

# **The Universities' Forecast of General Fund Revenues 2018 - 2020**

**Presented to the Joint Legislative Economic Outlook and Revenue Assessment  
Committee**

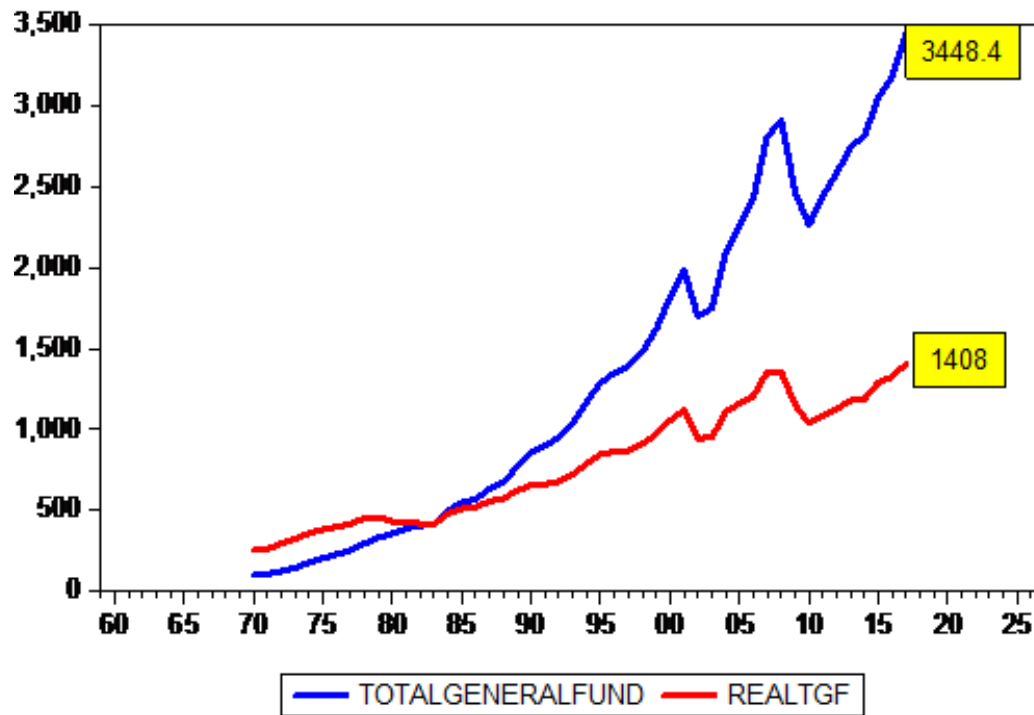
**January 5, 2018**

Scott Benson: Idaho State University

Don Holley: Boise State University

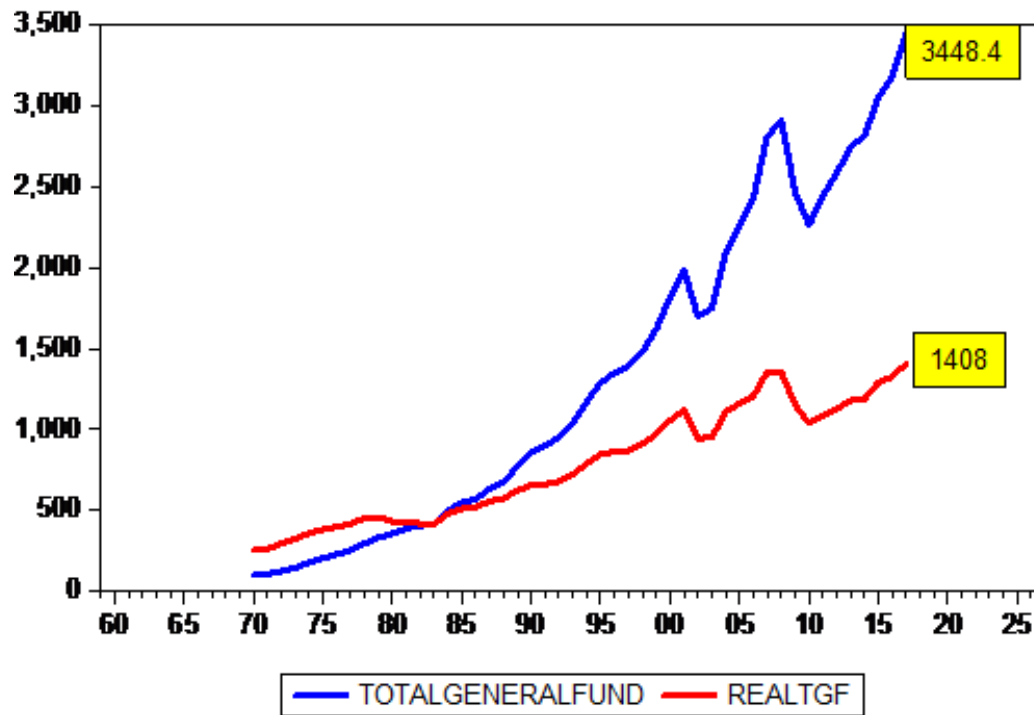
