

State of Idaho

Economic Outlook Forecast

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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. 10.7% w/out tax incr.)
2008	2909.8	3.5% (est. 0.7% w/out tax incr.)
2009 Estimate	2683.7	-7.8%
2010 Forecast	2669.5	-0.5%
2011 Forecast	2781.7	4.2%

*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 2009 Revenue Projection = \$3,011.9M (3.4% over \$2,912.2M, midyear FY 2008 estimate).
August revised Executive Estimate for FY 2009 = \$2,766.3M (4.9% under \$2,909.8M, FY 2008 actual).

Sources: Idaho Outlook, General Account Update - Division of Financial Management.
Executive Budget, Fiscal Year 2009, Division of Financial Management.
Idaho Legislature, Legislative Perspective, December 2008 (and prior reports).

2009 Estimate

Based on general account revenues collected since 1992, existing accruals and the expectation of continued slower revenue growth, the FY 2009 estimate is \$2,683.7M or 7.8% under FY 2008 (lower than DFM's August \$2,766.3M adjusted amount).

2010 Forecast

The attached background data about Idaho's economic future indicates there will be a more stable, slowing decrease from the 2009 revenue. The fundamental factors that make the Pacific NW (and Idaho) attractive remain in place. Economic forecasters do not expect the economy to recover before the last part of calendar year 2009 and many do not expect a rebound until 2010, months that impact FY 2010 general fund revenue.

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 2009/2010. Timber struggles, but mining is somewhat stable. High tech manufacturing continues to struggle. 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; thus, a -0.5% decrease from 2009 revenues is possible.

2011 Forecast

Following Idaho's slide into a recession during the 2008 calendar year, including that of a painful U.S. recession, and the most serious threat to global financial markets in over 80 years, Idaho's economic performance is forecast to show some comeback late 2009 and into 2010. Thus FY 2011 revenues are expected to show modest overall improvement with 4.2% growth over FY2010.

Background Information For General Account Revenue Forecasts

1. **Wall Street Journal, For Major Banks, 2008 Was Bad; But Will 2009 Be Much Better?, David Gaffen, December 22, 2008.**

When it comes to the financial institutions, 2008 left a path of destruction that is unlikely to be equaled for years, perhaps decades. But that doesn't mean a rosy 2009 for major banks either as they struggle to recover from bad loans, excessive leverage, and the economic downturn. The current recession is expected to last at least into the second half of 2009.

U.S. News, Recession, Tight Credit Compound Housing Woes, Sudeep Reddy, December 24, 2008.

A deepening recession and tight credit conditions are compounding problems in the housing market, suggesting that declines in home prices may continue well into 2009.

Sales of existing homes tumbled 8.6% in November from the prior month to an annual pace of 4.49 million units, the National Association of Realtors said. New home sales declined 2.9% to an annual rate of 407,000 units, the Commerce Department said, continuing a nearly three-year decline.

There is one glimmer of good news not reflected in the latest figures: a sharp drop in mortgage rates in recent weeks tied to the federal government's efforts to support the housing market. Though tighter credit terms are restricting many potential borrowers, lower rates could pull some potential buyers off the sidelines and slow the price declines.

The Realtors group said the median sale price of an existing home declined to \$181,300 in November, down 13.2% from a year earlier. The Commerce Department's sales figures showed the median price of a new home at \$220,400 in November, down 11.5% from a year earlier.

University of Michigan's final December reading of consumer sentiment edged up slightly to 60.1 from 59.1 earlier in the month. It has improved from its 55.3 reading in November largely due to continued declines in gasoline prices. But the figure is expected to remain relatively low due to the weakening job market and tumbling stock values.

Corporate News, Executives Are Grim on Economy, Cari Tuna, December 11, 2008

Two new surveys show widespread pessimism among executives about the economy and their companies' prospects in 2009, with many planning to slash spending and employment in coming months. Nearly 60% of chief financial officers say they don't expect the U.S. economy to recover before the fourth quarter of 2009, and about 40% don't expect a rebound before 2010, according to a survey of 679 U.S. CFO's by Duke University's Fuqua School of Business and CFO Magazine. The survey was conducted from late November to early December. Duke finance professor John Graham say CFO optimism is the lowest since the university began its quarterly survey more than 12 years ago.

