

State of Idaho

Economic Outlook Forecast

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Associated Taxpayers of Idaho
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January 5, 2007

SUMMARY OF FINDINGS (REVENUE PROJECTIONS)

FISCAL YEAR	GENERAL ACCOUNT REVENUE (in millions)	% Change
1991	901.5	5.3%
1992	951.8	5.6%
1993	1043.5	9.6%
1994	1173.1	12.4%
1995	1288.1	9.8%
*1996	1350.9	4.9%
1997	1391.9	3.0%
1998	1482.1	6.5%
1999 (includes \$54.6M prop. tax replc.)	1624.5	9.6%
2000	1821.0	12.1%
2001	1984.6	9.0%
2002 (excludes \$10.1M ag. prop. tax ex.)	1690.3	-14.8%
2003 (excludes \$13.4M ag. prop. tax ex.)	1750.5	3.6% (est. 2.8% w/out tax incr.)
2004 (excludes ongoing \$13.4M ag. equip. ex. and one-time \$50M federal \$'s)	2033.6	16.2% (est. 5.9% w/out 2003/2004 tax increases)
2005	2268.8	11.6% (est. 13.1% w/out tax incr.)
2006	2431.3	7.2% (est. 15.9% w/out tax incr.)
2007 Estimate	2695.4	10.9% (est. 5.5% w/out tax incr.)
2008 Forecast	2924.2	8.5% (est. 5.3% w/out tax incr.)

*First year HB156-implemented. Provided \$40.8M of state sales taxes for school M&O property tax relief. This amount grows at the rate of taxable property value growth. The FY 97 amount was \$45.2M and FY 98 was \$50.4M. In FY 99 SB1564 (trailer bill to SB1555) amended the public school appropriation to include the amount of property tax replacement previously diverted directly from the sales tax. In FY 99 this added \$54.6M to the State General Fund, FY 2000 was \$58.0M, FY 2001 was \$60.9M, FY 2002 was \$64.6M, FY 2003 was \$68.9M, FY 2004 was \$73.0M and in FY 2005 the amount is capped at \$75.0M (see HB 463 of 2003).

January original FY 2007 Revenue Projection = \$2,307.6M (3.5% over \$2,229.1M, midyear FY 2006 estimate).
August revised Executive Estimate for FY 2007 = \$2,662.5M (9.5% over \$2,431.3M, FY 2006 actual).

Sources: Idaho Outlook, General Account Update - Division of Financial Management.
Executive Budget, Fiscal Year 2007, Division of Financial Management.
Idaho Legislature, Legislative Perspective, December 2006 (and prior reports).

2007 Estimate

Based on general account revenues collected since 1991, existing accruals and the expectation of continued strong, but slower short-term revenue growth, the FY 2007 estimate is \$2,680.5M or 7.3% over FY 2006 (higher than DFM's August \$2,662.5M adjusted amount).

2008 Forecast

The attached background data about Idaho's economic future (adjusted for tax increase sunsets) indicates there will be a stable increase over the 2007 revenue. The fundamental factors that make the Pacific NW (and Idaho) attractive remain in place. The more urban portions of the state will contain most of the growth.

Idaho's fragile economy will continue feeling impacts from both the uncertain but momentum building economies in other parts of the nation. Agriculture is expected to hold steady during 2007/2008. Timber struggles some, but mining is showing growth. High tech manufacturing is expected to continue showing economic strength. Tourism looks steady and Idaho is expected to continue expanding its niches in international trade, although this trade is at weaker levels.

The national debt, energy costs, federal taxes and potential impacts of federal policy decisions will continue being on the minds of our citizens. Borrowers and lenders alike are expected to be cautious; however, an 8.5% growth rate over 2007 revenues is likely. After adjusting for the additional one-cent FY 2007 - FY 2008 sales tax increase and cigarette tax diversion for school bond support, this is a 5.3% base increase.

Background Information For General Account Revenue Forecasts

1. **Wall Street Journal, The Economy, Economy Grows at Tepid Pace And Signs Point to More of Same, Christopher Conkey, December 22, 2006.**

The economy continued to lose momentum in the third quarter, expanding at a weaker-than-expected 2% inflation-adjusted annual rate, and many signs suggest it will stay in a lukewarm zone in the months ahead.

Decent gains in consumer spending are expected to offset further weakness in the housing and vehicle sectors. The Conference Board, a research group in New York said its index of leading economic indicators which forecasts conditions several months down the road suggests "slow economic growth is likely to continue in the near term." So far the index appears to be producing lower inflation. The Fed's favored inflation measure (personal consumption) rose 2.2% in the third quarter, down from a more worrisome 2.7% reading in the second quarter.

