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Revenue & Economic Update September 2009

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Report Structure

- FY 2009 Preliminary & FY 2010 Range
- Wages and Employment
- Equity and Labor Markets
- Savings & the Consumer
- Utah and the National Economy
- Conclusions

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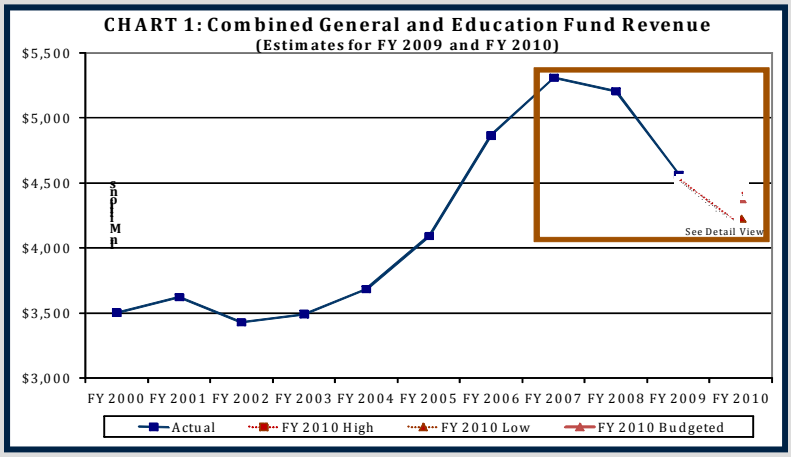
Revenue Estimates

- Quarterly consensus revenues estimates prepared.
- June and September are range estimates to test existing point estimates.
- December and February are point estimates used for budgeting.

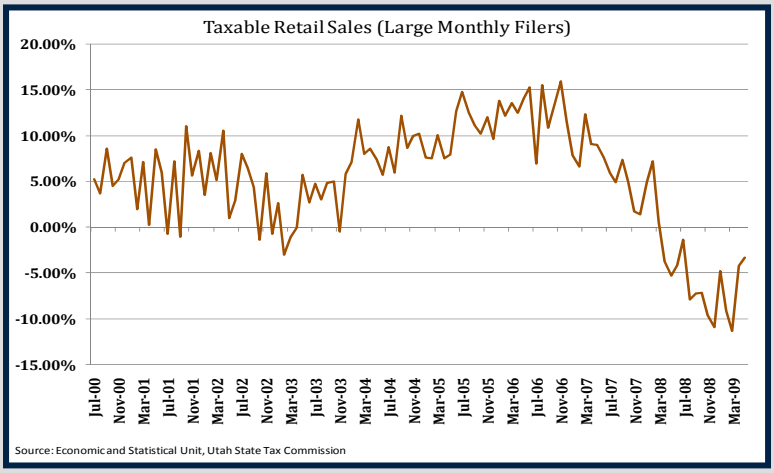
Estimated FY 2009 Year End



Collections YTD – General Fund

- Collections to date for FY 2010 are expected come in within a range of +$30 to -$50 million from February targets.
- Increase consumer high savings rates, low wage growth, and price changes are causing decreases in sales tax revenue.
- Severance Taxes, Interest Earnings and Cable and Satellite Taxes are above targets.

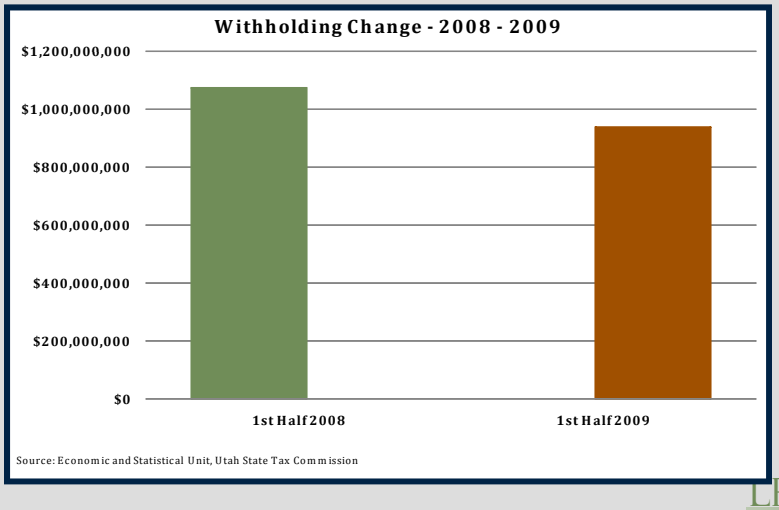
Taxable Retail Sales



Collections YTD – Education Fund

- FY 2010 Revenues are expected to be +$20 to -$100 million from February targets.
- Wages and employment continue to show weakness
- Corporate tax collections will be impacted by capital losses.

