

ECONOMIC UPDATE

MAG POPTAC
January 22, 2008





MAG Region

■ Quick Facts (2007)

- 3.9 million residents (60% of AZ)
 - 3.0% annual growth
- 1.9 million jobs (70%)
 - 6.0% annual growth
- \$76.5 billion payroll (73%)
- \$44,460 Avg salary (25% higher)



MAG Region

■ Activity/Revenue

- Housing Starts & Sales Activity: Slowed
- Employment Growth: Weak
- Housing Prices: Falling
 - High Point was June 2006
 - Down 10-12% across all price points
- Income Tax Collections: Flat
- Sales (Transaction Privil.) Tax: Down

Current Economic Conditions Have Had Widespread Impact on Revenue Collections

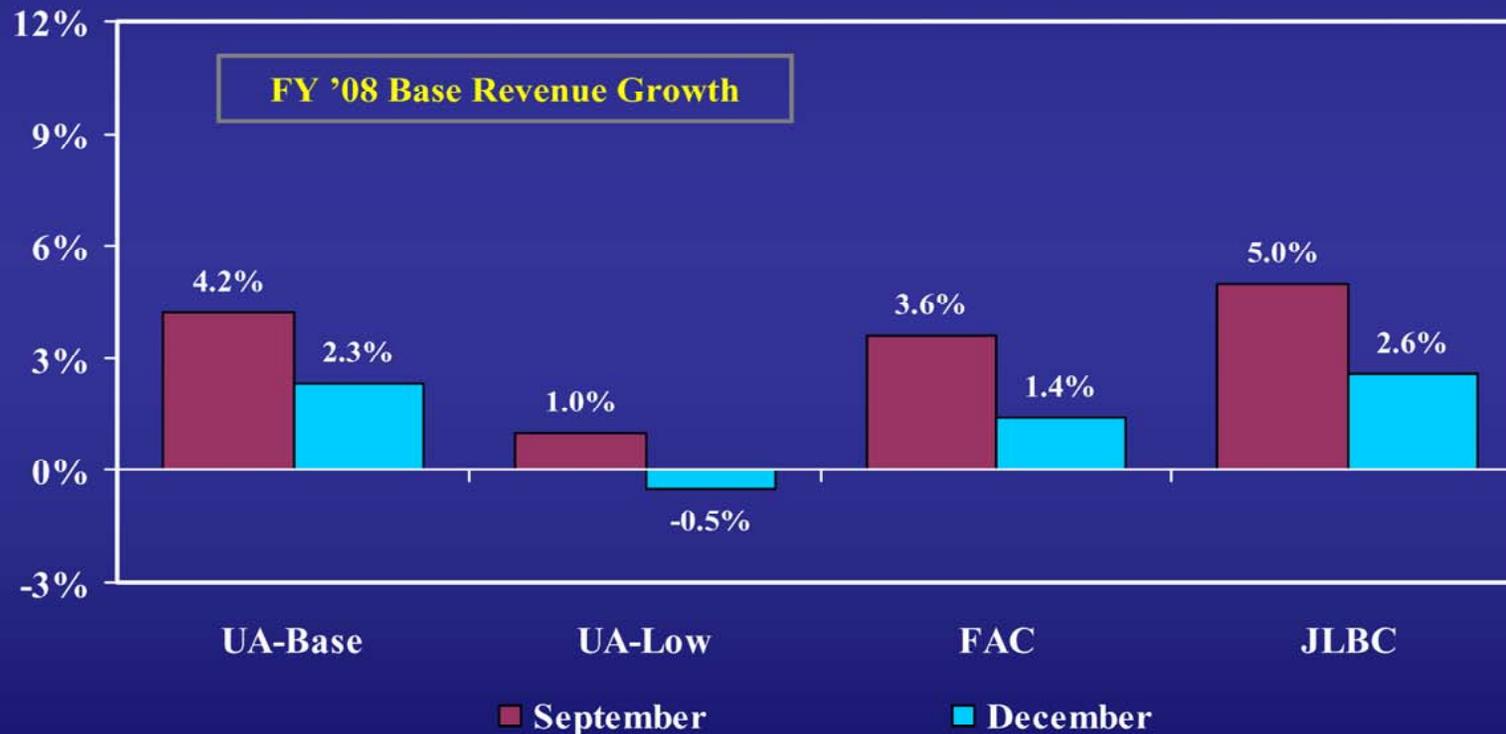
- Through December, collections are down (1.7)%.
- General Fund revenues are \$(440) million below forecast.