Another positive is that the current period of slow growth coincides with a competitive labor market that is creating plenty of jobs and finally lifting inflation-adjusted wages for many workers.

Leading The News, Rise in Consumer Spending Suggests Growth in '07, Christopher Conkey, December 23/24, 2006.

A surge in consumer spending last month illustrates that the five-year-old economic expansion appears poised to continue next year despite some significant headwinds.

The big question is which way the economy, and the Fed., will break next year. Nariman Behravesh, chief economist at Global Insight, expects the Fed's focus to shift toward economic growth next year as the threat from inflation wanes, and he expects the Fed to cut rates two or three times beginning in May.

Despite the negative effects on investment and spending emanating from the weak housing market, Dean Maki, chief U.S. economist at Barclays Capital, says consumers have a healthy cushion of wealth built up that can power growth next year even if stocks or house prices drop. Separately, the University of Michigan said its survey of consumer sentiment rose to 91.7 from 90.2 earlier this month. The survey's director, Richard Curtin, said the results suggest the economy will grow at an inflation-adjusted rate of 2.5% next year.

Leading The News, End of Housing Slump Seems to Be Drawing Nigh, Christopher Conkey, December 28, 2006

Recent firmness in mortgage applications and an increase in new-home sales suggest the housing slump may be nearly over, limiting the risk of wider damage to the overall economy. Mortgage Bankers Association, which conducts a weekly mortgage-application survey reported that its indexes of applications for home purchases and re-financings have been rising steadily since summer.

A recent pickup in new-home sales also points to stabilizing demand. The Commerce Department said yesterday that new-home sales rose 3.4% in November to an annual rate of 1.05 million units. While that pace is down more than 15% from a year earlier, it has risen since July and has held fairly steady in recent months. Despite some continued uncertainty, economists view the recent data as an early indication that the worst of the housing market's downturn may be over.

Home buying activity could wane, however, if interest rates rise or other factors, such as employment or the stock market, deteriorate.

2. **The Idaho Statesman, Business, Consumer confidence soars; sales of existing homes edge up, Martin Crutsinger (The Associated Press), December 29, 2006.**

The U.S economy is ending the year with a hopeful set of reports showing that consumer confidence soared in December and the worst of the downturn for the battered housing market may be over.

The National Association of Realtors reported that sales of existing homes edged up 0.6 % in November to a seasonally adjusted annual rate of 6.28 million units, after a 0.5% rise in sales in October. The better than expected showing for both new and existing home sales could be signaling that this year's severe slide in housing is starting to bottom out, analysts said. However, they cautioned not to expect a sharp rebound. Rather, they said to look for prices to continue falling for several more months as sellers are forced to trim their asking prices more in the face of near-record levels of unsold homes. David Lereah, the Realtors' chief economist, said that one-fourth of the country, the formerly hottest markets in such areas as California and Florida, will see prices decline further while the other three-fourths of the country will see sales and prices keep rising.

The rise in consumer confidence readings was a good sign that the housing slowdown was not more seriously affecting consumers' willingness to spend money, analysts said. There was also good news on jobs yesterday, as the Labor Department reported that the number of laid off workers filing for unemployment benefits last week rose by only 1,000 to 317,000. Analysts said that indicated the job market was remaining strong in spite of the slowdown in economic growth.

3. **The Idaho Business Review, Hiring outlook less optimistic, December 18, 2006.**

More than a quarter of Boise area employers plan to add staff in the first quarter of 2007, according to a survey by the Manpower firm. Twenty-seven percent of the companies plan to hire more employees in January, February and March, while 7 percent expect to reduce headcount, Manpower spokeswoman Wendy Gregory said. Another 63 percent expect to maintain their current staff levels, and 3 percent have not made final decisions about their hiring plans. This is less than the fourth quarter of 2006 when 30 percent of the companies interviewed intended to increase headcount and 3 percent planned to decrease it.

For the coming quarter, job prospects appear best in construction, wholesale/retail trade, services and public administration, according to the survey.

Current U.S. results mark two consecutive quarters of more cautious hiring plans, according to Manpower. Of 14,000 U.S. employers surveyed, 23 percent expect to add to their payrolls during the first quarter of 2007, while 11 percent expect to reduce staff levels, Manpower reported. Sixty percent expect no change in the hiring pace, while 6 percent are undecided about first-quarter hiring plans.

4. **Marples Business Newsletter, Covering the Pacific Northwest since 1949, Michael J. Parks-Editor and Publisher (Seattle, Washington).**

December 6, 2006 issue

"Caution: Slower growth ahead." That's the appropriate "outlook" bumper sticker for the Pacific Northwest economy in 2007. It also is a shorthand summary of the latest formal economic forecasts from Washington, Oregon and Idaho.

