

Arizona Department of Transportation

**ARIZONA HIGHWAY USER REVENUE FUND
Forecasting Process & Results
FY 2008-2017**



**Financial Management Services
September 2007**

ARIZONA HIGHWAY USER REVENUE FUND OFFICIAL FORECAST UPDATE RISK ANALYSIS OF EXPECTED VALUES

Introduction

This document presents the forecast of expected values for the Arizona Highway User Revenue Fund for the period FY 2008-2017, as prepared by the Arizona Department of Transportation.

Background

The State of Arizona taxes motor fuels and collects a variety of fees relating to the registration and operation of motor vehicles in the state. These collections include gasoline and use fuel taxes, motor carrier fees, vehicle license taxes, motor vehicle registration fees, and other miscellaneous fees. These revenues are deposited in the Arizona Highway User Revenue Fund (HURF) and are then distributed to the cities, towns and counties of the State and to the State Highway Fund, which is administered by the Department. These taxes and fees represent the primary source of revenues available to the state for highway construction, improvements and other related expenses.

Since 1986, the Department has estimated Highway Revenues for the State using a comprehensive regression-based econometric model. In 1989, the model was updated by Dr. Alberta Charney of the University of Arizona. The model relied on the estimates of certain “independent variables” to predict future tax revenues. The model’s revenue forecast was highly dependent on estimates of the independent variables. Any variability between estimated and actual values could lead to variances in the tax forecast. In order to deal with this variability, the Department introduced the Risk Analysis Process (RAP) in 1992. The RAP relies upon probability analysis and the independent evaluation of the model’s variables by an expert panel of economists. This results in a series of forecasts with specified probabilities of occurrence, rather than a single or “best guess” estimate.

In 1997, Hickling Lewis Brod Inc. (HLB), working in conjunction with Dr. Dennis Hoffman of Arizona State University, developed a new forecasting model to incorporate certain economic data generated over the past ten years and evaluate the inclusion of independent variables absent from the 1989 model, to enhance the model’s forecasting accuracy. HLB also eliminated independent variables that were either not significant to the model or were not readily available. The new model also took into consideration 1997 legislation which eliminated the weight distance tax on motor carriers, increased weight and use fees for use class vehicles, and changed the point of taxation on fuel. In September 2000 and 2003, HLB reviewed the model and updated the equations. The independent variables contained in the model in 2003 included Arizona Real Income Growth Per Capita, Population Growth, Wage & Salary Employment Growth and Fleet Fuel Efficiency.

In 2005, HDR\HLB developed a new forecasting model to incorporate additional economic data that would enhance the model’s forecasting accuracy. The Arizona Real Gross State Product independent variable was added to the model to incorporate the impact of the Arizona economy on the commercial registration activities. The independent variables contained in the updated model now include:

- Arizona real income growth per capita
- Arizona population growth
- Arizona wage & salary employment growth
- Arizona real gross state product
- Arizona fleet fuel efficiency

Risk Analysis Panel

The Risk Analysis Process relies heavily on the judgments of an expert panel of economic and financial participants to provide information critical to the forecasting process. In August 2007, a panel of twelve economic and finance experts representing public, private, and academic sectors submitted their individual estimates of the model's independent variables and comments on the future economic outlook.

The information gathered from the panelists was input into the model to produce a series of forecasts with associated probabilities of occurrence. The panelists' inputs are reflected in the attached tables at the back of this report.

Model Results

This year's panel inputs produced a mean forecast of \$18,605.1 million for the period FY 2008-2017 with a compound growth rate of 5.4 percent.

The Department's Official Forecast for FY 2008-2017 totals \$18,159.5 million with a compound growth rate of 5.1 percent. The Official Forecast incorporates the 50 percent confidence interval for each year of the forecast. The FY 2008 forecast of \$1,440.2 million was developed in July 2007 by ADOT staff using time-series techniques, historical and projected growth rates from the model, and recent legislative changes.

FY 2008 Official Forecast (Dollars in Millions)			
<u>Fiscal Year</u>	<u>Mean Forecast</u>	<u>Official Forecast</u>	<u>Confidence Level</u>
2008	\$1,450.1	\$1,440.2	N/A
2009	\$1,532.3	\$1,509.8	50%
2010	\$1,615.6	\$1,582.5	50%
2011	\$1,702.8	\$1,663.7	50%
2012	\$1,794.2	\$1,748.0	50%
2013	\$1,890.1	\$1,839.5	50%
2014	\$1,990.8	\$1,937.0	50%
2015	\$2,096.4	\$2,038.3	50%
2016	\$2,207.6	\$2,144.0	50%
2017	<u>\$2,325.1</u>	<u>\$2,256.5</u>	50%
Total	\$18,605.1	\$18,159.5	
Ave. CGR	5.4%	5.1%	

For comparison purposes, the November 2006 Official Forecast and the September 2007 Official Forecast are shown below:

FY 2008 Comparative Forecast (Dollars in Millions)			
Fiscal Year	Nov. 06 Official Forecast	Sep. 07 Official Forecast	<u>Difference</u>
2008	\$1,458.1	\$1,440.2	(\$17.9)
2009	\$1,533.2	\$1,509.8	(\$23.3)
2010	\$1,608.7	\$1,582.5	(\$26.2)
2011	\$1,687.5	\$1,663.7	(\$23.9)
2012	\$1,773.9	\$1,748.0	(\$25.8)
2013	\$1,865.8	\$1,839.5	(\$26.3)
2014	\$1,954.5	\$1,937.0	(\$17.5)
2015	\$2,048.9	\$2,038.3	(\$10.6)
2016	\$2,158.3	\$2,144.0	(\$14.3)
2017	<u>\$2,271.0</u>	<u>\$2,256.5</u>	<u>(\$14.5)</u>
Total	\$18,359.9	\$18,159.5	(\$200.4)
Ave. CGR	5.0%	5.1%	

Summary

The Department's Official Forecast for FY 2008-2017 totals \$18,159.5 million, a decrease of \$200.4 million from the November 2006 Official Forecast. The Risk Analysis Process panel members forecasted lower growth in Arizona Real Per Capita Personal Income and Arizona Wage and Salary Employment throughout the forecast period compared to their September 2006 inputs. The RAP panel members became concerned with the housing and credit markets in the short term. However, the panel does expect to see continued economic growth in Arizona, but in the short term, at a somewhat slower pace.

Supplementary Information

The remaining pages of this report present supplementary information on the detailed results of the Risk Analysis Process, the Department's model and the values of the independent variables forecast by the expert panel. While the Official Forecast period is FY 2008-2017, panel inputs were requested for FY 2008-2012, 2016, 2021 and 2026. Data displayed for other than the requested years, has been extrapolated.

