Revenue & Economic Update
June 2011

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Report Structure

• Collections to Date
  – General Fund
  – Education Fund
• Income, Employment and Wealth
• Prices and Inflation
• Housing
• Debt and Contagion Risk
FY 2011 Estimate

Collections YTD – General Fund

• Year end: $5 to $45 million above target.
• Sales Tax, Beer, Cigarette and Tobacco, Liquor Profits are all above targets.
• Severance Tax and Insurance Premiums are below targets.
### General Fund – Sales Tax Revenue

<table>
<thead>
<tr>
<th>Date</th>
<th>Event Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>J-06</td>
<td>Economic Stimulus Act of 2008</td>
</tr>
<tr>
<td>D-06</td>
<td>Housing &amp; Economic Recovery Act of 2008</td>
</tr>
<tr>
<td>J-07</td>
<td>Several subprime lenders file for bankruptcy (subprime mortgages estimated to be worth $1.3 trillion)</td>
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<tr>
<td>J-08</td>
<td>Fed Reserve offers $900 billion in short-term cash to banks &amp; $1.3 trillion to nonfinancial companies</td>
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<tr>
<td>A-08</td>
<td>NBER declares national recession to have started</td>
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<tr>
<td>F-09</td>
<td>Economic Recovery &amp; Reinvestment Act of 2009 (ARRA)</td>
</tr>
<tr>
<td>S-09</td>
<td>To date, new home sales hit lowest on record (until double dip)</td>
</tr>
<tr>
<td>A-10</td>
<td>Tax Hike Prevention Act of 2010 ($860 B)</td>
</tr>
<tr>
<td>O-10</td>
<td></td>
</tr>
<tr>
<td>M-11</td>
<td></td>
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</tbody>
</table>

### Collections YTD – Education Fund

- **Education Fund** is expected to be approx $5 to $65 million above February FY 2011 estimates.
- **Corporate Tax** is currently on target.
- **Economic recovery** seen in increases to other source income.
Income Tax Withholding

Withholdings - July 2008 to June 2011

Income Tax – Gross Paids

Gross Final Payments - July 2008 to June 2011
Income Tax Refunds

Tax Refunds - July 2008 to June 2011

Corporate Profits

Corporate Profits - 1959 to 2011
5-Year Increments
Income, Employment and Wealth

- Job creation has been positive for close to a year.
- Downside is that there is still the potential for additional declines in the future.
- Continued job creation is the most likely scenario.

Structural Employment and Income Change

![Chart showing structural employment and income changes from 2010 to 2012]
Net Worth

Net Worth - April 2000 to April 2011

Federal Fund Effective Rate

Interest Rates: Federal Funds Effective Rate
January 2000 to June 2011
Oil Impact on Sales Tax

Housing

- Foreclosures are at all time highs.
- Home prices down 15% from peak.
- Homeownership rates have dropped from quarterly high of 78% in Q1 2008 to 72% with further drops anticipated.
- Approx. 120,000 homes have negative equity
Foreclosure Risk

Median Home Prices
### Debt and Contagion Risk

![World Map]

### Revenue to Date (EARL)

<table>
<thead>
<tr>
<th>Tax Revenue (In Millions of Dollars)</th>
<th>FY 2010 Final</th>
<th>FY 2011 Consensus</th>
<th>FY 2011 Consensus Growth Rate</th>
<th>FY 2010 Year-to-Date (6/12/2010)</th>
<th>FY 2011 Year-to-Date (6/12/2011)</th>
<th>FY 2011 Year-to-Date Growth Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales &amp; Use Taxes</td>
<td>$1,402.67</td>
<td>$1,556.04</td>
<td>10.9%</td>
<td>$1,304.04</td>
<td>$1,478.62</td>
<td>13.4%</td>
</tr>
<tr>
<td>Individual Income Tax</td>
<td>2,104.59</td>
<td>2,247.61</td>
<td>6.8%</td>
<td>1,976.23</td>
<td>2,166.80</td>
<td>9.6%</td>
</tr>
<tr>
<td>Corporate Franchise Tax</td>
<td>258.45</td>
<td>268.86</td>
<td>4.0%</td>
<td>211.25</td>
<td>218.14</td>
<td>3.3%</td>
</tr>
<tr>
<td>Beer, Cigarette &amp; Tobacco</td>
<td>58.71</td>
<td>112.66</td>
<td>91.9%</td>
<td>53.22</td>
<td>117.29</td>
<td>120.4%</td>
</tr>
<tr>
<td>Insurance Premium Taxes</td>
<td>80.01</td>
<td>79.29</td>
<td>-0.9%</td>
<td>81.63</td>
<td>75.24</td>
<td>-7.8%</td>
</tr>
<tr>
<td>Severance Taxes</td>
<td>77.07</td>
<td>96.05</td>
<td>24.6%</td>
<td>77.28</td>
<td>90.85</td>
<td>16.3%</td>
</tr>
<tr>
<td>Other Sources</td>
<td>212.08</td>
<td>201.79</td>
<td>-4.9%</td>
<td>174.95</td>
<td>190.04</td>
<td>8.6%</td>
</tr>
<tr>
<td><strong>Total - General &amp; Education Funds</strong></td>
<td><strong>$4,193.58</strong></td>
<td><strong>$4,562.27</strong></td>
<td><strong>8.8%</strong></td>
<td><strong>$3,076.61</strong></td>
<td><strong>$4,335.98</strong></td>
<td><strong>11.8%</strong></td>
</tr>
<tr>
<td>Motor Fuel Tax</td>
<td>$243.30</td>
<td>$252.46</td>
<td>3.8%</td>
<td>223.80</td>
<td>231.37</td>
<td>3.4%</td>
</tr>
<tr>
<td>Special Fuel Taxes</td>
<td>94.44</td>
<td>107.51</td>
<td>13.8%</td>
<td>86.47</td>
<td>95.53</td>
<td>10.5%</td>
</tr>
<tr>
<td>Other Transportation Fund</td>
<td>73.63</td>
<td>75.86</td>
<td>3.0%</td>
<td>66.03</td>
<td>71.01</td>
<td>7.5%</td>
</tr>
<tr>
<td><strong>Total - Transportation Fund</strong></td>
<td><strong>$411.36</strong></td>
<td><strong>$435.83</strong></td>
<td><strong>5.9%</strong></td>
<td><strong>$376.30</strong></td>
<td><strong>$397.91</strong></td>
<td><strong>5.7%</strong></td>
</tr>
</tbody>
</table>

Source: LFA, BSTC, DOF
Don’t Spend It All In One Place

• Any revenue surplus has existing commitments.
• Assume $100 million (high end of range)
  – $50 million Rainy Day Fund
  – $5 million to $10 million Disaster Recovery Fund
  – $12 million Industrial Assistance Fund
• Leaving $28 to $33 million

Growth Required to Sustain Budget

• Current growth forecast at 5% FY 2011
• Budgeted growth 6% FY 2012
• In FY 2013 need 6% plus another 1% growth to cover the $52 million structural deficit and keep pace with current budgets.