

# **Revenue Update**

**February 12, 2009**

**JLBC**

## **Any Revenue Forecast Will Have Significant Constraints In Predicting the Next 18 Months**

- Current economic instability makes forecasting especially challenging.
- The impact of Federal stimulus is difficult to gauge.
- Current forecasts can indicate the direction of the economy, not its precise landing point.

**Source: January Budget Update**

# Why January Revenues Are Important

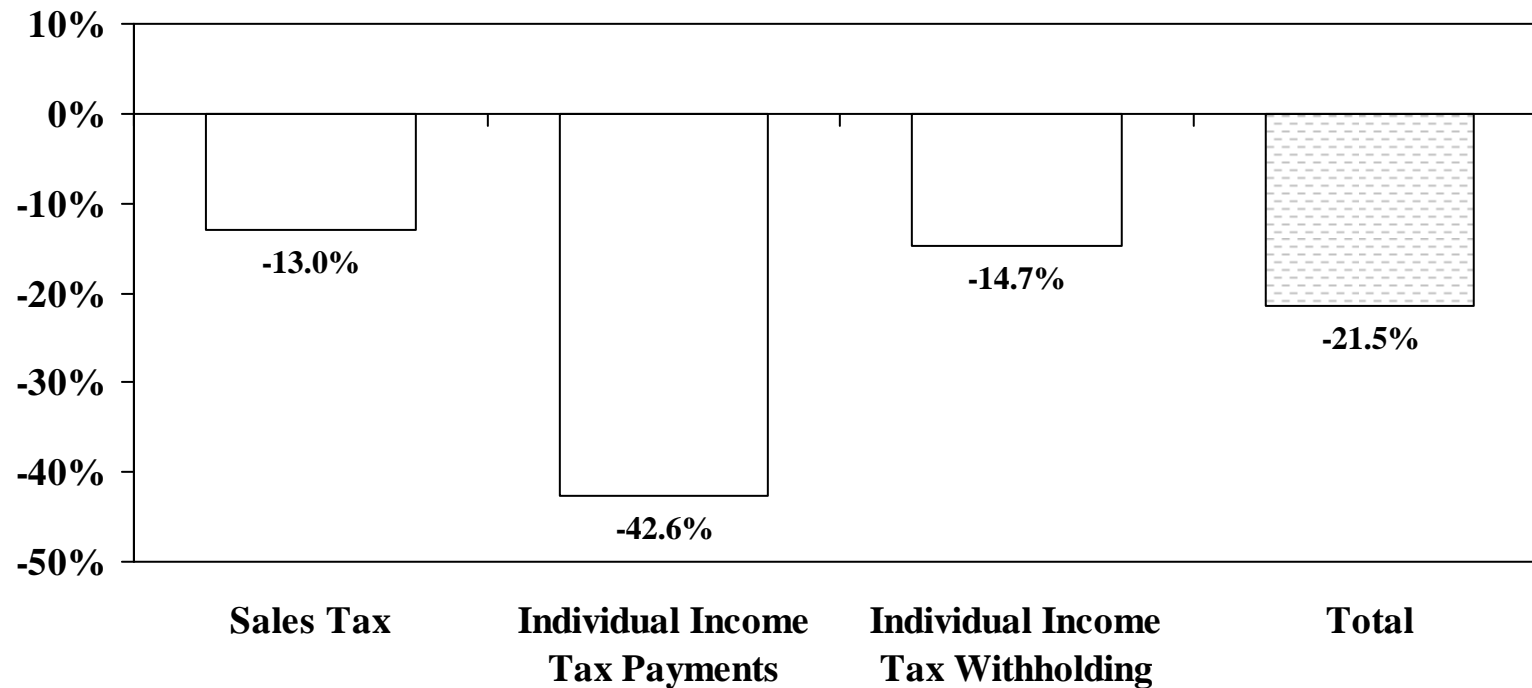
- Sales tax collections in January reflect holiday shopping season.
- Year-end bonuses are generally reflected in January withholding tax collections.
- Quarterly individual income tax payments are due.

# **January Results Significantly Worse Than Expected**

- While we need to re-evaluate revenue forecast, too early to be definitive – FAC in March.
- Could generate new shortfall beyond enacted revisions.