HURF OFFICIAL REVENUE FORECAST
With Category Detail and Confidence Interval By Fiscal Year
(Current Dollars in Millions)

Fiscal Year Percentile	2007 Actual	2008 50%	2009 50%	2010 50%	2011 50%	2012 50%	2013 50%	2014 50%	2015 50%	2016 50%	2017 50%
Gasoline Tax	\$497.7	\$505.2	\$526.6	\$541.8	\$557.5	\$573.7	\$591.3	\$608.0	\$625.3	\$643.2	\$660.4
Use Fuel Tax	210.3	212.4	226.2	234.1	242.0	249.6	256.8	264.8	273.2	281.6	290.5
Motor Carrier Fee	45.2	48.1	47.7	50.4	53.2	56.5	59.9	63.6	67.3	71.2	75.4
Vehicle License Tax	393.5	422.2	460.2	496.6	540.6	585.9	636.9	693.2	752.2	814.6	882.5
Registration	177.8	189.4	184.9	192.3	199.9	208.4	217.0	226.3	235.6	245.1	255.4
Other	58.0	62.9	64.2	67.3	70.5	73.9	77.6	81.1	84.7	88.3	92.3
Total	\$1,382.5	\$1,440.2	\$1,509.8	\$1,582.5	\$1,663.7	\$1,748.0	\$1,839.5	\$1,937.0	\$2,038.3	\$2,144.0	\$2,256.5

HURF TOTAL TAX REVENUE RISK ANALYSIS RESULTS
(Current Dollars in Millions)

Fiscal Year	Mean	10%	20%	30%	40%	50%	60%	70%	80%	90%
2008	\$1,450.1	\$1,669.8	\$1,585.6	\$1,530.9	\$1,485.1	\$1,440.2	\$1,398.1	\$1,354.6	\$1,301.6	\$1,238.5
2009	1,532.3	1,864.9	1,733.1	1,646.4	1,576.6	1,509.8	1,448.1	1,385.2	1,311.2	1,225.7
2010	1,615.6	2,019.3	1,855.2	1,748.3	1,666.8	1,582.5	1,513.1	1,438.7	1,350.1	1,249.3
2011	1,702.8	2,153.8	1,971.4	1,849.4	1,756.8	1,663.7	1,587.1	1,503.2	1,406.3	1,293.8
2012	1,794.2	2,290.3	2,087.6	1,950.3	1,851.0	1,748.0	1,668.7	1,577.3	1,467.4	1,345.0
2013	1,890.1	2,427.0	2,204.5	2,060.0	1,952.2	1,839.5	1,752.4	592.5	1,534.8	1,403.1
2014	1,990.8	2,574.0	2,326.6	2,174.2	2,055.7	1,937.0	1,840.9	1,736.8	1,608.3	1,464.1
2015	2,096.4	2,718.0	2,465.0	2,291.4	2,163.6	2,038.3	1,935.7	1,826.0	1,684.9	1,533.4
2016	2,207.6	2,880.8	2,598.7	2,419.7	2,278.2	2,144.0	2,034.4	1,915.0	1,765.3	1,609.0
2017	2,325.1	3,038.2	2,747.7	2,550.5	2,398.2	2,256.5	2,139.2	2,002.3	1,854.7	1,680.8

HURF OFFICIAL REVENUE FORECAST DISTRIBUTION
(Current Dollars in Millions)

Fiscal Year	HURF	DPS/ ESP /1	Net HURF	DPS Parity Comp. Fund /2	ADOT 50.5% /3	Cities/Towns 27.5%	Cities +300K 3%	Counties 19%
2008	\$1,440.2	\$18.5	\$1,421.7	(\$3.2)	\$714.8	\$391.0	\$42.7	\$270.1
2009	1,509.8	11.0	1,498.8	(3.5)	753.4	412.2	45.0	284.8
2010	1,582.5	11.0	1,571.5	(3.8)	789.8	432.2	47.1	298.6
2011	1,663.7	11.0	1,652.7	(4.1)	830.5	454.5	49.6	314.0
2012	1,748.0	11.0	1,737.0	(4.5)	872.7	477.7	52.1	330.0
2013	1,839.5	11.0	1,828.5	(4.9)	918.5	502.8	54.9	347.4
2014	1,937.0	11.0	1,926.0	(5.3)	967.4	529.7	57.8	365.9
2015	2,038.3	11.0	2,027.3	(5.7)	1,018.0	557.5	60.8	385.2
2016	2,144.0	11.0	2,133.0	(6.2)	1,070.9	586.6	64.0	405.3
2017	2,256.5	11.0	2,245.5	(6.7)	1,127.3	617.5	67.4	426.7
Total	\$18,159.5	\$117.5	\$18,042.0	(\$47.9)	\$9,063.3	\$4,961.6	\$541.3	\$3,428.0

NOTES:

FY 2008 HURF estimate based on July 2007 Forecast.

FY 2009-2017 HURF estimate based on September 2007 Official Forecast.

/1. The DPS/ESP includes \$1 million for Economic Strength Project (ESP) each year.

The DPS transfers are assumed at \$10 million each year, but are subject to change.

FY 2008 includes a \$150,000 appropriation to ADOA for a statewide highway hazards assessment study and \$617,000 appropriation (includes ERE) to MVD for the registration compliance program and third party program per Laws 2007, Chapter 255 (HB 2781).

FY 2008 also includes a \$6.7 million appropriation to ADOT/MVD for two new customer service centers and one multipurpose facility per Laws 2007, Chapter 257 (HB 2783).

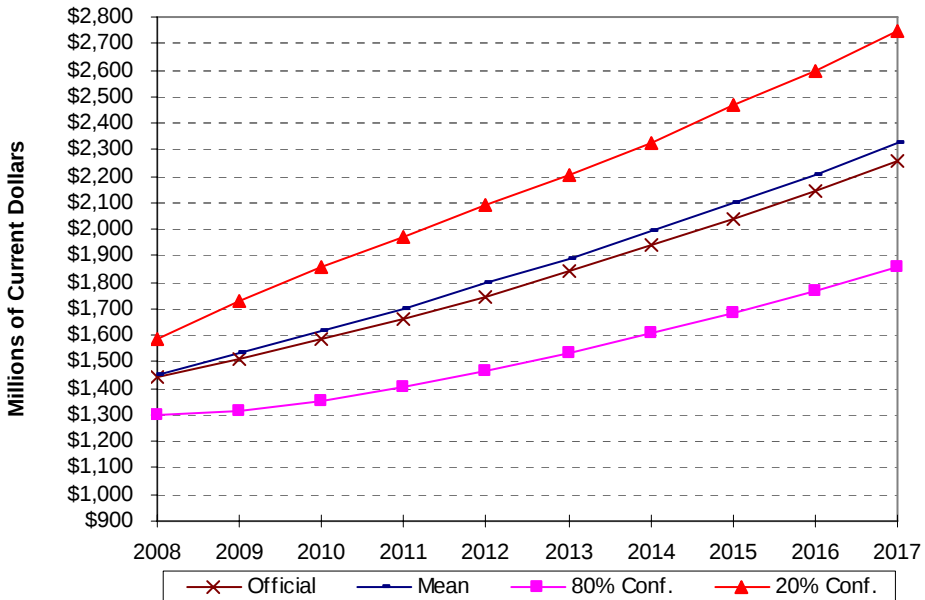
/2. Per Laws 2005, Chapter 306 (SB 1119), 1.51 percent of the state highway fund share of HURF VLT is transferred to the DPS Parity Compensation Fund.

