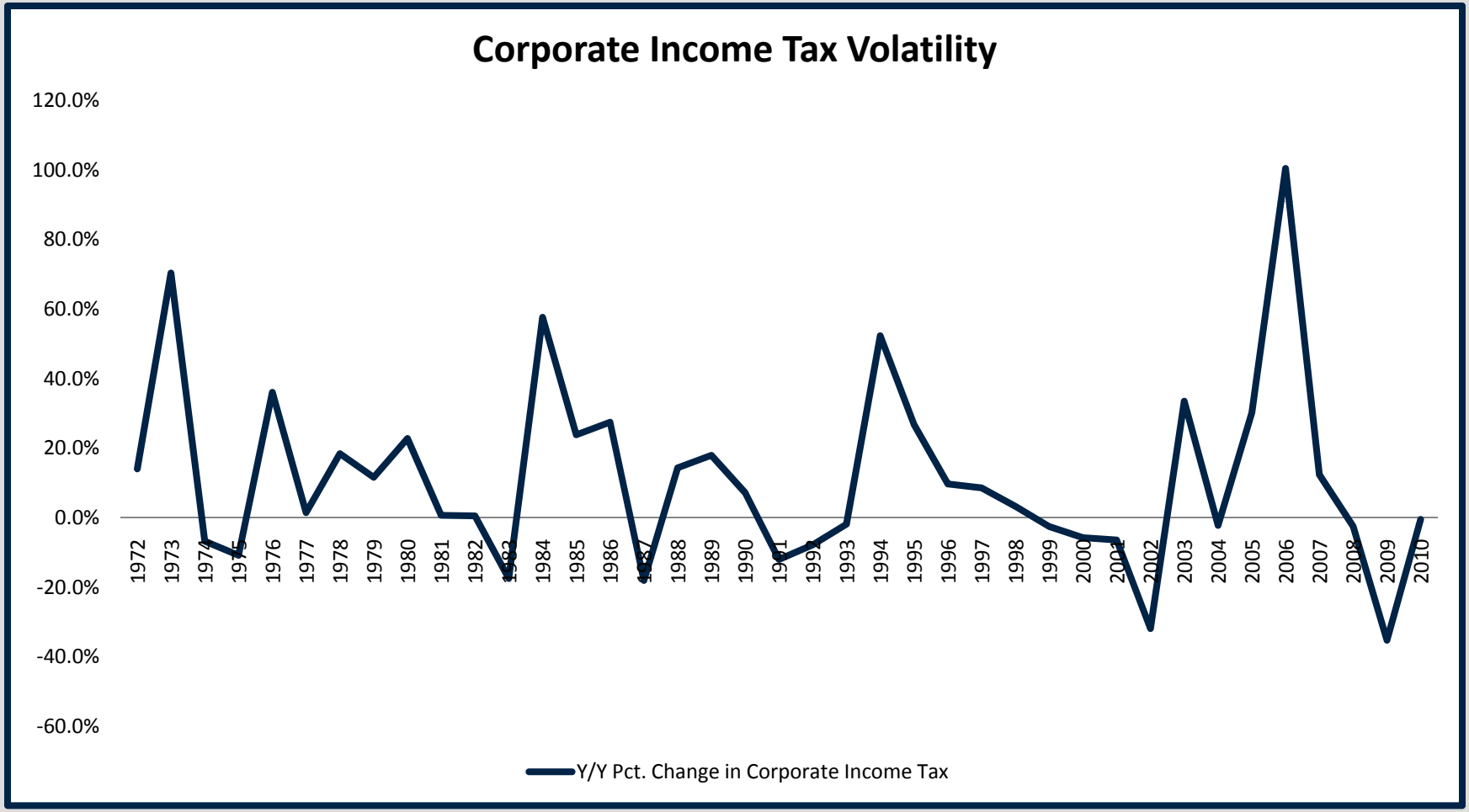
General Fund – Taxable Sales



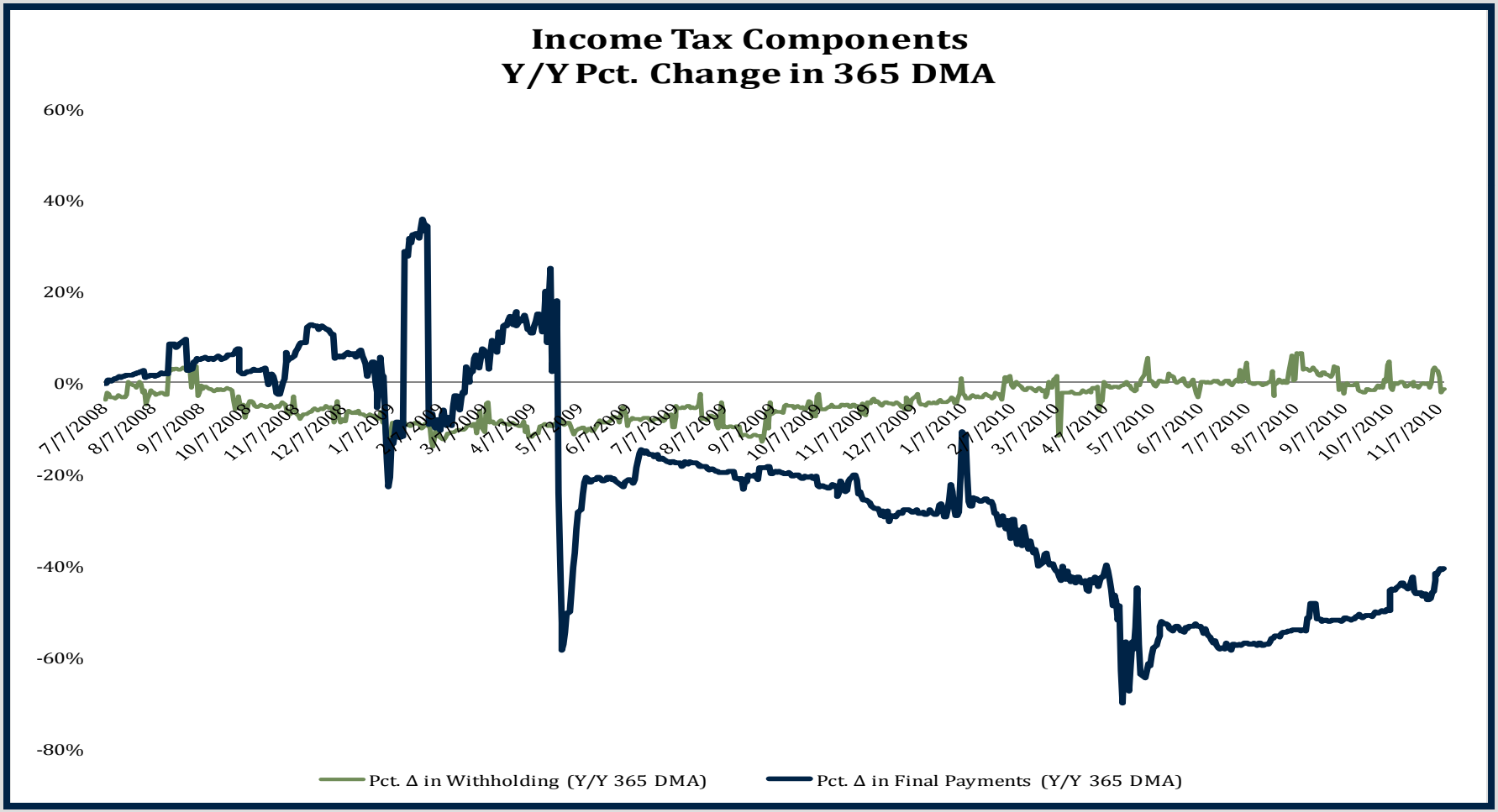
Collections YTD – Education Fund

- Education Fund is expected to be approx $5.5 million above February FY 2011 estimates.
- Employment and wages continue be a drag on income tax collections.
- Corporate Tax is currently above estimates.

