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The Nebraska Economic Forecasting Advisory Board met at 1:00 p.m. on Friday, February 27, 2009, in Room 2102 of the State Capitol, Lincoln, Nebraska. Members present: Laurence A. Lanphier, Jr., Chairman; Jerome Deichert, Vice Chairman; Leslie Anderson; Gerald Conway; Steven Ferris; Fred Lockwood; and Tonn Ostergard. Members absent: Gene Koepke and Rick Kolkman. []

LAURENCE LANPHIER: We have a quorum. You should have received copies of the minutes of the October 31 meeting. Could I have a motion to approve those minutes? []

TONN OSTERGARD: So moved. []

STEVEN FERRIS: Second. []

LAURENCE LANPHIER: Motion has been made and seconded that the minutes of the October 31, 2008, meeting be approved. Can we call roll, a vote, please? []

WANDA McNALLY: Ms. Anderson. []

LESLIE ANDERSON: Yes. []

WANDA McNALLY: Mr. Conway. []

GERALD CONWAY: Yes. []

WANDA McNALLY: Mr. Deichert. []

JEROME DEICHERT: Yes. []

WANDA McNALLY: Mr. Ferris. []

STEVEN FERRIS: Yes. []

WANDA McNALLY: Mr. Lockwood. []

FRED LOCKWOOD: Yes. []

WANDA McNALLY: Mr. Ostergard. []

TONN OSTERGARD: Yes. []

WANDA McNALLY: Mr. Lanphier. []

LAURENCE LANPHIER: Yes. Meetings...the minutes from the October 31 meeting have been approved. Next order of business is going to be the forecast presentation and briefs by Mike Calvert and Dave Dearmont. Which one of you would like to go first? []

MICHAEL CALVERT: I think you went first last time. []

DAVE DEARMONT: Okay. Fair enough. []

MICHAEL CALVERT: I'll go first this time. Okay. Good afternoon. Our material from the Legislative Fiscal Office is in the green document. Obviously, since your last meeting in October a great deal has occurred with respect to the economic outlook for the country and the state. I will point out that in our forecast that you have before you for the current fiscal year and for each of the next two fiscal years, and that is the budget period that we're in now for the Legislature, includes Global Insight's data release that's dated January of 2009, and the Fair Model release also in January of 2009. The table on page

1 starts to compare by fiscal year and by respective forecasting model the changes that have occurred in the Fiscal Office estimates that we submitted last October versus what we've put before you today, and as you can see, the changes are quite significant in terms of dollar and percent changes for both Global Insight and the Fair Model. Two thousand eight, two thousand nine is on page 1. Page 2, the table continues and draws comparisons again to the forecasts we provided to you in October versus what we're providing to you now, and as you can see further out into the future the spread increases in terms of the dollar volume and percentage. So largely, what is driving this obviously is the significant changes in the economic outlook since that last forecast in October. More importantly...well, and again to some, the Global Insight revision obviously is large. It assumes a recession that was not fully factored in to their October 2008 forecast. The Fair Model revision is more significant and it's larger still because the January 2009 Fair Model forecast is a comparison actually all the way back to July 2008. If you'll recall, in our October meeting I don't think we had the most current Fair Model release in our hands such that we could run a forecast, so we were working off an earlier release. So that explains in large part the significant differences in terms of the movement of the respective forecasts since October. Generally what's driving the changes, again, up until about a month or two ago actual tax receipts tracked very close to the original certified forecast in terms of net state tax receipts, but I think the more significant aspect has been the significant changes in the economic data that we use to run our forecasts. As an example, personal income has been revised down significantly 3 percent and 8.1 percent for Global Insight and the Fair Model respectively. In addition to the revision for personal income, wages and salaries are revised down 3.8 and 9.3 percent, Global Insight versus the Fair Model, respectively. Also, the calculated tax year liability in our forecast for tax year '07 is revised down about 4.5 percent and 5.4 percent respectively for the forecasts, and it's due to the preliminary data that we have in hand with respect to the '07 tax year, which then affects our tax year estimates for '08, which is basically the tax liability estimate that we have to use to generate a fiscal year forecast for '08-09. The assumption of income...of the elasticity of personal income taxes have chosen to remain unchanged at 1.1, although, according to the analyst, it