/3 Net of the DPS Parity Compensation Fund.

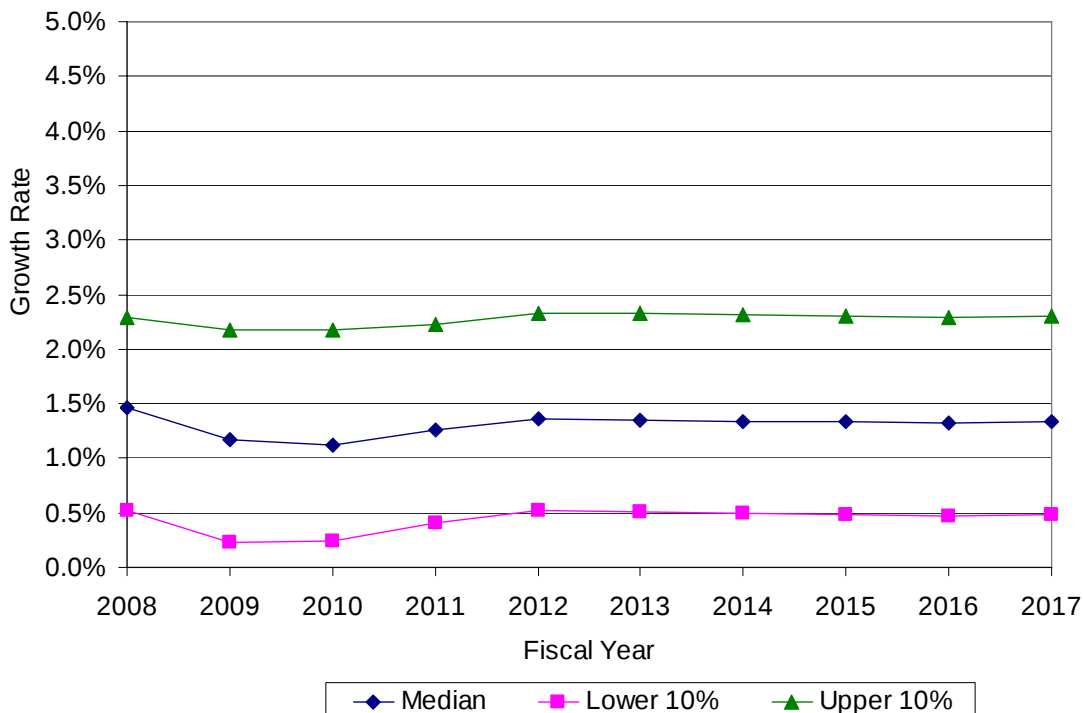
OFFICIAL FORECAST RESULTS

(Current Dollars in Millions)

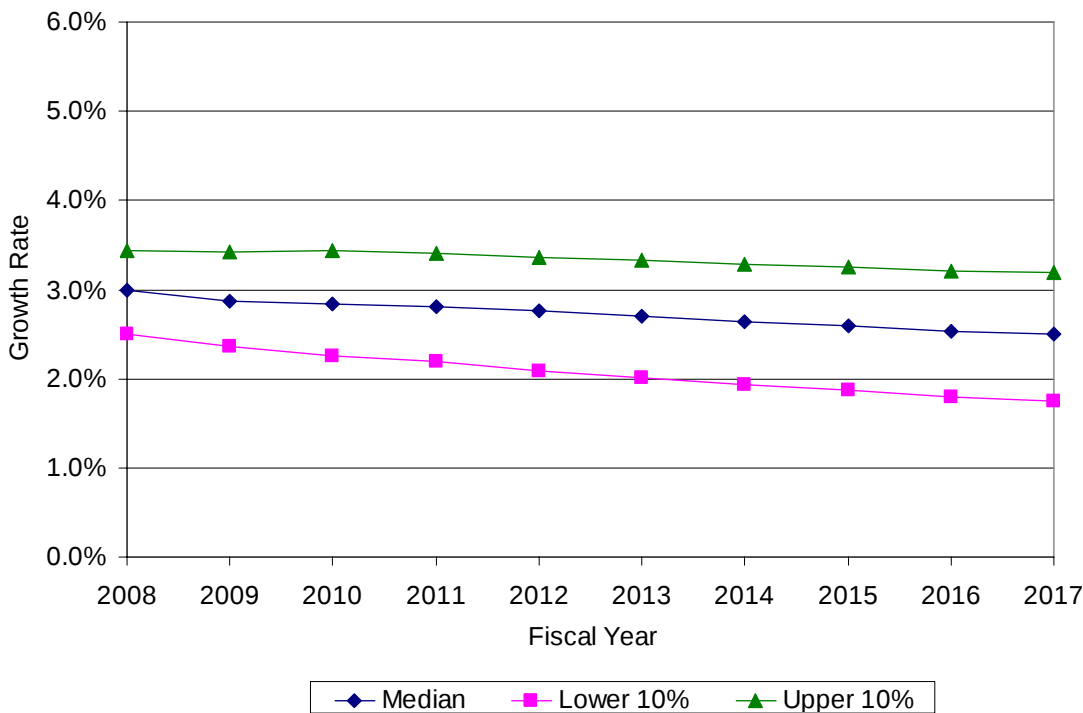
Fiscal Year	Official Forecast	Mean Forecast	80% Conf. Interval	20% Conf. Interval
2008	\$1,440.2	\$1,450.1	\$1,301.6	\$1,585.6
2009	1,509.8	1,532.3	1,311.2	1,733.1
2010	1,582.5	1,615.6	1,350.1	1,855.2
2011	1,663.7	1,702.8	1,406.3	1,971.4
2012	1,748.0	1,794.2	1,467.4	2,087.6
2013	1,839.5	1,890.1	1,534.8	2,204.5
2014	1,937.0	1,990.8	1,608.3	2,326.6
2015	2,038.3	2,096.4	1,684.9	2,465.0
2016	2,144.0	2,207.6	1,765.3	2,598.7
2017	2,256.5	2,325.1	1,854.7	2,747.7
Total	\$18,159.5	\$18,605.1	\$15,284.6	\$21,575.5



