

State of Idaho

Economic Outlook Forecast

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SUMMARY OF FINDINGS (REVENUE PROJECTIONS)

FISCAL YEAR	GENERAL ACCOUNT REVENUE (in millions)	% Change
1995	1,288.1	9.8%
*1996	1,350.9	4.9%
1997	1,391.9	3.0%
1998	1,482.1	6.5%
1999	1,624.5	9.6%
2000	1,821.0	12.1%
2001	1,984.6	9.0%
2002	1,690.3	-14.8%
2003	1,750.5	3.6%
2004	2,033.6	16.2%
2005	2,268.8	11.6%
2006	2,431.3	7.2%
2007	2,812.5	15.7%
2008	2,909.8	3.5%
2009	2,466.6	-15.2%
2010	2,264.5	-8.2%
2011	2,444.5	7.9%
2012	2,587.7	5.9%
2013 Estimate	2,653.5	2.5%
2014 Forecast	2,743.6	3.4%

*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.

August revised Executive Estimate for FY 2013 = \$2,670.7M (3.2% over \$2,670.7M, FY 2012 actual).

Sources: Idaho General Fund Revenue Report - Division of Financial Management.
Executive Budget, Fiscal Year 2012, Division of Financial Management.
Idaho Legislature, General Fund Budget Monitor, November 2011 (and prior reports).

2013 Estimate

Based on general account revenues collected since 1995, existing accruals and the expectation of continued slower revenue growth, the FY 2013 estimate is \$2,653.5M or 2.5% over FY 2012 (lower than DFM's August \$2,670.7M adjusted amount).

2014 Forecast

The attached background data about Idaho's economic future indicates there will be a more stable, slow increase from the 2013 revenue. The fundamental factors that make the Pacific NW (and Idaho) attractive remain in place.

Idaho's fragile economy will continue feeling impacts from the uncertain economies in other parts of the nation along with fiscal cliff concerns. However, most segments of our economy are showing signs of slow and cautious growth.

Fiscal cliff, 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, but a 3.4% increase from 2013 revenues is possible.

2012 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>2011 COUNTY POPULATION</u>	<u>2012</u>		<u>2011-12 ASSESSED VALUE CHANGE</u>
			<u>ASSESSED VALUE</u>		
1. Ada	Boise	400,842	\$24,615.4	M	\$48.9 M
2. Canyon	Caldwell	191,694	\$6,628.5		(\$212.3)
3. Kootenai	Coeur d'Alene	141,132	\$11,200.6		(\$856.6)
4. Bonneville	Idaho Falls	105,772	\$5,490.0		(\$74.7)
5. Bannock	Pocatello	83,691	\$3,943.5		(\$23.1)
6. Twin Falls	Twin Falls	78,005	\$4,184.3		(\$162.2)
7. Bingham	Blackfoot	45,952	\$1,799.1		\$155.3
8. Bonner	Sandpoint	40,808	\$5,777.2		(\$268.0)
9. Nez Perce	Lewiston	39,543	\$2,543.8		(\$53.2)
10. Madison	Rexburg	37,864	\$1,411.3		\$21.8
SUBTOTAL		1,165,303 (73.5%)	\$67,593.6	(65.0%)	(\$1,423.9) (51.7%)
Minidoka	Rupert	20,155	1,077.1		90.3
Latah	Moscow	37,704	1,991.3		86.4
Jerome	Jerome	22,682	1,181.0		66.8
Power	American Falls	7,766	784.1		49.3
SUBTOTAL (Cumulative)		1,253,610 (79.1%)	\$72,627.1	(69.9%)	(\$1,131.1) (41.0%)
TOTAL STATE		1,584,985 (100%)	\$103,920.8	(100%)	(\$2,756.0) (100%)

* 2011 Census Estimates (7-1-11)

** Does not include previous year's subroll (est. only). Preliminary 2012 data.

Assessed (taxable) property value in Idaho's counties decreased by \$2,755.4 million between 2011 and 2012. The ten most populated counties had 51.7% of Idaho's decreased value. When you include Minidoka, Latah, Jerome and Power counties with the ten most populated counties, 41.0% of Idaho's value change is accounted for. (In 2010-11 the ten most populated counties had 65.4% of the change in value. When Latah, Caribou, Custer and Payette Counties were included, 58.1% of Idaho's 2010-11 value change was accounted for).

The \$(2,755.4) million assessed market value change for 2011-12 is 47.6% more than the 2010-11 change of \$(5,253.5) million. The 2009-10 change was \$(11,639.9) million and 2008-09 was \$6,658.1 million.