Income Tax Withholding



Wages and Employment

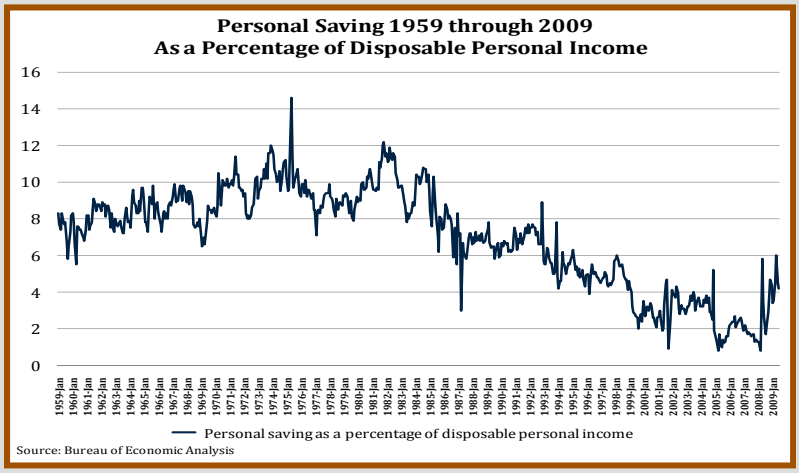
- Employment is decreasing at 4.3 % in CY 2009 and an additional 1.3% in CY 2010.
- Any recovery will contain months of negative employment growth and will likely be slow.
- Wage growth is stagnant.

Employment Growth Rates

The Consumer and Savings

- Personal incomes are declining due to reduced wages & working hours.
- Savings for consumers continues to be positive.
- Consumer confidence has declined.
- Higher savings could act as a drag on certain sectors of the economy.

Savings Rates



Equity Markets, Productivity and Labor

- Cutting costs and decreasing employee pay and hours is creating productivity increases.
- Consumer spending is critical to any recovery.
- Equity market improvements could help employment growth.

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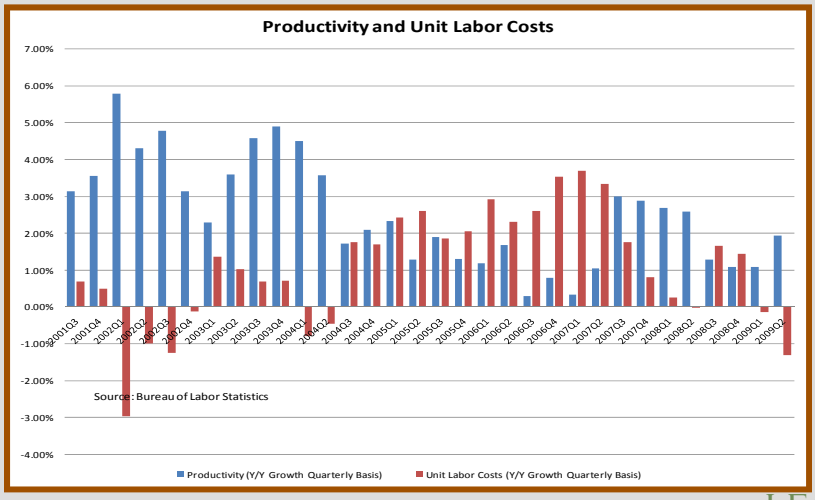
Productivity and Labor Costs



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Equity Markets and Employment