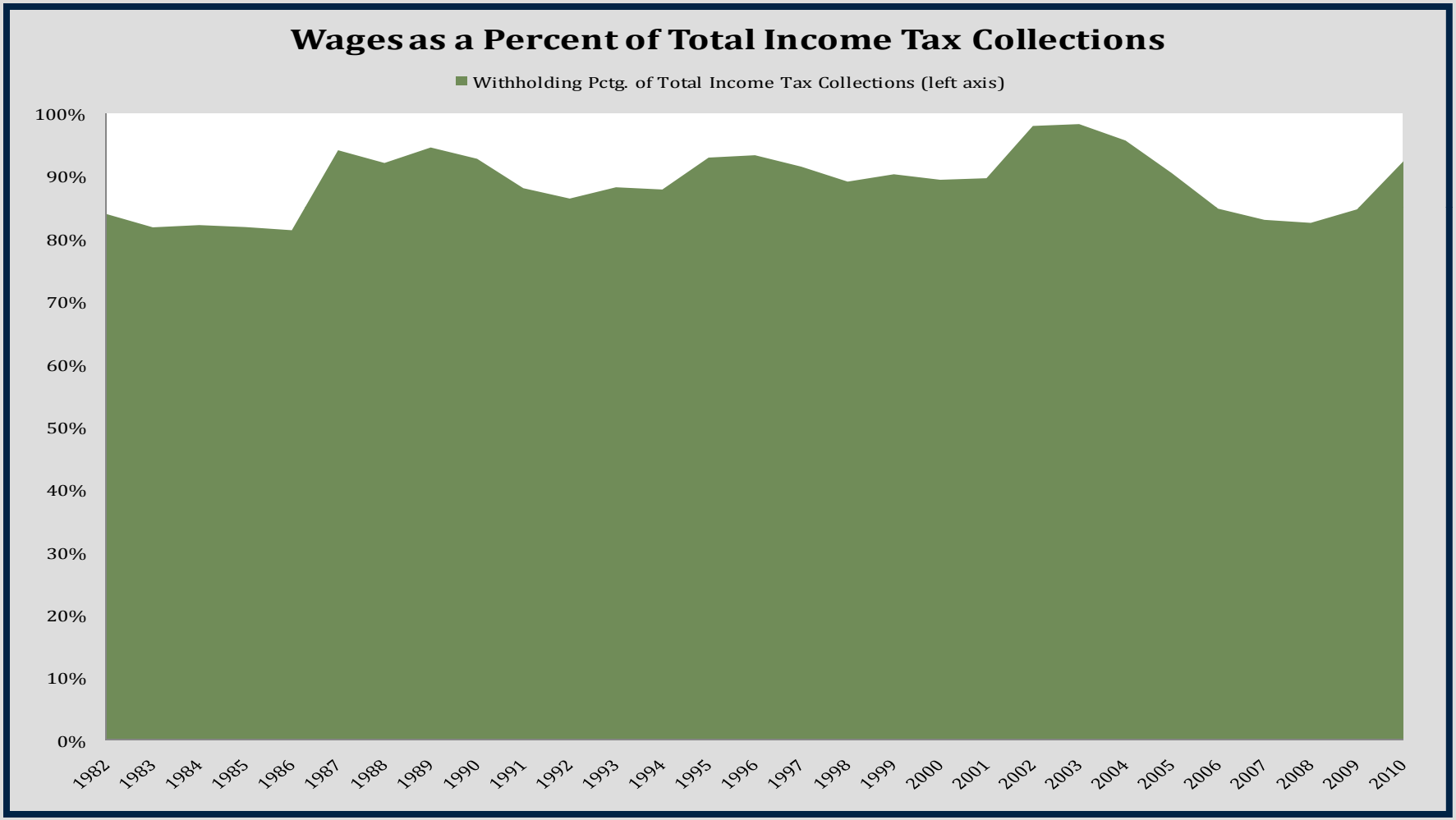
Corporate Tax Volatility



Income Tax


Income Tax Components
Y/Y Pct. Change in 365 DMA
60%
40%
20%
0%
-20%
-40%
-60%
-80%
7/7/2008
8/7/2008
9/7/2008
10/7/2008
11/7/2008
12/7/2008
1/7/2009
2/7/2009
3/7/2009
4/7/2009
5/7/2009
6/7/2009
7/7/2009
8/7/2009
9/7/2009
10/7/2009
11/7/2009
12/7/2009
1/7/2010
2/7/2010
3/7/2010
4/7/2010
5/7/2010
6/7/2010
7/7/2010
8/7/2010
9/7/2010
10/7/2010
11/7/2010
Pct. Δ in Withholding (Y/Y 365 DMA)
Pct. Δ in Final Payments (Y/Y 365 DMA)