looks like it might be drifting a little bit closer to unity so more of a one-to-one relationship in terms of responsiveness of personal income tax receipts to changes in personal income. Corporate tax receipts, under that category, corporate profits with capital consumption and inventory adjustments, those are revised downward, minus 9.4 percent and minus 16.5 percent by Global Insight and Fair Model, respectively. Under miscellaneous, primarily we've got two items of significance. Interest rate revisions downward, and there is a little...relatively little change in the General Fund balance assumption, although that will come more into play as we get into the budget process and we'll probably have some adjustments come April and most certainly in October as we see how actual receipts unfold, and the spending plan of the Legislature works with those receipts. Cigarette taxes are also revised downward and there's two effects here. There was a federal cigarette tax increase that reduces consumption. This was not part of the Reconstruction and Reconciliation Act. It was actually tied to another piece of federal legislation dealing with either CHIP or SCHIP, I don't recall which, but there was a federal cigarette tax increase made part of that and, because of the price and the elasticity effects--as price goes up, consumption goes down--so implicitly we take a revenue loss on our own state cigarette tax. That's been factored into our model. We knew about that. We saw that coming. I believe Department of Revenue likewise had anticipated that. So those two...that effect is built into both of our respective forecasts. Second of all, you may recall, I think, back in March of '07 we...or one of the forecasts we did in 2007 we had pointed out that Iowa had significantly raised their cigarette tax and we expected a reversal of the border bleed where people were going to be driving across the river and buying cigarettes in Nebraska, and that in fact did happen. But it looks like that effect largely has gone away so that is another apparent adjustment in our cigarette tax. Generally, on page 4, we have included the observations with respect to the fiscal policy, i.e., the fiscal stimulus package. At the time, Global Insight's forecast was put together, I don't believe that the legislation had indeed passed, but in looking at the amounts in the general structure, especially on the spending side, it looks, in terms of order of magnitude, comparable to what actually passed. So implicitly, the economic effects of the stimulus, at least the spending components, are implicitly built into the forecast, how they affect personal income, wage/salary growth, and so on and so forth. So practically speaking in economic terms, those are theoretically now built into the forecasts. They also make some observations about TARP that are also embedded within their respective forecasts. With respect to the Fair Model, and actually Dave and I and our analysts have had some conversations over the weeks with respect to the Fair Model, you can obviously see that the estimates are higher relative to Global Insight. The growth rates are very low to moderate, but overall, in comparison to Global Insight, they are in fact higher. It seems to me, personal observation, that Fair Model in some instances probably works fairly well. I'm not too sure this is a time period that it is. It's just an intuitive gut feel. I have some reservations about it. And I would point to their comment and then we replicated elements from their Web site where you can obtain the model if you go to the bottom of page 6, the last sentence. It says, after you go through all of this, it means that the current baseline forecast may be too optimistic. So I kind of hung my hat on that one. If we go on further, you can see on page 8 a comparison of how the Global Insight projection of U.S. and Nebraska changes in personal income track, and you can see there's some divergence and variability over time but, generally, it moves very comparably. Page 9, we have for a number of years had a disclosure with respect to what is embedded in our forecasts with respect to total LB775 and, what is now emerging, LB312 tax refunds, and did a comparison. So how that affects the sales tax estimates a bit, you can factor into your mind that in the October '08 time period, in January '09, if you look on table 2 on top of page 9, you can see what's implicitly embedded in our forecast with respect to what we are showing and anticipating for those types of refunds. And there is some movement downward in terms of the level of refunds for each of the fiscal years compared to our October forecast. Likewise, there is a graph that compares actual and estimated over an extended time period since 1988 and how those track. It's kind of a notchy graph, lots of ups and downs. Capital gains disclosure on page 10, you can see a fairly significant difference with respect to the outlook of the calculated capital gains estimates under Global Insight and a Fair Model results. If you go to page 11, the ARIMA model, this is our simple time series. It's adjusted for seasonal factors, seasonal weights, and you