Eric Stuen: University of Idaho

**By 2020 Idaho could have a \$4,000,000,000 General Fund ...**



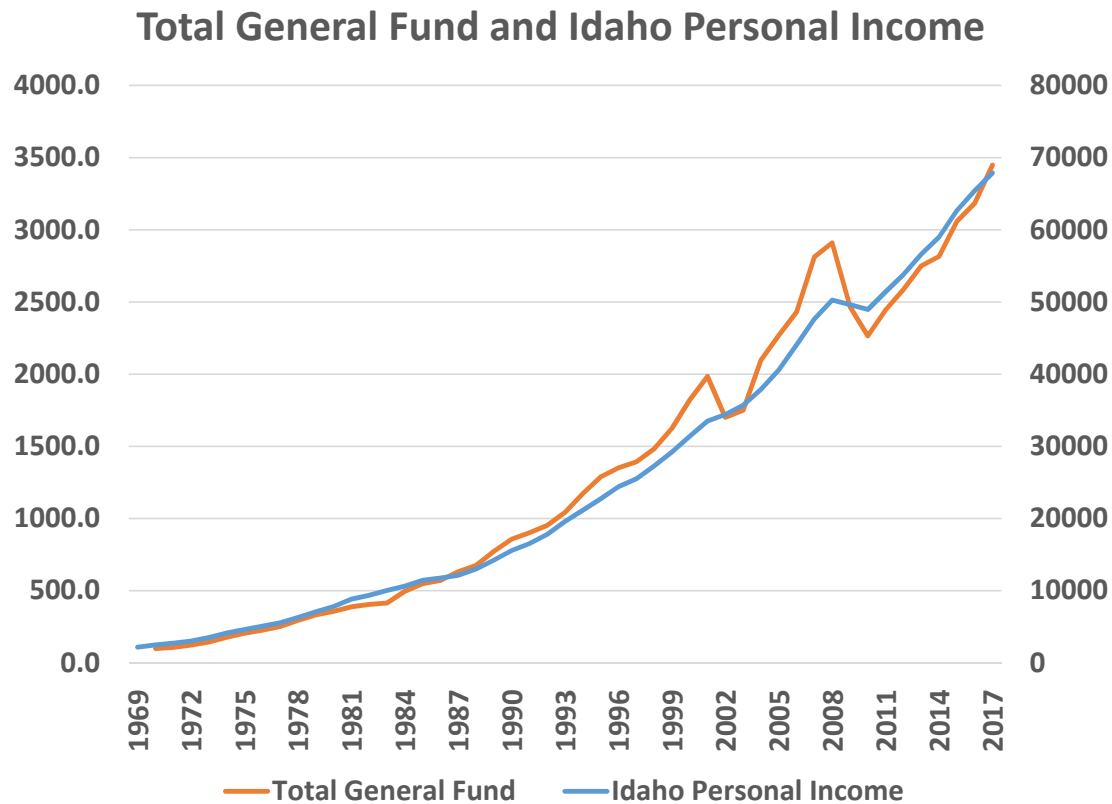
**... but, while there has been a six fold increase in revenues between 1983 and 2017, the purchasing power of that revenue has increased less than three fold**