The Idaho Division of Financial Management forecasts that 2007 job growth will fall to 2.6%, about 40% below 2006's estimated 4.3% growth. If the forecast is right, Idaho's economy in 2007 would add only about 16,700 new jobs (320 a week), down considerably from 2006's 26,200 new jobs (500 a week).

Washington, Oregon and Idaho all rely on Global Insight, Boston, the big economic modeling and consulting firm, for baseline global and national forecasts. Global Insight, which maintains the globe's most extensive database of economic information, sees slower growth ahead for both the U.S. and global economies. But, it is sanguine about inflation (low) and interest rates (headed lower).

Idaho housing starts will decline, but other factors related to construction are positive, including strong population growth, a lack of excess housing inventory and stability in nonresidential construction. The Gem State in 2006 will have grown employment at the fastest rate (4.6%) since 1994 (5.6%), but growth likely will drop off to 2.5% in 2007. As in Oregon, this is mainly in response to slower U.S. economic growth.

Idaho's important computer and electronics sector is expected to have more modest growth in 2007 and the same goes for Idaho's big and basic food-producing sector, but declines are anticipated in the forest industry. The latter's biggest challenge is the dwindling supply of timber from public land.

November 22, 2006 issue

Even in the booming Pacific Northwest, the housing market has cooled dramatically. Building permits have declined sharply in Washington, Oregon and Idaho. Inventories of unsold new and used homes have risen. Sales activity- the number of real-estate transactions- has declined. But, don't miss the big picture. Prices have continued to rise almost across the board in the Pacific Northwest.

And, the Pacific Northwest dominated the Office of Housing Enterprise Oversight's list of 20 metropolitan areas with the highest rates of price appreciation for one year through Sept. 30. Bend and Boise-Nampa ranked No. 1 and No. 2. Optimists point to above-average growth in both employment and population as key factors that should temper any weakness in the Pacific Northwest and, in fact, keep those house prices relatively strong.

5. Boise Area Chamber of Commerce, Economic Outlook Forum, November 8, 2006. Information from local presenters and the Business Barometer is summarized below:

David Legeay, KeyCorp (National and Regional Economy)

Economic growth is slowing and we believe it will remain subdued through 2006 and into 2007. The 5.6% Gross Domestic Product growth rate in the first quarter of 2006 slowed to 2.6% in the second quarter. So far, we feel reasonably confident the economy will achieve a "soft landing" rather than go into recession.

Idaho continues to experience very good job growth. The rapid job growth may be one reason that per capita income, which remains below the national average, has been catching up. Corporations have high cash balances and have not been eager to borrow, which suggests they do not see attractive investment opportunities, perhaps because of intense competition. But competition may compel spending that improves productivity, since technological investments that reduce costs may be crucial to remaining competitive. Idaho's base in technology products could benefit within that type of capital-spending environment.

If a recession does occur, population and job growth should make it less painful in Idaho. Although excesses in Idaho's real estate market probably need to be corrected, population growth should help accomplish that over time.

Mark Bowen, CH2M Hill, (Public Capital Investment)

State and local government investment in major capital improvements in the Treasure Valley alone could exceed \$600 million in 2007, an increase of 25% from 2006. In addition, the health-care sector is one of the largest employers in the Valley and is currently undertaking

several expansion projects to meet the needs of the increasing population representing regional capital investment exceeding \$85 million in 2007.

Mr. Bowen also documented a number of other public capital investments in utilities and infrastructure, transportation (GARVEE program), schools and downtowns.

John Church, Idaho Economics (Boise Metro Business Index)

While the recent gains in the Boise Metro Business Index are below the pace of increases posted in 2005 and during the first half of 2006, they are not yet an immediate cause for concern about the health of the area's economy. However, they are reflective of a significant slowdown in one component of the Business Index- residential housing.

While there are continuing signs of a slowdown in residential housing construction they do not appear to be enough to derail the local economy. Continuing employment gain in the Wholesale and Retail Trade sectors along with those in the Transportation, Utilities and Service industries will keep employment gains in the Boise MSA at a pace that is likely to be at least twice the national rate of overall employment growth.

Commercial construction activity is certainly making an attempt to erase any effects of a slowdown in residential housing construction. An increased level of commercial construction activity is likely to continue for the remainder of 2006 and into 2007.

Rich Raimondi, Hewlett Packard Company (Technology)

Today science and technology comprise over 21 percent of Idaho's economy, most of it clustered in the Treasure Valley.