In the other survey, 81% of human resource and finance professionals, representing more than 750 companies, say they expect their firms' "business performance" to decline in 2009.

The CFO's say they expect their companies to cut employment by 5% over the next 12 months, and to reduce spending in 2009 on capital projects, technology, advertising, marketing and outsourcing.

Weekend Edition, Manufacturing Tumbles Globally, Kelly Evans and Robert Guy Matthews, January 3-4, 2009

Manufacturing activity around the world fell sharply in December, suggesting that the U.S. recession will extend well into 2009, if not longer, and that unemployment will rise globally. The downturn in demand for manufactured goods is prompting companies of all sizes to lay off workers, shut down plants and reduce production of machinery, steel, plastics and other basic components.

Manufacturers around the world have already begun layoffs to conserve cash and reduce production, but many more are expected this year. The struggles of big steel companies are particularly troubling, because that industry's health is considered an early indicator of how other industries are faring.

The global manufacturing decline could put pressure on governments to pull harder on monetary and fiscal levers.

2. **The Idaho Statesman, Idaho, U.S. joblessness jumps again, Bill Roberts, December 6, 2008.**

Economists say employment will rebound eventually, but it could take a year or more. And, Idaho could see a jobless rate nudging 9% before the recession is over. Idaho's unemployment rate in November shot up half a percentage point to 5.8%, leaving 44,000 people out of work, the Labor Department said. That's the highest rate in 15 years. Nationally, 533,000 people lost their jobs in November, more than in any month since December 1974. The national jobless rate rose to 6.7%, the highest in 15 years.

Employment shrank in virtually every part of the economy—factories, construction companies, financial firms, accounting and bookkeeping, architectural and engineering firms, hotels and motels, food services and retailers. The few fields spared included education, health care and government.

In Idaho: Unemployment climbed to 6% in the Boise/Nampa area, compared with 2.7% a year ago. Manufacturing shed 2,900 jobs, nearly half due to declines in the technology sector. Construction dropped 1,500 jobs.

Retailers' holiday sales drop at least 5.5% thanks to economy, weather, Ellen Simon (The Associated Press), December 26, 2008.

A weak economy and strong winter storms brought total retail sales down between 5.5% and 8% from a year ago, according to preliminary data from SendingPulse. Many economists have predicted this would be the worst holiday season in decades as home prices plunged, unemployment rose and nervous consumers cut costs. A separate measure of holiday spending, from the International Council of Shopping Centers, is expected to fall 1.5% to 2% from last year, making this the worst season since 1969.

3. **The Idaho Business Review, Economist predicts rough sailing as questions remain, Brad Carlson, December 29, 2008.**

John W. Mitchell, U.S. Bancorp's Western Region economist and the principal of M&H Economic Consultants, was keynote speaker at the Hopkins Financial Services 25th anniversary charity event on December 17 at the Boise Centre on the Grove.

Keys to economic recovery include absorbing the inventory of housing, repairing corporate and personal balance sheets, thawing the credit market and restoring confidence, Mitchell said. The economy must address declines in personal wealth, the challenges of an aging population, and job growth.

Idaho's situation is similar to that of the nation, and Idahoans can expect more job losses in 2009, Mitchell said. Widespread losses of employment often lead to increases in self-

employment as displaced workers start enterprises that they believe will fill the niche. He did not offer detailed predictions, but said the numbers will be different in a year. He said inflation in 2009 should average between 1 to 2%.

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

December 31, 2008 issue

About this time last year we chose “resilience” over “recession” as our 2008 “R” word for the Pacific Northwest economy. But, regional resilience has been undermined by the global financial crash of 2007-2008, which reached fire storm proportions in September and October. And this downturn looks to last far longer and be more severe than the recessions of 1990-91 and 2001, both just eight months.