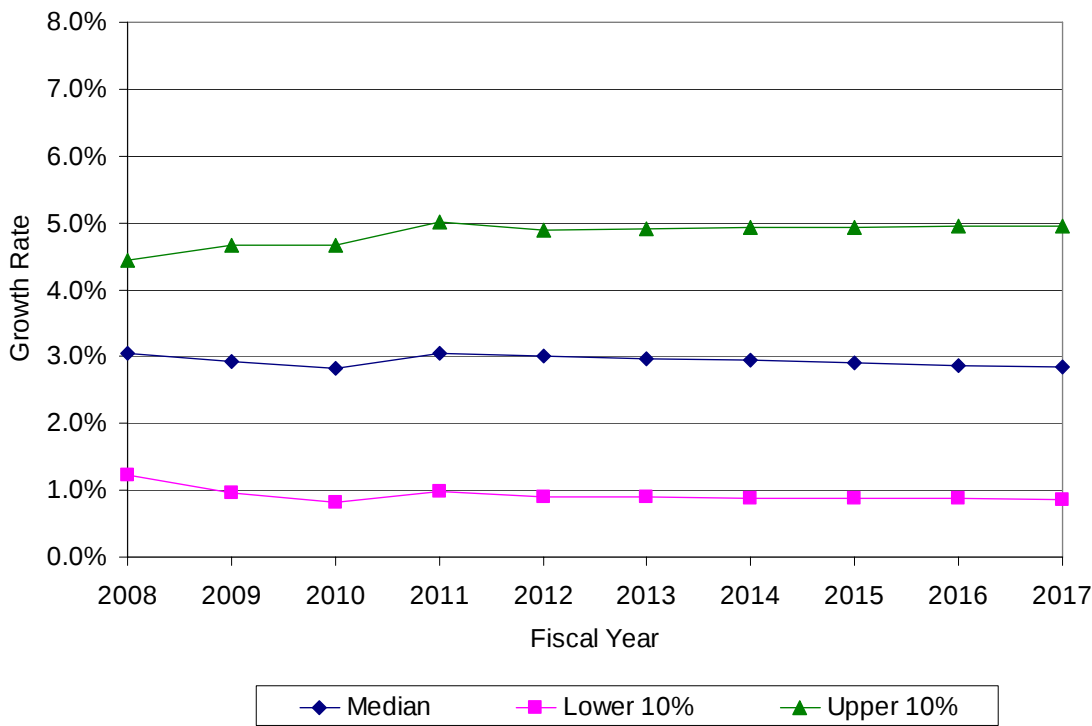
ARIZONA REAL INCOME PER CAPITA



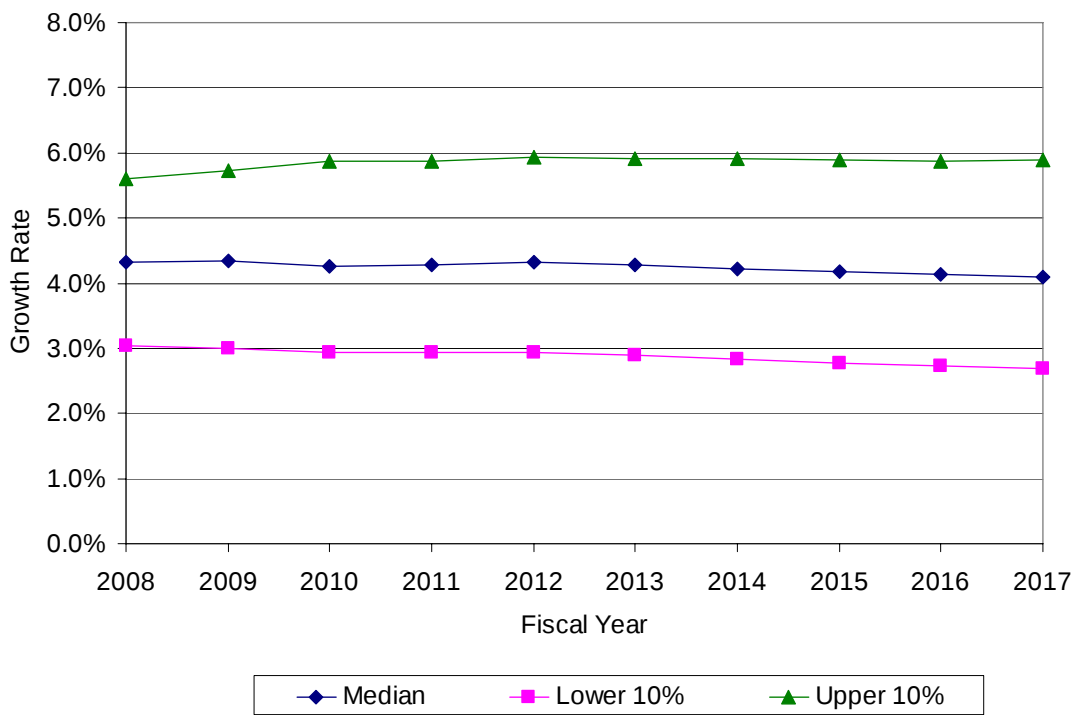
ARIZONA POPULATION GROWTH



ARIZONA WAGE & SALARY EMPLOYMENT



ARIZONA GROSS DOMESTIC PRODUCT



PANELIST MEAN DATA VALUES

	Income Growth	Population Growth	Wage & Salary Employ. Growth	AZ GDP Growth
FY 2008				
Upper 10%	2.29	3.44	4.45	5.59
Lower 10%	0.52	2.50	1.24	3.04
Median	1.46	2.99	3.04	4.33
FY 2009				
Upper 10%	2.18	3.43	4.66	5.72
Lower 10%	0.23	2.37	0.96	3.00
Median	1.17	2.88	2.93	4.34
FY 2010				
Upper 10%	2.18	3.43	4.67	5.88
Lower 10%	0.25	2.25	0.82	2.93
Median	1.12	2.83	2.83	4.26
FY 2011				
Upper 10%	2.22	3.41	5.01	5.86
Lower 10%	0.40	2.19	0.98	2.94
Median	1.26	2.81	3.04	4.29
FY 2012				
Upper 10%	2.33	3.37	4.90	5.93
Lower 10%	0.52	2.08	0.90	2.94
Median	1.36	2.76	3.01	4.32
FY 2016				
Upper 10%	2.30	3.21	4.95	5.88
Lower 10%	0.47	1.79	0.87	2.73
Median	1.33	2.53	2.87	4.14
FY 2021				
Upper 10%	2.31	3.08	4.93	5.92
Lower 10%	0.50	1.57	0.81	2.51
Median	1.35	2.34	2.76	3.93
FY 2026				
Upper 10%	2.35	3.00	4.95	6.29
Lower 10%	0.42	1.45	0.71	2.15
Median	1.35	2.22	2.66	3.90

All data in the above table are percentage growth rates.

