



University Forecasting Committee Revenue Estimate, FY 2023 - 2024

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ROAR

Overview

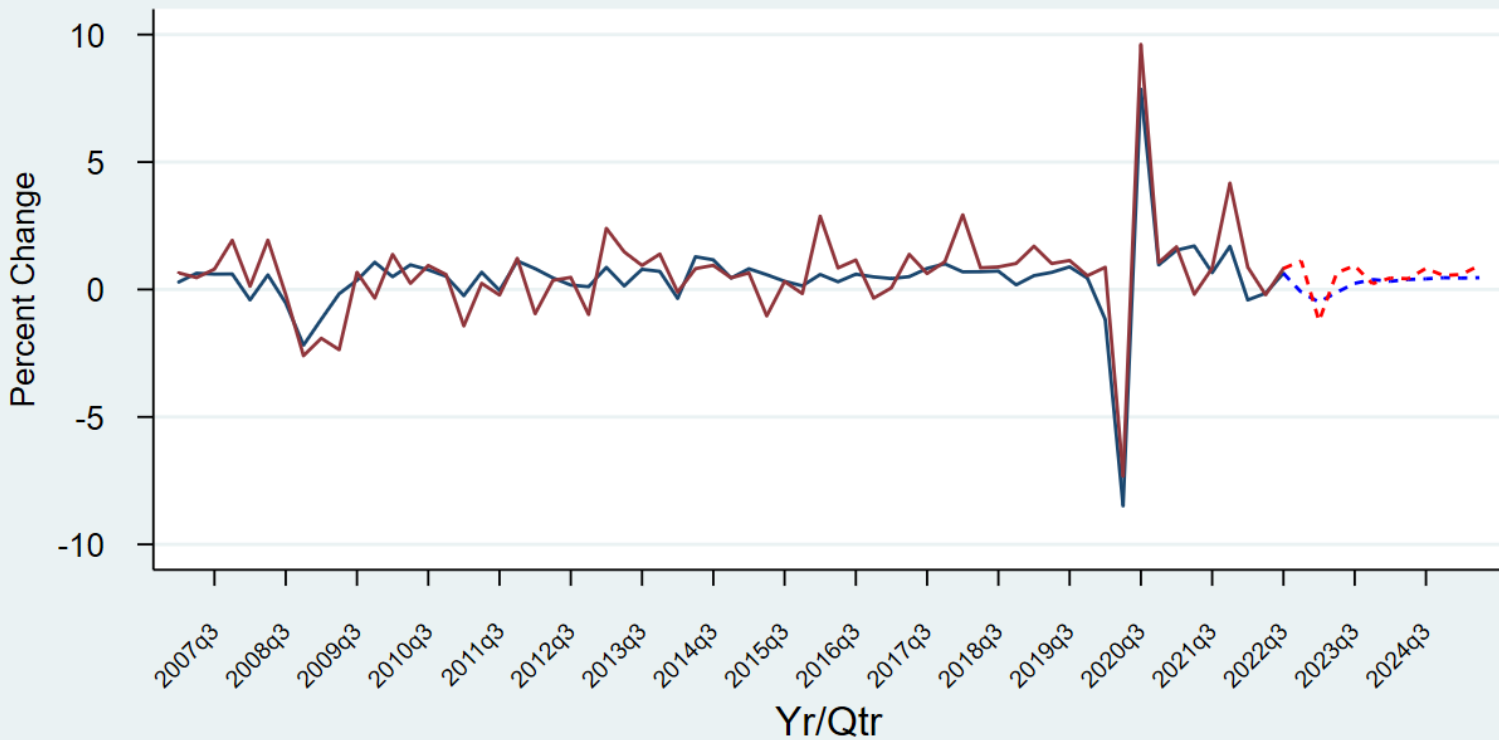
- General Fund revenue forecast for FY23 - FY25
- Inspect some key economic indicators
- Provide macroeconomic insights on the following questions:
 - How will the Idaho economy perform in FY23 and FY24, and what impact will this likely have on state tax revenues?
 - How will the national economy perform in FY23 and FY24, and how will this affect Idaho?