Go slow certainly has arrived in the Pacific Northwest. We calculated that the number of people with payroll jobs in the region’s core states, Washington, Oregon and Idaho, grew by just .2% in 2008 (based on employment data through November). In 2006, the peak year in this cycle, payroll employment growth averaged 3.1% (3000 jobs a week), in 2007 it averaged 2.2% (2,250 jobs a week). The rate in 2008 was paltry, fewer than 200 jobs a week. Idaho had 4.4% payroll employment growth in 2006, 2.6% in 2007 and -.3% in 2008. The forecast for Idaho in 2009 is -1.0% and for 2010 the forecast is for .8% growth.

The Pacific Northwest has come through a long period where the regional economy consistently outran forecasts. Don’t be surprised if things go the other way for a time. It could be 2012 or latter before we get back to the cyclical highs in employment.

You can still find good news about the Pacific Northwest economy if you know where to look. Idaho population, for example, grew at more than twice the national average rate in 12 months to the end of June. Washington and Oregon also remain magnets for newcomers from other states and other countries.

5. **Boise Area Chamber of Commerce, Economic Outlook Forum, November 19, 2008. Information from local presenters and the Business Barometer is summarized below:**

Glen Hiemstra, Futurist.com (Beyond 2020: Hope, possibilities)

The next two to five years will be an enterprise of coping with higher than normal unemployment, shifting tax policy to more realistic and traditionally progressive philosophy without going overboard, re-regulating Wall Street and re-negotiating international financial arrangements, developing a national approach to health insurance that is vital to the competitiveness of American business, fiscal stimulus to get the economy moving, and adjusting to a consumer economy where people are very likely to save more, spend less, and take on less debt.

Included in Mr. Hiemstra’s longer term tasks are: reinventing housing and community forms, leading a global shift to the next sustainable energy forms, public investment in transportation and energy infrastructure, leading a global shift toward sustainability in all business and community systems to cope with and slow global climate change, and reindustrializing and re-localizing the economy, including agriculture.

Gerald Hunter, Idaho Housing and Finance Association, (Overcoming housing market challenges: A daunting task)

Future economic conditions represent a major risk factor for the housing market. While regional/local markets will eventually work through their respective housing price corrections, expanding economic impacts from the financial sector crisis and beyond may severely undermine the broader economy. Idaho will receive \$19.6 million to help buyers purchase foreclosed properties currently on the market.

Looking beyond our current financial market difficulties, the long-term outlook for the Boise/Nampa Metro market is positive. In relative terms, home prices are very affordable compared to many competing markets in the western United States.

John Church, Idaho Economics (Uncertainty in national economy impacts Boise Metro Business Index)

Total nonagricultural employment in Idaho during September 2008 was off nearly 1.1% (7,300 jobs) from year earlier levels. The Boise MSA fared only modestly better, posting a .8% loss in non-ag employment in September—a loss of 1,500 jobs.

The goods-producing industries (mining, natural resources, construction and manufacturing) have, over the past year, seen employment decline by 8.4% statewide (10,700 jobs) and 7.8% in the Boise MSA (4,200 jobs).

Employment in the Wholesale and Retail Trade industry sectors of the economy has also slipped in the latest statistics. September 2008 year-over-year employment in the Wholesale Trade sector posted a 1.1% loss in the statewide figures while posting a 1.2% gain in the Boise MSA. The Retail Trade sector posted losses in the employment figures for both the state (down 2.6% or 2,200 jobs) and the Boise MSA (down 1.2% or 700 jobs).

Statewide employment in the Transportation and Utilities fell by 1.6% on the loss of 300 jobs in the Transportation and Warehousing sub-sector. But, Transportation and Utilities employment in the Boise MSA managed to post a 7.6% annual gain in the September 2008 figures on the strength of a 900 job gain in the same Transportation and Warehousing sector.

The latest employment figures for the Financial Activities sector were also off from a year ago with losses of 2.7% statewide and .7% in the Boise MSA. Professional and Business Services sector is off 4.3% statewide (3,700 jobs) and 5.5% in the Boise MSA (2,300 jobs). Employment in the Leisure and Hospitality sectors is off 3.8% statewide and 2.4% in the Boise MSA (losses of 2,600 and 600 jobs, respectively).