ARIZONA REAL PER CAPITA INCOME GROWTH

	2008	2009	2010	2011	2012	2016	2021	2026
Panelist 1								
Upper 10%	1.80	1.80	1.80	1.80	1.80	1.80	1.80	1.80
Lower 10%	0.40	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Median	1.40	1.20	1.20	1.20	1.20	1.20	1.20	1.20
Panelist 2								
Upper 10%	1.80	1.50	1.50	1.30	1.80	2.20	2.02	2.30
Lower 10%	-0.51	-0.90	0.00	0.34	0.34	0.11	0.38	0.06
Median	1.20	1.00	0.90	0.90	1.10	1.00	1.00	1.00
Panelist 3								
Upper 10%	2.00	2.50	3.00	3.00	3.00	2.80	2.50	2.50
Lower 10%	0.30	0.54	0.75	1.00	1.00	1.00	0.80	0.80
Median	1.00	1.50	1.80	2.00	1.90	1.80	1.70	1.70
Panelist 4								
Upper 10%	2.96	2.80	2.90	3.00	2.80	2.50	3.00	3.20
Lower 10%	0.90	0.70	0.50	0.50	0.50	0.30	0.30	0.20
Median	2.00	1.90	1.90	1.80	1.80	1.50	1.60	1.60
Panelist 5								
Upper 10%	2.96	2.96	2.96	2.96	2.96	2.96	2.96	2.96
Lower 10%	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Median	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10
Panelist 6								
Upper 10%	2.60	2.50	2.40					
Lower 10%	0.80	0.70	0.60					
Median	1.70	1.60	1.50					
Panelist 7								
Upper 10%	2.00	1.90	1.70	1.70	1.70	1.50	1.80	1.90
Lower 10%	1.60	1.50	1.30	1.30	1.30	1.10	1.40	1.50
Median	1.80	1.70	1.50	1.50	1.50	1.30	1.60	1.70
Panelist 8								
Upper 10%	1.90	2.40	2.80	2.80	2.80	2.80	2.60	2.50
Lower 10%	0.20	0.50	0.90	0.90	0.90	0.60	0.50	0.00
Median	1.50	1.60	1.60	1.60	1.60	1.60	1.60	1.50
Panelist 9								
Upper 10%	2.00	1.00	1.00	1.00	1.50	1.50	1.50	1.50
Lower 10%	-0.50	-2.00	-2.00	-1.00	0.00	0.50	0.50	0.50
Median	1.00	-1.70	-1.00	-0.50	0.10	0.60	0.50	0.50
Panelist 10								
Upper 10%	2.50	2.00	1.50	2.50	3.00	3.00	3.00	3.00
Lower 10%	1.00	0.00	-0.50	0.50	1.00	1.00	1.00	1.00
Median	1.40	0.90	0.00	1.40	1.90	1.90	1.90	1.90
Panelist 11								
Upper 10%	2.10	2.00	1.90	1.80	1.80	1.80	1.80	1.80
Lower 10%	1.00	0.80	0.60	0.20	0.10	0.10	0.10	0.10
Median	1.70	1.60	1.40	1.40	1.40	1.40	1.40	1.40
Panelist 12								
Upper 10%	2.90	2.80	2.66	2.60	2.50	2.40	2.40	2.40
Lower 10%	0.50	0.40	0.30	0.20	0.10	0.00	0.00	0.00
Median	1.70	1.60	1.50	1.40	1.30	1.20	1.20	1.20

All data in the above table are percentage growth rates.

ARIZONA POPULATION GROWTH

	2008	2009	2010	2011	2012	2016	2021	2026
Panelist 1								
Upper 10%	4.00	3.80	3.80	3.80	3.80	3.80	3.50	3.50
Lower 10%	2.50	2.50	2.50	2.50	2.50	2.00	2.00	2.00
Median	3.00	3.10	3.00	3.00	3.00	3.00	3.00	3.00
Panelist 2								
Upper 10%	3.28	3.16	3.15	3.15	3.00	2.95	3.00	3.00
Lower 10%	2.72	2.56	2.40	2.30	2.00	1.40	1.00	1.00
Median	3.00	2.90	2.86	2.75	2.66	2.20	1.90	1.60
Panelist 3								
Upper 10%	3.20	3.30	3.40	3.30	3.30	3.00	2.90	2.90
Lower 10%	2.00	2.00	2.20	2.20	2.00	2.00	2.00	2.00
Median	2.80	2.80	3.00	3.00	3.00	2.80	2.75	2.75
Panelist 4								
Upper 10%	3.40	3.50	3.60	3.60	3.60	3.20	3.00	2.80
Lower 10%	2.70	2.50	2.50	2.40	2.30	1.80	1.50	1.30
Median	3.10	3.00	3.10	3.00	2.90	2.50	2.20	2.00
Panelist 5								
Upper 10%	3.30	3.50	3.50	3.50	3.50	3.50	3.50	3.50
Lower 10%	2.20	1.95	1.70	1.45	1.20	0.95	0.70	0.45
Median	3.00	2.80	2.75	2.70	2.65	3.60	2.55	2.50
Panelist 6								
Upper 10%	3.40	3.50	3.60	3.50	3.30	3.30	3.20	3.20
Lower 10%	2.50	2.20	2.10	2.10	2.00	1.80	1.70	1.30
Median	2.90	2.80	2.70	2.70	2.60	2.40	2.20	2.10
Panelist 7								
Upper 10%	3.20	3.10	3.00	2.90	2.80	2.40	2.10	1.80
Lower 10%	2.80	2.70	2.60	2.50	2.40	2.00	1.70	1.40
Median	3.00	2.90	2.80	2.70	2.60	2.20	1.90	1.60
Panelist 8								
Upper 10%	3.50	3.50	3.70	3.70	3.70	3.50	3.20	3.20
Lower 10%	2.70	2.80	2.70	2.50	2.50	2.00	1.50	1.50
Median	3.10	3.10	3.20	3.20	3.20	3.00	2.50	2.50
Panelist 9								
Upper 10%	3.50	3.50	3.25	3.25	3.25	3.25	3.25	3.25
Lower 10%	2.50	2.50	1.90	1.90	1.90	1.90	1.90	1.90
Median	2.90	2.70	2.40	2.20	2.20	2.20	2.20	2.20
Panelist 10								
Upper 10%	3.67	3.47	3.37	3.27	3.17	2.95	2.76	2.63
Lower 10%	2.50	2.00	1.70	1.70	1.70	1.45	1.04	1.00
Median	3.20	2.70	2.50	2.70	2.50	2.00	1.70	1.50
Panelist 11								
Upper 10%	3.10	3.20	3.20	3.30	3.50	3.50	3.50	3.50
Lower 10%	2.60	2.50	2.50	2.50	2.40	2.40	2.40	2.40
Median	2.90	2.80	2.80	2.90	3.00	3.00	3.00	3.00
Panelist 12								
Upper 10%	3.69	3.59	3.60	3.60	3.50	3.20	3.00	2.70
Lower 10%	2.31	2.31	2.20	2.20	2.10	1.80	1.40	1.10
Median	3.00	2.90	2.90	2.90	2.80	2.50	2.20	1.90

All data in the above table are percentage growth rates.

