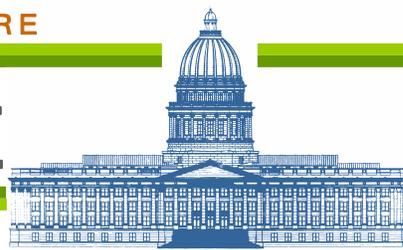


REVENUE

UPDATE

2007 INTERIM

VOLUME 1, ISSUE 1



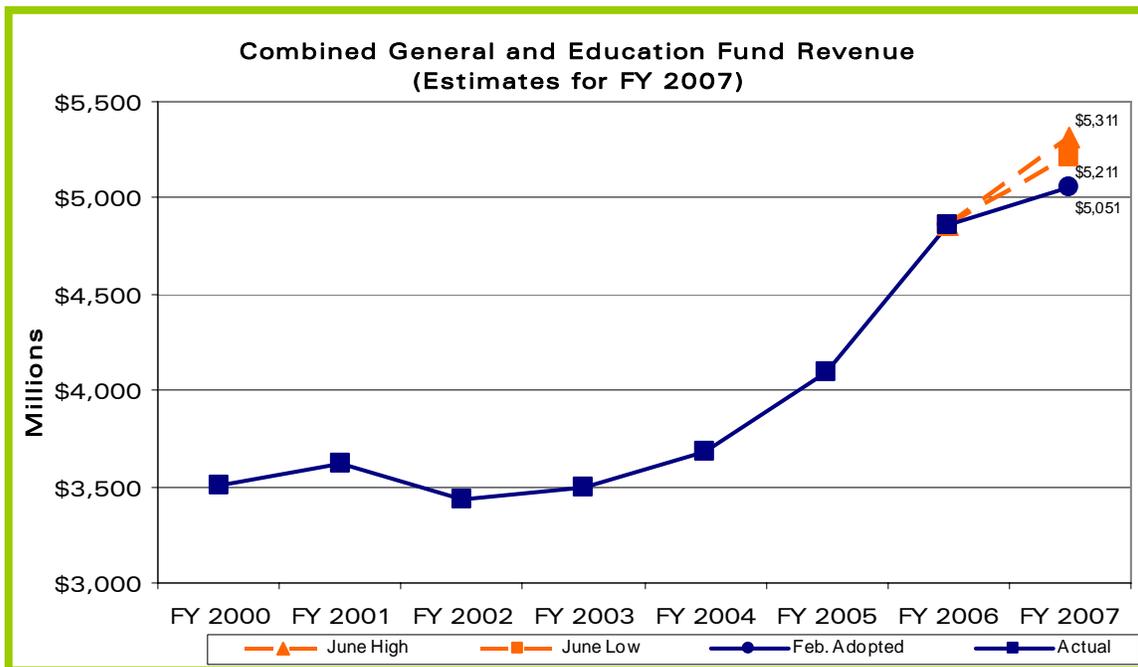
TAX COLLECTIONS

Utah's economic outlook has improved since the Legislature last acted upon revenue forecasts in February. As a result projected revenue collections are higher than expected. General Fund revenues are expected to exceed the February target by \$58 to \$85 million in FY 2007 and the Education Fund is expected to exceed the February target by \$102 to \$175 million for that same year. Total General and Education Fund revenues are therefore expected to be \$160 to \$260 million over February targets. These figures are based on a high/low forecast methodology where the high/low range represents a +/- 1 percent variance over the best estimate.

The enhanced growth is the result of growth in population, income and employment, and non-residential construction; as well as continued low interest rates. Over the last two months collection patterns have shifted noticeably from the past ten year trend which has added some uncertainty to the forecast range. We attribute the shift in collections to a number of factors including: transfers, tax reductions, and changes in reporting systems.