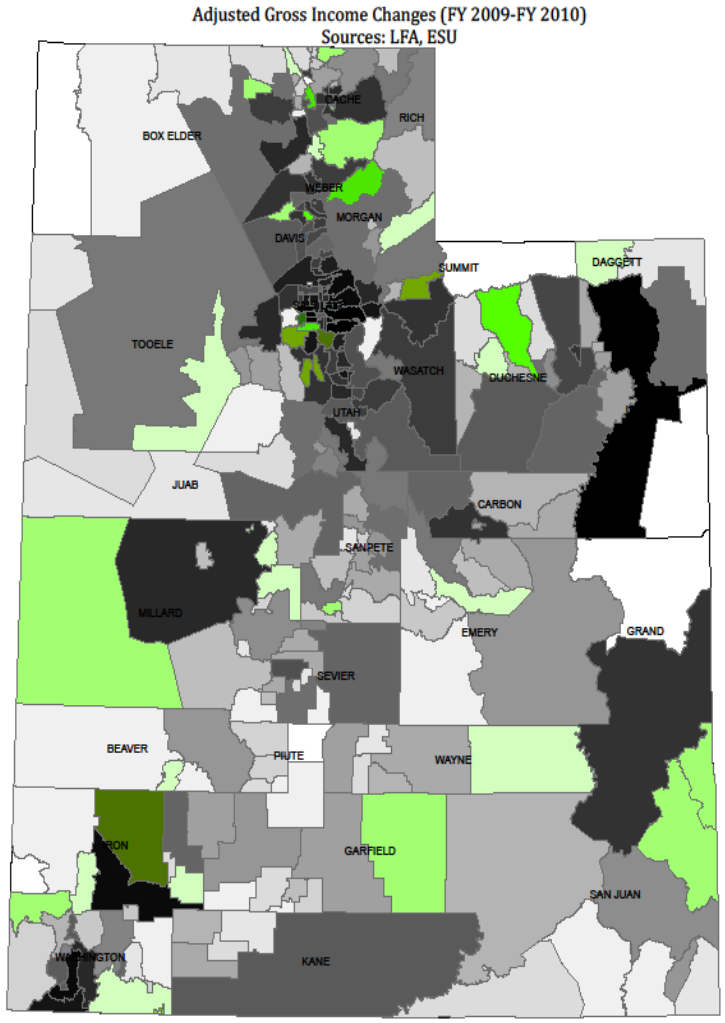
Income Tax


Wages as a Percent of Total Income Tax Collections
Withholding Pctg. of Total Income Tax Collections (left axis)
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
1982
1983
1984
1985
1986
1987
1988
1989
1990
1991
1992
1993
1994
1995
1996
1997
1998
1999
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010

Wages and Employment

- Employment is beginning to recover but at a slow rate (1.4% CY 2011)
- The CY 2011 growth rate translates to 16,500 jobs.
- Productivity increases have led to reduced labor costs.