ARIZONA WAGE & SALARY EMPLOYMENT GROWTH

	2008	2009	2010	2011	2012	2016	2021	2026
Panelist 1								
Upper 10%	5.70	5.50	5.50	5.50	5.50	5.50	5.50	5.50
Lower 10%	1.50	1.20	1.20	1.20	1.20	1.00	1.00	1.00
Median	3.60	3.50	3.50	3.50	3.50	3.50	3.50	3.50
Panelist 2								
Upper 10%	4.10	3.80	3.80	4.10	4.20	4.60	4.60	4.60
Lower 10%	1.00	0.70	0.70	1.50	1.50	1.60	1.60	1.50
Median	3.40	3.00	3.00	2.90	2.90	2.70	2.50	2.50
Panelist 3								
Upper 10%	3.00	4.00	4.00	4.50	4.00	4.00	4.00	4.00
Lower 10%	0.50	1.00	1.00	1.50	1.50	1.25	1.25	1.25
Median	2.40	2.90	2.90	3.30	2.80	2.75	2.50	2.50
Panelist 4								
Upper 10%	4.80	5.20	5.50	5.50	5.50	5.60	5.40	5.20
Lower 10%	1.00	0.80	0.60	0.50	0.50	0.30	0.00	0.00
Median	3.00	3.00	3.20	3.10	3.00	2.90	2.70	2.50
Panelist 5								
Upper 10%	5.00	5.50	5.50	5.50	5.50	5.50	5.50	5.50
Lower 10%	0.62	0.42	0.22	0.12	0.12	0.00	0.00	0.00
Median	3.00	2.90	2.80	2.70	2.60	2.50	2.40	2.30
Panelist 6								
Upper 10%	4.90	5.00	5.10	5.30	5.50	5.80	6.00	7.00
Lower 10%	2.50	2.30	1.80	1.40	1.20	0.80	0.60	0.00
Median	3.80	3.50	3.30	3.20	3.10	2.90	2.80	2.70
Panelist 7								
Upper 10%	4.00	4.00	4.00	3.90	3.90	3.70	3.50	3.50
Lower 10%	2.00	2.00	2.00	1.90	1.90	1.70	1.50	1.50
Median	3.00	3.00	3.00	2.90	2.90	2.70	2.50	2.50
Panelist 8								
Upper 10%	3.00	5.50	5.50	5.50	5.50	5.50	5.50	5.50
Lower 10%	0.50	1.00	1.00	0.50	0.00	-0.50	-0.50	-0.50
Median	2.10	3.40	3.50	3.50	3.30	2.50	2.50	2.50
Panelist 9								
Upper 10%	3.00	3.25	3.50	4.00	4.00	4.00	4.00	3.50
Lower 10%	-0.50	-1.00	-0.80	0.00	0.00	0.50	0.50	0.00
Median	2.10	1.00	1.20	2.00	2.70	3.00	3.00	2.50
Panelist 10								
Upper 10%	4.50	3.00	2.50		4.00	4.00	4.00	4.00
Lower 10%	2.50	0.50	0.00			2.00	2.00	2.00
Median	3.30	2.70	1.20	3.00	2.90	2.84	2.70	2.60
Panelist 11								
Upper 10%	5.40	5.40	5.40	5.60	5.60	5.60	5.60	5.60
Lower 10%	2.80	2.40	2.00	2.00	2.00	1.80	1.80	1.80
Median	3.60	3.30	3.40	3.50	3.50	3.30	3.30	3.30
Panelist 12								
Upper 10%	6.00	5.80	5.70	5.70	5.60	5.60	5.50	5.50
Lower 10%	0.40	0.20	0.10	0.10	0.00	0.00	0.00	0.00
Median	3.20	3.00	2.90	2.90	2.90	2.80	2.70	2.50

All data in the above table are percentage growth rates.

ARIZONA GROSS STATE PRODUCT GROWTH

	2008	2009	2010	2011	2012	2016	2021	2026
Panelist 1								
Upper 10%	6.00	5.80	5.80	5.80	5.80	5.80	5.80	5.80
Lower 10%	3.20	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Median	4.80	4.50	4.50	4.50	4.40	4.40	4.40	4.40
Panelist 2								
Upper 10%	6.20	6.80	7.20	6.90	6.90	6.20	6.20	6.10
Lower 10%	3.76	3.93	3.96	6.64	3.50	3.10	2.90	2.80
Median	4.60	5.00	5.10	4.90	4.60	4.40	4.30	4.40
Panelist 3								
Upper 10%	5.00		6.54	6.34	6.04	5.90	5.85	6.89
Lower 10%	2.50	3.00	3.50	3.46	3.16	2.50	2.50	2.50
Median	3.50	4.50	4.00	5.00	4.80	4.50	4.30	4.40
Panelist 4								
Upper 10%	5.60	6.00	6.54	6.50	6.30	6.00	6.00	6.00
Lower 10%	3.50	3.50	3.50	3.46	3.30	3.00	2.50	1.50
Median	4.80	5.20	5.00	5.00	4.80	4.50	4.40	4.40
Panelist 5								
Upper 10%	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00
Lower 10%	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50
Median	4.50	4.25	4.00	3.75	3.50	3.25	3.00	2.75
Panelist 6								
Upper 10%	5.80	5.90	6.00	6.00	6.20	7.00	8.00	9.00
Lower 10%	3.00	2.80	2.60	2.40	2.20	2.00	1.80	1.20
Median	4.60	4.80	4.70	4.60	4.50	4.30	4.20	4.10
Panelist 7								
Upper 10%	5.50	6.00	6.10	5.90	5.60	5.40	5.30	5.40
Lower 10%	3.50	4.00	4.10	3.90	3.60	3.40	3.30	3.40
Median	4.50	5.00	5.10	4.90	4.60	4.40	4.30	4.40
Panelist 8								
Upper 10%	6.00	6.50	6.54	6.50	6.30	6.50	6.50	6.50
Lower 10%	3.00	3.50	3.50	3.46	3.16	3.00	2.75	1.60
Median	4.60	5.00	5.00	5.00	4.80	4.60	4.40	4.40
Panelist 9								
Upper 10%	3.50	3.50	4.00	4.00	4.00	4.00	3.75	3.50
Lower 10%	2.00	1.00	1.00	1.50	2.00	2.00	1.50	1.50
Median	2.50	1.90	1.60	2.00	2.50	2.60	1.90	1.50
Panelist 10								
Upper 10%	5.50	4.50	4.00	4.50	6.04	5.50	5.50	5.50
Lower 10%	3.00	2.50	1.50	2.00	3.50	3.00	2.50	2.50
Median	4.50	3.00	2.50	3.50	5.00	4.50	4.00	4.00
Panelist 11								
Upper 10%	5.20	5.00	5.00	5.20	5.40	5.60	5.60	5.60
Lower 10%	3.50	3.20	3.00	3.00	2.80	2.80	2.80	2.80
Median	4.60	4.40	4.20	4.00	4.20	4.20	4.20	4.20
Panelist 12								
Upper 10%	5.80	5.90	5.80	5.70	5.60	5.60	5.50	7.60
Lower 10%	3.00	3.10	3.00	2.90	2.60	2.40	2.10	1.00
Median	4.40	4.50	4.40	4.30	4.10	4.00	3.80	3.80