The numbers are staggering- globally, by 2007, 2 billion mobile phone users, 1.4 billion Internet users, 62 billion emails and 1.4 billion instant messages sent daily, as well as 800 megabytes of storage for every person on Earth. How does all this translate into an economic outlook for the Treasure Valley? First and foremost, it is important to note that other than local IT services companies, every technology company in Idaho serves the global market.

The technology companies in the Treasure Valley are investing in growth markets. How that translates into jobs is more difficult to project.

Mike Ballantyne, Thornton Oliver Keller Commercial Real Estate (Commercial Real Estate)

Throughout the Treasure Valley, small owner-user buildings continue to be built. Many of these buildings are constructed with excess space for lease or expansion. The overall office vacancy rate through the first quarter of 2007 is likely to remain around 10 percent, with no significant changes.

Industrial construction is expected to remain conservative in 2007 as available land is scarce and building costs remain high.

As has always been the case, the key factors for successful retail development include location and the ability to attract strong anchor tenants. The outlook for the Treasure Valley's retail sector is solid and tied directly to the sustained population growth the Boise market has experienced.

2006 County Assessed (Taxable) Property Values:

SUMMARY TABLE FOR TEN
MOST POPULATED COUNTIES
PLUS MOST ASSESSED VALUE CHANGE

<u>COUNTY</u>	<u>COUNTY SEAT</u>	<u>2005 COUNTY POPULATION</u>	<u>2006 ASSESSED VALUE</u>	<u>2005-06 ASSESSED VALUE CHANGE</u>
1. Ada	Boise	344,727	\$28,229.4 M	\$3,985.7 M
2. Canyon	Caldwell	164,593	6,881.5	556.8
3. Kootenai	Coeur d'Alene	127,688	14,535.8	4,502.8
4. Bonneville	Idaho Falls	91,856	4,216.9	289.5
5. Bannock	Pocatello	78,155	2,650.0	66.4
6. Twin Falls	Twin Falls	69,419	3,068.0	157.2
7. Bingham	Blackfoot	43,739	1,273.5	26.9
8. Bonner	Sandpoint	40,908	6,653.3	2,331.6
9. Nez Perce	Lewiston	37,931	2,103.3	17.3
10. Latah	Moscow	34,714	1,509.4	28.0
SUBTOTAL		1,033,730 (72.3%)	\$71,121.1 (66.4%)	\$11,962.2 (67.5%)
Blaine	Hailey	21,166	11,776.8	1,989.8
Valley	Cascade	8,332	3,990.9	1,339.7
Custer	Challis	4,077	983.3	422.7
Teton	Driggs	7,467	1,292.8	420.8
SUBTOTAL (Cumulative)		1,074,772 (75.2%)	\$89,164.9 (83.3%)	\$16,135.2 (91.1%)
TOTAL STATE		1,429,096 (100%)	\$107,088.2 (100%)	\$17,719.6 (100%)

* 2005 Census Estimates (7-1-05)

** Does not include previous year's subroll (est. only). Preliminary 2006 data.

Assessed (taxable) property value in Idaho's counties increased by \$17,719.6 million between 2005 and 2006. The ten most populated counties had 67.5% of Idaho's increased value. When you include Blaine, Custer, Valley, and Teton counties with the ten most populated counties, 91.1% of Idaho's value change is accounted for. (In 2004-05 the ten most populated counties had 69.6% of the increased value. When Blaine, Teton, Valley, and Madison County were included, 93.9% of Idaho's 2004-05 value change was accounted for).

The \$17,719.6 million assessed market value change for 2005-06 is 57.8% more than the 2004-05 change of \$11,229.3 million. The 2003-04 increase was \$5,038.0 million and 2002-03 was \$3,013.8 million.

Kootenai and Ada counties showed the largest 2005-06 assessed market value increases at \$4,502.8M and \$3,985.7M, respectively. In the 2004-05 period Kootenai and Ada showed the largest increases at \$2,526.5 and \$2,334.1 million, respectively.

Three counties lost net assessed market value in the 2005-06 period. Two counties lost net assessed value in the 2004-05 period. Five counties in the 2003-04 period lost net assessed value.

Note: Assessed Market Value data is listed on following page.