**By 2020 Idaho could have a \$4,000,000,000 General Fund ...**

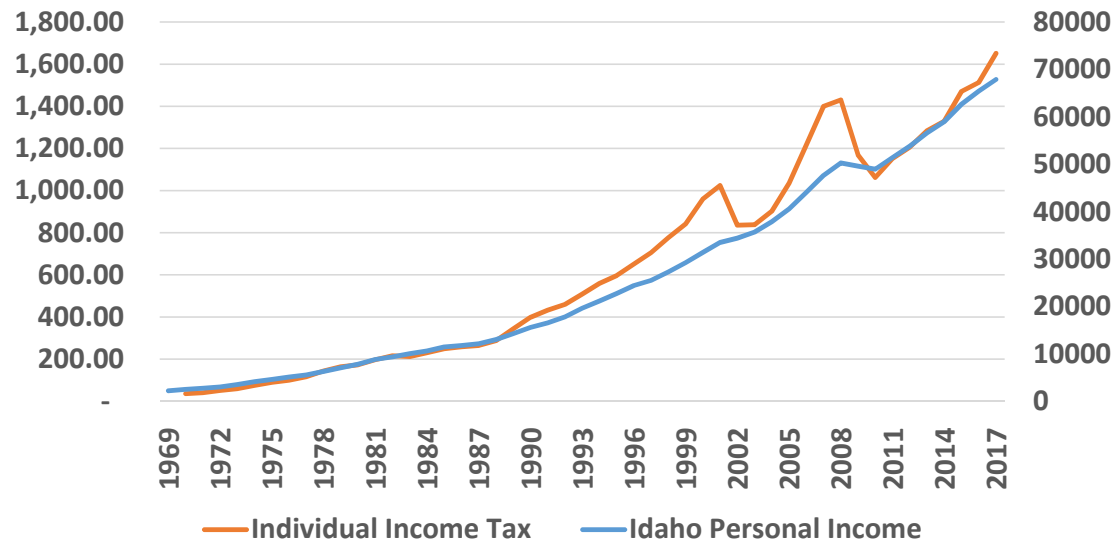


**... the revenues are coming from higher incomes and more taxpayers**

# The largest share of General Fund revenues is driven by Idaho Personal income.



## Individual Income Tax and Idaho Personal Income

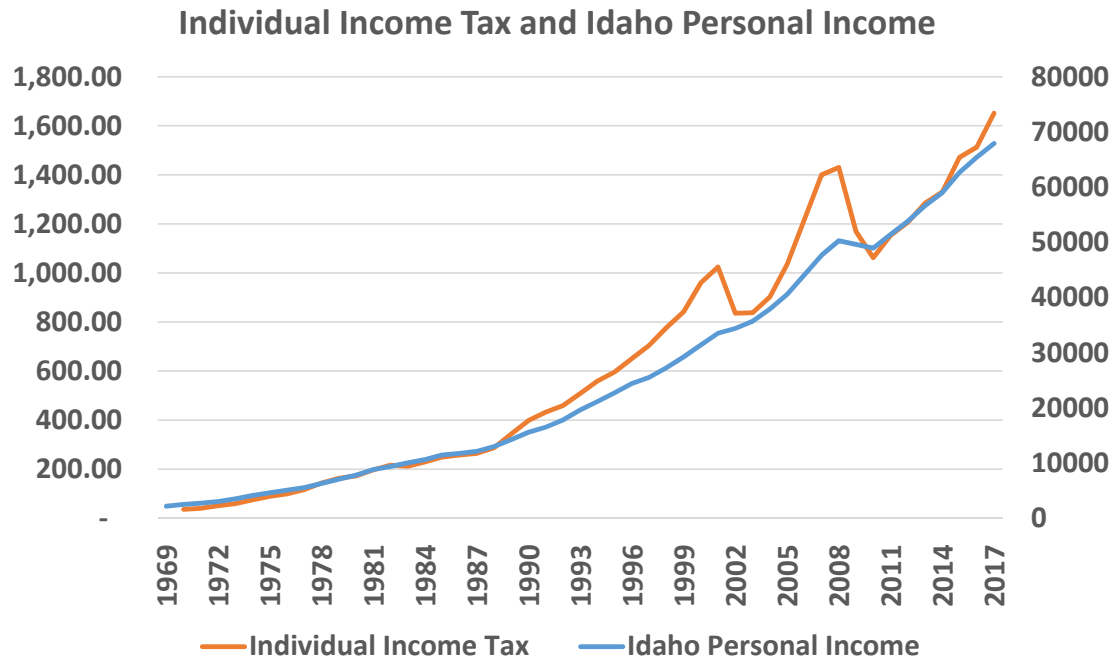