All data in the above table are percentage growth rates.

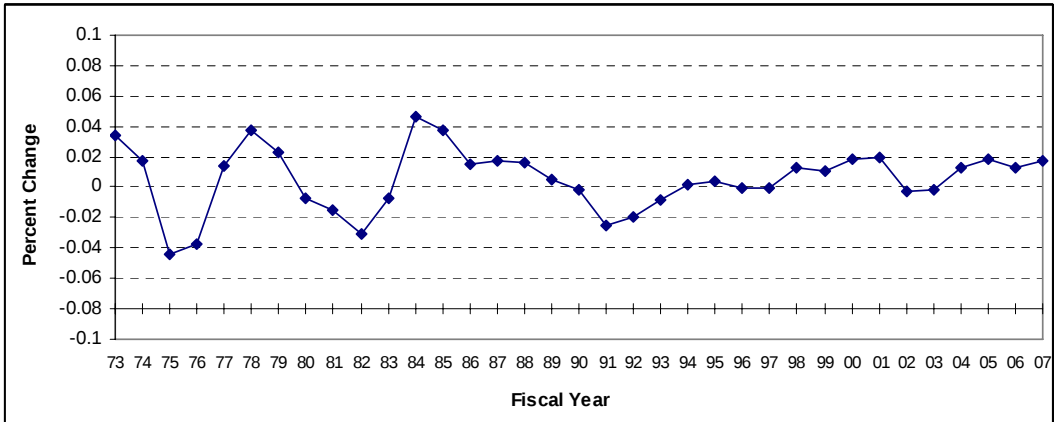
HISTORICAL DATA **ARIZONA REAL PER CAPITA INCOME GROWTH** **Using Phoenix CPI to Measure Inflation** **(Annual Percent Change)**

HISTORICAL DATA BY FISCAL YEAR (July 1 through June 30)

1960	1970	1980	-0.7%	1990	-0.2%	2000	1.8%
1961	1971	1981	-1.6%	1991	-2.5%	2001	1.9%
1962	1972	1982	-3.1%	1992	-1.9%	2002	-0.3%
1963	1973	1983	-0.7%	1993	-0.9%	2003	-0.2%
1964	1974	1984	4.6%	1994	0.1%	2004	1.3%
1965	1975	1985	3.8%	1995	0.4%	2005	1.8%
1966	1976	1986	1.5%	1996	0.0%	2006	1.3%
1967	1977	1987	1.7%	1997	-0.1%	2007 *	1.7%
1968	1978	1988	1.6%	1998	1.3%	2008	
1969	1979	1989	0.5%	1999	1.1%	2009	

* Estimate

HISTORICAL DATA - GRAPHED



HISTORICAL DATA - ANALYSIS

Period	Historical		Mean	Std. Dev.	80% Range	
	Min.	Max.			Lower	Upper
5 Years	-0.2%	1.8%	1.2%	0.8%	0.4%	1.8%
10 Years	-0.3%	1.9%	1.2%	0.8%	-0.2%	1.8%
Full Period	-4.5%	4.6%	0.5%	2.1%	-2.3%	3.0%

HISTORICAL DATA ARIZONA POPULATION GROWTH (Annual Percent Change)

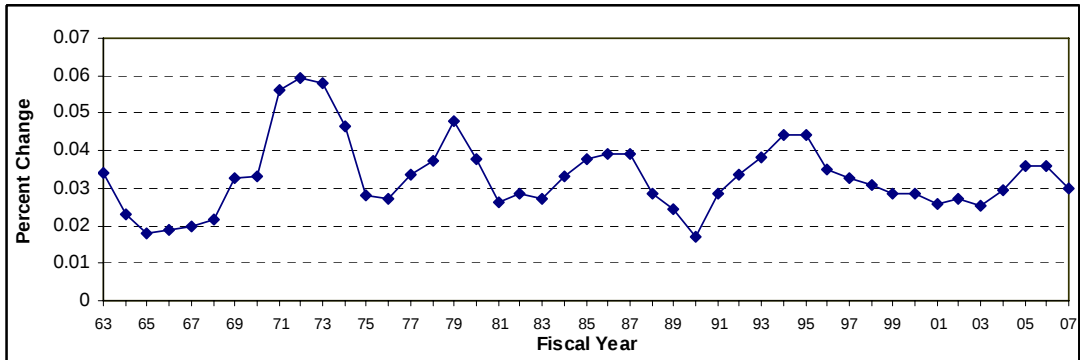
HISTORICAL DATA BY FISCAL YEAR (July 1 through June 30)

1960		1970	3.3%	1980	3.8%	1990	1.7%	2000	2.8%
1961		1971	5.6%	1981	2.6%	1991	2.8%	2001	2.6%
1962	4.5%	1972	5.9%	1982	2.8%	1992	3.4%	2002	2.7%
1963	3.4%	1973	5.8%	1983	2.7%	1993	3.8%	2003	2.5%
1964	2.3%	1974	4.7%	1984	3.3%	1994	4.4%	2004	2.9%
1965	1.8%	1975	2.8%	1985	3.8%	1995	4.4%	2005	3.6%
1966	1.9%	1976	2.7%	1986	3.9%	1996	3.5%	2006	3.6%
1967	2.0%	1977	3.4%	1987	3.9%	1997	3.3%	2007	3.0%
1968	2.2%	1978	3.7%	1988	2.9%	1998	3.1%	2008	
1969	3.3%	1979	4.8%	1989	2.5%	1999	2.9%	2009	

BEA FY 1962-2006. FY 2007 and FY 2008 based on Arizona Blue Chip estimate, June 2007.