SUMMARY OF STATEWIDE ASSESSED VALUE CHANGES

2005/2006 Difference (includes subrolls)	\$89,438.6 to \$107,233.1 =	\$17,794.5M	+19.9%
Categories with increases:			
Urban/Rural Owner-occupied residential,	\$6,307.3		+17.9%
Urban/Rural non-owner occupied residential,	\$7,956.6		+33.1%
Urban/Rural Commercial/Industrial,	\$2,797.5		+13.1%
Agriculture,	\$117.6		+3.0%
Timber,	\$18.0		+2.2%
Mining,	\$392.6		+102.4%
Operating,	\$204.9		+5.8%
		\$17,794.5M	
Categories with decreases:			
			-0.0%
			-0.0%
		(\$0.0M)	

Statewide County Assessed Market Values, 2006 and 2005 Compared

<u>COUNTY</u>	<u>2006</u>	<u>2005</u>	<u>DIFFERENCE</u>	<u>% Change</u>
Kootenai	\$14,535,837,541	\$10,032,995,341	\$4,502,842,200	44.88%
Ada	28,229,418,283	24,243,703,657	\$3,985,714,626	16.44%
Bonner	6,653,250,196	4,321,625,925	\$2,331,624,271	53.95%
Blaine	11,776,823,237	9,787,040,510	\$1,989,782,727	20.33%
Valley	3,990,896,203	2,651,213,733	\$1,339,682,470	50.53%
Canyon	6,881,484,775	6,324,725,511	\$556,759,264	8.80%
Custer	983,327,737	560,629,257	\$422,698,480	75.40%
Teton	1,292,836,102	872,055,737	\$420,780,365	48.25%
Bonneville	4,216,859,100	3,927,344,260	\$289,514,840	7.37%
Shoshone	776,096,234	561,982,321	\$214,113,913	38.10%
Adams	474,569,733	311,200,293	\$163,369,440	52.50%
Twin Falls	3,068,002,477	2,910,796,156	\$157,206,321	5.40%
Idaho	996,884,247	841,223,474	\$155,660,773	18.50%
Boise	712,549,174	576,976,760	\$135,572,414	23.50%
Boundary	727,669,047	611,733,464	\$115,935,583	18.95%
Bear Lake	511,452,029	418,113,835	\$93,338,194	22.32%
Fremont	1,035,146,276	942,482,704	\$92,663,572	9.83%
Benewah	549,796,498	463,283,117	\$86,513,381	18.67%
Madison	1,012,089,337	934,080,670	\$78,008,667	8.35%
Bannock	2,650,047,712	2,583,661,067	\$66,386,645	2.57%
Gem	717,419,691	654,055,069	\$63,364,622	9.69%
Elmore	1,060,057,439	997,230,179	\$62,827,260	6.30%
Jefferson	810,120,364	752,535,616	\$57,584,748	7.65%
Owyhee	457,241,166	403,389,388	\$53,851,778	13.35%
Clearwater	534,739,983	488,251,752	\$46,488,231	9.52%
Jerome	860,935,930	817,739,685	\$43,196,245	5.28%
Cassia	908,175,198	866,600,359	\$41,574,839	4.80%
Latah	1,509,415,180	1,481,443,250	\$27,971,930	1.89%
Minidoka	772,171,660	744,859,499	\$27,312,161	3.67%
Bingham	1,273,483,801	1,246,578,235	\$26,905,566	2.16%
Payette	786,498,320	760,415,714	\$26,082,606	3.43%
Lemhi	486,501,682	464,237,641	\$22,264,041	4.80%
Lincoln	258,458,490	240,203,651	\$18,254,839	7.60%
Nez Perce	2,103,255,012	2,085,971,798	\$17,283,214	0.83%
Washington	510,868,175	494,537,015	\$16,331,160	3.30%
Gooding	669,375,987	658,826,730	\$10,549,257	1.60%
Clark	107,509,223	99,271,271	\$8,237,952	8.30%
Power	603,159,209	596,185,316	\$6,973,893	1.17%
Lewis	207,908,751	201,674,250	\$6,234,501	3.09%
Camas	103,248,936	97,485,390	\$5,763,546	5.91%
Oneida	198,024,522	197,681,193	\$343,329	0.17%
Franklin	393,519,816	399,460,296	(\$5,940,480)	-1.49%
Caribou	564,818,817	574,585,251	(\$9,766,434)	-1.70%
Butte	116,224,947	168,476,426	(\$52,251,479)	-31.01%
TOTAL	\$107,088,168,237	\$89,368,562,766	\$17,719,605,471	19.83%

Note: This report does not include previous year's subroll (est. only).