General Fund Revenue Forecast

| SOURCE | ACTUAL (in \$millions) | | FORECAST (in \$millions) | | |
|------------------------------|---------------------------|------------------|-----------------------------|------------------|------------------|
| | <u>FY 2021</u> | <u>FY 2022</u> | <u>FY 2023</u> | <u>FY 2024</u> | <u>FY 2025</u> |
| Individual Income Tax | \$2,446.3 | \$2,602.6 | \$2,465.6 | \$2,282.9 | \$2,479.1 |
| % Change | 28.40% | 6.39% | -5.27% | -7.41% | 8.59% |
| Corporate Income Tax | \$348.9 | \$1,039.2 | \$783.6 | \$611.1 | \$634.5 |
| % Change | 43.39% | 197.82% | -24.59% | -22.02% | 3.83% |
| Sales Tax | \$2,004.2 | \$2,195.4 | \$2,398.5 | \$2,745.2 | \$2,941.5 |
| % Change | 18.64% | 9.54% | 9.25% | 14.46% | 7.15% |
| Product Taxes | \$80.0 | \$85.9 | \$74.6 | \$83.5 | \$84.3 |
| % Change | 18.15% | 7.38% | -13.12% | 11.97% | 0.88% |
| Misc. Revenue | \$136.0 | \$274.5 | \$161.5 | \$144.0 | \$140.9 |
| % Change | 5.88% | 101.83% | -41.16% | -10.84% | -2.16% |
| TOTAL GENERAL FUND | \$5,009.5 | \$6,197.6 | \$5,884 | \$5,866.8 | \$6,280.3 |
| % Change | 24.24% | 23.72% | -5.06% | -0.29% | 7.05% |

Real GDP Growth Idaho vs U.S.



— US real GDP growth — ID real GDP growth
- - - US Predicted - - - ID Predicted

correlation = 0.84

Analysis uses national level forecasts for fiscal years 2023 – 2024 by IHS Markit, November 2022 U.S. Economic Outlook

How will the national economy perform in FY23 and FY24, and how will this affect Idaho?

Average Real GDP Growth

| <u>Idaho</u> FY 07 – FY 22 | <u>U.S.</u> FY 07 – FY 22 |
|-------------------------------|------------------------------|
| 2.33% per FY | 1.70% per FY |
| <u>Idaho</u> FY 23 – FY 24 | <u>U.S.</u> FY 23 – FY 24 |
| 1.70% per FY | 1.02% per FY |

Some economic outlook reports predict negative economic growth in the last 2 quarters of fiscal year 2023 with lower-than-average growth in FY 2024. The Idaho economy typically follows the national trend but maintains a higher level of output growth, on average.

Counteracting Economic Forces

Headwinds

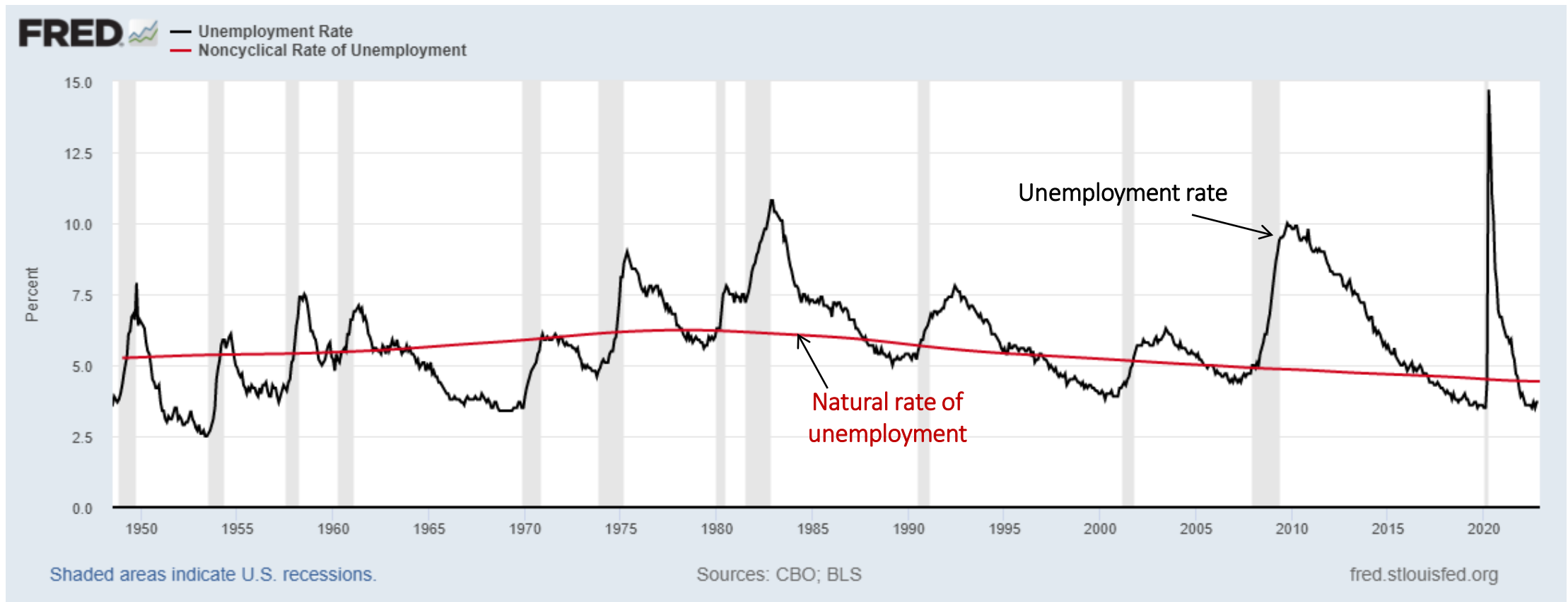
- Persistent inflation
- Monetary tightening
- Interest rate risk
- Elevated uncertainty
- International conflicts

