Revenue & Economic Update
June 2014
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Report Structure

- Overview/FY 2014 Range
- Tax Collections:
  - General Fund
  - Transportation Fund
  - Education Fund
- Economic indicators
  - Employment
  - Households
- Global Risks
- Trends
- Conclusion
Revenue Range FY 2014

Detail View

General Fund
Transportation Fund

Final Payments

Gross Final Payments
Withholding: Float Throughout the Fiscal Year

Target = 4%

Corporate Tax Payments by Payment Type

Corporate Income Tax Payments by Payment Type
Employment

Wages

Employed Part-time for Economic Reasons
[Graph showing data]

Average Annual Wage Growth - UT
[Graph showing data]
Household Formation

Households per Population
Source: LF, Moody’s

Global Risks
Share of Global GDP 1990  Share of Global GDP 2019
Global Risks

Real Estate Investment as Percentage of GDP
Sources: LFA, KBW, BPI

Europe and U.S. Unemployment Rates
Sources: BLS, Trading Economics

Current Collections

<table>
<thead>
<tr>
<th>Tax Revenue</th>
<th>FY 2013 Final</th>
<th>FY 2014 Consensus</th>
<th>FY 2014 Consensus Growth Rate</th>
<th>FY 2013 Year-to-Date (6/9/2013)</th>
<th>FY 2014 Year-to-Date (6/9/2014)</th>
<th>FY 2014 Year-to-Date Growth Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales &amp; Use Taxes</td>
<td>$1,616.19</td>
<td>$1,651.46</td>
<td>2.2%</td>
<td>$1,497.37</td>
<td>$1,541.38</td>
<td>2.9%</td>
</tr>
<tr>
<td>Individual Income Tax</td>
<td>$2,852.02</td>
<td>$2,781.64</td>
<td>-2.5%</td>
<td>$2,651.47</td>
<td>$2,671.58</td>
<td>0.8%</td>
</tr>
<tr>
<td>Corporate Franchise Tax</td>
<td>$338.20</td>
<td>$291.39</td>
<td>-13.8%</td>
<td>$280.14</td>
<td>$259.14</td>
<td>-7.5%</td>
</tr>
<tr>
<td>Beer, Cigarette &amp; Tobacco</td>
<td>$120.86</td>
<td>$116.49</td>
<td>-3.6%</td>
<td>$112.76</td>
<td>$105.52</td>
<td>-6.4%</td>
</tr>
<tr>
<td>Insurance Premium Taxes</td>
<td>89.59</td>
<td>94.88</td>
<td>5.9%</td>
<td>89.09</td>
<td>90.68</td>
<td>1.8%</td>
</tr>
<tr>
<td>Severance Taxes</td>
<td>70.11</td>
<td>85.34</td>
<td>21.7%</td>
<td>76.06</td>
<td>105.08</td>
<td>38.2%</td>
</tr>
<tr>
<td>Other Sources</td>
<td>232.34</td>
<td>237.04</td>
<td>2.0%</td>
<td>112.92</td>
<td>106.98</td>
<td>-5.2%</td>
</tr>
<tr>
<td><strong>Total - General &amp; Education Funds</strong></td>
<td><strong>$5,319.31</strong></td>
<td><strong>$5,258.24</strong></td>
<td><strong>-1.1%</strong></td>
<td><strong>$4,819.67</strong></td>
<td><strong>$4,880.36</strong></td>
<td><strong>1.3%</strong></td>
</tr>
<tr>
<td>Motor Fuel Tax</td>
<td>$256.87</td>
<td>$253.34</td>
<td>-1.4%</td>
<td>226.39</td>
<td>229.00</td>
<td>1.2%</td>
</tr>
<tr>
<td>Special Fuel Taxes</td>
<td>101.36</td>
<td>99.00</td>
<td>-2.3%</td>
<td>85.04</td>
<td>86.62</td>
<td>1.9%</td>
</tr>
<tr>
<td>Other Transportation Fund</td>
<td>81.18</td>
<td>83.99</td>
<td>3.5%</td>
<td>73.84</td>
<td>74.28</td>
<td>0.6%</td>
</tr>
<tr>
<td><strong>Total - Transportation Fund</strong></td>
<td><strong>$439.41</strong></td>
<td><strong>$436.33</strong></td>
<td><strong>-0.7%</strong></td>
<td><strong>$385.27</strong></td>
<td><strong>$389.90</strong></td>
<td><strong>1.2%</strong></td>
</tr>
</tbody>
</table>

Source: LFA, BSTC, DOF
To Summarize

• $25 million to $150 million GF/EF surplus
  • $25 million below to $25 million above target for GF
  • $50 million above to $125 million above target for EF
• $5 million below to $10 million above target for TF
• We’re watching for structural changes in the labor market and the nature of household formation
• We’re also watching national and international conditions for upside and downside risks

Trends

• Trends: HB 311 and HJR 11
• General Trends Categories
  • Pure Linear
  • Weighted Linear
  • Cycle & Trend
  • Percentage Change Trend
**Linear Trend**

**INCOME TAX AND TRENDS**

- **Income Tax**
- **Linear Trend**
- **Weighted Linear Trend**
- **Cycle and Trend**
- **Percentage Change**

**Trend Advantages/Disadvantages**

<table>
<thead>
<tr>
<th>Area</th>
<th>Linear Trend</th>
<th>Weighted Linear</th>
<th>Cycle &amp; Trend</th>
<th>% Change Trend</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cycle Volatility</strong></td>
<td>Volatile</td>
<td>Neutral</td>
<td>Stable</td>
<td>Neutral</td>
</tr>
<tr>
<td><strong>Responsiveness to Shocks</strong></td>
<td>Non-responsive</td>
<td>Semi-Responsive</td>
<td>Responsive</td>
<td>Semi-Responsive</td>
</tr>
<tr>
<td><strong>Simplicity</strong></td>
<td>Simple</td>
<td>Neutral</td>
<td>Complex</td>
<td>Neutral</td>
</tr>
<tr>
<td><strong>Subjective judgment Occurrence</strong></td>
<td>Intercept parameter</td>
<td>Weight parameter</td>
<td>Filter parameter</td>
<td>Weight parameter</td>
</tr>
</tbody>
</table>
Cycle Volatility

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Linear</th>
<th>Cycle &amp; Trend</th>
<th>Weighted Trend</th>
<th>Percentage Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>$427</td>
<td>$263</td>
<td>$411</td>
<td>$93</td>
</tr>
<tr>
<td>2008</td>
<td>$340</td>
<td>$241</td>
<td>$293</td>
<td>-$167</td>
</tr>
<tr>
<td>2009</td>
<td>$46</td>
<td>-$46</td>
<td>$42</td>
<td>-$451</td>
</tr>
<tr>
<td>2010</td>
<td>-$332</td>
<td>-$269</td>
<td>-$91</td>
<td>-$337</td>
</tr>
<tr>
<td>2011</td>
<td>-$219</td>
<td>-$130</td>
<td>$12</td>
<td>$85</td>
</tr>
<tr>
<td>2012</td>
<td>-$105</td>
<td>-$72</td>
<td>$127</td>
<td>$45</td>
</tr>
<tr>
<td>2013</td>
<td>$208</td>
<td>$188</td>
<td>$319</td>
<td>$261</td>
</tr>
</tbody>
</table>

**Income Tax Cycle (millions)**

**Trend Options**

**INCOME TAX AND TRENDS**
Which Do You Prefer?

- Cycle/Trend
- Weighted Average
- Percent Change Average
- Linear