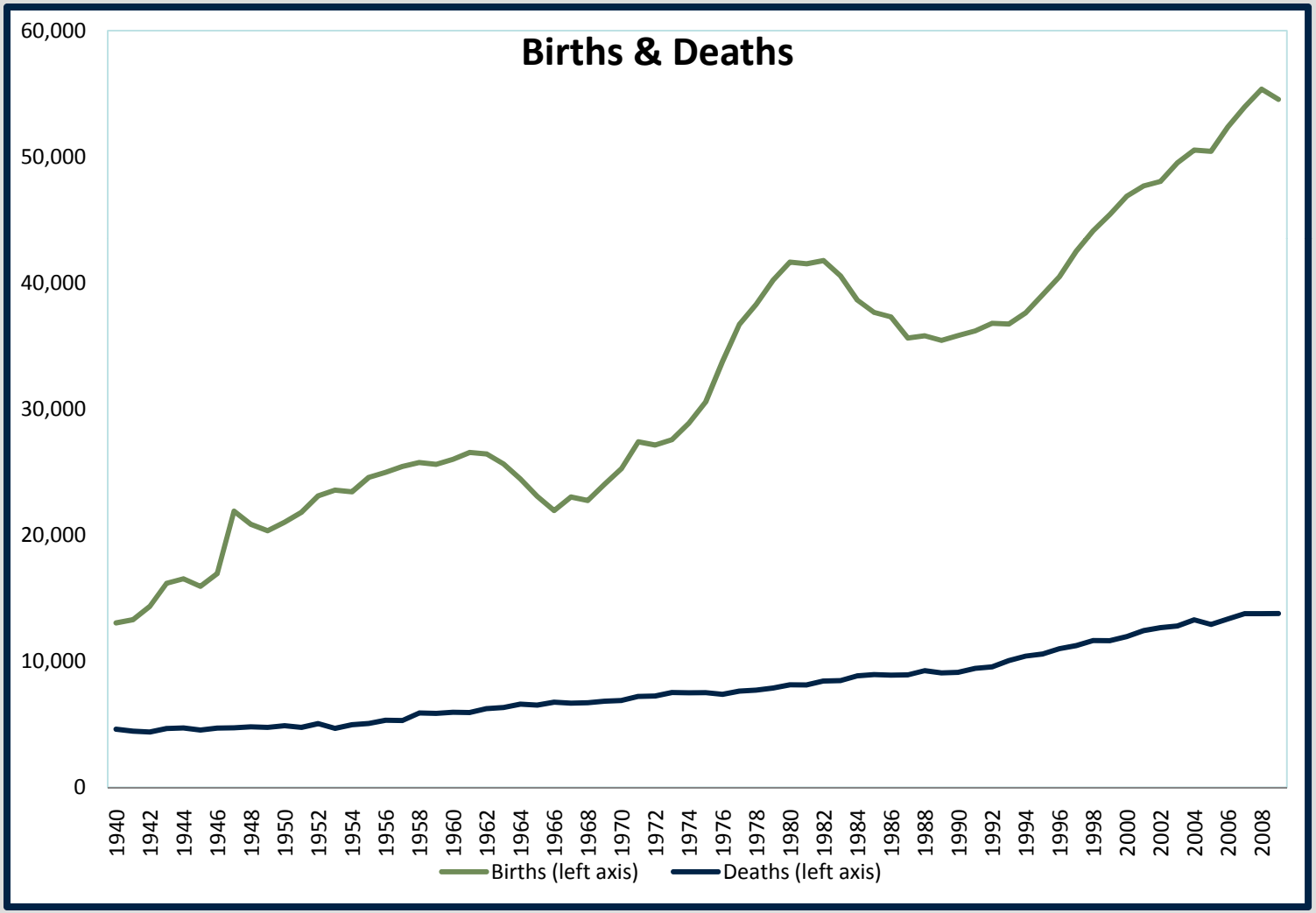
AGI Changes


Adjusted Gross Income Changes (FY 2009-FY 2010)
Sources: LFA, ESU
BOX ELDER
CACHE
RICH
WEBER
MORGAN
DAVIS
SUMMIT
DAGGETT
TOOELE
WASATCH
DUCHESNE
UTAH
JUAB
CARBON
SANPETE
MILLARD
EMERY
GRAND
SEVIER
BEAVER
PIUTE
WAYNE
GARFIELD
SAN JUAN
KANE