**1970 – 1988: Forecasting was relatively straightforward and “easy”**

**1989 – 2001: More progressivity than before**

**2002: Changes in tax rates and a modest recession**

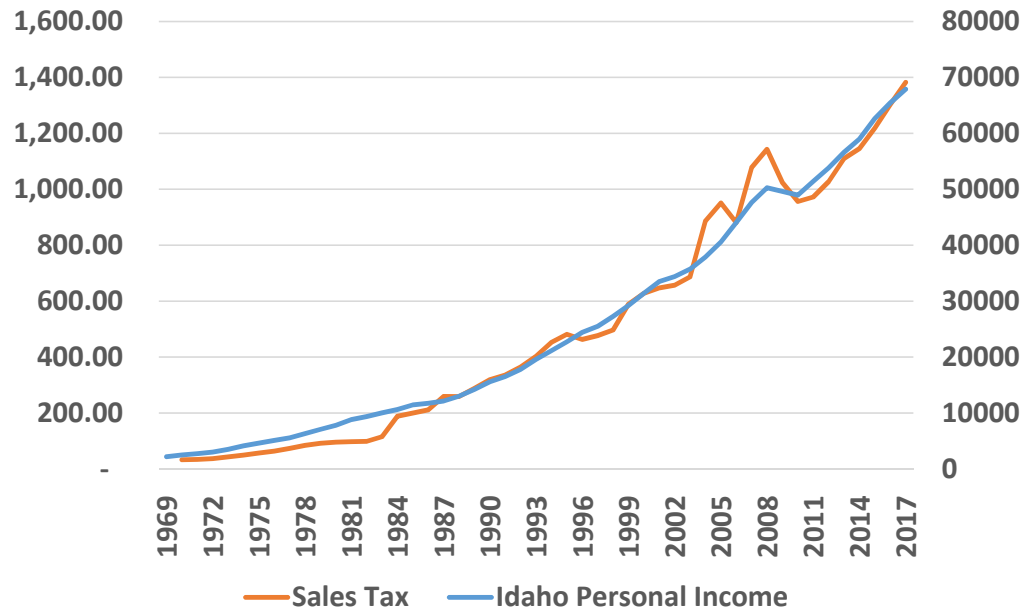
**2009 – 2010: More changes in the tax rates and a severe recession**



**The point:**

**With no changes in tax rates or the tax base, the forecast of the Individual Income Tax depends on the forecast of Idaho Personal Income**