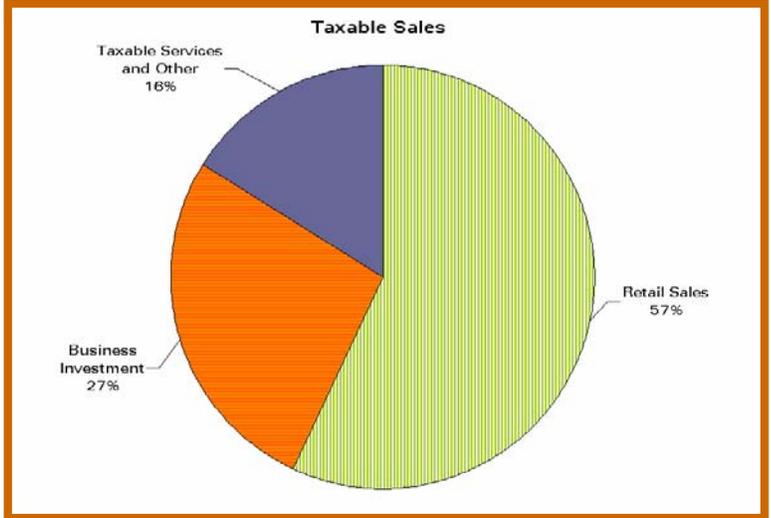
Risks to future revenue growth include potential impacts from a weak housing sector, and inflation. A tight labor market will exert upward pressure on wages in both FY 2007 and FY 2008. Higher wages could enhance consumer ability to spend. However, increased wages will also potentially moderate corporate profits. High gas prices are also expected to affect consumer expenditures. As residential construction continues to drop the non-residential construction sector is expected to grow at record levels helping Utah maintain high levels of economic growth.

Although strong revenue growth indicates a very healthy state economy, recent economic news nationally points to slower economic growth for the nation as a whole. The Utah economy however, is expected to continue to rank among the best in the nation for FY 2007 and FY 2008.



Sales tax is by far the largest component of the General Fund and accounts for 83 percent of total collections in FY 2007. The remaining General Fund revenue sources include liquor profits, insurance premiums, beer, cigarette and tobacco revenue, oil and gas severance taxes, a metal severance tax, investment income and miscellaneous revenue.

Over the past ten years, the State Sales and Use tax has comprised approximately 89 percent of total General Fund revenue, with retail sales accounting for approximately 57 percent of total sales tax revenue, business investment accounting for approximately 27 percent, and taxable services and other representing an estimated 16 percent. Retail sales is the most stable sector among the State's sales tax; business investment is about 6 times more volatile, and taxable services is approximately 4 times more volatile. The state's sales and use tax collections represent the most stable form of financing of the 9 major taxes in Utah.