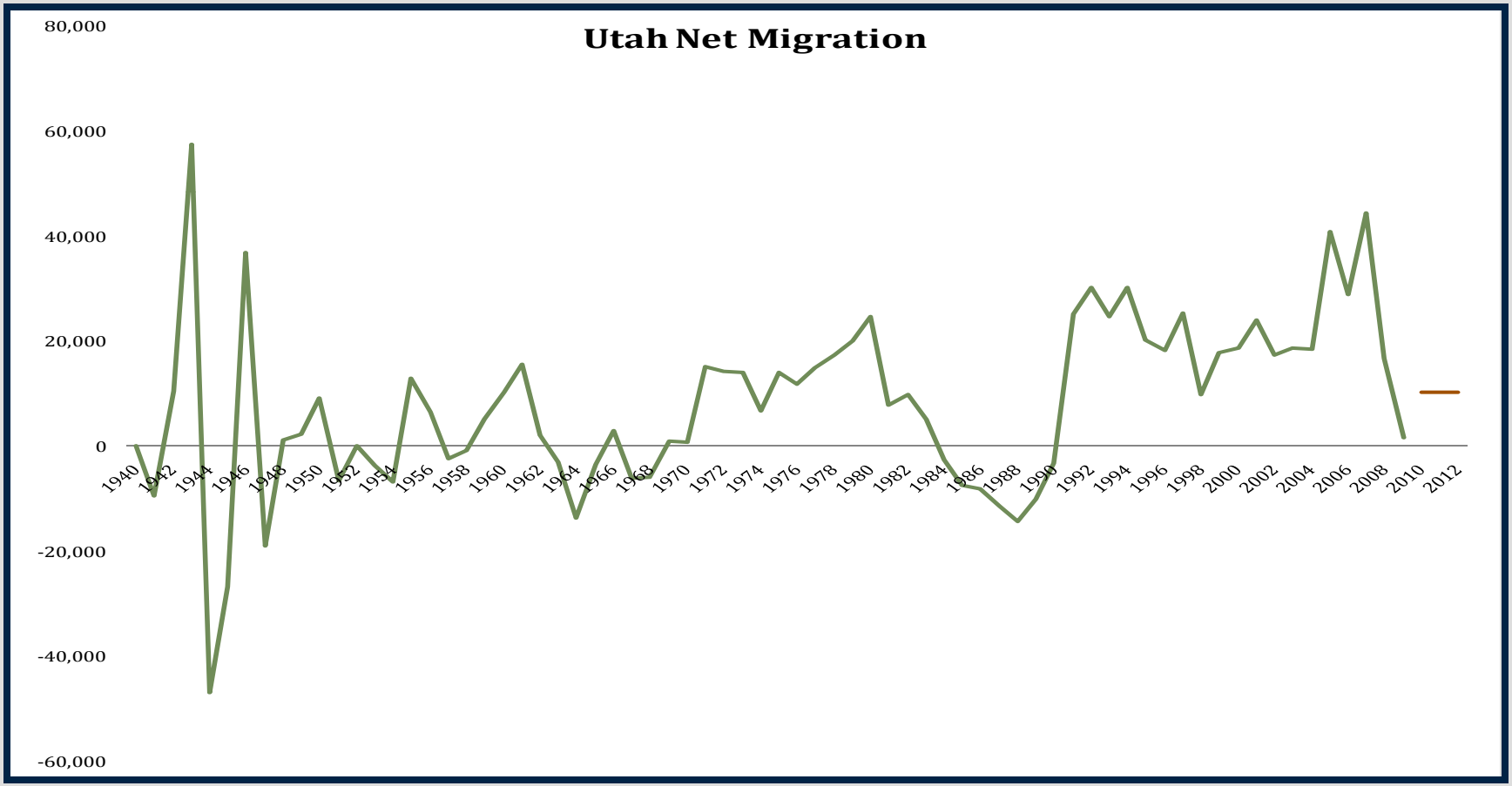
Demographics

- Utah's population remains younger than the nation (28 vs. 36.7)
- Household size is larger than the nation (3.13 vs. 2.59)
- Migration is expected to increase household size rather than the number of household formations in the short run.