Government employment in Idaho and the Boise MSA managed to post annual increases in the September 2008 figures. Statewide employment in the Government sector was up 9% (10,100 jobs) and in the Boise MSA government employment increased by 6.2% (2,600 jobs).

Paul Hiller, Boise Valley Economic Partnership, (Despite Economy, Boise Valley Economic Partnership/BVEP Project Pipeline is Full)

Despite the economic downturn, more companies are looking at the Treasure Valley as a region to relocate or expand than ever before. As of mid-October 2008, BVEP had 21 solid projects on the active list, in addition to three companies already landed and 1,005 jobs created so far in 2008.

Projects in the pipeline are diverse and include a skin care manufacturing company, several call centers, a light aircraft manufacturer, a company that makes fuel additives, two data centers, a solar panel manufacturer, a metal processing manufacturer, a medical devices manufacturing operation and a large regional distribution center to mention just a few. In total, these 21 projects could account for over 8,000 well-paying jobs in the Treasure Valley. Why this interest in the Treasure Valley? We have a quality workforce, competitive cost of living and cost of doing business, entrepreneurial spirit, and excellent quality of life.

2008 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>2007-08 ASSESSED VALUE CHANGE</u>
		<u>2007 COUNTY POPULATION</u>	<u>2008 ASSESSED VALUE</u>	
1. Ada	Boise	373,406	\$34,824.3 M	\$914.8 M
2. Canyon	Caidwell	179,381	9,796.0	866.2
3. Kootenai	Coeur d'Alene	134,442	15,993.5	(847.6)
4. Bonneville	Idaho Falls	96,545	5,482.1	647.4
5. Bannock	Pocatello	79,925	3,259.8	289.2
6. Twin Falls	Twin Falls	73,058	4,203.5	263.3
7. Bingham	Blackfoot	43,466	1,484.0	127.4
8. Bonner	Sandpoint	41,050	7,282.2	266.9
9. Nez Perce	Lewiston	38,932	2,435.0	126.5
10. Madison	Rexburg	36,647	1,256.1	114.7
SUBTOTAL		1,096,852 (73.2%)	\$86,016.5 (66.1%)	\$2,768.8 (50.8%)
Elmore	Mountain Home	28,856	1,364.6	137.2
Fremont	St. Anthony	12,517	1,490.1	267.0
Valley	Cascade	8,945	5,513.7	385.8
Teton	Driggs	8,349	2,184.8	348.9
SUBTOTAL (Cumulative)		1,155,519 (77.1%)	\$96,569.7 (74.2%)	\$3,907.7 (71.7%)
TOTAL STATE		1,499,402 (100%)	\$130,228.3 (100%)	\$5,451.7 (100%)

* 2007 Census Estimates (7-1-07)

** Does not include previous year's subroll (est. only). Preliminary 2008 data.

Assessed (taxable) property value in Idaho's counties increased by \$5,451.7 million between 2007 and 2008. The ten most populated counties had 50.8% of Idaho's increased value. When you include Elmore, Fremont, Valley, and Teton counties with the ten most populated counties, 71.7% of Idaho's value change is accounted for. (In 2006-07 the ten most populated counties had 71.6% of the increased value. When Blaine, Teton, Valley, and Payette County were included, 85.5% of Idaho's 2006-07 value change was accounted for).

The \$5,451.7 million assessed market value change for 2007-08 is 69.2% less than the 2006-07 change of \$17,688.4 million. The 2005-06 increase was \$17,719.6 million and 2004-05 was \$11,229.3 million.

Ada and Canyon counties showed the largest 2007-08 assessed market value increases at \$914.8M and \$866.2M, respectively. In the 2006-07 period Ada and Canyon showed the largest increases at \$5,680.1 and \$2,305.3 million, respectively.

Four counties lost net assessed market value in the 2007-08 period. Two counties lost net assessed value in the 2006-07 period. Three counties in the 2005-06 period lost net assessed value.