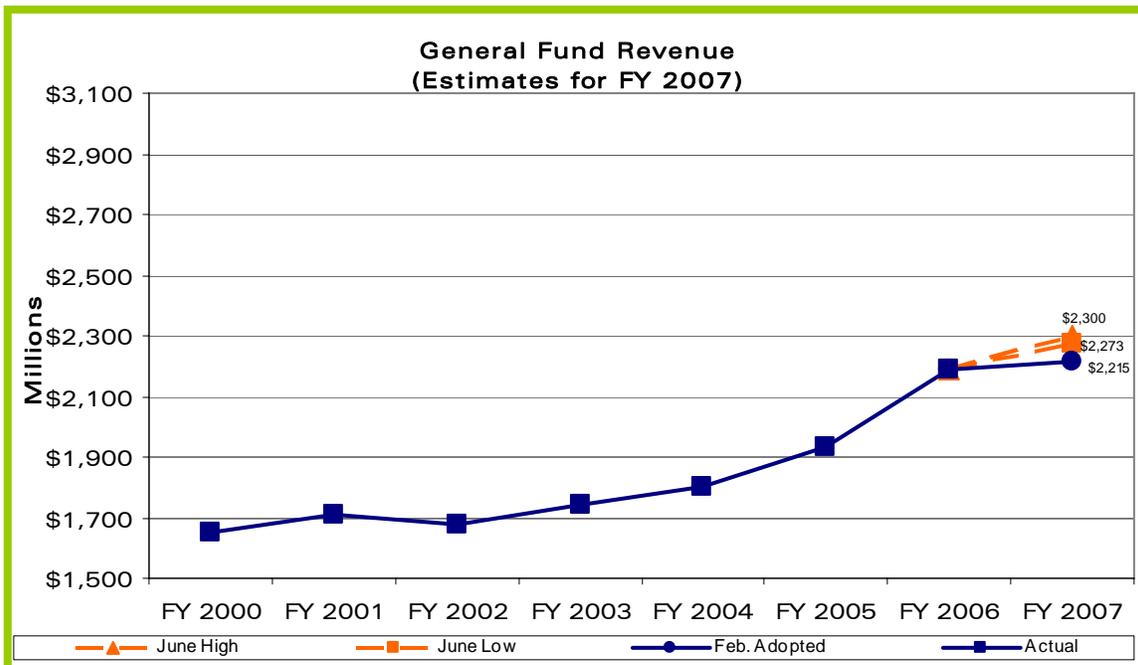


It appears that the reduction in the sales tax rate on non-prepared food from 4.75% to 2.75% will reduce sales tax revenue by approximately \$69 million.

Taxable sales growth in Utah has been strong, and is forecast to continue above average growth through 2007 and 2008, albeit at a slightly slower pace. Generally sales tax tends to follow a pattern similar to personal income growth. Both are growing by 9 percent in the current fiscal year.

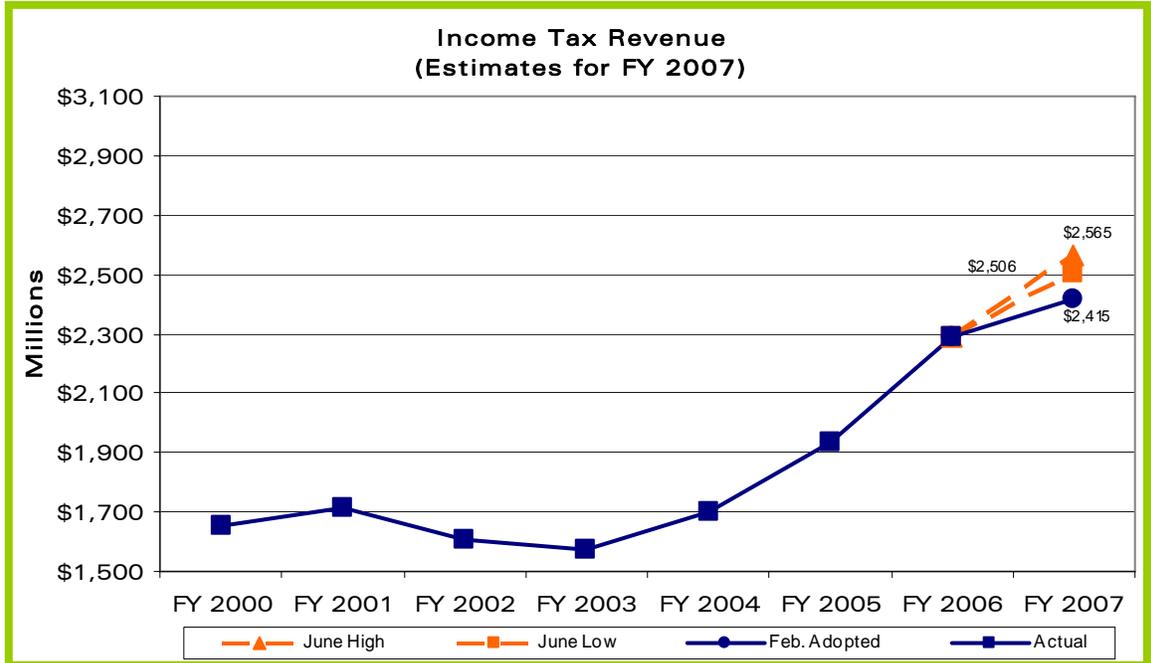
Revenues are above forecasts in sales tax, severance taxes, insurance taxes and investment income. As a result of the strong growth in these areas, revenues are expected to exceed forecasts in FY 2007 by \$58 to \$85 million and in FY 2008 by \$100 to \$140 million.