Equity Markets & Labor

	Employment Growth	
Month	Correlated with S&P constant at 1,000*	Correlated with S&P up 10 points each month*
8/1/2009	-4.6%	-4.6%
9/1/2009	-4.8%	-4.8%
10/1/2009	-4.8%	-4.8%
11/1/2009	-4.3%	-4.2%
12/1/2009	-4.0%	-3.9%
1/1/2010	-3.1%	-3.1%
2/1/2010	-2.8%	-2.7%
3/1/2010	-2.5%	-2.4%
4/1/2010	-2.8%	-2.6%
5/1/2010	-2.6%	-2.4%
6/1/2010	-2.3%	-2.0%
7/1/2010	-2.0%	-1.6%
8/1/2010	-1.5%	-1.1%
9/1/2010	-1.2%	-0.7%
10/1/2010	-0.8%	-0.3%
11/1/2010	-0.8%	-0.1%
12/1/2010	-0.6%	0.2%
1/1/2011	-0.7%	0.2%
2/1/2011	-0.4%	0.5%
3/1/2011	-0.1%	0.9%
4/1/2011	0.7%	1.6%
5/1/2011	0.9%	1.9%
6/1/2011	1.1%	2.1%

Sources: Standard and Poors, Department of Workforce Services

Analysis: Legislative Fiscal Analyst

*Please note that the regressions used to simulate the correlation of the S&P with non-farm employment growth in the state includes six lags on the S&P (dividend adjusted), six lags of employment, a constant, and three lags on the error term. The lags are not sequentially distributed nor is each lag statistically significant.

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Utah and the National Economy

- Utah is currently below the national average in several key areas.
- The State will probably remain below national averages for the period of the forecast.

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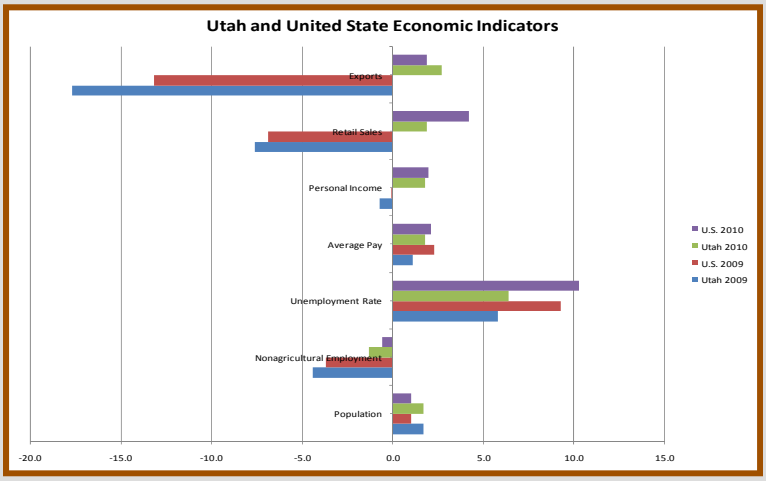
Utah and the Nation



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Collections Sept. (Preliminary Yr End)

Major Tax Sources *(In Millions of Dollars)*	FY 2008 Final	FY 2009 Budgeted Aug-09	FY 2009 Budgeted Growth Rate	FY 2009 Year End Aug-09	FY 2009 Year-to-Date Growth Rate
Sales & Use Taxes	$1,739.38	$1,582.19	-9.0%	$1,547.47	-11.0%
Individual Income Tax	2,602.70	2,323.00	-10.7%	2,338.59	-10.1%
Corporate Franchise Tax	418.32	281.25	-32.8%	263.89	-36.9%
Beer, Cigarette & Tabacco	62.84	60.47	-3.8%	60.61	-3.5%
Insurance Premium Taxes	77.20	81.26	5.3%	82.98	7.5%
Severance Taxes	92.06	86.32	-6.2%	85.57	-7.0%
Other Sources	208.67	157.53	-24.5%	169.44	-18.8%
Total - General & Education Funds	**$5,201.17**	**$4,572.02**	**-12.1%**	**$4,548.56**	**-12.5%**
Motor Fuel Tax	$250.67	$223.48	-10.8%	235.48	-6.1%
Special Fuel Taxes	112.98	104.57	-7.4%	101.24	-10.4%
Motor Vehicle Registration Fees	82.36	80.10	-2.7%	80.35	-2.4%
Total - Transportation Fund	**$446.02**	**$408.15**	**-8.5%**	**$417.07**	**-6.5%**

Source: Legislative Fiscal Analyst, Utah State Division of Finance

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Conclusions

Upside

- Low interest rates
- Economic stimulus

Downside

- Labor market
- Construction
- Consumer spending
- Price pressure
- Corporate profits

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