

State of Idaho

Economic Outlook Forecast

Prepared By:
Associated Taxpayers of Idaho
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SUMMARY OF FINDINGS (REVENUE PROJECTIONS)

FISCAL YEAR	GENERAL ACCOUNT REVENUE (in millions)	% Change
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	2812.5	15.7% (est. 11.0% w/out tax incr.)
2008 Estimate	2945.9	4.7% (est. 1.8% w/out tax incr.)
2009 Forecast	3031.9	2.9%

*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). On August 25, 2006 HB1 passed the special Idaho Legislative session. HB1 shifted the remaining .3% school M & O levy from the property tax to the state general fund, which was paid with a 1-cent sales tax increase that began October 1, 2006.

January original FY 2008 Revenue Projection = \$2,807.7M (3.7% over \$2,706.3M, midyear FY 2007 estimate).
August revised Executive Estimate for FY 2008 = \$2,905.3M (3.3% over \$2,812.5M, FY 2007 actual).

Sources: Idaho Outlook, General Account Update - Division of Financial Management.
Executive Budget, Fiscal Year 2008, Division of Financial Management.
Idaho Legislature, Legislative Perspective, December 2007 (and prior reports).

2008 Estimate
Based on general account revenues collected since 1992, existing accruals and the expectation of slower short-term revenue growth, the FY 2008 estimate is \$2,945.9M or 4.7% over FY 2007 (higher than DFM's August \$2,905.3M adjusted amount).

2009 Forecast
The attached background data about Idaho's economic future (adjusted for tax increases and sunsets) indicates there will be a stable increase over the 2008 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 2008/2009. Timber struggles some, but mining is showing growth. High tech manufacturing is expected to be stable. Tourism looks steady and Idaho is expected to continue expanding its niches in international trade.

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, a 2.9% growth rate over 2008 revenues is likely.

Background Information For General Account Revenue Forecasts

1. Wall Street Journal, The Economy, Economic Malaise is Widening, Kelly Evans, December 28, 2007.

Business demand for big-ticket goods has softened in recent months, a sign that stress from the housing and credit markets is damaging other sectors of the slowing U.S. economy.

A slowdown in business investment could spell trouble for an economy already suffering from a sharp downturn in the housing market. Global Insight expects fourth-quarter economic growth to hover at about a 1% annual pace, down substantially from 4.9% in the third quarter.

The latest reading on consumer confidence by the Conference Board, a New York business-research group, rebounded in December to 88.6 from a two-year low of 87.8 in November. Consumers' expectations about the future improved somewhat, but their assessment of current conditions weakened. More of them said jobs are hard to get.

The consumer seems to be holding up fairly well, but the business side of things has slowed somewhat. A recession is not expected, as strong demand from overseas helps offset the slackening U.S. economy. The export sector is thought to be a source of growth through the new year that will help the economy recover.

Leading The News, Sales of New Homes Off Sharply, Kelly Evans, December 29/30, 2007.

Sales of new homes fell an unexpectedly sharp 9% in November, while small gains reported for the previous two months were largely erased by downward revisions. At the current sales rate, it would take 9.3 months to sell off the backlog of houses- a level exceeded only twice since 1981. That suggests that prices will continue to fall well into next year.

Homebuilders have slashed construction to try to reduce inventories. Construction has fallen 55% from its peak in January 2006, and home-builder sentiment has sunk to new lows in recent months. New homes are the smaller share of the housing market. Existing homes comprise about 85% of the total supply. Conrad DeQuadros, senior economist at Bear Stearns and other economists don't expect home sales to hit bottom until well into 2008. They say sales won't pick up until prices for homes fall further.

The same fundamentals that contributed to the housing bubble in the U.S.- low interest rates and relaxed lending standards- prompted a similar housing run-up abroad. Now, rising interest rates across the globe and tightened mortgage and credit conditions are crippling housing markets worldwide.

The Outlook, Why Economists Are Betting a Recession Won't Happen, Sudeep Reddy, December 17, 2007

Yet there's a case that the economy might avoid a painful downturn. In the latest WSJ.com survey of economists, forecasters on average put the chance of a recession- often defined as two straight quarterly declines in gross domestic product- at 38%. That's the highest in more than three years, but the forecasters' best bet right now is that the U.S. will skirt a recession.