Beginning in FY 2008 revenues will show the impact of a general sales tax rate reduction and an additional reduction in the rate of the sales tax on food. Exemptions for certain business inputs will also help slow the rate of sales tax growth in FY 2008.

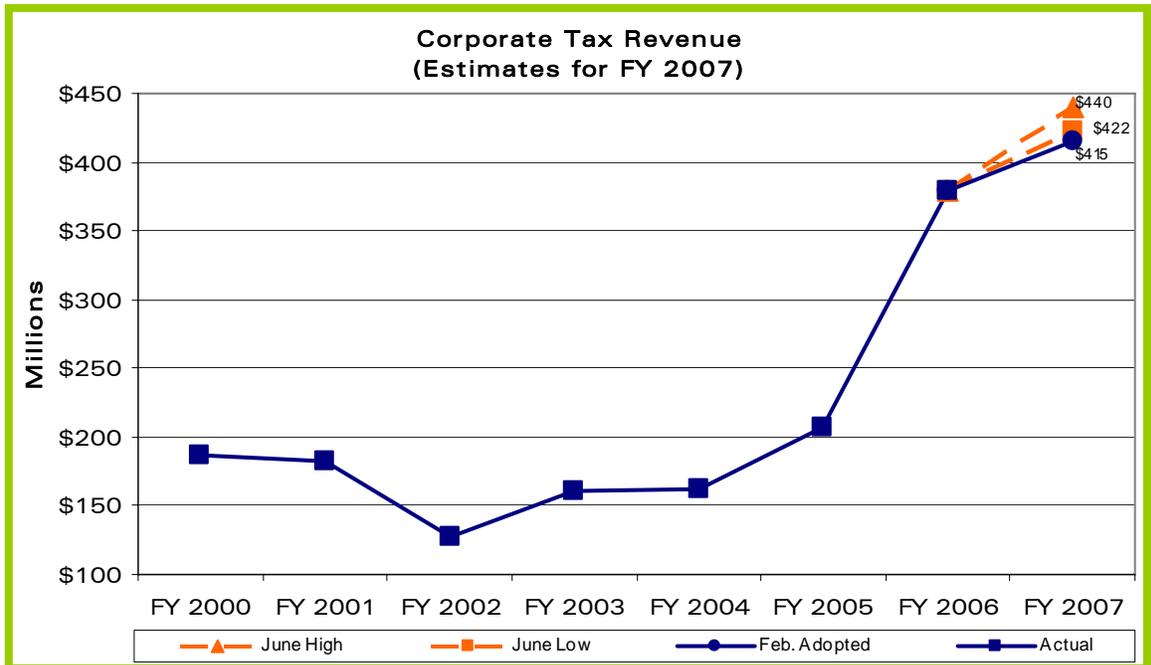


Income Tax revenue includes withholding, annual, and quarterly payments. Approximately 80 percent of total income tax revenue is from withholding, which is based on earnings. Quarterly and annual payments are based on self-employment earnings and other income sources such as capital gains.

Personal income tax collections account for 85 percent of total Education Fund collections. Increases in individual income tax collections are being influenced by enhanced job and wage growth. Based on a consensus range, individual income tax revenues are expected to range between \$91 and \$150 million over target for FY 2007. In FY 2008 estimated income tax revenues over the February target are expected to range from \$112 to \$345 million.



Individual Income tax collections are currently being impacted by changes to income brackets and a reduction in the top rate. Further adjustments to the tax system occurring in FY 2008 will affect revenues for that fiscal year.



Non-withholding payments nationally are up. This indicates that there is growth occurring in non-wage income categories which should filter through to state income taxes. Personal income is benefiting from the strength in capital markets particularly the capital gains from stock and real estate markets. We expect this trend to continue for both FY 2007 and FY 2008.