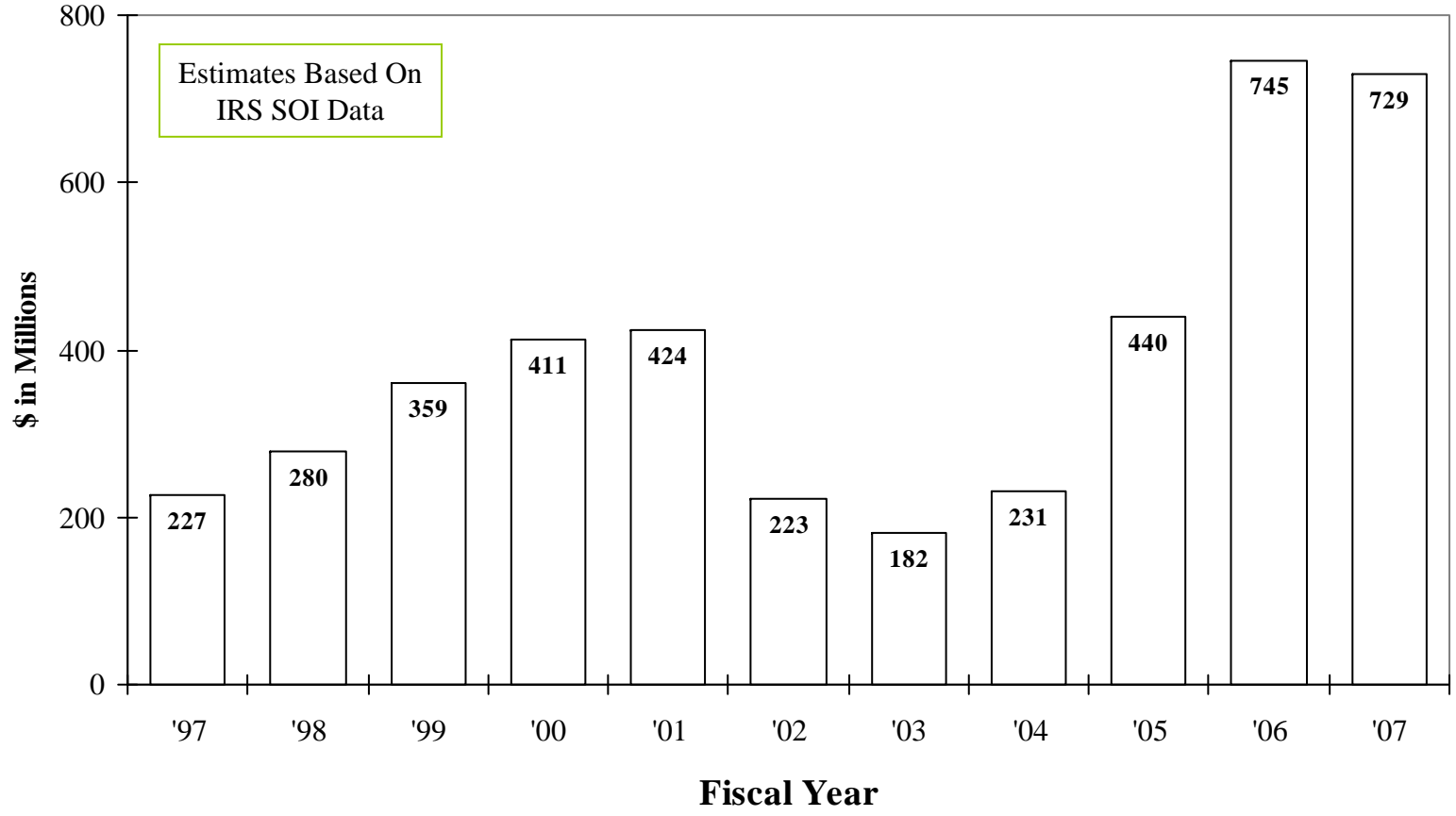
# January Revenues Are 21.5% Below FY '08