## Sales Tax and Idaho Personal Income

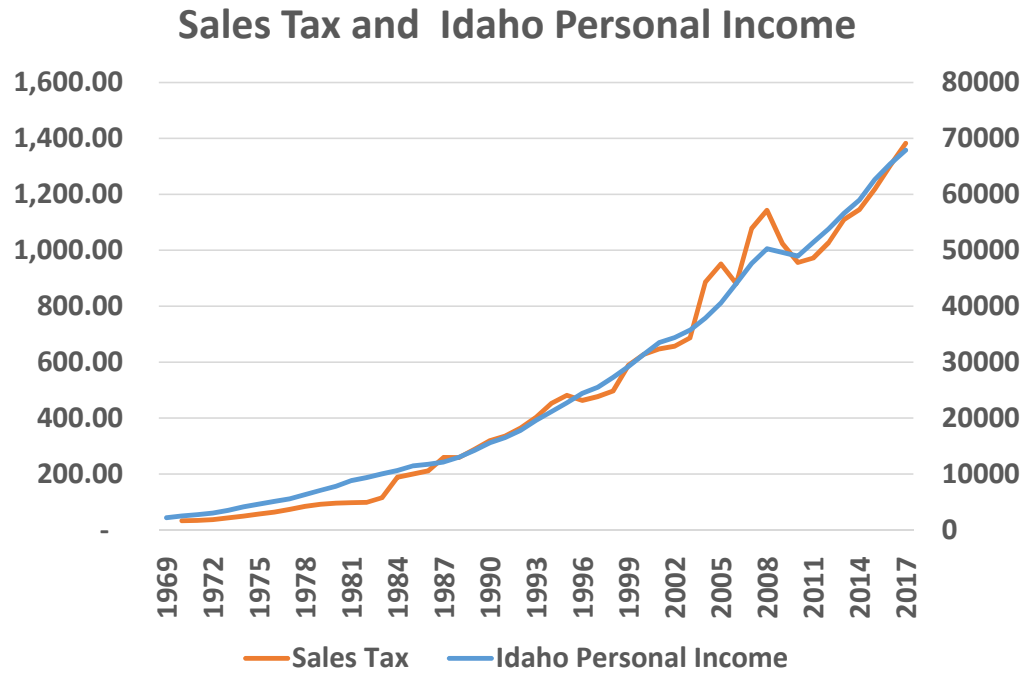


**1983 – 84: Rate increases from 3% to 4%**

**1986: 5%**

**2003 – 2006: Up to 6%, down to 5%, back up to 6%**

**2009 – 2010: The Great Recession**



**The point:**

**With no changes in tax rates or the tax base, the forecast of the Sales Tax depends on the forecast of Idaho Personal Income**