The Corporate Franchise Tax is based on net income. The tax rate is 5 percent of net income or \$100 whichever is greater. Increases in corporate taxes can be attributed to a variety of factors. 1) Increases in corporate profits 2) The expiration of legislation that allowed partial expensing of investment in equipment 3) Capital gains realizations by corporations. Corporate taxes are expected to exceed forecasts by \$7 to \$25 million in FY 2007. Corporate revenue in FY 2008 are expected to range from a loss of \$5 million to an increase of \$22 million over February targets.

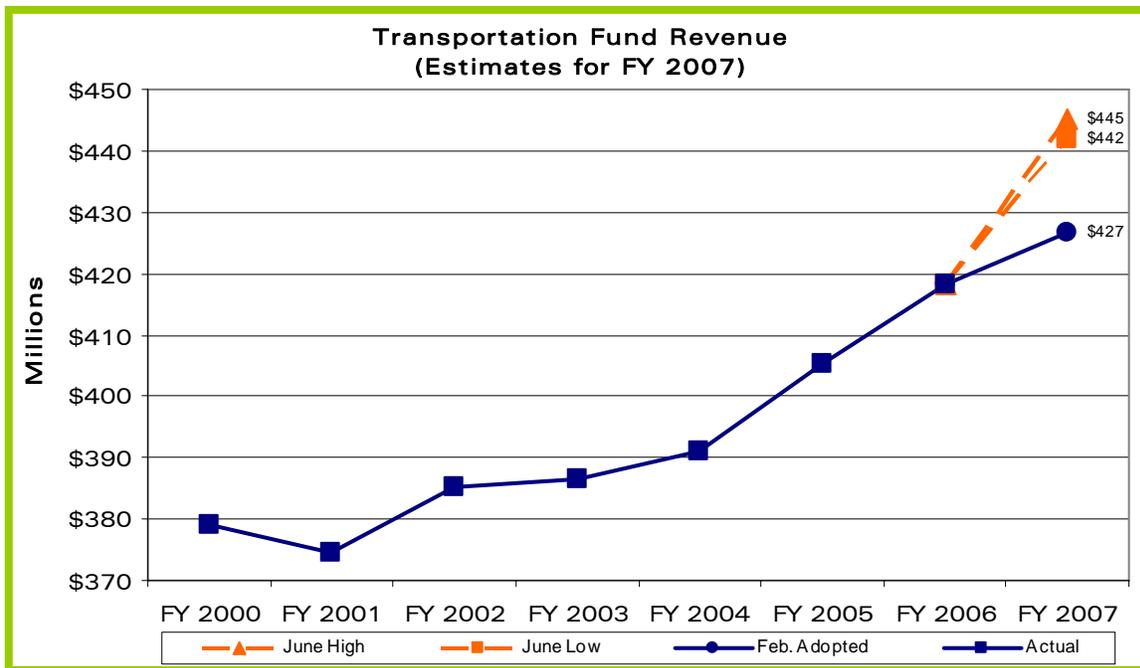
TRANSPORTATION FUND

The primary sources of revenue for the Transportation fund are motor fuel tax collections, special fuel tax collections, and vehicle registrations. Current motor fuel and special fuel are taxed at 24.5 cents per gallon. Transportation Fund collections are affected by fuel tax rates, vehicle miles traveled, motor fuel gallons taxed, and special fuel gallons taxed.

Motor fuel tax is collected on gasoline or gasohol used for any purpose other than the operation of aircraft.

Special fuel tax is collected on any fuel used to operate a motor vehicle upon the public highways which is not taxed under the category of motor or aviation fuel. This includes clean special fuels, diesel, propane, electricity and compressed natural gas.

Net transportation fund revenues should be \$15.8 million to \$18.8 million over the February target. Motor Fuel and Special Fuel tax collections are ahead of projections. Motor vehicle registrations on target if not slightly above.