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

SUMMARY OF STATEWIDE ASSESSED VALUE CHANGES (2007/2008)

2007/2008 Difference (includes subrolls)	\$124,914.5 to \$130,430.7	= \$5,516.2M	+4.4%
Categories with increases:			
Urban/Rural non-owner occupied residential,	\$3,205.5		+8.0%
Urban/Rural Commercial/Industrial,	\$2,265.4		+8.3%
Agriculture,	\$141.9		+3.4%
Timber,	\$54.0		+5.7%
Operating,	\$142.6		+3.8%
		\$5,809.4M	
Categories with decreases:			
Urban/Rural-owner occupied residential,	(\$248.3)		-0.5%
Mining,	(\$44.9)		-7.8%
		(\$293.2M)	

Statewide County Assessed Market Values, 2008 and 2007 Compared

<u>COUNTY</u>	<u>2008</u>	<u>2007</u>	<u>DIFFERENCE</u>	<u>% Inc.</u>
Ada	\$34,824,294,358	\$33,909,510,728	914,783,630	2.7%
Canyon	9,795,985,372	8,929,808,721	866,176,651	9.7%
Bonneville	5,482,085,948	4,834,725,132	647,360,816	13.4%
Valley	5,513,672,249	5,127,837,800	385,834,449	7.5%
Teton	2,184,781,504	1,835,860,206	348,921,298	19.0%
Bannock	3,259,753,384	2,970,576,468	289,176,916	9.7%
Fremont	1,490,079,732	1,223,081,778	266,997,954	21.8%
Bonner	7,282,182,277	7,015,233,486	266,948,791	3.8%
Twin Falls	4,203,465,180	3,940,134,347	263,330,833	6.7%
Elmore	1,364,637,970	1,227,392,945	137,245,025	11.2%
Minidoka	973,701,859	836,636,804	137,065,055	16.4%
Bingham	1,483,977,827	1,356,579,049	127,398,778	9.4%
Nez Perce	2,435,029,173	2,308,556,876	126,472,297	5.5%
Gem	1,009,194,820	888,650,375	120,544,445	13.6%
Madison	1,256,108,318	1,141,368,560	114,739,758	10.1%
Jefferson	1,063,570,822	949,604,437	113,966,385	12.0%
Blaine	12,450,007,318	12,342,184,508	107,822,810	0.9%
Latah	1,784,915,196	1,677,918,009	106,997,187	6.4%
Bear Lake	695,894,521	589,342,950	106,551,571	18.1%
Shoshone	1,091,087,468	987,103,675	103,983,793	10.5%
Idaho	1,254,653,195	1,168,508,141	86,145,054	7.4%
Boise	962,511,316	882,161,777	80,349,539	9.1%
Benewah	696,904,036	625,082,286	71,821,750	11.5%
Boundary	928,317,194	861,418,238	66,898,956	7.8%
Cassia	1,050,497,991	985,861,584	64,636,407	6.6%
Jerome	1,089,912,159	1,026,193,003	63,719,156	6.2%
Payette	1,062,458,190	1,000,437,464	62,020,726	6.2%
Lemhi	647,835,804	592,572,798	55,263,006	9.3%
Gooding	779,789,390	736,343,096	43,446,294	5.9%
Power	659,236,270	624,613,127	34,623,143	5.5%
Franklin	532,586,004	499,554,425	33,031,579	6.6%
Caribou	582,107,232	561,345,641	20,761,591	3.7%
Lewis	243,034,539	222,336,005	20,698,534	9.3%
Camas	143,779,777	123,800,800	19,978,977	16.1%
Oneida	221,571,337	202,517,090	19,054,247	9.4%
Washington	648,792,311	631,286,168	17,506,143	2.8%
Lincoln	287,306,450	273,373,452	13,932,998	5.1%
Owyhee	622,720,524	615,798,131	6,922,393	1.1%
Clark	111,969,516	110,012,791	1,956,725	1.8%
Butte	127,547,999	126,231,538	1,316,461	1.0%
Clearwater	635,412,686	639,181,943	(3,769,257)	-0.6%
Custer	831,211,077	847,584,205	(16,373,128)	-1.9%
Adams	470,186,826	487,101,339	(16,914,513)	-3.5%
Kootenai	15,993,511,529	16,841,126,658	(847,615,129)	-5.0%