- Housing market slowdown?

Tailwinds

- Inflation trending back down
- Consumer demand favoring service sector
- Easing up of supply chain constraints
- Labor market is strong
- Increasing likelihood of a “soft landing” by the Fed

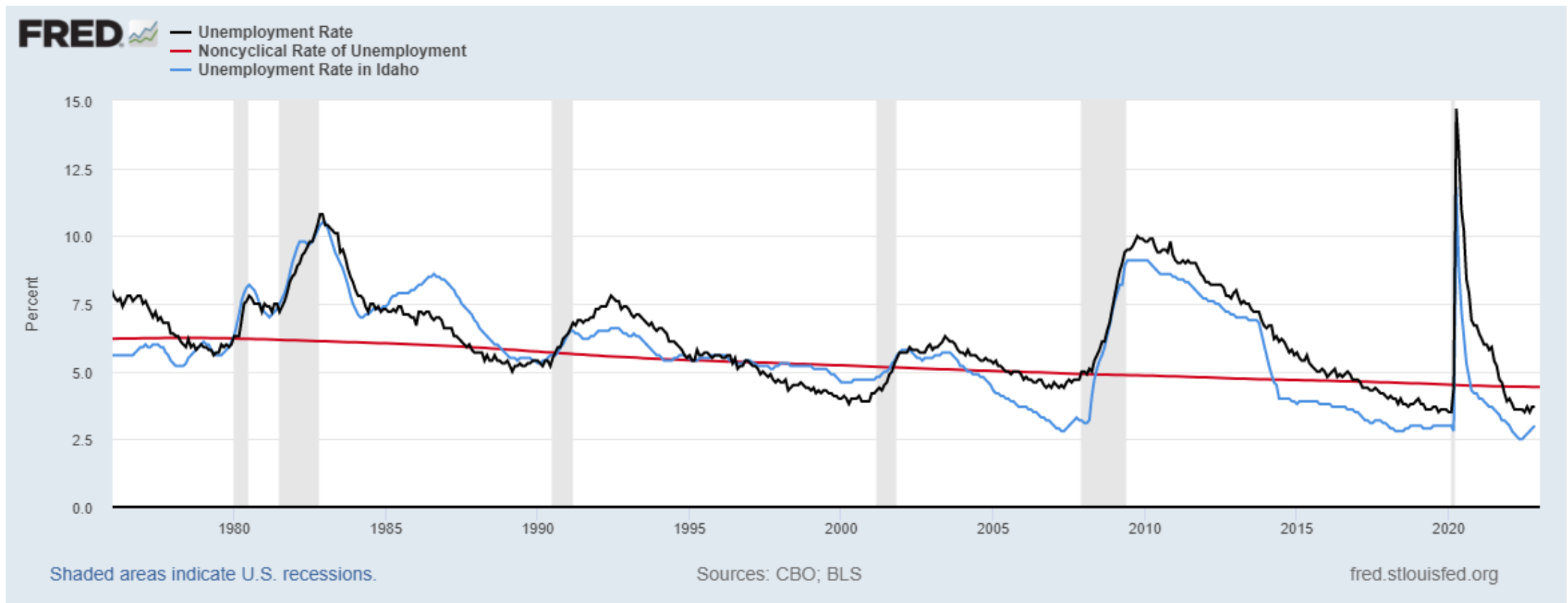
The **natural rate of unemployment** refers to the amount of unemployment that the economy normally experiences while operating at full potential of output.