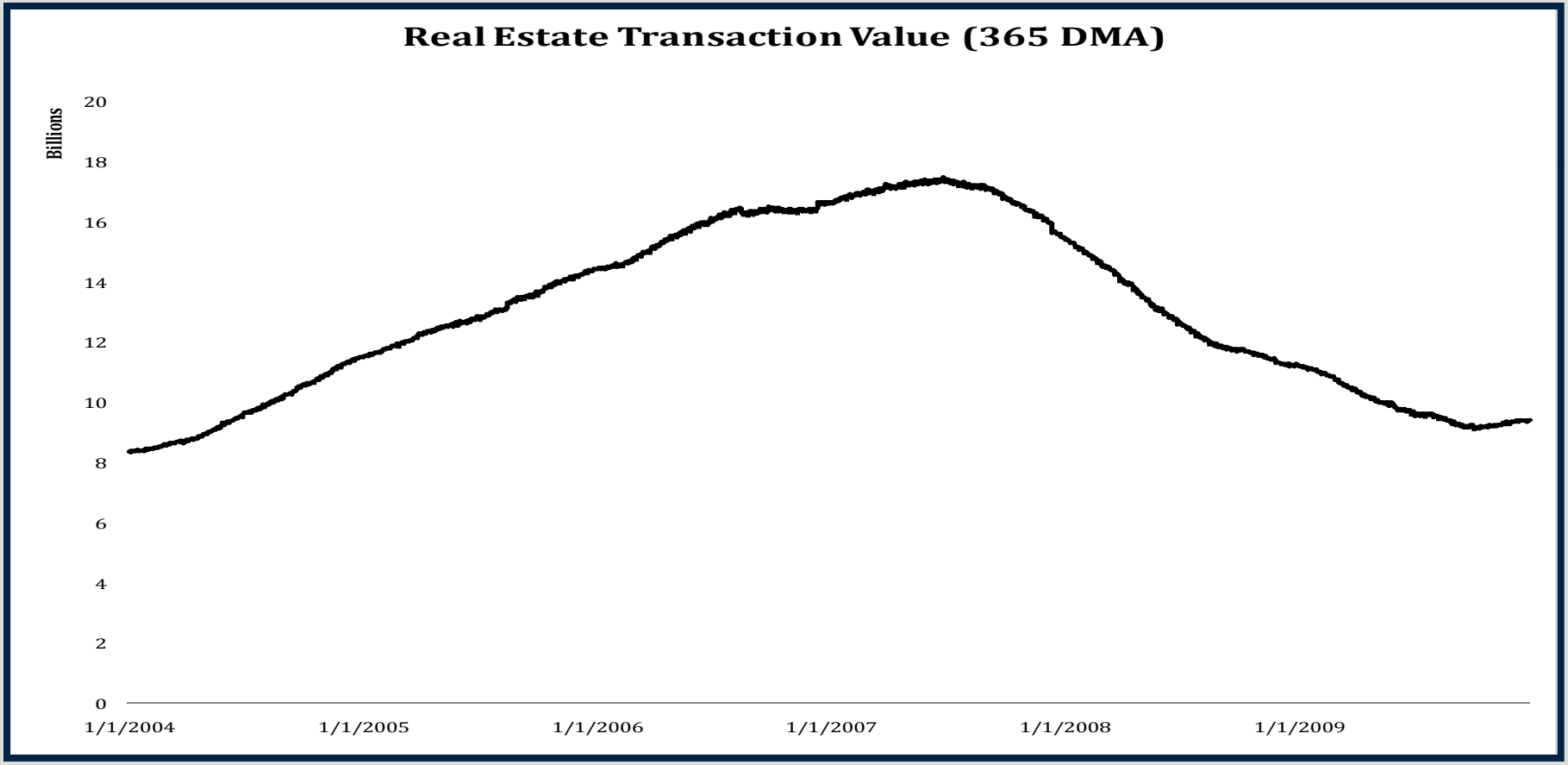
Demography


Births & Deaths
60,000
50,000
40,000
30,000
20,000
10,000
0
1940
1942
1944
1946
1948
1950
1952
1954
1956
1958
1960
1962
1964
1966
1968
1970
1972
1974
1976
1978
1980
1982
1984
1986
1988
1990
1992
1994
1996
1998
2000
2002
2004
2006
2008
Births (left axis)
Deaths (left axis)