can see the model estimates that, as you march through time, you simply add another month's worth of receipts, rerun the model, and you can the pattern from June-December. Generally there is a group of estimates that cluster around $3,550,000,000 until you get to January and it drops off pretty significantly at $3,492,000,000. This is, again, based on revenue collected for the first seven months through January. You run it through the time series model and the seasonal adjustments, and those are the results. It's a good short-term tool to see where you might be hitting some turn points. You go to page 12, these are the structural models that are based off model estimates by fiscal year. They compare. They are based off of the Global Insight, Fair Model, and on page 12 we include the ARIMA model just for purposes of easy comparison. For 2008-2009, the Fiscal Office revenue estimate for net General Fund receipts based on Global Insight, $3,480,579,000. By our calculations, rate-base adjusted basis, that represents roughly about five-tenths of a percent decline from the prior year actual. So that is a negative growth rate based on the Global Insight. The Fair Model, $3,518,279,000 for the sale fiscal year. Our estimation represents about a half a percent increase over the prior year. As I pointed out earlier, Fair Model's estimates are quite low in terms of growth rates, but they are higher. The ARIMA model, eyeball method, roughly about a negative two-tenths of a percent growth over prior year. If you go to the next page, 13, now we're looking at the next fiscal year, beginning July 1, 2009. The Global Insight based revenue forecast, Fiscal Office, $3,454,767,000. If you compare that on a rate-base adjusted prior year Global Insight estimate at the top of page 12, that represents about a negative five-tenths percent, so a second consecutive year in our forecast series of negative growth over prior year. The Fair Model, $3,556,595,000, when compared to the prior year estimate that we have for Global Insight represents a little over 1 percent rate-base adjusted growth over prior year, again, very moderate...well, very low growth rate. The last page is for fiscal...excuse me, page 14, fiscal year 2010-2011 Global Insight and Fair Model, our Global Insight estimates, $3,544,169,000, represents about 3.3 percent growth over the prior year Global Insight, Fiscal Office estimate. The Fair Model, $3,679,925,000, represents about 4.1 rate-base adjusted growth over the prior year Fair Model estimate of the Fiscal Office. So that gives you a general idea in terms of the growth rates that are implicit in our forecast estimates. We had mentioned interest income as an item of consideration. Just wanted to point out for your general information on page 15 there is a table that lays out the various categories that represent miscellaneous tax receipts. The interest on investments are shown to decline from about $49 million to about $29 million, and bouncing back up to about $31 million, $43 million. It's a function of interest rates. And fund balance, it's always problematic estimating that dollar amount because you never know exactly what your budget is going to be until it's passed, and you never know exactly what the final revenue forecast is going to be, so on and so forth, so it's kind of a circular set of logics that you have to go through to come up with an estimate. But generally what the interest income is dependent upon, pooled resources the state is generally invested in, treasuries, federal agencies, short-term pool, there are money markets, and investment-grade corporates. There is no commercial paper. Okay. If we go on to page 16, the key economic driver variables underlying the forecast and from...they're identified by source: personal income, wage/salaries, farm income, other variables. You can see first column, '07-08, is "actual" for that time period, '08-09 is the period which we are in. Nebraska estimates for Global Insight, personal income Nebraska, 2.1 percent; Fair Model, 1.8. You can see the U.S. variables directly below that and the ratio. The next two columns, '09-10, '10-11, you can see the estimates with respect to Nebraska in terms of personal income growth year over year. Global Insight, 1.3; Fair Model, 3.5. 2110-11, Global Insight, 3.9, 6.4. You'll notice pretty consistently as you go down the columns, particularly when you get out to '10-11, there is a significantly...there's a significant difference in terms of the key variables of personal income, wage/salaries, and so on, and that explains some of the difference in the spread and the movement of Global Insight being lower and Fair Model being higher. Fair Model estimates tend to be higher with respect to those key driver variables. You can see the same for wages and salaries. Farm income is percent change over prior year and you can see a lot of movement year to year on that for Nebraska and U.S. And then the other...some of the other key variables, Consumer Price Index, another difference with respect to Global Insight and Fair, you can see, particularly '08-09, '09-10, that Global Insight's estimates with respect to Consumer