KEY ECONOMIC INDICATORS

WAGES AND EMPLOYMENT

Employment data is commonly used to gauge the strength of the state's economy, primarily because of its timely availability and its impact on consumer spending and confidence. The current employment boom started in the 4th quarter of 2004. Utah's job growth has made the state one of the top job creators in the nation. All major sectors are adding jobs with the fastest sectors being natural resource, mining, construction, manufacturing, utilities, and the professional and business services. Indications are that employment growth will continue to be strong as existing companies expand and new companies move into the state. Employment growth will continue to be robust over the period forecast with some moderation expected in FY 2008. The year over increase expected for FY 2007 is 4.5 percent and the expected increase for FY 2008 is 3.3 percent. This amounts to total job growth of 53,700 in FY 2007 and 41,500 in FY 2008.

The construction employment sector in particular will boom as many non-residential projects start. Construction employment is significantly above its historical average. Construction currently makes up approximately 9 percent of total employment compared to the historical average of 5.7 percent.

Wages should continue to exhibit strong growth. Total wages are expected to grow by 10.2 percent in FY 2007 and by 7.7 percent in FY 2008. This is approximately two percent over the February forecast. Personal income is generally used as a measure of spending power and includes income from all sources including wages and salaries, proprietors income, workers compensation, interest, rent and dividend income, and transfer payments. Wages and salaries are the largest component of personal income. Personal income is expected to grow at 9.3 percent for 2007 and 7.4 percent for 2008. There will be continued upward wage pressure due to the low unemployment in the state.

Employment Growth



Source: Workforce Services

Annual Growth Rates for Personal Income and Wages and Salaries

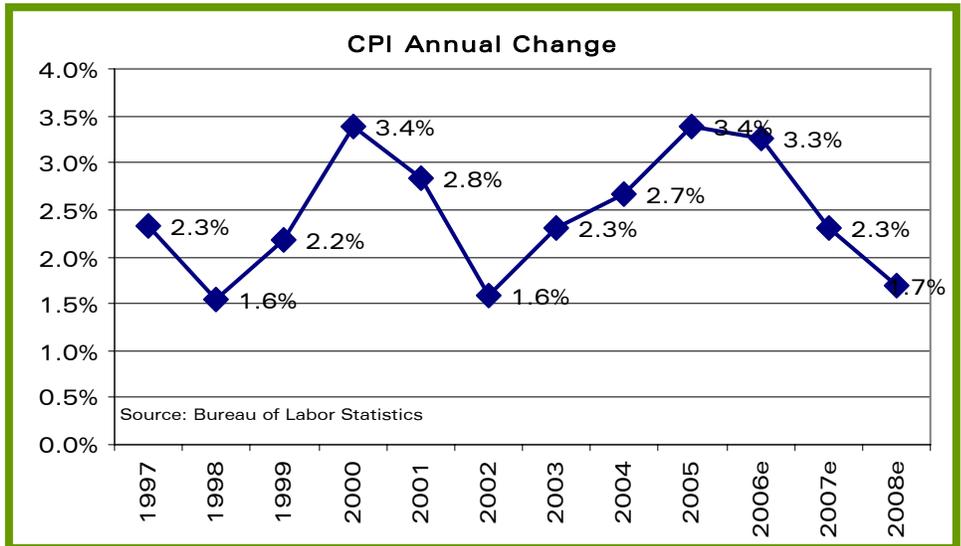
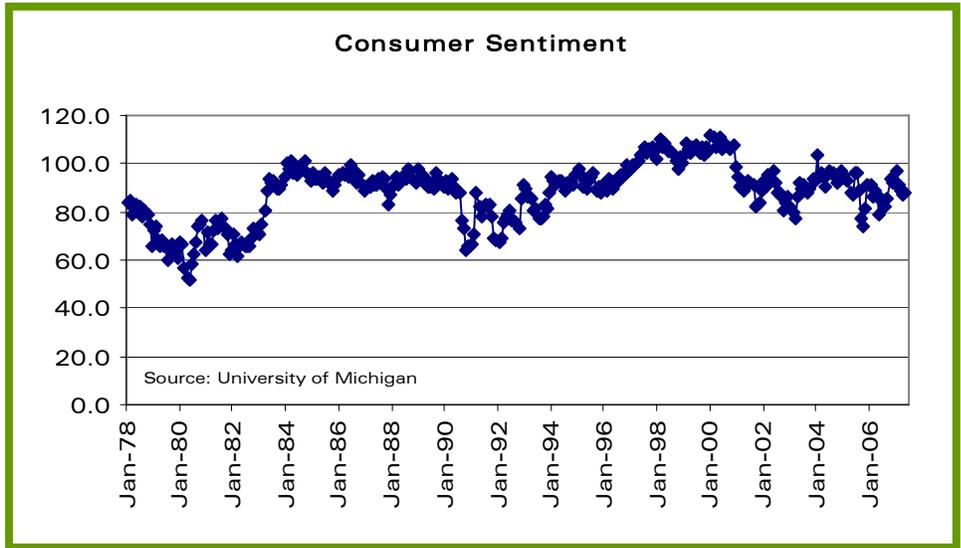


