Revenue & Economic Update
October 2011
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Report Structure

• Collections to Date
  – General Fund
  – Education Fund
• Economic Indicators
• Interstate Job Comparisons
• Tax Uncertainty, Debt and Expectations
• Macro Conditions
FY 2012 Estimate

CHART 1a: DETAIL VIEW

FY 2010 FY 2011 FY 2012

- Actual
- FY 2012 High
- FY 2012 Low
- FY 2012 Forecast

FY 2011 Preliminary

- Total Revenue Surplus $107 million
- General Fund Revenue Surplus $47 million
- Education Fund Revenue Surplus $60 million
- Available one-time $60 million
General Fund Range

Taxable Sales Geography
Beer, Cigarette, Tobacco Taxes

Cigarette and Tobacco Tax

Days Into the Fiscal Year

- Calendar Day of FY 2009 Cumulative
- Calendar Day of FY 2010 Cumulative
- Calendar Day of FY 2011 Cumulative
- Calendar Day of FY 2012 Cumulative

Cigarette Tax

Cigarette Purchases Shifted to Surrounding States

<table>
<thead>
<tr>
<th>State</th>
<th>Point Estimate of Shift in Packs</th>
<th>Tax Rate per Pack</th>
<th>Confidence Level that a Shift Took Place</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arizona</td>
<td>0</td>
<td>$2.00</td>
<td>14%</td>
</tr>
<tr>
<td>Colorado</td>
<td>300,989</td>
<td>$0.84</td>
<td>79%</td>
</tr>
<tr>
<td>Idaho</td>
<td>836,877</td>
<td>$0.57</td>
<td>99%</td>
</tr>
<tr>
<td>Nevada</td>
<td>730,241</td>
<td>$0.80</td>
<td>95%</td>
</tr>
<tr>
<td>New Mexico</td>
<td>N/A</td>
<td>$1.66</td>
<td>N/A</td>
</tr>
<tr>
<td>Wyoming</td>
<td>376,745</td>
<td>$0.60</td>
<td>99%</td>
</tr>
<tr>
<td>Utah</td>
<td></td>
<td>$1.70</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>2,244,852</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Sources: Idaho Dept. of Revenue, Wyoming Legislative Service Office, Wyoming Dept. of Revenue, Colorado Dept. of Revenue, Nevada Dept. of Taxation, Arizona Dept. of Revenue

Analysis: LFA
Severance Taxes

Oil and Natural Gas Severance Tax Revenue

Metal Severance Tax Revenue

Insurance Premiums

Insurance Premiums YoY Collection Difference (FY 2011 - FY 2012)
Liquor Profits

DABC Retail Sales and Operating Costs
365 Day Moving Average

Sources: LFA, DABC

Collections YTD – Education Fund

- Education Fund ($30) million to +$60 million above target.
- Corporate tax ($30) million to flat.
- Income tax $0 to $60 million above target.
We are seeing a shift in wages between age groups.

We are also seeing changes in labor force participation rates between age groups.
Labor Force Participation

<table>
<thead>
<tr>
<th>Age Cohort</th>
<th>Change By Age Cohort, 2002-2010</th>
<th>Age Cohort</th>
<th>Change By Age Cohort, 2002-2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>16-19</td>
<td>-2%</td>
<td>45-54</td>
<td>0%</td>
</tr>
<tr>
<td>20-24</td>
<td>0%</td>
<td>55-64</td>
<td>0%</td>
</tr>
<tr>
<td>25-34</td>
<td>0%</td>
<td>65+</td>
<td>-6%</td>
</tr>
<tr>
<td>35-44</td>
<td>0%</td>
<td>Overall</td>
<td>0%</td>
</tr>
</tbody>
</table>

Source: BLS, LFA

Corporate Tax

Corporate Income Tax
Revenue and Wage Segments of the Balance Sheet

<table>
<thead>
<tr>
<th>Year</th>
<th>Pctg. Change in Utah Revenue</th>
<th>Pctg. Change in Utah Wages</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>41.1%</td>
<td>0.6%</td>
</tr>
<tr>
<td>2007</td>
<td>-4.3%</td>
<td>7.9%</td>
</tr>
<tr>
<td>2008</td>
<td>-7.2%</td>
<td>11.3%</td>
</tr>
<tr>
<td>2009</td>
<td>-20.3%</td>
<td>18%</td>
</tr>
</tbody>
</table>