## Percent Change from Prior Year



Excludes URS and One-Time Revenues

# Potential Source of Individual Income Tax Payment Volatility – Capital Gains



**Estimated Amount of Individual Income Tax  
Attributable to Capital Gains**



## **Two Year January Decline is (35.9)%**

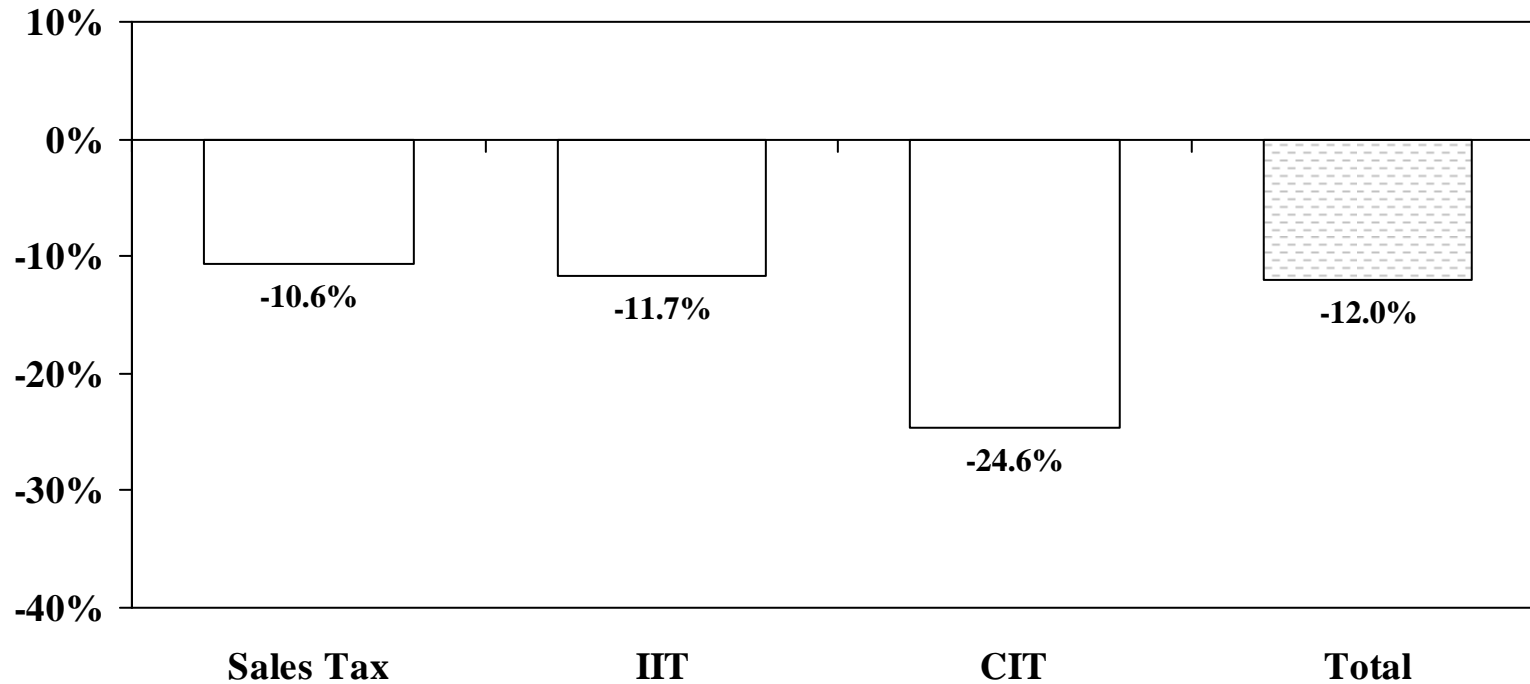
**- '09 Results Surprising Given “Low” '08 Base**