Reasons why the economy might avoid the ditch:

The Fed, which has cut its main target for short-term interest rates by a full percentage point since August, is expected to ease rates through the middle of next year to cushion the economy from housing and credit woes, and officials are experimenting with new tools in an effort to ease the credit crunch and encourage banks to keep lending to worthy borrowers. Strong global growth is propping up the U.S. economy. Global economic growth is raising demand for U.S. goods, offsetting softer domestic consumption. The economy is still creating

jobs, supporting incomes and the housing downturn's pain will continue, but has already done much of its damage to growth. Government spending remains strong.

The odds of recession have risen, and the economy's skies are cloudy. But there is a chance the skies will be sunnier by the middle of next year.

2. **The Idaho Statesman, Business, Move Gives Economy a Vote of Confidence, Samantha Bomkamp (The Associated Press), December 27, 2007.**

When tycoon Warren Buffet's investment company said on Christmas Day it would pay \$4.5 billion for a 60% stake in industrial conglomerate Marmon Holdings Inc., he gave the U.S. industrial segment a much-needed vote of confidence. Marmon has more than 125 manufacturing and service businesses and is owned by trusts of the Pritzker family of Chicago, which developed the Hyatt Hotel chain. The company has its collective hands in business across the transportation, energy and construction markets, with products ranging from railroad tank cars to metal fasteners.

"(The deal) is most certainly a vote of confidence for 'nuts and bolts' businesses," said Steven Kaplan, a professor of finance at the University of Chicago Graduate School of Business.

Through more industrial development going overseas, America has left itself rather vulnerable.

3. **The Idaho Business Review, US Bank Investment Team Offers Economic Outlook, Robb Hicken, November 26, 2007.**

John W. Mitchell, U.S. Bancorp's Western Region economist and the principal of M&H Economic Consultants, told more than 200 people last week to expect a two year housing contraction, to watch for continuing rising oil prices, and to watch the world economy as the dollar continues to decline.

Positive points are the gross domestic product will continue to hold up the drag being caused by the housing slowdown. In the housing market, Mitchell said it will take until 2009 before there is an upturn. It will be slow, noting that there remains a large inventory that's not been worked off.

He said the building permits requests are an indicator of what's coming: Boise-Nampa is down 44% from September a year ago, and statewide it is down 26.6%. Only the Idaho Falls and Coeur d' Alene areas saw an increase in permit requests.

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

December 5, 2007 issue

While the volume of real estate activity in the Pacific Northwest has fallen dramatically, prices have not- at least in the broad middle of the market, home to most buyers and sellers, as well as lenders and sales people. And, while the loan delinquencies and foreclosures have risen in the Pacific Northwest in the past year, the rise has been extremely modest.

The latest quarterly delinquency survey from the Mortgage Bankers Association provides more evidence that the Pacific Northwest remains well outside mainstream trends-in the best sense- in housing finance. At quarter's end, Idaho and Alaska had identical rates (1.25%) of loans considered "seriously delinquent" (90 or more days past due or in foreclosure). Both compare favorably with the national average, 2.95%, as do Montana (1.17%), Washington (1.12%) and Oregon (1.05%).

Housing frenzy never quite reached California-Arizona-Florida extremes in the Pacific Northwest. That and solid fundamentals, including above average population and employment growth, should continue to shelter this region from the worst of the storms in housing and housing finance that have engulfed so much of the rest of the country.

Huge energy projects with long lead times- in Alaska and in Idaho- make news in the region. Under the best of circumstances, it will be years before dirt is turned on either. Yet if built, the projects would reshape the region's energy picture in significant ways.

November 21, 2007 issue

The Pacific Northwest remains a bright spot in the U.S. Idaho and Montana are at full employment. Boeing and Microsoft continue to hire. Construction employment remains at or near record highs region-wide. Yet the region is not immune to housing-industry malaise.

5. **Boise Area Chamber of Commerce, Economic Outlook Forum, November 13, 2007. Information from local presenters and the Business Barometer is summarized below:**

Bill Conerly, Conerly Consulting (National and Regional Economy)

Boise unemployment is miniscule, however, neither extreme quite captures reality. The national economy is not as soft as some reports suggest, but neither is the local economy here as strong as simple statistics would imply.

The bottom line is that the national economy is probably not headed in recession. The risk of recession is real, however, as either consumer spending or access to credit could weaken at any time. The Boise metropolitan area has been booming, with job gains far in excess of the national growth rate. On a percentage basis, Boise's 12-month growth rate is three times the national figure. However, the latest monthly data show a leveling off, with hardly any expansion in employment since April.