<u>Category</u>	<u>Year-to-Date % Growth</u>
Sales Tax	(0.3)%
Individual Income Tax	(0.8)%
Corporate Income Tax	(15.7)%
Total	(1.7)%

New FY '08 4-Sector Growth Forecast is 1.5%

- Compares to a Budgeted Rate of 8.4%

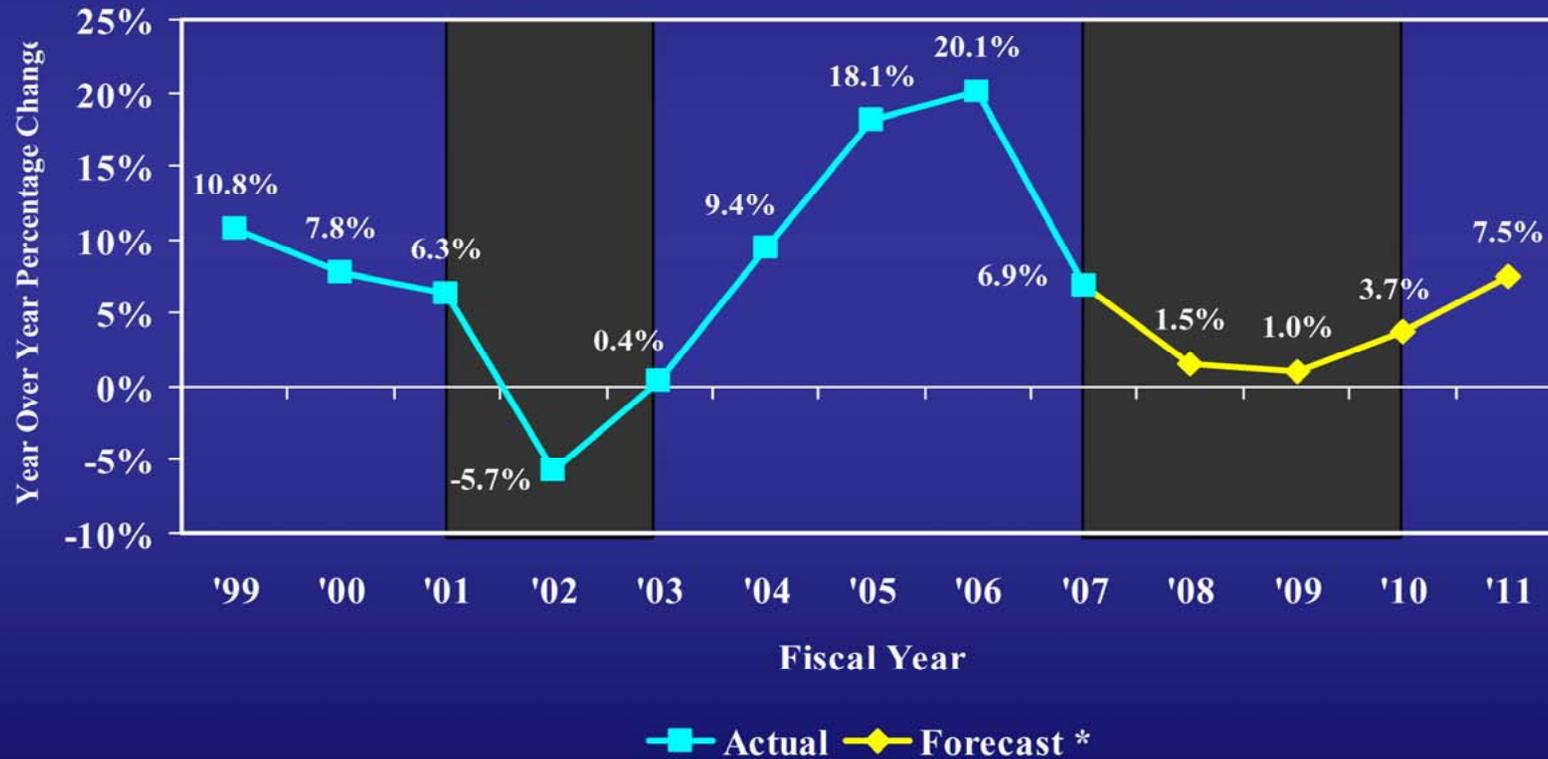
- After Adjusting for Tax Reductions, the 4-Sector Rate is (1.1)%



Weighted Big 3 Average
Prior to Tax Law Changes

Growth Remains Slow Until FY 2011

- September Forecast Had Similar "U" Shaped Curve



* 4-sector forecast weighted average growth.



State Shared Revenues

- **Urban Revenue Sharing**
 - \$684.5m in FY08
 - \$727.7m in FY09
- **Transaction Privilege Tax**
 - \$495.0m in FY08
 - In FY09, likely flat to drop slightly
- **Highway Users Revenue Fund**
 - \$382.1m in FY08
 - In FY09, up slightly but far from certain
- **Local Transportation Assist. Fund**
 - \$23m in FY08
 - \$23m in FY09



Fiscal Issues Widespread

- **State of Arizona**
 - \$850-970m shortfall in current fiscal year! (8% of budget)
 - FY09 estimated shortfall is \$1.7b – without any changes.
 - Other examples:
 - Calif. Shortfall \$14-15b, 13.4% of budget
 - NV \$300m, 8.5% of budget
 - FL \$1.4-2.4b, 4.5-7.8% of budget
- **Maricopa County and many Valley communities are projecting budget shortfalls**



Economic Outlook

- **Slowdown for certain....**
 - Expectations of 18 months to as much 4 years.
 - Slowed employment growth.
- **Housing Activity likely flat for another year**
- **Incomes rising slightly, affecting retail sales activity**
- **Widespread; few places better off than this region.**