What is the economic interpretation of a “soft landing”?

The Federal Reserve have suggested a soft landing would involve an increase in unemployment that doesn't exceed the natural rate by too much or for too long.

Economic Trends



Over the last 20 years, Idaho's unemployment rate has consistently trended below the national unemployment rate. Resilience has become a noticeable trend in the Idaho economy.



Idaho– Most Resilient State to 2020 Shutdowns (Employment Declines %)

Most Resilient States

| Rank | State | % |
|------|----------|-------|
| 1 | Idaho | -0.7% |
| 2 | Utah | -1.6% |
| 3 | Arkansas | -3.0% |
| 4 | Arizona | -3.1% |
| 5 | Montana | -3.1% |

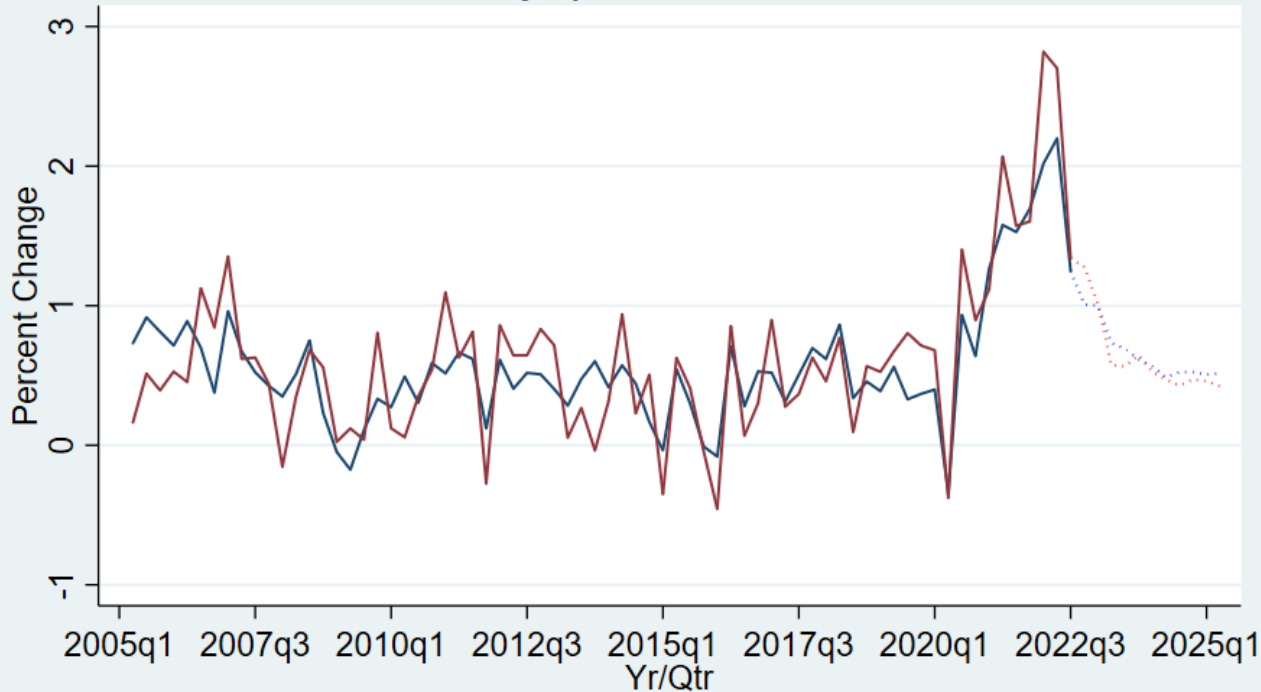
Source: Labor Statistics and Statista

Least Resilient States

| Rank | State | % |
|------|----------|--------|
| 47 | Michigan | -9.2% |
| 48 | Vermont | -9.3% |
| 49 | New York | -10.3% |
| 50 | Nevada | -10.4% |
| 51 | Hawaii | -15.4% |