Bingham and Minidoka counties showed the largest 2011-12 assessed market value increases at \$155.3M and \$90.3M, respectively. In the 2010-12 period Bannock and Custer showed the largest increases at \$387.0 and \$180.3 million, respectively.

Twenty six counties lost net assessed market value in the 2011-12 period. Twenty counties lost net assessed value in the 2010-11 period. Twenty five counties in the 2009-10 period lost net assessed value.

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

SUMMARY OF STATEWIDE ASSESSED VALUE CHANGES (2011/2012)

2011/2012 Difference (includes subrolls)	\$106,713.1 to \$104,206.8 =	\$(2,506.2)M	-2.3%
Categories with decreases:			
Urban/Rural-owner occupied residential, \$2,479.8			-3.4%
Urban/Rural non-owner occupied residential, \$(5,643.0)			-6.5%
Urban/Rural Commercial/Industrial, \$121.8			0.4%
Timber, \$0.8			0.1%
		\$(3,040.6)M	
Categories with increases:			
Agriculture, \$353.9			+3.4%
Mining, \$(13.1)			+0.6%
Operating, \$193.6			+4.8%
		\$534.4M	

Statewide County Assessed Market Values, 2012 and 2011 Compared

<u>COUNTY</u>	<u>2012</u>	<u>2011</u>	<u>DIFFERENCE</u>	<u>% Chg.</u>
Bingham	1,799,099,647	1,643,751,718	155,347,929	9.5%
Minidoka	1,077,093,021	986,841,469	90,251,552	9.1%
Latah	1,991,318,388	1,904,921,414	86,396,974	4.5%
Jerome	1,180,989,590	1,114,168,454	66,821,136	6.0%
Power	784,121,354	734,809,111	49,312,243	6.7%
Ada	\$24,615,392,820	\$24,566,466,822	48,925,998	0.2%
Shoshone	900,712,583	869,166,649	31,545,934	3.6%
Jefferson	1,116,104,313	1,090,575,101	25,529,212	2.3%
Butte	163,817,260	141,247,986	22,569,274	16.0%
Madison	1,411,286,450	1,389,488,220	21,798,230	1.6%
Cassia	1,175,429,232	1,154,823,985	20,605,247	1.8%
Washington	688,157,992	670,607,838	17,550,154	2.6%
Bear Lake	758,526,896	741,583,417	16,943,479	2.3%
Franklin	614,861,774	602,232,612	12,629,162	2.1%
Lewis	251,640,424	240,723,142	10,917,282	4.5%
Oneida	299,123,728	293,227,003	5,896,725	2.0%
Owyhee	509,979,404	507,438,871	2,540,533	0.5%
Clark	113,183,714	112,224,481	959,233	0.9%
Idaho	1,250,092,977	1,252,556,792	(2,463,815)	-0.2%
Clearwater	578,557,584	581,986,593	(3,429,009)	-0.6%
Gooding	879,652,727	887,017,741	(7,365,014)	-0.8%
Lincoln	288,190,748	296,345,803	(8,155,055)	-2.8%
Payette	1,078,401,954	1,086,766,034	(8,364,080)	-0.8%
Adams	397,696,197	406,638,900	(8,942,703)	-2.2%
Elmore	1,305,351,861	1,314,804,232	(9,452,371)	-0.7%
Camas	136,033,805	150,251,154	(14,217,349)	-9.5%
Lemhi	607,448,870	624,662,307	(17,213,437)	-2.8%
Fremont	1,558,549,089	1,575,891,200	(17,342,111)	-1.1%
Custer	878,391,254	896,680,249	(18,288,995)	-2.0%
Bannock	3,943,509,438	3,966,588,427	(23,078,989)	-0.6%
Gem	595,872,327	633,121,039	(37,248,712)	-5.9%
Caribou	704,686,279	748,012,213	(43,325,934)	-5.8%
Boundary	814,519,343	863,941,278	(49,421,935)	-5.7%
Boise	628,566,139	680,956,066	(52,389,927)	-7.7%
Nez Perce	2,543,748,455	2,596,934,917	(53,186,462)	-2.0%
Benewah	609,495,768	672,616,883	(63,121,115)	-9.4%
Bonneville	5,490,005,456	5,564,689,405	(74,683,949)	-1.3%
Teton	1,375,041,472	1,505,848,523	(130,807,051)	-8.7%
Twin Falls	4,184,306,261	4,346,492,398	(162,186,137)	-3.7%
Valley	2,702,109,827	2,913,984,374	(211,874,547)	-7.3%
Canyon	6,628,454,731	6,840,705,510	(212,250,779)	-3.1%
Bonner	5,777,201,713	6,045,191,784	(267,990,071)	-4.4%
Kootenai	11,200,581,030	12,057,168,912	(856,587,882)	-7.1%
Blaine	8,313,541,066	9,402,669,462	(1,089,128,396)	-11.6%