Source BEA, Workforce Services

INFLATION AND CONSUMER SENTIMENT

The index of consumer sentiment, measures consumers' outlook about current economic conditions and economic conditions in the coming year. Currently consumer sentiment is on the rise because of booming employment and a strong stock market. Rising gas prices are expected to exert a negative influence on consumer sentiment and confidence in the coming year.

The Consumer Price Index (CPI) is a measure of the relative costs of goods and services purchased by the consumer. CPI affects both revenues and expenditures. Inflation has been adjusted down from previous forecasts and is expected to remain at low levels for both 2007 and 2008.



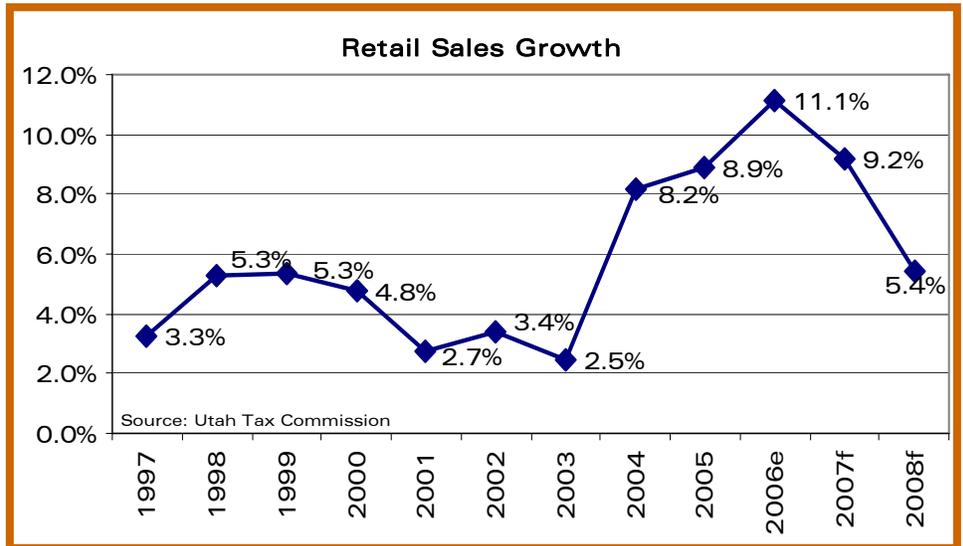
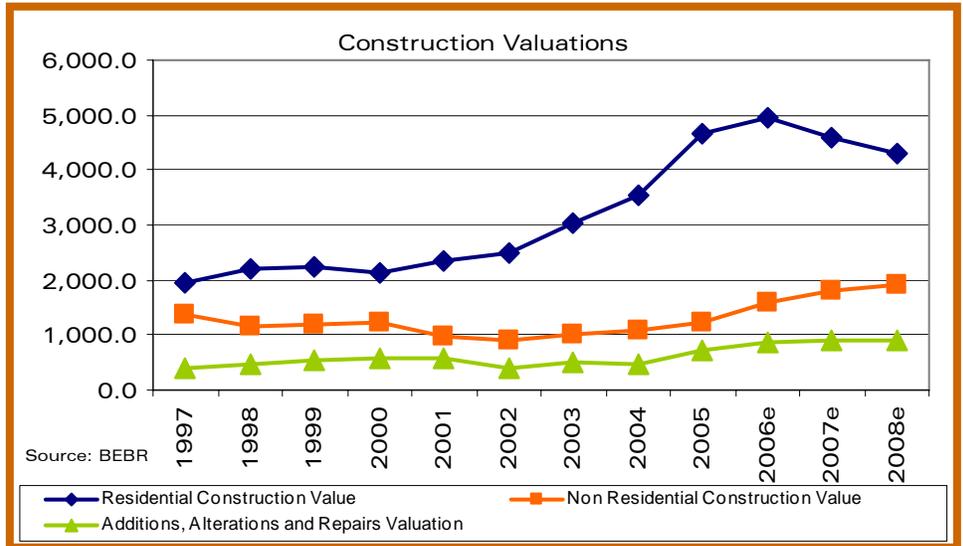
RETAIL AND CONSTRUCTION