- January '08 below January '07 (14.4)%
- January '09 below January '08 (21.5)%

# January Year-To-Date Decline is (12)%

## Percent Change from Prior Year

- December Year-To-Date was (10.2)%

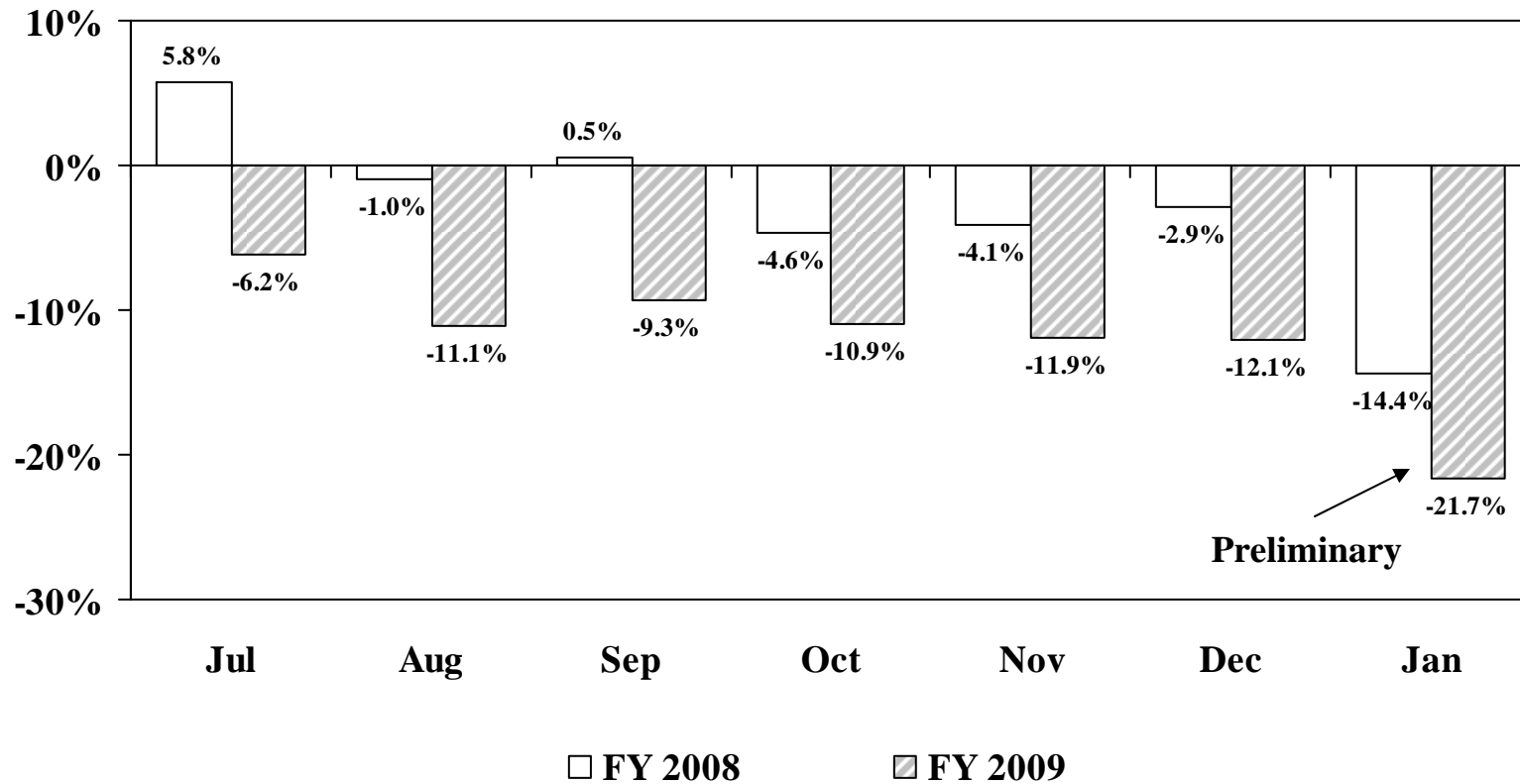


**Excludes URS and One-Time Revenues**  
**Includes Preliminary January Collections**



# Revenue Collections by Month

## Percent Change from Prior Year



Excludes URS and One-Time Revenues



## **Potential Revenue Shortfall Could Be As High As \$(425) M**

- \$(425) M is not the new forecasted shortfall.
- Represents higher end of potential problem for planning purposes.
- If revenue collections continue (12)% below '08, shortfall would be \$(250) M.
- If revenue declines by (14)%, shortfall would be \$(425) M.

# Unknowns

1. Sales tax – continued weakness in vehicle purchases and construction payments.
2. Individual income tax payments – does January predict April? – will not be clear until May.
3. Individual income tax withholding – growing job losses will reduce collections.

## Next Steps

- March – FAC meeting.
- April – Corporate quarterly payment.
- May – Results of April income tax payments and refunds available.
- June – Individual and corporate income tax quarterly payments.