**There is also a strong relationship between Idaho Personal Income and:**

**Cigarette, Tobacco, Beer, Wine, Liquor Dispensary, Insurance Premium Taxes**

**The biggest exception is the Corporate Income Tax**

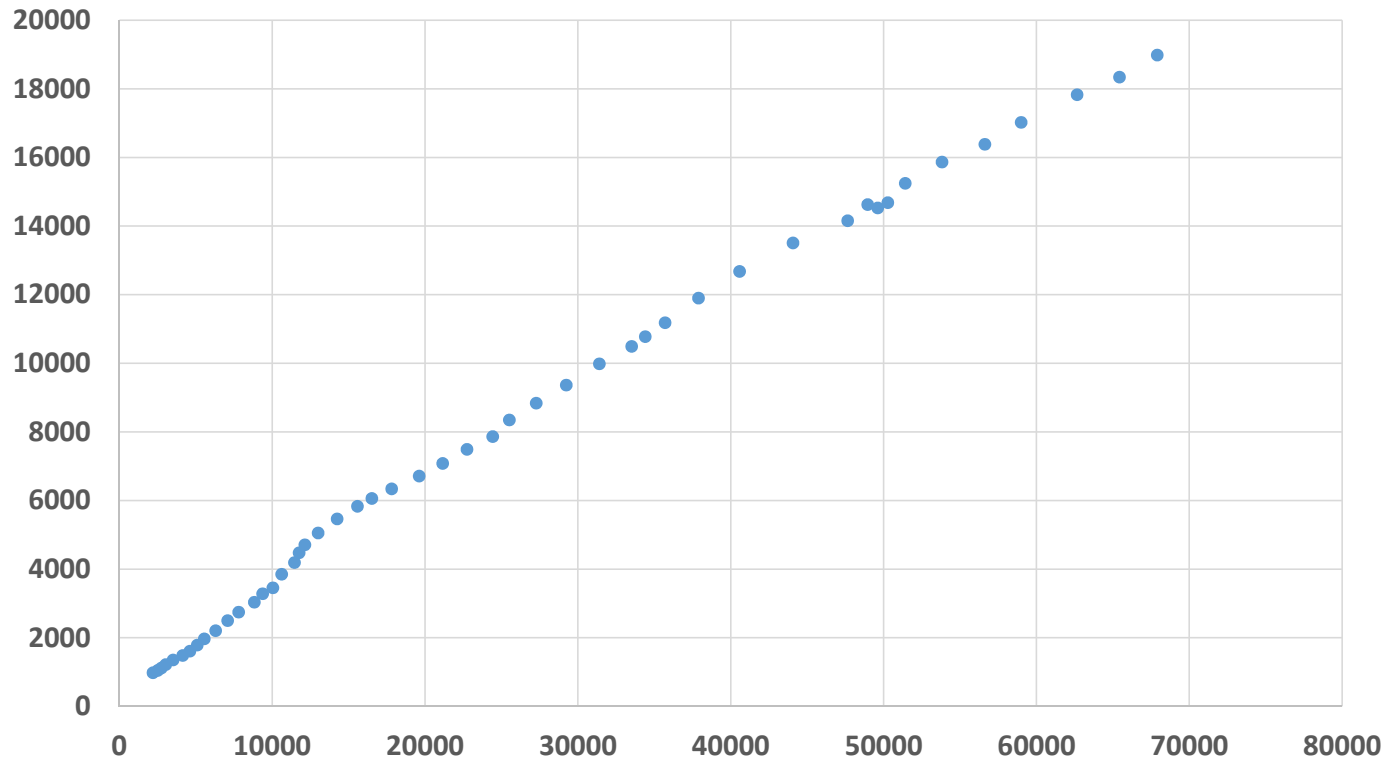
**The most important information required to make a forecast of Idaho's General Fund is a forecast of Idaho's Personal Income**