TOTAL \$130,228,278,648 \$124,776,548,554 \$5,451,730,094 4.4%

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

STATEWIDE COUNTY ASSESSED MARKET VALUES

	ASSESSED VALUE	ANNUAL CHANGE	PERCENT CHANGE
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	\$124,776,548,554	17,688,380,317	16.5%
2008	\$130,228,278,648	5,451,730,094	4.4%
		AVERAGE ANNUAL % CHANGE:	6.8%

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, 2005, 2006, 2007
and 2008 Revenues. (Table also includes ATI calculations).**

REVENUE SOURCE	11/30/2005	% of	11/30/2006	% of	11/30/2007	% of	11/30/2008	% of
	FY 2006	YR END	FY 2007	YR END	FY 2008	YR END	FY 2009	YR END
Personal Income Tax	\$397.1 M	32.6%	\$442.0 M	31.6%	\$484.1 M	33.8%	\$463.8 M	
Corporate Income Tax	51.4	26.5%	59.4	31.2%	50.8	26.8%	45.3	
Sales (w/o tax increase)	373.2	43.2%	414.5	44.3%	516.6	45.2%	478.4	
Product Taxes	10.2	43.4%	11.6	51.8%	12.5	46.6%	13.4	
Miscellaneous	32.1	27.6%	35.5	29.1%	38.2	31.7%	36.3	
TOTAL	\$864.1 M	35.80%	\$963.2 M	36.05%	\$1,102.2 M	36.05%	\$1,037.2 M	?
5 MO. GROWTH RATE	12.2%		11.4%		14.4%		-5.9%	
YR End RATE (w/o tax increases)	15.9%		10.7%		0.7%		?	

(FY08 includes tax increase)

(FY09 includes tax increase)

Estimate for "% of YR END" for FY 2009 = average of FY 2006, FY 2007 and FY 2008 percentages.
Average = (35.80% + 36.05% + 37.88%)/3 = 36.58%

Documentation for the ATI FY 2009/2010 general account revenue estimates:

Method #1 (Year End Total) (36.58%) = \$1037.2M
(FY 2009) (Year End Total) (.3658) = \$1037.2M
Year End Total = (\$1037.2M / .3658) = \$2,835.4M

The FY 2006 total year end G.F. revenue was reduced by an estimated \$17.8M so the final month of the sixth cent sales tax increase was not included in determining the year-end FY 05 to FY 06 growth rate. The FY 2007 total was 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 was 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 were dropped for FY 2008 and future years unless the rate changes again.

Method #2 \$2,683.7 . M (after evaluating each revenue source individually this was used as the FY 2009 end of year estimate)

Income tax collections were evaluated in more detail and were found to be 4.2% below last year's cumulative end of November collections. If this trend continues, the result would be individual income tax collections of \$1,370.1M for the FY 2009 estimate. Assume the last seven months of FY 2009 collections continue correcting from unemployment, tight credit and investment losses. Use \$1,328.4M or 7.1% less than the FY 2008 year end amount.

Corporate tax collections are stronger than DFM's August 2008 prediction for FY 2009. Assume corporate tax collections continue being more than DFM's estimate. Use a larger estimate of \$166.4M.

Sales tax collections are declining at an estimated -7.4% rate for the first five months of FY 2009. The rate was an estimated -2.9% for the last seven months of FY 2008. Assume the sales tax collections continue their current weakness for an overall FY 2009 decline, of -8.6%, the net result being \$1,043.9M, FY 2009 collections.

Product taxes are assumed to be at the \$29.5M level, about the same as DFM's August \$29.7M projection. Based on collections for the first five months, miscellaneous revenues are assumed to be near the \$117.7M August 2008 DFM prediction. Use a FY 2009 amount of \$115.5M.