One of the major components of growth in the economy is building activity. Activity is measured by the sum of all residential and non-residential permit activity and the corresponding valuations. Currently the new residential construction market is weakening conversely, the market for existing homes seems to be stable.

Housing prices continue to appreciate at over 10 percent annually becoming a deterrent to home ownership. In fact, residential housing in Utah is appreciating at the fastest rate in the nation.

New residential construction value fell by 7.2 percent and is expected to continue this direction for FY 2008. However, record levels of non-residential construction should help to offset the downturn in residential construction over the period forecast.

Retail sales is the most stable sector among the State's sales tax. Growth in this sector is expected to be 9.2 percent for 2007. Growth is expected to moderate to 5.4 percent in 2008.





RETURN SERVICE REQUESTED

REVENUE COLLECTIONS TO DATE

AS REPORTED ON FORM TC-23, JUNE 18, 2007 BY THE UTAH STATE TAX COMMISSION

MAJOR* TAX SOURCES (In Millions of Dollars)	FY 2006	FY 2007	FY 2007	FY 2006	FY 2007	FY 2007
	FINAL (final)	CONSENSUS 2/12/2007	Growth Rate Col 2 / Col 1	YEAR-TO- DATE 7/8/2005	YEAR-TO- DATE 7/8/2006	YEAR-TO- DATE Growth Rate Col 5 / Col 4
SALES AND USE TAXES	1,806.26	1,806.44	0.0%	1,650.19	1,706.31	3.4%
INDIVIDUAL INCOME TAX	2,286.71	2,415.00	5.6%	2,146.44	2,414.66	12.5%
CORPORATE FRANCHISE TAX	380.27	415.00	9.1%	334.34	369.25	10.4%
BEER, CIGARETTE & TOBACCO	60.83	58.85	-3.3%	56.83	57.84	1.8%
INSURANCE PREMIUM TAXES	71.42	70.25	-1.6%	71.13	73.96	4.0%
SEVERANCE TAXES	88.56	95.40	7.7%	92.41	95.81	3.7%
GENERAL & EDUCATIONAL FUNDS	4,694.05	4,860.94	3.6%	4,351.34	4,717.83	8.4%
MOTOR FUEL TAX	240.43	240.70	0.1%	220.80	232.48	5.3%
SPECIAL FUEL TAXES	101.10	106.60	5.4%	91.17	104.06	14.1%
MOTOR VEHICLE REGIS. FEES	32.58	34.21	5.0%	29.99	31.71	5.7%
TRANSPORTATION FUND	374.11	381.51	2.0%	341.96	368.25	7.7%

Source: Utah Tax Commission TC-23