Demography


Utah Net Migration
80,000
60,000
40,000
20,000
0
-20,000
-40,000
-60,000
1940
1942
1944
1946
1948
1950
1952
1954
1956
1958
1960
1962
1964
1966
1968
1970
1972
1974
1976
1978
1980
1982
1984
1986
1988
1990
1992
1994
1996
1998
2000
2002
2004
2006
2008
2010
2012

Housing & Construction



National Economic Conditions

Indicator	Released	Market Expected	Actual	Green Shoot	Yellow Shoot	Red Shoot
Mich. Cons Senti.	11/12	69.0	69.3		●	
Treasury Budget	11/10	-140.0 B	-140.4 B			●
Trade Balance	11/10	-44.8 B	-44.0 B			●
MBA Mortgage App	11/10	+2.0%	+5.8%	●		
Wholesale Inventor.	11/9	0.6%	1.5%		●	
Cont.Unemp.Claims	11/6	4386 K	4340		●	
Init.Unemp.Claims	11/6	445 K	457 K		●	
Consumer Credit	11/5	-$3.5 B	$2.1 B	●		
Pending Home Sale	11/5	2.5%	-1.8%			●
Avg.Workweek	11/5	34.2	34.3		●	
Hourly Earnings	11/5	0.1%	0.2%		●	
Unemployment Rate	11/5	9.6%	9.6%			●

National Economic Conditions

Indicator	Released	Market Expected	Actual	Green Shoot	Yellow Shoot	Red Shoot
Private Nonfarm Jobs	11/5	60 K	159 K	●		
Unit Labor Costs	11/4	1.0%	-0.1%		●	
Productivity	11/4	0.9%	1.9%		●	
Truck Sales	11/3	5.1 M	5.4 M		●	
Auto Sales	11/3	3.8 M	3.7 M		●	
Factory Orders	11/3	1.7%	2.1%		●	
ISM Services	11/3	53.4	54.3		●	
Construction Spend	11/1	-0.7%	0.5%		●	
ISM Index	11/1	54.0	56.9		●	
PCE Prices – Core	11/1	0.0%	0.0%		●	
Personal Spending	11/1	0.4%	0.2%		●	
Personal Income	11/1	0.2%	-0.1%		●	

Revenue to Date (EARL)

Tax Revenue *(In Millions of Dollars)*	FY 2010 Final*	FY 2011 Consensus**	FY 2011 Consensus Growth Rate		FY 2010 Year-to-Date (11/14/2009)	FY 2011 Year-to-Date (11/14/2010)	FY 2011 Year-to-Date Growth Rate
Sales & Use Taxes	$1,402.67	$1,557.60	11.0%		$511.58	$562.88	10.0%
Individual Income Tax	2,104.59	2,201.00	4.6%		645.84	688.67	6.6%
Corporate Franchise Tax	258.45	306.48	18.6%		60.53	77.08	27.3%
Beer, Cigarette & Tobacco	58.71	100.95	71.9%		19.84	42.82	115.8%
Insurance Premium Taxes	80.01	83.95	4.9%		37.46	28.49	-24.0%
Severance Taxes	77.07	87.25	13.2%		10.25	18.97	85.1%
Other Sources	193.24	188.60	-2.4%		45.07	40.27	-10.7%
Total - General & Education Funds	**$4,174.74**	**$4,525.83**	**8.4%**		**$1,330.58**	**$1,459.17**	**9.7%**
Motor Fuel Tax	$243.30	$243.10	-0.1%		87.12	85.38	-2.0%
Special Fuel Taxes	94.44	100.45	6.4%		34.08	38.42	12.7%
Other Transportation Fund	73.63	77.70	5.5%		22.28	22.64	1.6%
Total - Transportation Fund	**$411.36**	**$421.25**	**2.4%**		**$143.48**	**$146.44**	**2.1%**

***Does not include $18.8 million pharmacuetical lawsuit settlement.**

****To allow comparison with collections, includes $113 million one-time transfer from Centennial Highway Fund under H.B. 440 and does not include $11.3 million transfer from Tobacco Trust Fund under H.B. 464.**

Source: LFA, USTC, DOF