Method #2 final calculations for FY 2009 and FY 2010 (See back page for results)

Based on estimated end of year distributions for FY 2009 the average, adjusted general account revenue mix consists of 49.5% personal income tax revenues, 6.2% corporate income tax, 38.9% sales tax, 1.1% product taxes and 4.3% miscellaneous revenues. The FY 2009 breakout is shown in the chart on the last page of this report. This approximate distribution was used for the FY 2010 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. The exact amount of this diversion is unavailable until budgeted, but on the average is assumed/estimated to be \$10M.

FY 2011 (add'n'l forecast year) is when the national and Idaho economy is expected to show a somewhat stronger turnaround. The overall 4.2% general fund growth was distributed by revenue source nearly identical to the 2010 revenue mix.

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

Revenue Source	1 2003 (Actual)	% Chg	2 2004 (Actual)	% Chg	3 2005 (Actual)	% Chg	3 2006 (Actual)	% Chg	3 2007 (Actual)	% Chg	4 2009 (Estimate)	% Chg	2010 (Forecast)	% Chg	2011 (Forecast)
Per. Inc. Tax	\$837.8	7.7%	\$902.1	14.8%	\$1,035.5	17.5%	\$1,216.5	17.5%	\$1,400.2	15.1%	\$1,430.2	2.1%	\$1,334.4	0.5%	\$1,383.9
Corp. Inc. Tax	93.1	10.6%	103.0	34.6%	138.6	40.0%	194.1	40.0%	190.2	-2.0%	189.7	-0.3%	153.2	-7.9%	160.6
Sales Tax	700.2	26.5%	886.1	7.5%	952.9	-7.6%	880.8	-7.6%	1,077.5	22.3%	1,142.5	6.0%	1,030.4	-1.3%	1,079.3
Product Taxes	21.8	104.6%	44.6	-48.9%	22.8	3.1%	23.5	3.1%	22.4	-4.7%	26.8	10.1%	36.7	24.4%	38.3
Cigarettes	8.3		30.0		7.8		8.0		1.0		6.5				
Liquor	4.9		4.9		4.9		4.9		10.2		8.4				
Beer	1.9		1.9		2.0		2.0		2.1		2.1				
Wine	2.0		2.1		2.3		2.4		2.5		2.6				
Tobacco	4.7		5.5		5.8		6.2		6.6		7.2				
Misc. Revenues	97.6	0.2%	97.8	21.7%	119.0	-2.2%	116.4	-2.2%	122.2	5.0%	120.6	-1.2%	114.8	-0.6%	119.6
Mine License	0.04		0.07		0.03		0.3		2.3		2.0				
Kilowatt Hour	1.8		1.8		1.6		2.3		2.3		1.9				
Insurance	59.5		62.8		60.9		60.4		59.8		60.0				
State Police/Bev.Lic.	1.4		1.6		1.6		1.7		1.8		1.9				
State Treas.	3.0		5.0		8.9		18.1		17.2		14.0				
Jud. Branch/County (courts)	5.3		5.0		4.7		4.8		5.0		5.1				
Unclaim. Prop.	3.8		3.7		9.8		2.0		3.3		2.5				
Lands	0.4		0.3		0.5		0.3		0.5		0.0				
Estate Tax	13.6		4.4		3.3		1.1		0.1		0.0				
Secretary of State (UCC)	2.1		2.4		2.7		3.0		3.0		3.1				
2 Other/Dept. Tran.	6.7		10.8		25.0		22.4		26.9		31.5				

TOTAL	\$1,750.5		\$2,033.6		\$2,268.8		\$2,431.3		\$2,812.5		\$2,909.8		\$2,669.5		\$2,781.7
% CHG	+3.6%		+16.2%		+11.6%		+7.2%		+15.7%		+3.5%		-0.5%		4.2%
% CHG W/O TAX INCR.	+2.8%		+5.9%		+13.1%		+15.9%		+10.7%		+0.7%				
* one-time federal \$'s			\$50.0												
Adjusted TOTAL			\$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 \$68.0M, 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 2.8%.

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.