STATEWIDE COUNTY ASSESSED MARKET VALUES

	ASSESSED VALUE	ANNUAL CHANGE	PERCENT CHANGE
1982	\$24,470,864,835		
1983	23,188,449,489	(1,282,415,346)	-5.2%
1984	24,281,138,534	1,092,689,045	4.7%
1985	24,995,993,842	714,855,308	2.9%
1986	25,129,681,628	133,687,786	0.5%
1987	25,117,260,285	(12,421,343)	0.0%
1988	25,364,904,537	247,644,252	1.0%
1989	25,959,028,463	594,123,926	2.3%
1990	27,293,398,951	1,334,370,488	5.1%
1991	29,523,517,021	2,230,118,070	8.2%
1992	31,508,830,864	1,985,313,843	6.7%
1993	34,531,928,150	3,023,097,286	9.6%
1994	38,350,899,563	3,818,971,413	11.1%
1995	43,839,862,440	5,488,962,877	14.3%
1996	48,481,013,384	4,641,150,944	10.6%
1997	\$52,775,255,544	2,732,051,318	8.9%
1998	\$55,496,564,717	2,721,309,173	5.2%
1999	\$58,651,591,077	3,155,026,360	5.7%
2000	\$61,670,716,906	3,019,125,829	5.1%
2001	\$65,275,466,481	3,604,749,575	5.8%
2002	\$70,087,450,291	4,811,983,810	7.4%
2003	\$73,101,262,803	3,013,812,512	4.3%
2004	\$78,139,218,807	5,037,956,004	6.9%
2005	\$89,368,562,766	11,229,343,959	14.4%
2006	\$107,088,168,237	17,719,605,471	19.8%
		AVERAGE ANNUAL % CHANGE:	6.5%

Note: This report does not include previous year's subroll (est. only).

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**General Fund Update, State Division of Financial Management, November 30, 2003, 2004, 2005
and 2006 Revenues. (Table also includes ATI calculations).**

REVENUE SOURCE	11/30/2003		11/30/2004		11/30/2005		11/30/2006	
	FY 2004	% of YR END	FY 2005	% of YR END	FY 2006	% of YR END	FY 2007	% of YR END
Personal Income Tax	\$339.2 M	37.6%	\$363.8 M	35.1%	\$397.1 M	32.6%	\$442.0 M	
Corporate Income Tax	29.0	28.2%	29.8	21.3%	51.4	26.5%	59.4	
Sales Tax	382.1	43.1%	408.5	43.0%	391.0	44.4%	* 432.9	
Product Taxes	19.5	43.7%	9.9	43.4%	10.2	43.4%	11.6	
Miscellaneous	* 24.2	24.7%	34.8	29.2%	32.1	27.6%	35.5	
TOTAL	\$794.0 M	39.04%	\$846.9 M	37.35%	\$881.8 M	36.27%	* \$981.4 M	?
5 MO. GROWTH RATE	14.7%		6.7%		4.1%		11.3%	
YR End RATE (w/o tax increases)	5.9%		13.1%		15.9%		?	

* Use \$54.7M - \$30.5M = \$24.2M

* Use \$981.4M - \$18.3M = \$963.1M

Estimate for "% of YR END" for FY 2007 = average of FY 2004, FY 2005 and FY 2006 percentages.

Average = (39.04% + 37.35% + 36.27%)/3 = 37.55%

Documentation for the ATI FY 2007/2008 general account revenue estimates:

Method #1 (Year End Total) (37.55%) = \$963.1M
 (FY 2007) (Year End Total) (.3755) = \$963.1M
 Year End Total = (\$963.1M / .3755) = \$2,564.8M + \$148M est. sales tax = \$2,712.8M

* In FY 2002 the full \$13.4M ag. equip. property tax replacement was implemented. This ongoing (\$1.1M+ est./month) replacement is transferred to local taxing districts so is not included in the FY 2004 or future gen. fund (misc. and total) revenues. Idaho's sales tax was increased for the final month of FY 2003 revenues. The first five months of FY 2004 misc. revenues have been reduced for the monthly \$1.1M ag. equip. replacement estimated at \$5.5M plus \$25M of one-time \$50M federal \$'s to be received in FY 2004. The FY 2004 net revenues less the \$13.4M ag. exemption, \$50M fed. \$'s, \$171.6M est. sales tax increase and \$21.5M cig. tax increase was a base of \$1,840.5M. In FY 2005 the ag. equip. property tax replacement was taken from state sales tax collections, so this adjustment to misc. revenues is no longer necessary. The FY 2005 end of year general fund revenues, less an estimated \$187.0M sales tax increase was \$2,081.8M, the base year end amount to determine the 13.1% base FY 04 to FY 05 growth rate. The FY 2006 total will be reduced by an estimated \$17.8M so the final month of the sixth cent sales tax increase is not included in determining the year-end FY 05 to FY 06 growth rate. The FY 2007 total will be reduced by an estimated \$148.0M for seven months of one-cent sales tax collections in determining year-end FY 06/07 growth rate and the first five months will be reduced by an estimated \$18.3M for the Nov. 2006 additional 6th-cent sales tax collection. Add an estimated \$148M to the Method #1 (FY 2007) year-end total revenue estimate to include all the additional sales tax collections with the FY 2007 revenue estimate.