FY 2009-2026 based on DES Arizona Population Projections 2006-2055 growth rates dated March 31, 2006.

HISTORICAL DATA - GRAPHED



HISTORICAL DATA - ANALYSIS

Period	Historical		Mean	Std. Dev.	80% Range	
	Min.	Max.			Lower	Upper
5 Years	2.5%	3.6%	3.1%	0.5%	2.7%	3.6%
10 Years	2.5%	3.6%	3.0%	0.4%	2.6%	3.6%
Full Period	1.7%	5.9%	3.3%	1.0%	2.2%	4.6%

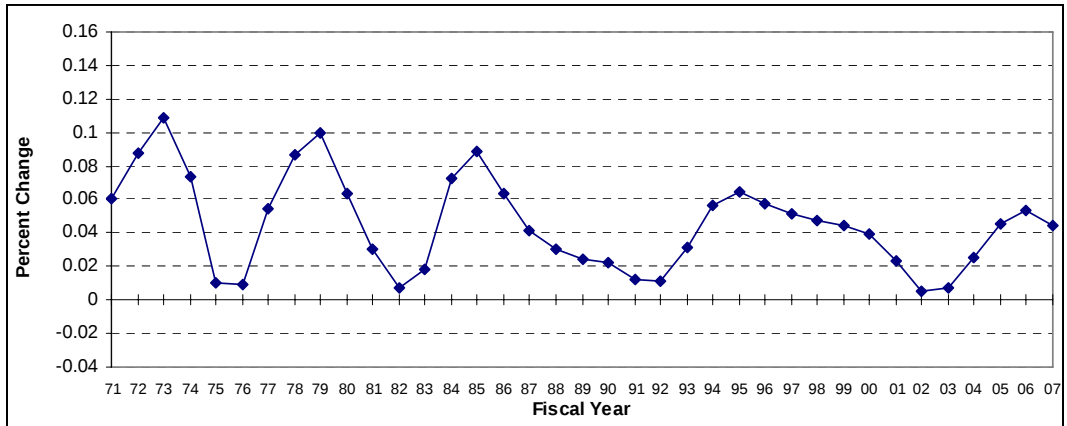
HISTORICAL DATA **ARIZONA WAGE & SALARY EMPLOYMENT GROWTH** **(Annual Percent Change)**

HISTORICAL DATA BY FISCAL YEAR (July 1 through June 30)

1960	1970	1980	6.3%	1990	2.2%	2000	4.0%
1961	1971	1981	3.0%	1991	1.2%	2001	2.3%
1962	1972	1982	0.8%	1992	1.1%	2002	0.5%
1963	1973	1983	1.8%	1993	3.1%	2003	0.7%
1964	1974	1984	7.2%	1994	5.6%	2004	2.5%
1965	1975	1985	8.9%	1995	6.4%	2005	4.5%
1966	1976	1986	6.3%	1996	5.7%	2006	5.4%
1967	1977	1987	4.1%	1997	5.1%	2007 *	4.4%
1968	1978	1988	3.0%	1998	4.7%	2008	
1969	1979	1989	2.4%	1999	4.4%	2009	

* Estimate

HISTORICAL DATA - GRAPHED



HISTORICAL DATA - ANALYSIS

Period	Historical		Mean	Std. Dev.	80% Range	
	Min.	Max.			Lower	Upper
5 Years	0.7%	5.4%	3.5%	1.9%	1.4%	5.0%
10 Years	0.5%	5.4%	3.3%	1.7%	0.7%	4.8%
Full Period	0.5%	10.8%	4.5%	2.8%	0.9%	8.7%

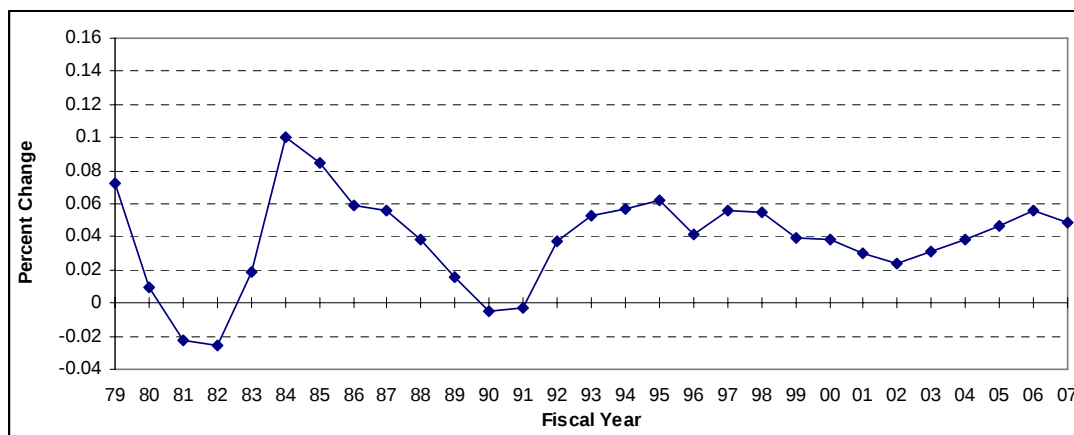
HISTORICAL DATA **ARIZONA REAL GROSS DOMESTIC PRODUCT GROWTH** **Using Phoenix CPI to Measure Inflation** **(Annual Percent Change)**

HISTORICAL DATA BY FISCAL YEAR (July 1 through June 30)

1960	1970	1980	0.9%	1990	-0.5%	2000	3.8%
1961	1971	1981	-2.2%	1991	-0.3%	2001	3.0%
1962	1972	1982	-2.6%	1992	3.8%	2002	2.3%
1963	1973	1983	1.9%	1993	5.2%	2003	3.1%
1964	1974	1984	10.0%	1994	5.7%	2004	3.8%
1965	1975	1985	8.4%	1995	6.2%	2005	4.6%
1966	1976	1986	5.9%	1996	4.2%	2006	5.6%
1967	1977	1987	5.6%	1997	5.6%	2007 *	4.9%
1968	1978	1988	3.9%	1998	5.5%	2008	
1969	1979	1989	1.5%	1999	4.0%	2009	
			7.2%				

* Estimate

HISTORICAL DATA - GRAPHED



HISTORICAL DATA - ANALYSIS

Period	Historical		Mean	Std. Dev.	80% Range	
	Min.	Max.			Lower	Upper
5 Years	3.1%	5.6%	4.4%	1.0%	3.4%	5.3%
10 Years	2.3%	5.6%	4.1%	1.1%	2.9%	5.5%
Full Period	-2.6%	10.0%	3.8%	2.9%	-0.4%	6.4%