TOTAL **\$103,920,844,961** **\$106,676,820,489** **(2,755,975,528)** **-2.6%**

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

STATEWIDE COUNTY ASSESSED MARKET VALUES

	<u>ASSESSED VALUE</u>	<u>ANNUAL CHANGE</u>	<u>PERCENT CHANGE</u>
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%
2009	\$123,570,159,399	(\$6,658,119,249)	-5.1%
2010	\$111,930,297,991	(\$11,639,861,408)	-9.4%
2011	\$106,676,820,489	(\$5,253,477,502)	-4.7%
2012	\$103,920,844,961	(\$2,755,975,528)	-2.6%

AVERAGE ANNUAL % CHANGE: 5.5%

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, 2009, 2010, 2011
and 2012 Revenues. (Table also includes ATI calculations).**

REVENUE SOURCE	11/30/2009	% of	11/30/2010	% of	11/30/2011	% of	11/30/2012	% of
	FY 2010	YR END	FY 2011	YR END	FY 2012	YR END	FY 2013	YR END
Individual Income Tax	\$432.0 M	40.7%	\$447.5 M	38.8%	\$465.7 M	38.6%	\$468.8 M	
Corporate Income Tax	32.0	33.0%	39.6	23.4%	49.2	26.3%	47.6	
Sales Tax	418.6	43.8%	431.1	44.3%	441.8	43.0%	474.5	
Product Taxes	18.5	45.0%	20.2	47.2%	20.5	47.5%	24.0	
Miscellaneous	35.5	32.7%	34.7	32.2%	38.8	31.3%	40.9	
TOTAL	\$936.6 M	41.36%	\$973.2 M	39.81%	\$1,016.0 M	39.26%	\$1,055.7 M	?
5 MO. GROWTH RATE	-9.7%		3.9%		4.4%		3.9%	
YEAR END RATE	-8.2%		7.9%		5.9%		?	

Estimate for "% of YR END" for FY 2013 = average of FY 2010, FY 2011 and FY 2012 percentages.
Average = (41.36% + 39.81% + 38.62)/3 = 39.93%

Documentation for the ATI FY 2012/2013 general account revenue estimates:

Method #1 (Year End Total) (39.26%) = \$1,055.7M
(FY 2013) (Year End Total) (.3926) = \$1,055.7M
Year End Total = (\$1,055.7M / .3926) = \$2,689.0M

Method #2 \$2,653.5M (after evaluating each revenue source individually this was used as
(FY 2013) the FY 2012 end of year estimate)

Income tax collections were evaluated in more detail and were found to be .7% above last year's cumulative end of November collections. If this trend continues, the result would be individual income tax collections of \$1,214.8M for the FY 2013 estimate. Assume the last seven months of FY 2013 collections continue correcting from unemployment, tight credit and investment losses and fiscal cliff unknowns. Use \$1,225.2M or 1.6% more than the FY 2012 year end amount.

Corporate tax collections are weaker than DFM's August 2012 prediction for FY 2013. Assume corporate tax collections correct themselves using a slightly smaller est. of \$189.2M.

Sales tax collections are growing at an estimated 7.4% rate for the first five months of FY 2013. Assume the sales tax collections level out for an overall FY 2013 increase of 5.5%, the net result being \$1,083.9M, FY 2013 collections.

Product taxes are assumed to be at the \$48.6M level, the same as DFM's projection. Based on collections for the first five months, miscellaneous revenues are assumed to be somewhat stronger than the \$99.3M August 2012 DFM prediction. Use a FY 2013 amount of \$106.1M.

Method #2 final calculations for FY 2014 (See back page for results)

Based on estimated end of year distributions for FY 2013 the average, adjusted general account revenue mix consists of 46.2% individual income tax revenues, 7.1% corporate income tax, 40.8% sales tax, 1.8% product taxes and 4.0% miscellaneous revenues. The FY 2014 breakout is shown in the chart on the last page of this report.

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 \$17.9M beginning in FY 2010 (see H327 from 2009 legislative session). However, after passage of H275 in the 2009 Legislative session, an estimated \$1.0M Lottery dividend is subtracted from this amount for a net \$16.9M from the Cigarette Taxes. The Lottery dividend subtraction estimated in FY 2011 = \$2.5M, FY2012 = \$3.0M, FY2013 = \$3.5M, FY2014 = \$4.0M and FY2015 = \$4.5M. After that the estimated Lottery subtraction is zero.