Price Index change year over year is flat to negative, whereas with the Fair Model it is higher. Prime rate, percent change over prior year for that particular rate, and then MA is a variable constructed using the prime rate less the Consumer Price Index. So it's a measure of real interest rates and it's a moving average so you can see how that's changing over time. Page 17 lists more of the driver variables by quarter since 2008 fourth quarter and generally the movement in the far right-hand column in terms of percentage change, and you can see how personal income, prime commercial bank rate for the respective models, nonfarm proprietors' income, wage/salary disbursements, rentals, so on and so forth, you can see how those have changed and in many of the key variables you can see the negative downward pressure since our last October forecast. There are some graphs that follow on page 18 and, again, you can pretty consistently see the respective path of the variables with respect to Global Insight versus Fair and, again, probably does a lot to explain the disparity between the two respective models. Page 23 lists the summary of the economic assumptions under Global Insight. We use the 60 percent probability outlook. We've typically presented to you the highest probability outlook and it's the same probability as back in '08, but you could scan across the different values and see how they have changed since October. With that, I can't think of anything else I really want to say. Probably said too much. []

LAURENCE LANPHIER: Thanks, Mike. Dave. []

MICHAEL CALVERT: Thank you. Questions? []

DAVE DEARMONT: Well, I'll give it a shot, saying a little more maybe. Our forecast work was completed February 17. That gives you some idea what was going on back...think back to then and what was known about a federal stimulus package and what was going on. It's still a little hazy and it remains a little hazy to this day. I've got the usual handouts, the ballots, two yellow sheets. One of them is a history of the certified board forecast and it's average error. And a chart below of that you can kind of see from there if there's any error in the forecast we tend to be...tend to follow things a little too close and not quite hit the turning points as quick as we might, but that's...however, on a, you know, 4.5 to 3.75 percent error over a year, every year, that's a pretty good job of forecasting. On the other sheet, there's a set of averages that's got the total net revenue forecasts by agency and by model, and then averages for each agency and averages for each agency across the models, and then a mean of all the forecasts, and then, for convenience, the board's October forecast is in the lower right-hand corner. On the back side of that is my best guess of where February lined up compared to the October forecast. It's based on a couple of things. One of them is actuals to date. We got through yesterday validated. The other thing, for sales tax and individual income tax, we forecast that daily within the department and I added that to get the total gross receipts for February. Refunds are actuals through yesterday. There's some additions to them based on individual income for some validation statistics that will show up on our end-of-the-month summaries. They're about $7 million higher than what DAS is showing, but, anyway, that's our best estimate of where we'll be. So if we take that out, net, compare it to the projections from the October forecast for February, we're thinking we're about, oh, $16.6 million below that forecast for the month of February. And since November, that would put us about $39 million down compared to the forecast. So that's the best information that we have available for February to date. The Revenue report was mailed out on the 20th that are based on fiscal year 2007-2008 ending balances, General Fund receipts through the end of January, and an estimate of recent federal legislation and U.S. macroeconomic forecasts. Like Fiscal Office, we were using the January Global Insight forecast and Fair's release for January. It actually was released the first part of February but took him a little while to make an estimate of how to build in a stimulus package. The biggest change in the forecast environment is that we now know that the U.S. and Nebraska economies are both in recession. Officially, the U.S. economy peaked in December 2007, and based on the state coincident index produced by the Federal Reserve Bank of Philadelphia, it looks like the Nebraska economy peaked in February 2008 and that was in one of the charts on the...in the preface to this report. The federal impacts that were scored up here to be, as Mike said, real similar to what Global Insight was assuming at the time they did they're forecast. The baseline Fair Model that we use doesn't have a stimulus package in that; however, we did take Fair's suggestion and run a stimulus estimate and I did include a graph of that on page 3 of the preface. Interesting thing about that is Fair believes that if you add the stimulus, the economy will recover much more rapidly and then it falls back off. And it will be interesting to see if there's any estimate in there of the federal budget and those impacts. If you go out a little farther than I did on that chart, it looks like Fair's, with the stimulus, is showing almost no growth by 2012 again. We will...I think part of the plan right now is to take a look at that with the Fair Model and work with Fiscal and come up with a Fair Model run that's still based on the...it will still be based on the January release but it should be more up to date as far as impacts of federal legislation. Beyond that, you can also see that both...actually both forecast services agree that the recession will be over in the second quarter of 2009 at some point, so they agree there. It's mostly a question of the depth. And with the release today, it looks like it was a little bit deeper than we thought back in January. We did discuss the...Mike discussed the cigarette tax. We've built that into our forecast. We did it a little bit different. We think the cigarette tax impact was, for the next two fiscal years, '09-10 and '10-11, is a little over $5 million on the cigarette tax alone in lost revenue. On the other hand, the increase in price results in an increase in sales tax of about $2.5 million. So it comes out to about, net, a $5 million loss from the federal cigarette tax change. Our revenue estimate summary begins on page 1. Page 5 is the revised forecast section. It contains Global Insight and Fair Model forecasts for the next few years. Tables: Table 4 is a schedule of miscellaneous taxes, 5 and 6 are selected Global Insight and Fair Model U.S. macro variables. And one thing that's kind of interesting on that is there's a variable for the three-month T-bill rate which is used to drive interest on investments. It's near zero for the next year and actually zero in the Fair Model for the next five quarters. And a little bit about our interest on