Method #2 ~~\$2,712.8M~~ ^{\$2,694.5M} (after evaluating each revenue source individually this was used as the FY 2007 end of year estimate)

Income tax collections were evaluated in more detail and were found to be 11.3% over last year's cumulative end of November collections. If this trend continues, the result would be individual income tax collections of \$1,354.0M for the FY 2007 estimate. Assume the last seven months of FY 2007 collections correct from the 2006 housing/construction spike for a +0.5% change. Use \$1,265.9M or 4.1% more than the FY 2006 year end amount.

Corporate tax collections are tracking ahead of DFM's August 2006 prediction for FY 2007. Corporate tax collections should level off and be less than DFM's estimate. Use a smaller estimate of \$200.2M.

Sales tax collections (less the estimated sixth-cent increase) are growing at an 11.0% rate for the first five months of FY 2007. The growth rate was 12.7% for the last seven months of FY 2006. Assume the sales tax collections remain strong for an overall FY 2007 growth of 9.6%, the net result being \$1,093.7M, FY 2007 collections.

Product taxes are assumed to be at the \$21.0M level, slightly lower than DFM's August \$21.7M projection. Based on collections for the first five months, miscellaneous revenues are assumed to grow slightly more than the \$113.9M August 2006 DFM prediction. Use a FY 2007 amount of \$114.6M.

Method #2 final calculations for FY 2007 and FY 2008 (See back page for results)

Based on estimated end of year distributions for FY 2007 the average, adjusted general account revenue mix consists of 46.7% personal income tax revenues, 7.4% corporate income tax, 40.6% sales tax, 0.8% product taxes and 4.3% miscellaneous revenues. The FY 2007 breakout is shown in the chart on the last page of this report. This approximate distribution (after adjusting for the FY 2007 sales tax increase) was used for the FY 2008 forecast.

A \$1M diversion from the cigarette tax to the General Fund in FY 2007 occurred as per Idaho Code 63-2520(b)(4) and is to be used to fund the school bond levy equalization support program identified in Idaho Code 33-906. Although the exact amount of this diversion for FY 2008 is unavailable until budgeted, this amount is assumed/estimated to be \$10M in FY 2008.

PROJECTIONS BY SPECIFIC REVENUE SOURCE (MILLIONS \$'S)

-FISCAL YEARS-

Revenue Source	1		2		3		3		4									
	2000 (Actual)	% Chg	2001 (Actual)	% Chg	2002 (Actual)	% Chg	2003 (Actual)	% Chg	2004 (Actual)	% Chg	2005 (Actual)	% Chg	2006 (Actual)	% Chg	2007 (Estimated)	% Chg	2008 (Forecast)	
Per. Inc. Tax	\$960.2	6.6%	\$1,024.0	-18.4%	\$835.9	0.2%	\$837.8	0.2%	\$902.1	7.7%	\$1,035.5	14.8%	\$1,216.5	17.5%	\$1,265.9	4.1%	\$1,331.7	5.2%
Corp. Inc. Tax	124.9	13.3%	141.5	-46.1%	76.3	22.0%	93.1	22.0%	103.0	10.6%	138.6	34.6%	194.1	40.0%	200.2	3.1%	206.2	3.0%
Sales Tax	627.5	3.2%	647.3	1.5%	657.1	6.5%	700.2	6.5%	886.1	26.5%	952.9	7.5%	880.8	-7.6%	1,093.7	24.2%	1,234.7	12.9%
Product Taxes	16.0	29.4%	20.7	1.4%	21.0	3.8%	21.8	3.8%	44.6	104.6%	22.8	-48.9%	23.5	3.1%	21.0	-10.6%	31.3	49.0%
Cigarettes	7.3		8.0		8.0		8.3		30.0		7.8		8.0				8.0	
Liquor	4.9		4.9		4.9		4.9		4.9		4.9		4.9				4.9	
Beer	1.8		1.9		1.9		1.9		2.0		2.0		2.0				2.0	
Wine	2.0		1.9		1.9		2.0		2.1		2.3		2.4				2.4	
Tobacco	N/A		4.1		4.3		4.7		5.5		5.8		6.2				6.2	
Misc. Revenues	92.4	63.5%	151.1	-33.8%	100.0	-2.4%	97.6	-2.4%	97.8	0.2%	119.0	21.7%	116.4	-2.2%	114.6	-1.5%	120.3	6.0%
Mine License	(0.7)		0.1		0.8		0.04		0.07		0.03		0.3				0.3	
Kilowatt Hour	2.8		1.8		1.8		1.8		1.8		1.6		2.3				2.3	
Insurance	46.4		55.9		55.4		59.5		62.8		60.9		60.4				60.4	
State Police/Bev.Lic.	1.3		1.2		1.4		1.4		1.6		1.6		1.7				1.7	
State Treas.	21.6		22.3		11.3		3.0		5.0		8.9		18.1				18.1	
Jud. Branch/County (courts)	5.3		5.5		5.2		5.3		5.0		4.7		4.8				4.8	
Unclaim. Prop.	2.3		2.3		0.9		3.8		3.7		9.8		2.0				2.0	
Lands	N/A		0.3		0.3		0.4		0.3		0.5		0.3				0.3	
Estate Tax	N/A		35.8		7.6		13.6		4.4		3.3		1.1				1.1	
Secretary of State (UCC)	N/A		2.0		2.0		2.1		2.4		2.7		3.0				3.0	
Other/Dept. Tran.	13.4		20.4		13.3		6.7		10.8		25.0		22.4				22.4	
TOTAL	\$1,821.0		\$1,984.6		\$1,690.3		\$1,750.5		\$2,033.6		\$2,268.8		\$2,431.3		\$2,695.4		\$2,924.2	
% CHG	+12.1%		+9.0%		-14.8%		+3.6%		+16.2%		+11.6%		+7.2%		+10.9%		+8.5%	
% CHG W/OUT TAX INCR.							+2.8%		+5.9%		+13.1%		+15.9%		+5.5%		+5.3%	
Adjusted TOTAL							\$50.0		\$2,083.6									