In 2010 the Idaho legislature passed S1418. Section 13 of that bill directed that \$14.4M shall be distributed from the cigarette tax in FY2011 for the school bond equalization support. Based on this, the FY2012 base amount was used, but was offset by \$3.0M lottery dividend for a net \$11.4M from the cigarette tax. FY 2013 was assumed to be \$14.4M-\$3.5M lottery offset for a net \$10.9M from the cigarette tax. FY2014 will be \$14.4M-\$4.0M lottery for a net \$10.4M cigarette tax and in FY 2015 it will be \$14.4M-\$4.5M offset for a net \$9.9M cigarette tax.

In its 2012 session the Idaho Legislature passed H 563 which reduced the maximum individual income tax rate from 7.8% to 7.4% and the maximum corporate income tax rate from 7.6% to 7.4%.

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

Revenue Source	2006	2007	2008	2009	2010	2011	2012	2013	2014
	(Actual)	(Actual)	(Actual)	(Actual)	(Actual)	(Actual)	(Actual)	(Estimate)	(Forecast)
	% Chg	% Chg	% Chg	% Chg	% Chg	% Chg	% Chg	% Chg	% Chg
Ind. Inc. Tax	\$1,216.5	\$1,400.2	\$1,430.2	\$1,168.1	\$1,061.9	\$1,152.7	\$1,206.4	\$1,225.2	\$1,261.1
	15.1%	2.1%	-18.3%	-9.1%	8.6%	4.7%	1.6%	2.9%	2.9%
Corp. Inc. Tax	194.1	190.2	189.7	141.2	97.0	168.9	187.0	189.2	191.8
	-2.0%	-0.3%	-25.6%	-31.3%	74.1%	10.7%	1.2%	1.4%	1.4%
Sales Tax	880.8	1,077.5	1,142.5	1,022.9	955.9	972.4	1,027.3	1,083.9	1,134.2
	22.3%	6.0%	-10.5%	-6.8%	1.7%	5.6%	5.5%	4.6%	4.6%
Product Taxes	23.5	22.4	26.8	29.7	41.2	42.8	43.2	48.6	48.3
Cigarettes	8.0	1.0	8.5	7.8	16.9	14.4	11.6	11.6	11.6
Liquor	4.9	10.2	8.4	9.3	11.4	14.8	17.2	17.2	17.2
Beer	2.0	2.1	2.1	2.0	2.1	2.0	1.9	2.0	1.9
Wine	2.4	2.5	2.6	3.3	3.0	3.2	3.5	3.5	3.5
Tobacco	6.2	6.6	7.2	7.3	7.8	8.4	8.9	8.9	8.9
Misc. Revenues	116.4	122.2	120.6	104.7	108.5	107.7	123.8	106.6	107.2
Mine License	0.3	2.3	2.0	0.9	1.8	1.6	2.0	2.0	2.0
Kilowatt Hour	2.3	2.3	1.9	2.0	2.1	2.4	3.0	2.4	3.0
Insurance	60.4	59.8	60.0	55.5	53.6	54.1	56.6	56.6	56.6
State Police/Bev.Lic.	1.7	1.8	1.9	1.6	1.5	1.5	1.8	1.8	1.8
State Treas.	18.1	17.2	14.0	14.0	-1.3	0.8	-0.6	-0.6	-0.6
Jud. Branch/County (counts)	4.8	5.0	5.1	5.4	5.4	5.1	4.8	4.8	4.8
Unclaim. Prop.	2.0	3.3	2.5	1.8	2.5	4.5	8.9	8.9	8.9
Lands	0.3	0.5	0.0	0.0	0.7	1.0	0.8	1.0	1.0
Estate Tax	1.1	0.1	0.1	0.0	-0.2	0.5	0.0	0.0	0.0
Secretary of State (UCC)	3.0	3.0	3.1	2.4	2.4	2.4	2.4	2.4	2.4
¹ Other/Dept. Tran.	22.4	26.9	31.5	33.1	34.3	35.4	44.0	44.0	44.0
	5.0%	-1.2%	-13.2%	3.6%	-0.7%	14.9%	-13.9%	0.6%	0.6%
TOTAL	\$2,431.3	\$2,812.5	\$2,909.8	\$2,466.8	\$2,284.5	\$2,444.5	\$2,587.7	\$2,853.5	\$2,743.8
% CHG	+7.2%	+15.7%	+3.5%	-15.2%	-8.2%	7.9%	5.9%	2.5%	3.4%

Other:¹ 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 1984 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.)

² In FY 2003 Idaho's sales tax collections included 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 were sunset (est. \$187.0M) at the end of FY 2005 (the 30, 2005), thus one-month of 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 2009 (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.

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 \$140.5M.