**The strength of the state's economy is determined by the strength of market it sells to.**

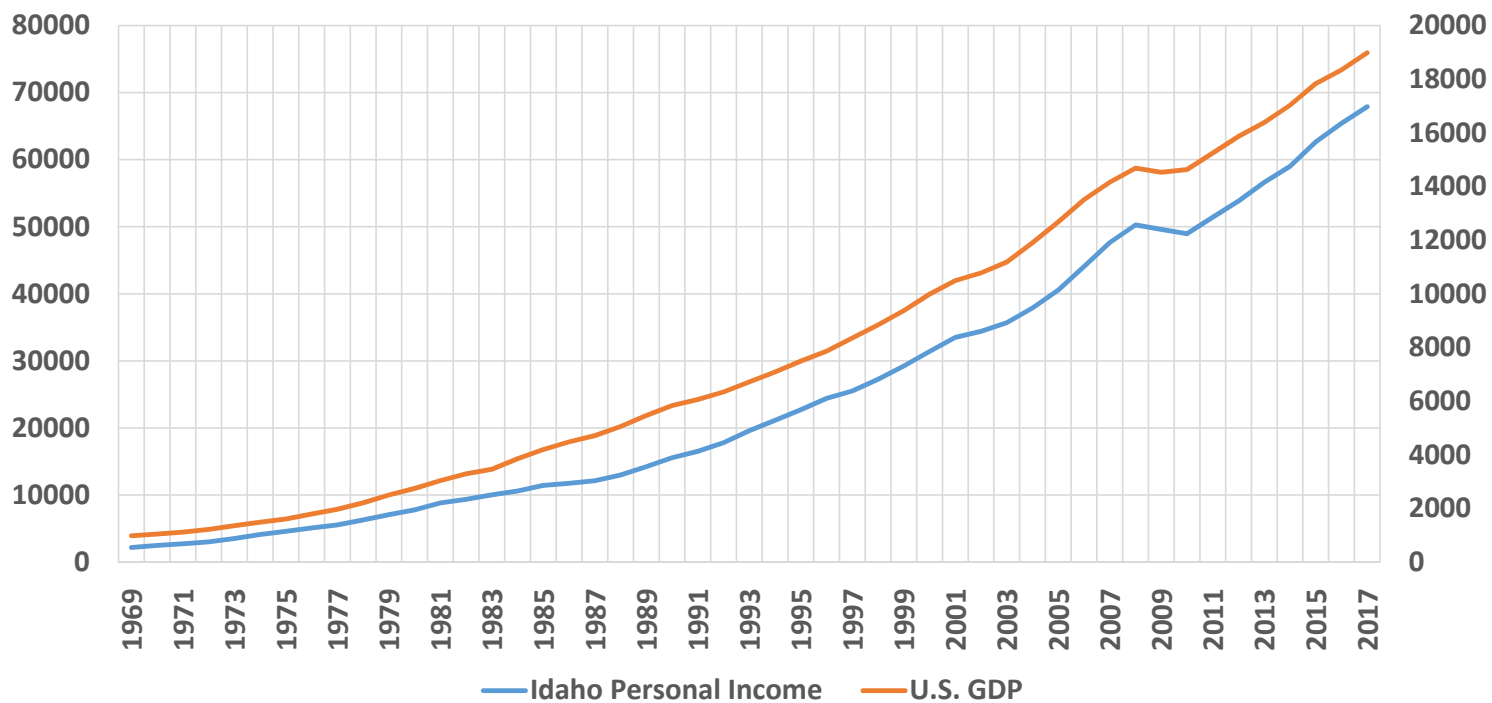
**Idaho's market is the U.S.**

- **Regardless of how many potatoes and how much cheese and how much lumber is sold outside the U.S. it pales in comparison to what we sell to the rest of the U.S**
- **Therefore, there should be a strong relationship between income earned in Idaho and the strength of the U.S. economy as measured by Gross Domestic Product**

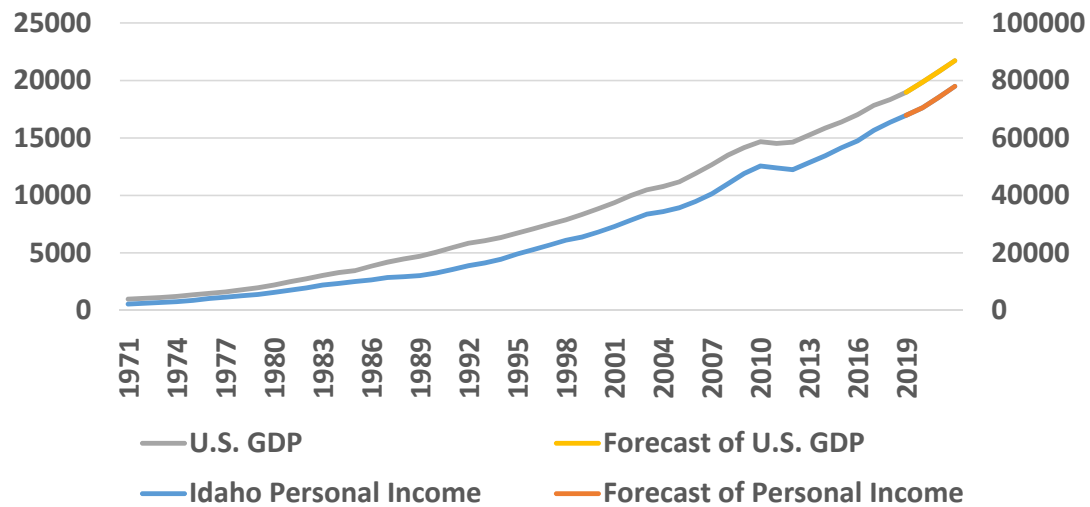
**U.S. GDP on the Vertical Axis and Idaho Personal Income on the Horizontal Axis**