The current low unemployment rate in Boise may suggest that it's not a great place to do business, but the substantial inflow of new people fuels growth. So long as Boise continues to be a great place to live, its economic growth is assured.

Jason Crawford, Treetop Tech, (Emerging Companies Need Support From All Sectors)

The global economy is no longer businesses competing directly against other businesses, but rather it is now a business and the community they operate within versus other business/community collaborations.

Emerging companies are fragile and the odds for success are tentative, but they represent the children of our economy. And, like all communities, we should take an active role to enable a higher chance of our children's success.

John Church, Idaho Economics (Boise Metro Business Index)

Since the beginning of the year, the Boise Metro Business Index has truly been moving sideways- posting neither significant gains nor losses over the last nine months. Despite the slowdown in residential housing, Boise MSA construction employment has increased at a 7% annual rate through the first nine months of 2007. Nevertheless, these gains are a far cry from the pace of construction job gains in the MSA during 2005 and 2006- 17.3% and 21.2%, respectively.

Manufacturing employment in Idaho and the Boise MSA increased by 1.6% and 0.5%, respectively, in the three quarters of 2007 when compared to year-earlier levels. In contrast, manufacturing employment nationwide posted a loss of 0.9% over the same time period. Wholesale and retail trade employment surged ahead by 5.5% or about 2,400 jobs above year-earlier levels in the first nine months of 2007 (statewide the increase was 3.5% or about 3,800 jobs). Nationally, wholesale and retail trade employment grew by 0.6% this period.

Employment in the transportation, communications, and utilities sector increased at an annual pace of 3% in the Boise MSA and 1.3% statewide in the first nine months of this year, half of what it was in 2006. Professional and business services, educational and health services, and leisure and hospitality services sectors posted annual average job gains during the first nine months of 3.5% (1,200 jobs), 3.3% (1,200 jobs) and 4.9% (1,000 jobs). Government employment in the Boise MSA posted an increase of nearly 2,100 jobs, about 5.4% in the first nine months of 2007 (100 of those state employment and the rest local government).

Steven Guadagno, Adecco Technical (Technology/Labor Market Trends)

According to the Bureau of Labor Statistics (BLS), 2008 non-farm payroll employment is forecast to increase at only a 1.2% clip, the smallest expansion since the end of the recession in the early part of the decade. A number of underlying economic strengths remain, however; as the national unemployment rate (4.6%) remains well below its historical average, consumer spending is still solid, and business investment has continued. Currently, the two states with the lowest unemployment rate are Idaho (2.3%) and Hawaii (2.6%).

Employment in health care has increased by 377,000 in the past 12 months. Leisure and hospitality continues to be a strong segment, adding 350,000 jobs the past year. Average hourly wages rose to \$17.45, up a strong 4% in the past year.

In conclusion, our Idaho workforce is poised for many great things, but there are many challenges ahead.

Debbie Martin, DK Martin Commercial (Commercial Real Estate)

We live in one of the greatest cities in the nation and Boise has been discovered. This will be another year of continued growth.

The Boise Valley Economic Partnership (BVEP) is doing a nice job of getting in front of businesses from outside of the area that are looking to relocate or add another site. They are currently working on seven projects, as well as with many companies, gathering information.

On behalf of commercial real estate professionals in the Boise area, we feel 2008 will continue to be a healthy and solid market and one of great opportunity.

File: worddata/Randy/revproj2008

2007 County Assessed (Taxable) Property Values:

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

COUNTY	COUNTY SEAT	2006 COUNTY POPULATION	2007 ASSESSED VALUE	2006-07 ASSESSED VALUE CHANGE
1. Ada	Boise	359,035	\$33,909.5 M	\$5,680.1 M
2. Canyon	Caldwell	173,302	8,929.8	2,048.3
3. Kootenai	Coeur d'Alene	131,507	16,841.1	2,305.3
4. Bonneville	Idaho Falls	94,630	4,834.7	617.9
5. Bannock	Pocatello	78,433	2,970.6	320.5
6. Twin Falls	Twin Falls	71,575	3,940.1	872.1
7. Bingham	Blackfoot	44,015	1,356.6	83.1
8. Bonner	Sandpoint	41,271	7,015.2	362.0
9. Nez Perce	Lewiston	38,324	2,308.6	205.3
10. Latah	Moscow	35,029	1,677.9	168.5
SUBTOTAL		1,067,121 (72.7%)	\$83,784.1 (67.1%)	\$12,663.1 (71.1%)
Payette	Payette	22,595	1,001.2	214.7
Blaine	Hailey	21,501	12,343.2	566.4
Valley	Cascade	8,836	5,127.8	1,136.9
Teton	Driggs	7,838	1,835.90	543.0
SUBTOTAL (Cumulative)		1,127,891 (76.9%)	\$104,092.2 (83.3%)	\$15,124.1 (84.9%)
TOTAL STATE		1,466,456 (100%)	\$124,897.2 (100%)	\$17,809.0 (100%)