investment model, it's built roughly the same way the...however, the way I handled it was I took the revenue forecasts that we had developed, the Global Insight and Fair. There's a 3 percent reserve requirement in the budget, so I assumed that 97 percent of the forecast would be budgeted and spent. You assume the forecasts are correct and then add the current statutes for Cash Reserve to come up with a base on which to use against these interest rate forecasts. And my interest on investment is somewhat higher. It's lower than it was in October, but it is somewhat higher than the Fiscal Office is showing and that will account for most of the difference between our estimates of miscellaneous receipts. And then in the...there's a current forecast section, begins about page 18, a comparison of the cash flow forecast from the original certified forecast and the board's October forecast, and then where it's appropriate we've got a...shows the difference between that and the actual. We did include Global Insight's executive summary on page 25, a series of charts from the Dallas Federal Reserve Bank starts on page 37, and I included the statement from the National Bureau of Economic Analysis Business Cycle Dating Committee on the start of the recession. The Department of Revenue's forecasts are, as included, are some comparison, and I think it's probably appropriate to talk a little bit about the revision to...the board's revision to the October forecast. Back in October, the board reduced sales and use tax by about just under $19 million, revised individual income tax upward by just under $30 million, and made some minor changes to corporate and miscellaneous. At the time, through September, we had a very large increase in individual income tax coming from estimated payments and it made it...those estimated payments would come primarily from business income, capital gains, interest on investments, those kinds of things that are nonwage income. Since that time, when we got the third quarter estimates payments, in January they had fallen off considerably and we are looking at our individual income tax forecast suggests that we back that $30 million out and probably back another $30 million out on the same...for the same basis there. Our total forecast is...for individual income tax for 2008-09 is $1,690,200,000 and a nearly identical $1,690,900,000. That's a decrease of $89 million from the board's October forecast and we think about $14 million of that would come out of wage and salary payments. It does appear that wages and salaries are holding their own. The forecast withholding is right where it ought to be. Of course, most of the withholding that's still coming in is based on 2008 income. We're just seeing the first monthly payment for 2009. Back in December we were a little short on withholding. We thought maybe we had mistimed the quarter a little bit, between the quarterly payments and the monthly payments and, if that were true, we thought the first day...first few days of February would be quite a bit larger than what we'd forecast, and that appears to be true. So it looks like the forecast for this year for wage and salary income is probably about right. There was very little growth in it in October and continues to be little real growth in it. So we think that piece of the forecast is right. It's the wage stuff that we're not seeing. One other thing that's sort of interesting right now is we're seeing the early portion of the farm...of farm income tax payments, and those are coming in almost dead on forecast for the last three or four days. So if that holds up, you know, we think that this forecast...it's a reduction of only $89 million for this year is probably about right for individual income tax. Our sales and use forecast is actually revised up slightly and through the end of January we were running a little bit ahead on sales tax. On a monthly basis it seems to be doing, you know, about right where the October forecast was. We had some reduction in refunds for a couple of months that put it ahead. It looks like now that we've got...we see what's in February that maybe it's about right on. It looks to be right on the board's forecast for back in October, so that's where we're at on individual income tax for the year. And all in all, our forecast for the current fiscal year is $3,457,900,000 Global Insight, $3,458,600,000 Fair. That averages $87.7 million lower than the board's forecast. Fiscal year '09-10, the same trends seem to continue. We're revising sales and use tax upward slightly by about $33 million on average between Global Insight and Fair to $1,359,400,000 and $1,407,000,000, Global Insight and Fair respectively, and this is up from the board's October forecast by about $9.4 million Global Insight and $57 million Fair. Net individual income tax is revised to $1,678,600,000 Global Insight, and $1,726,000,000 on the Fair Model. These revisions are down from the October board forecast by an average of $137.4 million. The net individual income tax forecast is revised down by $161 million on the Global Insight model and $113 million on the Fair Model. And it's probably worth noting that the Global Insight net individual income tax for fiscal year '09-10 is lower than the current year by about $11 million, $11.5 million. Net corporate receipts are revised to $190.2 million Global Insight, and $185.5 million Fair. It's about a decrease of $19.8 million for Global Insight and $24.5 million Fair from the board's October forecast. And miscellaneous remain fairly close. So the total net receipts for fiscal year '09-10 are $3,430,600,000 using the Global Insight model and $3,517,800,000 using Fair, and this is a downward revision of $164-plus million Global Insight and $77 million for the Fair Model. When we get to fiscal year '10-11, both forecasting services had the recession over by then and the recovery started, so the outlook begins to improve. Our sales and use tax forecasts are revised to $1,420,000,000 and $1,501,000,000, Global Insight and Fair, which is an upward revision from the board's October forecast by $20 million for Global Insight and $101 million for Fair. Net individual income tax forecasts are $1.8 billion for Global Insight and just under $1.9 billion for Fair. This is a decline from the board's October forecast of $91 million for Global Insight and a slight upward revision of about $4 million on the Fair Model. Corporate income tax receipts begin to reverse their declines in fiscal year '10 and '11. Got an increase of about $6.9 million over the board's October forecast for Global Insight and just under $25 million for the Fair Model, so total net receipts for fiscal year '10-11 are forecast at $4,643,000,000 for Global Insight and $4,784,000,000 for the Fair Model. This is a downward revision of $69 million for the Global Insight model and an upward revision, according to the Fair Model, of about $72 million from the board's October forecast. And if there's...try to answer any questions you might have. []