Other: Government overhead charge levied by the State Controller against dedicated and federal funds. The Secretary of State, Governor's office and departments of Agriculture, Administration, Corrections, Law Enforcement, Water Resources, DEC, and Department of Lands provide some of this revenue. Public Utility Transfer to the General Account and other are also included. Supplemental appropriations may also entail some of this revenue (Example: FY 1994 included an additional \$3 million one time appropriation from the Budget Reserve for public school textbooks, supplies, materials and equipment. A \$420,000 transfer from the Liquor Fund to the General Account was also included.)

The "other" category increased sharply in FY 2000 due to primarily to an additional \$4 million from the State Controller, \$7M from the Attorney General, \$1.3M DFM and \$7M Department of Lands. Also included were transfers of \$2.1M DEQ fines, \$4 Finance and \$1.0M BSU Reimbursement. The FY 2001 \$7.0M increase was again due to transfers into this category (mostly from DEQ fines, Finance, Sec. of State, Insurance and Lands).

1 In FY 1996 there was \$40.8M of public school property tax relief shifted from the sales tax collections. In FY 1997 this amount was \$45.2M and in FY 98 was \$50.4M. FY 99 was \$54.6 million; however, the sales tax was no longer diverted and remained in the FY 99 General Fund account. The FY 2000 amount was \$58.0M, FY 2001 was \$60.9M, FY 2002 was \$64.6M, FY 2003 was \$68.9M, FY 2004 was \$73.0 million and in FY 2005 the amount to the General Fund was capped at \$75.0 million.

2 In FY 2002 there was \$10.1M of agric. personal property tax exemption as part of the 2001 legislative tax relief package. This revenue was shown as transferred from the miscellaneous (other) category. In FY 2003 this ongoing transfer is \$13.4M. This amount was removed from the state general funds each year until FY 2005 and after when it became a "subtraction from the top" of state sales tax collections. In FY 2004 Idaho received \$50M in one-time Federal assistance which is not included here.

3 In FY 2003 Idaho's sales tax collections include an est. \$13M, one-month (June 2003) of additional (1-cent) sales taxes. In FY 2004 the 1-cent additional sales taxes (est. \$171.6M) were collected for the full year and are to sunset (est. \$187.0M) at the end of FY 2005 (June 30, 2005), thus one-month of an estimated \$17.8M sales tax increases were included in the first month of FY 2006. Idaho also increased cigarette taxes by 29 cents/pack in FY 2004 (est. \$21.5M) which did not sunset at end of FY 2005, but went to an Economic Recovery Fund in FY 2005 (est. \$21.9M) rather than the general fund. After that, the new cigarette tax goes to the state permanent building fund for Capitol Mall project improvements, along with approximately \$8.0M existing general fund cigarette taxes starting in FY 2007. FY 2004 includes \$50M one-time Federal assistance to Idaho, which is not included under misc. (other) revenue. Without tax increases the FY 2003 total fund percent increase was estimated at 2.9%.

4 Idaho passed HB1 at the August 25, 2006 special legislative session. This 1-cent sales tax increase was done to help fund public school general M&O property tax relief. The 1-cent increase was estimated to be \$219M if all collected in FY 2007, however, the new tax collections started in October 2006, so only eight months of collections occurred in FY 2007 (Nov. through June). These eight months collections were estimated to be \$148M.