* 2006 Census Estimates (7-1-06)

** Does not include previous year's subroll (est. only). Preliminary 2007 data.

Assessed (taxable) property value in Idaho's counties increased by \$17,809.0 million between 2006 and 2007. The ten most populated counties had 71.1% of Idaho's increased value. When you include Blaine, Payette, Valley, and Teton counties with the ten most populated counties, 84.9% of Idaho's value change is accounted for. (In 2005-06 the ten most populated counties had 67.5% of the increased value. When Blaine, Teton, Valley, and Custer County were included, 91.1% of Idaho's 2005-06 value change was accounted for).

The \$17,809.0 million assessed market value change for 2006-07 is .5% more than the 2005-06 change of \$17,719.6 million. The 2004-05 increase was \$11,229.3 million and 2003-04 was \$5,038.0 million.

Ada and Kootenai counties showed the largest 2006-067 assessed market value increases at \$5,680.1M and \$2,305.3M, respectively. In the 2005-06 period Ada and Kootenai showed the largest increases at \$3,985.7 and \$4,502.8 million, respectively.

Two counties lost net assessed market value in the 2006-07 period. Three counties lost net assessed value in the 2005-06 period. Two counties in the 2004-05 period lost net assessed value.

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

SUMMARY OF STATEWIDE ASSESSED VALUE CHANGES (2006/2007 N/A)

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, 2007 and 2006 compared

<u>COUNTY</u>	<u>2007</u>	<u>2006</u>	<u>DIFFERENCE</u>	<u>% Inc.</u>
Ada	\$33,909,510,728	\$28,229,418,283	\$5,680,092,445	20.1%
Kootenai	16,841,126,658	14,535,837,541	2,305,289,117	15.9%
Canyon	8,929,808,721	6,881,484,775	2,048,323,946	29.8%
Valley	5,127,837,800	3,990,896,203	1,136,941,597	28.5%
Twin Falls	3,940,134,347	3,068,002,477	872,131,870	28.4%
Bonneville	4,834,725,132	4,216,859,100	617,866,032	14.7%
Blaine	12,343,174,872	11,776,823,237	566,351,635	4.8%
Teton	1,835,860,206	1,292,836,102	543,024,104	42.0%
Bonner	7,015,233,486	6,653,250,196	361,983,290	5.4%
Bannock	2,970,576,468	2,650,047,712	320,528,756	12.1%
Payette	1,001,224,228	786,498,320	214,725,908	27.3%
Shoshone	987,103,675	776,096,234	211,007,441	27.2%
Nez Perce	2,308,556,876	2,103,255,012	205,301,864	9.8%
Fremont	1,223,081,778	1,035,146,276	187,935,502	18.2%
Idaho	1,168,508,141	996,884,247	171,623,894	17.2%
Gem	888,650,375	717,419,691	171,230,684	23.9%
Boise	882,161,777	712,549,174	169,612,603	23.8%
Latah	1,677,918,009	1,509,415,180	168,502,829	11.2%
Elmore	1,227,392,945	1,060,057,439	167,335,506	15.8%
Jerome	1,026,193,003	860,935,930	165,257,073	19.2%
Owyhee	615,798,131	457,241,166	158,556,965	34.7%
Jefferson	949,604,437	810,120,364	139,484,073	17.2%
Boundary	861,418,238	727,669,047	133,749,191	18.4%
Madison	1,141,368,560	1,012,089,337	129,279,223	12.8%
Washington	631,286,168	510,868,175	120,417,993	23.6%
Lemhi	592,572,798	486,501,682	106,071,116	21.8%
Franklin	499,554,425	393,519,816	106,034,609	26.9%
Minidoka	876,666,846	772,171,660	104,495,186	13.5%
Clearwater	639,181,943	534,739,983	104,441,960	19.5%
Adams	565,922,993	474,569,733	91,353,260	19.2%
Bingham	1,356,579,049	1,273,483,801	83,095,248	6.5%
Bear Lake	589,342,950	511,452,029	77,890,921	15.2%
Cassia	985,861,584	908,175,198	77,686,386	8.6%
Benewah	625,082,286	549,796,498	75,285,788	13.7%
Gooding	736,343,096	669,375,987	66,967,109	10.0%
Power	624,613,127	603,159,209	21,453,918	3.6%
Camas	123,800,800	103,248,936	20,551,864	19.9%
Lincoln	273,373,452	258,458,490	14,914,962	5.8%
Lewis	222,336,005	207,908,751	14,427,254	6.9%
Butte	126,231,538	116,224,947	10,006,591	8.6%
Oneida	202,517,090	198,024,522	4,492,568	2.3%
Clark	110,012,791	107,509,223	2,503,568	2.3%
Caribou	561,345,641	564,818,817	(3,473,176)	-0.6%
Custer	847,584,205	983,327,737	(135,743,532)	-13.8%
TOTAL	\$124,897,177,378	\$107,088,168,237	\$17,809,009,141	16.6%