LAURENCE LANPHIER: Are there any questions from the board members of either...well, I guess...I guess Mike has left, but any questions of Dave? If there's... []

TONN OSTERGARD: Go ahead, Jerry. []

LAURENCE LANPHIER: ...if there's no...go ahead. []

JEROME DEICHERT: On the...I was looking at the individual income tax projections and is that right that Global Insight you've got declining between '08-09 and '09-10, and then Fiscal Office has it increasing? []

DAVE DEARMONT: Yeah, I think there was some... []

JEROME DEICHERT: Okay. []

DAVE DEARMONT: ...some divergence there. []

JEROME DEICHERT: And then the, yeah, LB367, all of those changes in withholding, that's already been built into the forecast so that's been...that's all taken out. []

DAVE DEARMONT: Yes. []

JEROME DEICHERT: But the property tax stuff is still in. That has to be done by, you know, the stuff that's supposed to be transferred out of there or was scheduled to be... []

DAVE DEARMONT: Right, that's all in. []

JEROME DEICHERT: ...that's still built into the model. []

DAVE DEARMONT: ...current statute, yeah. The only place it would affect anything is on the interest on investment model, and that had been built in so there's no change there. []

JEROME DEICHERT: Okay. And then you've not done anything speculative as to what might happen, given all the new budget bills with the change on some of the adjusted income measures so that...to the extent that that's going to carry through to Nebraska's... []

DAVE DEARMONT: Not yet. []

JEROME DEICHERT: Okay. []

DAVE DEARMONT: That will be there in April. []

JEROME DEICHERT: Okay. []

DAVE DEARMONT: We don't want... []

LAURENCE LANPHIER: Dave,... []

DAVE DEARMONT: ...we don't want to consider those today. []

LAURENCE LANPHIER: Dave. []

DAVE DEARMONT: Yes. []

LAURENCE LANPHIER: There seems to be a substantial difference between the Legislative Fiscal Office and the Department of Revenue on capital gains for 2009-10, I believe. []

DAVE DEARMONT: Oh, that's entirely possible. That's... []

LAURENCE LANPHIER: But no...no... []

DAVE DEARMONT: Our forecast for capital gains is, by tax year, is on page 15 in the small print. We're assuming...we got 2007 numbers, final numbers, a little bit late, but it worked out to be about a 23 percent increase, just over 23 percent from 2006, which was, I think, a little bit higher than what we had anticipated that it was going to be back in October. But we still thought it was possible to have some increase in capital gains in 2009. There was some discussion ahead of the election of changes in capital gains treatment. Appears to be back, but we thought that perhaps before the end of the year there would be some people maybe taking some gains at a tax rate they knew rather than wait till 2007 for one that they didn't know. Farmland is still appreciating. That could result in an increase in capital gains. Our forecast for tax year 2008 is about a 17 percent decrease from 2007. And then we're adding another nearly 22 percent decrease in fiscal...or in tax year 2009. And then start some recovery in 2010 in capital gains then. I'll let Mike speak to their assumptions on... []

LAURENCE LANPHIER: Just one other short question: Both the Global and Fair Model have indicated that they think that the recession will last about 18 months, but on the national level the recession actually...the peak month was December of 2007, but in Nebraska it was February of 2008. Am I correct? []

DAVE DEARMONT: Yes, that's the way it appears to be. If we...that chart of the coincident indexes is on the... []

LAURENCE LANPHIER: Could it be that we'll lag behind the national recovery because we've started later? []

DAVE DEARMONT: Well, we didn't start very much later this time. []

LAURENCE LANPHIER: Okay. []

DAVE DEARMONT: It was only two months. If you look at the... []

LAURENCE LANPHIER: That would put us in the third quarter of 2009, though, wouldn't it? []

DAVE DEARMONT: Quite possibly. Every state is a little bit different. I think one thing that's a little worrisome perhaps on the GDP release today, that the downward revision from 3.8 to 6.2 was caused primarily by exports, and we export a lot of things in

Nebraska so it's some concern. But I think one good thing, you know, as far as the forecast goes, if you look back at that chart and think back to the 2001 recession, that was a case where the U.S. had troughed and starting to recover at about the time Nebraska peaked. I remember back when we were doing those forecasts, we were trying to chase...they had a U.S. forecast that was going one way and our tax receipts were going the opposite way. Hopefully, this time they're moving together. At least the business cycle hopefully is a little more integrated with the national economy. []

LAURENCE LANPHIER: Are there any more questions of Dave or Mike? []

JEROME DEICHERT: Just one of curiosity. Forecasts for retail sales are higher now than our board forecast for '09-10 and '10-11. Is that right? []

DAVE DEARMONT: Yeah, for... []

JEROME DEICHERT: So...but, I mean, I don't understand why sales forecasts are going up. I mean, what is it about the... []