## Relationship Between Idaho Personal Income and U.S. Gross Domestic Product



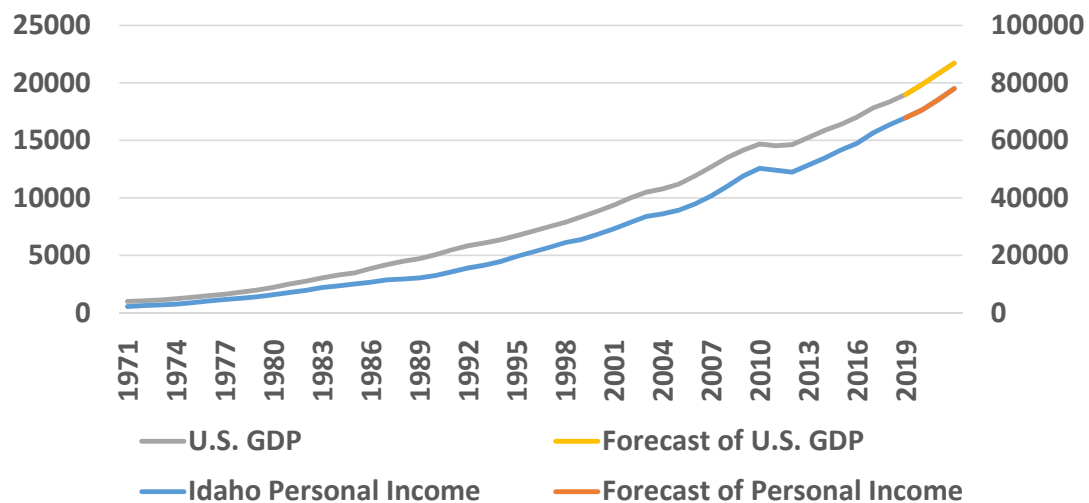
## Forecasts of Idaho Personal Income and U.S. GDP



**The forecast of U.S Gross Domestic Product is from the forecasting firm IHS Markit**

**We are the owners of the forecast of Idaho Personal Income**

## Forecasts of Idaho Personal Income and U.S. GDP



### Idaho Personal Income: 2017 - 2020

	Actual	Forecast		
	2017	2018	2019	2020
Personal Income	67.9	71.2	75.0	79.6
% Change		4.9%	5.4%	6.1%

	<b>The Universities' Forecast of General Fund Revenues:</b>			
	<b>Actual</b>	<b>Forecast</b>		
	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
<b>Individual Income Tax</b>	<b>1,651.2</b>	<b>1,742.0</b>	<b>1,855.3</b>	<b>1,979.2</b>
<b>% Growth</b>		<b>5.5%</b>	<b>6.5%</b>	<b>6.7%</b>
<b>Corporate Income Tax</b>	<b>214.0</b>	<b>232.0</b>	<b>246.8</b>	<b>257.2</b>
<b>% Growth</b>		<b>8.4%</b>	<b>6.4%</b>	<b>4.2%</b>
<b>Sales Tax</b>	<b>1,382.4</b>	<b>1,442.9</b>	<b>1,512.7</b>	<b>1,595.1</b>
<b>% Growth</b>		<b>4.4%</b>	<b>4.8%</b>	<b>5.4%</b>
<b>Product Taxes Subtotal</b>	<b>58.1</b>	<b>61.2</b>	<b>64.4</b>	<b>67.8</b>
<b>% Growth</b>		<b>5.3%</b>	<b>5.3%</b>	<b>5.2%</b>
<b>Miscellaneous Subtotal</b>	<b>142.7</b>	<b>141.3</b>	<b>147.4</b>	<b>154.1</b>
<b>% Growth</b>		<b>-1.0%</b>	<b>4.4%</b>	<b>4.5%</b>
<b>Total General Fund</b>	<b>3,448.4</b>	<b>3,619.3</b>	<b>3,826.6</b>	<b>4,053.3</b>
<b>% Growth</b>		<b>5.0%</b>	<b>5.7%</b>	<b>5.9%</b>

**With that, we wish you well!**