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%
2007	\$124,897,177,378	17,809,009,141	16.6%
		AVERAGE ANNUAL % CHANGE:	6.9%

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, 2004, 2005, 2006
and 2007 Revenues. (Table also includes ATI calculations).**

REVENUE SOURCE	11/30/2004		11/30/2005		11/30/2006		11/30/2007	
	FY 2005	% of YR END	FY 2006	% of YR END	FY 2007	% of YR END	FY 2008	% of YR END
Personal Income Tax	\$363.8 M	35.1%	\$397.1 M	32.6%	442.0 M	31.6%	\$484.1 M	
Corporate Income Tax	29.8	21.3%	51.4	26.5%	59.4	31.2	50.8	
Sales (w/o tax increase)	331.5	43.3%	373.2	43.2%	414.5	44.3	516.6	
Product Taxes	9.9	43.4%	10.2	43.4%	11.6	51.8	12.5	
Miscellaneous	34.8	29.2%	32.1	27.6%	35.5	29.1	38.2	
TOTAL	\$769.8 M	36.98%	\$864.1 M	35.80%	\$963.2 M	36.05%	\$1,102.2 M	?
5 MO. GROWTH RATE	8.1%		12.2%		11.4%		14.4%	
YR End RATE (w/o tax increases)	13.1%		15.9%		10.7%		?	

(FY08 includes tax increase)

Estimate for "% of YR END" for FY 2008 = average of FY 2005, FY 2006 and FY 2007 percentages.
Average = (36.98% + 35.80% + 36.05%)/3 = 36.28%

Documentation for the ATI FY 2008/2009 general account revenue estimates:

Method #1 (Year End Total) (36.28%) = \$1102.2M
(FY 2008) (Year End Total) (.3628) = \$1102.2M
Year End Total = (\$1102.2M / .3628) = \$3,038.0M

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 \$140.5M 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 \$18.2M for the Nov. 2006 additional 6th-cent sales tax collection. Add an estimated \$140.5M 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. Sales tax adjustments dropped for FY 2008.

Method #2 \$2,945.9M (after evaluating each revenue source individually this was used as the FY 2008 end of year estimate)
(FY 2008)

Income tax collections were evaluated in more detail and were found to be 9.5% over last year's cumulative end of November collections. If this trend continues, the result would be individual income tax collections of \$1,533.2M for the FY 2008 estimate. Assume the last seven months of FY 2008 collections continue correcting from the 2006 housing/construction spike for a -2.0% change. Use \$1,423.1M or 1.6% more than the FY 2007 year end amount.

Corporate tax collections are slightly behind DFM's August 2007 prediction for FY 2008. Corporate tax collections should continue being less than DFM's estimate. Use a smaller estimate of \$188.1M.

Sales tax collections (less the estimated sixth-cent increase) are growing at an estimated 3.3% rate for the first five months of FY 2008. The growth rate was an estimated 6.6% for the last seven months of FY 2007. Assume the sales tax collections continue their current growth rate for an overall FY 2008 growth, of 9.7%, the net result being \$1,182.2M, FY 2008 collections, which includes the additional cent increase.