Sources: LFA, Tax Commission
Retail Sales

Nonagricultural Employment Growth
February 2008 to August 2011 (SA)

Source: BLS
Interstate Job Comparisons

**Nonagricultural Employment Growth**
(August 2010 to August 2011)

- Arizona: 1.5%
- California: 1.0%
- Colorado: 0.5%
- Idaho: 0.0%
- Nevada: 0.0%
- New Mexico: 0.5%
- Oregon: 1.5%
- Utah: 3.5%
- Washington: 2.0%
- United States: 2.5%

Source: BLS

Interstate Home Price

**FHFA Home Price Index**

- Arizona: -30.0%
- California: -40.0%
- Idaho: -20.0%
- Nevada: -30.0%
- Oregon: -30.0%
- Utah: -40.0%
- Washington: -50.0%
- United States: -60.0%

Source: FHFA
Debt

Federal, State, Local & Consumer Debt as % of GDP

Sources: LFA, BEA, Federal Reserve, Census

National Indicators
GDP and Business Investment

GDP Q/Q Growth

Business Investment Q/Q
National Indicators
The Job Market

U.S. Nonfarm Payrolls

Unemployment Rate

National Indicators
Housing Market and Retail Sales

New & Existing Home Sales

U.S. Retail Sales
### National Indicators

#### ECRI Leading Index and Inflation

#### Consumer Prices

#### ECRI Weekly Leading Index

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### EARL

<table>
<thead>
<tr>
<th>Tax Revenue</th>
<th>FY 2011 Final</th>
<th>FY 2012 Consensus</th>
<th>FY 2012 Growth Rate</th>
<th>FY 2011 Year-to-Date (10/13/2010)</th>
<th>FY 2012 Year-to-Date (10/13/2011)</th>
<th>FY 2012 Year-to-Date Growth Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales &amp; Use Taxes</td>
<td>$1,601.40</td>
<td>$1,521.39</td>
<td>-5.0%</td>
<td>$411.89</td>
<td>$393.32</td>
<td>-4.5%</td>
</tr>
<tr>
<td>Individual Income Tax</td>
<td>2,298.18</td>
<td>2,394.21</td>
<td>4.2%</td>
<td>486.47</td>
<td>537.93</td>
<td>10.6%</td>
</tr>
<tr>
<td>Corporate Franchise Tax</td>
<td>260.14</td>
<td>273.36</td>
<td>4.8%</td>
<td>76.55</td>
<td>61.32</td>
<td>-19.9%</td>
</tr>
<tr>
<td>Beer, Cigarette &amp; Tobacco</td>
<td>125.52</td>
<td>111.48</td>
<td>-11.2%</td>
<td>23.90</td>
<td>32.10</td>
<td>34.3%</td>
</tr>
<tr>
<td>Insurance Premium Taxes</td>
<td>75.89</td>
<td>82.50</td>
<td>8.7%</td>
<td>19.61</td>
<td>19.68</td>
<td>0.4%</td>
</tr>
<tr>
<td>Severance Taxes</td>
<td>86.97</td>
<td>101.37</td>
<td>16.6%</td>
<td>19.52</td>
<td>24.55</td>
<td>25.8%</td>
</tr>
<tr>
<td>Other Sources</td>
<td>210.30</td>
<td>201.15</td>
<td>-4.4%</td>
<td>36.01</td>
<td>32.47</td>
<td>-9.8%</td>
</tr>
</tbody>
</table>
**Total - General & Education Funds** | **$4,658.99** | **$4,685.46** | **0.6%**            | **$1,073.95**                   | **$1,101.37**                    | **2.6%**                         |
| Motor Fuel Tax                 | $252.50       | $254.94           | 1.0%                | 62.71                           | 62.20                            | -0.8%                            |
| Special Fuels Taxes            | 102.61        | 114.81            | 11.9%               | 31.09                           | 24.67                            | -14.9%                           |
| Other Transportation Fund      | 80.73         | 78.10             | -3.3%               | 19.06                           | 18.62                            | -2.3%                            |
**Total - Transportation Fund** | **$435.84**   | **$447.85**       | **2.8%**             | **$112.86**                     | **$107.29**                      | **-4.9%**                        |

Source: LFA, OSTC, DOF