DAVE DEARMONT: Well, we...it's one of my theories, is there is a difference between the elasticity with respect to personal income for the sales taxes that...from income tax. Income tax is a lot more elastic. It moves up a lot more and it moves down a lot more. Sales tax is a little...quite a bit...the elasticities are quite a bit lower or somewhat...or significantly lower in some cases so that when you have a 10 percent increase in personal income you might see, you know, a nearly 10 percent or slightly higher increase in the sales tax. But with income tax it could be, you know, 15 percent and the same thing coming down. So income tax is a lot more volatile. And I guess sometimes it seems like some of the forecasts look...tend to treat those are more similar than they really are, so we...our forecasts for sales tax tend to be a little bit higher all the time and sometimes our forecasts for income tax are lower or higher for the same reason. But there's...you know, if you kind of think about it, in some respects we've got a fairly progressive income tax system in Nebraska. The higher income you are the heavier you're taxed. Sales tax, an awful lot of sales tax is not on big ticket items. It's on utilities. It's on McDonald's food. It's, you know, things that people don't really change a whole lot in their buying habits, so it tends to be a little more fixed. I mean, we get big ticket items like cars. We had a pretty significant decrease in automobile taxable sales in November. It was off about 25 percent statewide, which is a little...probably a little overstated. Because of the way Thanksgiving fell this year, it probably made December look a little better than it really was, but when...a couple weeks, when we get the December statistics. But, you know, big ticket items, the sales tax will move but the proportion of income that people spend on taxable items, there's a lot of things in there, there's just not a whole lot of room in one's budget to adjust. []

LAURENCE LANPHIER: Are there any more questions? []

FRED LOCKWOOD: Mr. Chairman, just a couple questions of Dave, but first I might comment on just a little bit of trivia. No one is going to be able to check me, but each one of you were 19 minutes in your presentation, and I'm sure you didn't rehearse that but, nonetheless, that's impressive. Dave, on...I guess first a minor one because you made a comment in your handout regarding how the S&P mirrored what was, in fact, happening with nonwithholding income, which included capital gain. []

DAVE DEARMONT: Uh-huh. []

FRED LOCKWOOD: And I assume that most of these reports would have been the middle of January, would that be right, Mike and Dave, an approximate? []

DAVE DEARMONT: Global Insight was the first week of January and... []

FRED LOCKWOOD: And, of course, since then we've had a...roughly 30 days and we've seen another 7 percent drop in the S&P. By looking at your numbers on page 15, I guess that would only perhaps amount to a million dollars, which is somewhat insignificant. I've been somewhat impressed as to how much closer Nebraska has been mirroring the last 12-15 months with the national scene on what's taken place on our receipts. One final question: I notice you were a little bold, however, the Department of Revenue was, in suggesting that perhaps we'd have a $87.4 to a $88.1 million adjustment perhaps in our October forecast. And in view of your...I got the feeling that, at least in those 19 minutes, you were a little more cautiously optimistic perhaps than what I read in the report. You still have that same feeling? []

DAVE DEARMONT: I'm probably less optimistic than I am at the time we put it... []

FRED LOCKWOOD: When you put it together. []

DAVE DEARMONT: ...mostly because...and it's not so much this year but it has to do with the recovery and actually the out biennium. []

FRED LOCKWOOD: Okay. And that would be the same way with your bold suggestion of $121 million decrease in '09 and '10? Maybe yes, maybe no. []

DAVE DEARMONT: Yes, based on what I know today, I don't think I'd change it. I don't really know too much about next year today. []

FRED LOCKWOOD: (Laugh) Okay. Along those lines, I guess this would be more directed to Mike, Mr. Chairman, if we're ready to ask questions of Mike. []

LAURENCE LANPHIER: Yes, that would be fine. []

FRED LOCKWOOD: In comparing the Department of Revenue and the Legislative Fiscal Office, about $37,000 greater increase, Mike. That was broken down that your sales was actually $27 million below Department of Revenue, yet individual was $47 million greater and corporate as $17 million higher. Any elaboration on that? []

MICHAEL CALVERT: The way we approach forecasting is different so you're going to get different results. So how the impacts spread out and impacts sales tax and individual and corporate income is inevitable. I mean we're going to have some differences. I might even jump ahead. If you look at it year-by-year, compare our estimates versus Department of Revenue's, there's some significant differences year by year. But you might also want to take a look at the difference spread out over three years. Timing is everything. The differences turn out to be very, very small. Some of it might be cash flow because we look at and treat and forecast sales tax differently from individual income. How you allocate individual income across withholding, estimated payments, and final payments, those are all judgment calls based on the statistical data you have. That can affect cash flow. So shifting receipts one quarter to the next, those differences are washed out. I think if you look at the three-year total on Global Insight, our estimate versus Department of Revenue, what did we think, about $5.5 million, something like that, Don? []

DON YELLICK: On the Fair Model. []

MICHAEL CALVERT: On the Fair Model it was about $5.5 million. On the Global Insight it was bigger. It was $50 million. Sounds significant, but percentage total, spread across three years, it's probably not even half a percent. []

DON YELLICK: A half a percent in one case and... []