Product taxes are assumed to be at the \$26.7M level, the same as DFM's August \$26.7M projection. Based on collections for the first five months, miscellaneous revenues are assumed to grow slightly more than the \$124.8M August 2007 DFM prediction. Use a FY 2008 amount of \$125.8M.

Method #2 final calculations for FY 2008 and FY 2009 (See back page for results)

Based on estimated end of year distributions for FY 2008 the average, adjusted general account revenue mix consists of 48.3% personal income tax revenues, 6.4% corporate income tax, 40.1% sales tax, 0.9% product taxes and 4.3% miscellaneous revenues. The FY 2008 breakout is shown in the chart on the last page of this report. This approximate distribution was used for the FY 2009 forecast.

A diversion from the cigarette tax to the General Fund 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 2009 is unavailable until budgeted, this amount was assumed/estimated to be \$10M in FY 2008.

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

Revenue Source	1		2		3		3		3		4		4				
	(Actual)	% Chg	(Actual)	% Chg	(Actual)	% Chg	(Actual)	% Chg	(Actual)	% Chg	(Actual)	% Chg	(Estimate)	% Chg			
Per. Inc. Tax	\$1,024.0	-18.4%	\$635.9	0.2%	\$837.8	7.7%	\$902.1	14.9%	\$1,035.5	17.5%	\$1,216.5	16.1%	\$1,400.2	1.6%	\$1,423.1	2.6%	\$1,459.8
Corp. Inc. Tax	141.5	-46.1%	76.3	22.0%	93.1	10.6%	103.0	34.6%	138.6	40.0%	194.1	-2.0%	190.2	-1.1%	188.1	1.0%	190.0
Sales Tax	647.3	1.5%	657.1	6.6%	700.2	26.5%	886.1	7.5%	952.9	-7.6%	880.8	22.3%	1,077.5	9.7%	1,182.2	3.6%	1,224.7
Product Taxes	20.7	1.4%	21.0	3.8%	21.8	104.6%	44.5	-48.9%	22.8	3.1%	23.5	-4.7%	22.4	19.2%	26.7	19.1%	31.8
Cigarettes	8.0		8.0		8.3		30.0		7.8		8.0		1.0				
Liquor	4.9		4.9		4.9		4.9		4.9		4.9		10.2				
Beer	1.8		1.9		1.9		2.0		2.0		2.0		2.1				
Wine	1.9		1.9		2.0		2.1		2.3		2.4		2.5				
Tobacco	4.1		4.3		4.7		5.5		5.8		6.2		6.6				
Misc. Revenues	151.1	-33.8%	100.0	-2.4%	97.6	0.2%	97.8	21.7%	119.0	-2.2%	116.4	6.0%	122.2	2.9%	125.8	-0.2%	125.6
Mine License	0.1		0.8		0.04		0.07		0.03		0.3		2.3				
Kilowatt Hour	1.8		1.8		1.8		1.8		1.6		2.3		2.3				
Insurance	55.9		55.4		59.5		62.8		60.9		60.4		59.8				
State Police/Bev.Lic.	1.2		1.4		1.4		1.6		1.6		1.7		1.8				
State Treas.	22.3		11.3		3.0		5.0		8.9		18.1		17.2				
Jud. Branch/County (counts)	5.5		5.2		5.3		5.0		4.7		4.8		5.0				
Unclaim. Prop.	5.8		0.9		3.8		3.7		9.8		2.0		3.3				
Lands	0.3		0.3		0.4		0.3		0.5		0.3		0.5				
Estate Tax	35.8		7.6		13.6		4.4		3.3		1.1		3.0				
Secretary of State (UCC)	2.0		2.0		2.1		2.4		2.7		3.0		3.0				
Other/Dept. Tran.	20.4		13.3		6.7		10.8		25.0		22.4		26.9				

TOTAL	\$1,984.6		\$1,690.3		\$1,760.5		\$2,033.6		\$2,268.8		\$2,431.3		\$2,912.5		\$2,946.9		\$3,031.9
% CHG	+9.0%		-14.8%		+3.6%		+16.2%		+11.5%		+7.2%		+15.7%		+4.7%		+2.9%
% CHG W/OUT TAX INCR.					+2.8%		+5.9%		+13.1%		+15.9%		+10.7%		+1.8%		
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, DEQ, 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 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 \$64.8M, 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 2.8%.

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 currently are estimated to be \$140.5M.