Economic Trends

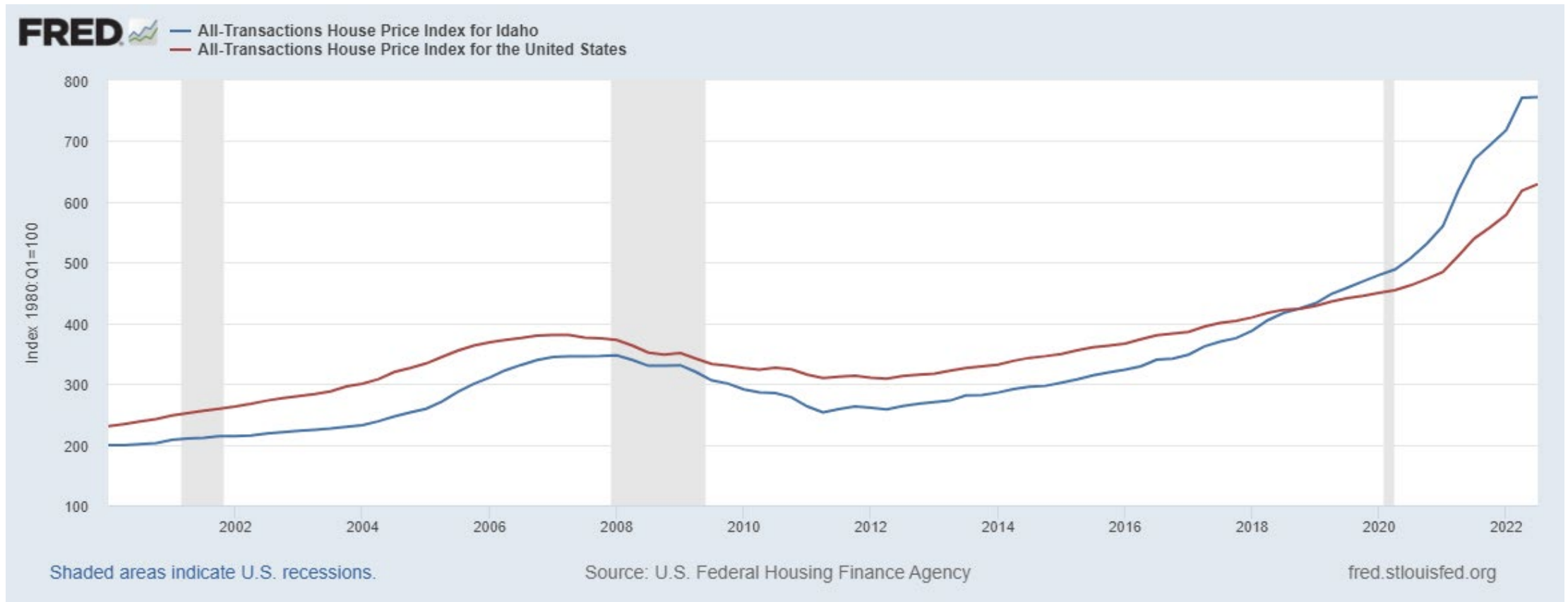
Inflation by quarter - Idaho vs U.S.



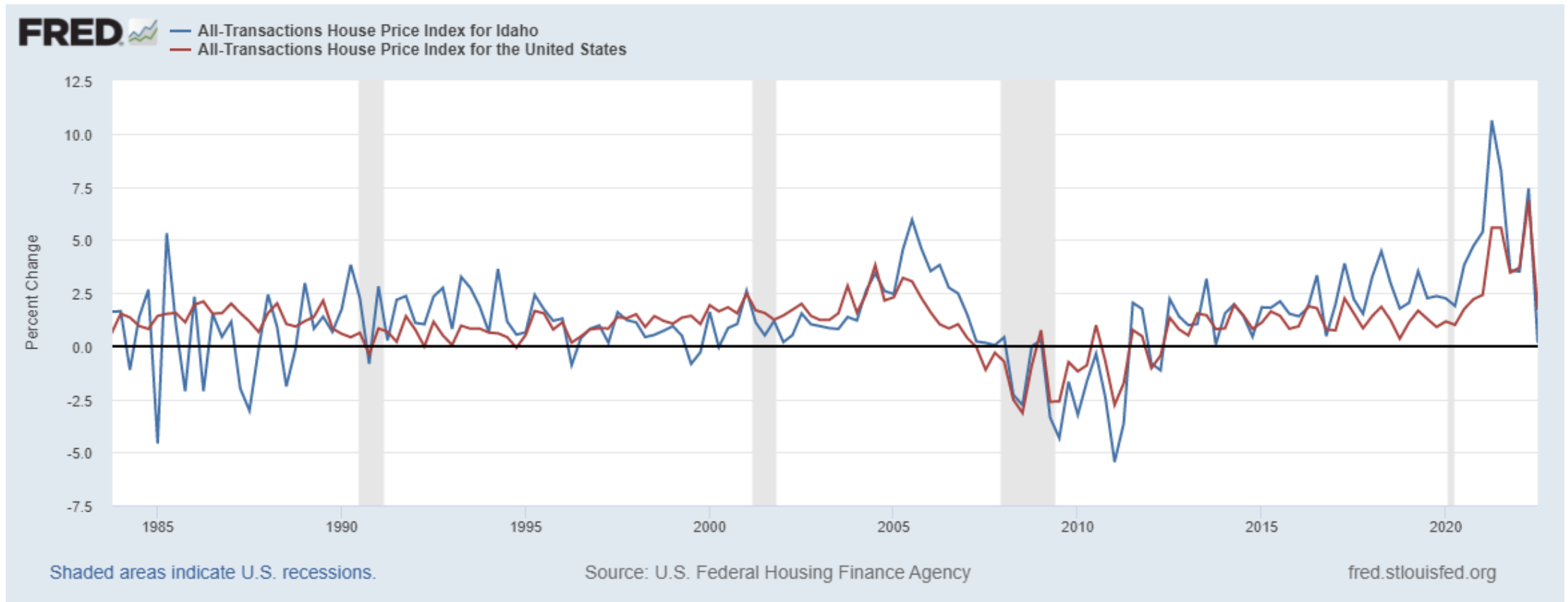
Average Quarterly Rate of Inflation

| | |
|--|---------------------------------------|
| <u>Idaho</u> 2005q1 – 2022q3 | <u>U.S.</u> 2005q1 – 2022q3 |
| 0.46% per quarter | 0.46% per quarter |
| <u>Idaho</u> 2020q1 – 2022q3 | <u>U.S.</u> 2020q1 – 2022q3 |
| 1.43% per quarter | 1.20% per quarter |

Housing makes up a large portion of the consumer price index.



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How will the national economy perform in the remainder of FY 2023 and FY 2024, and how will this affect Idaho?

- Macroeconomic variables tend to move together, but Idaho has shown relative outperformance across several key indicators, such as real gross state product and employment.



General Fund Revenue Forecast, FY2023 and FY2024

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| % Change | 18.64% | 9.54% | 9.25% | 14.46% | 7.15% |
| Cigarette tax | \$8.8 | \$22.4 | \$19.5 | \$21.8 | \$22.0 |
| Tobacco products | \$13.0 | \$17.4 | \$15.1 | \$16.9 | \$17.1 |
| Beer tax | \$2.2 | \$4.9 | \$4.2 | \$4.7 | \$4.8 |
| Wine tax | \$5.4 | \$7.0 | \$6.1 | \$6.8 | \$6.8 |
| Liquor surcharge | \$48.6 | \$27.4 | \$23.8 | \$26.6 | \$26.9 |
| Kilowatt-hour tax | \$2.0 | \$4.9 | \$4.2 | \$4.8 | \$4.8 |
| Mine license tax | \$0.0 | \$1.9 | \$1.7 | \$1.9 | \$1.9 |
| Product Taxes | \$80.0 | \$85.9 | \$74.6 | \$83.5 | \$84.3 |
| % Change | 18.15% | 7.38% | -13.12% | 11.97% | 0.88% |
| Interest earnings | \$1.9 | \$2.4 | \$1.4 | \$1.3 | \$1.2 |
| Court fees and fines | \$7.0 | \$17.4 | \$10.2 | \$9.1 | \$8.9 |
| Insurance premium tax | \$85.5 | \$163.8 | \$96.4 | \$85.9 | \$84.1 |
| Alcoholic beverage licenses | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 |
| UCC filings | \$6.0 | \$8.2 | \$4.8 | \$4.3 | \$4.2 |
| Unclaimed property | \$16.1 | \$22.4 | \$13.2 | \$11.7 | \$11.5 |
| Lands | \$0.1 | \$0.9 | \$0.5 | \$0.5 | \$0.5 |
| One-time transfers | \$0.0 | \$17.8 | \$10.5 | \$9.3 | \$9.1 |
| Estate tax | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 |
| Other depts & transfers | \$19.4 | \$41.7 | \$24.5 | \$21.9 | \$21.4 |
| Misc. Revenue | \$136.0 | \$274.5 | \$161.5 | \$144.0 | \$140.9 |
| % Change | 5.88% | 101.83% | -41.16% | -10.84% | -2.16% |
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Questions?

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THANK YOU!

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