MICHAEL CALVERT: Long-winded answer to your question. I think just the mere fact that how we each separately approach and the methods we use to forecast sales, individual and corporate, are going to yield different results. []

FRED LOCKWOOD: The only reason I bring that up on the '08-09, because we only got four months left,... []

MICHAEL CALVERT: Sure. []

FRED LOCKWOOD: ...and, quite frankly, I put a great deal of confidence all through the years to the ARIMA model that the Legislative Fiscal Office puts out. And you're exactly right that statistically, when we're talking $30 million, $40 million, although it's a great deal of money,... []

MICHAEL CALVERT: Absolutely. []

FRED LOCKWOOD: ...percentagewise it's insignificant. But on the four months that we're concerned with between now and June 30 we can perhaps look at the numbers a little more closely than what our forecasting services put out to us. On the $40 million that's showed as transfers and miscellaneous, that's a fairly solid number? I see that was an adjustment after the board... []

DAVE DEARMONT: It's in statute currently. []

MICHAEL CALVERT: That's for the current year? []

DAVE DEARMONT: Yeah. []

FRED LOCKWOOD: Yes. []

MICHAEL CALVERT: Yeah. Yes. []

FRED LOCKWOOD: And so that...and that's considerably more than it has been for some time. []

MICHAEL CALVERT: Yes. []

FRED LOCKWOOD: And in looking at the other legislative changes, I can't find it, (inaudible) or the changes that the Legislature made after the board met last February was one talking about interest being put in another place rather than interest income on miscellaneous. Am I right on that? []

DAVE DEARMONT: Right. There was a point where the interest income on the Cash Reserve Fund was going to another...it was going into a cash fund and it's now (inaudible). []

MICHAEL CALVERT: Oh, yes, okay, I know what you're talking about. Cash Reserve Fund, separate fund; interest income goes to the General Fund, and that's the way it is now. There was a brief period of time where...and I think it was, oh gosh, I can't remember (inaudible). For about one year's time a portion of the Cash Reserve balance was identified as the interest income for that and went to a special fund, and I can't even think of the name of it. That has expired. That's gone. []

FRED LOCKWOOD: Okay. And one final question on interest income. In view of what interest rates are in, I would assume, well, perhaps that's a wrong assumption, that our cash balances are decreasing. I just wanted to know the comfort level of both of you as far as that interest income between now and June 30, for example. []

MICHAEL CALVERT: Right now cash balances are holding up pretty well. It's probably going to be next year and the year after. And I alluded to this that part of the problem will be, as we go through time deciding what a budget looks like and how the revenue forecasts change, how that...I mean, we're going to have to reestimate cash flows for the next year. Right now I'm about as comfortable as I can be probably until next April. []

FRED LOCKWOOD: Okay. So that $49 million number represents about 25 percent of our miscellaneous revenue. []

DAVE DEARMONT: Yeah. It holds up pretty well because, I mean, one thing to consider is the General Fund balance that goes through. It's coming in and going out all the time, so it doesn't really have...it has about half of the impact, and the other half is on...from the Cash Reserve Fund, which is, what, $500 million, nearly $600 million. []

MICHAEL CALVERT: Right. []

DAVE DEARMONT: But it's just sitting there for a whole year at a time. []

MICHAEL CALVERT: Now that might be the greater issue. The Legislature this session and next session will have to make decisions to what extent that Cash Reserve Fund is or is not used in support of the general operating budget. If it is used, it gradually diminishes and gradually contributes less in the way of interest income. That may be a more significant impact in terms of how our interest income moves in the next couple of years. []

FRED LOCKWOOD: Right. I don't recall Department of Revenue's number for miscellaneous in the year '09-10, but Legislative Fiscal Office, Mike, you're about $35 million less than what our model forecasts are, you know, at $175 million for the year '09-10. []

MICHAEL CALVERT: I do recall that our interest income estimates,... []

FRED LOCKWOOD: Which has been adjusted. []

MICHAEL CALVERT: ...(inaudible) were quite a bit lower. []

DAVE DEARMONT: Yeah. []

FRED LOCKWOOD: Right. And so that is quite a difference from our two forecastings...our two economic services on the...both the sheets or gold sheets from Department of Revenue and... []

MICHAEL CALVERT: It's roughly $25 million to $30 million difference. []

FRED LOCKWOOD: Right. []

MICHAEL CALVERT: Is that right? []

DAVE DEARMONT: Yeah. []

JEROME DEICHERT: Mike, correct me if I'm wrong, but isn't that partially because of the way you treat lapses in transfers and the way... []

MICHAEL CALVERT: Actually, I think we've got that cleaned up. []

JEROME DEICHERT: You've got that cleaned up now? Okay. []

FRED LOCKWOOD: Yeah. []

DAVE DEARMONT: Yeah. Yeah, I think we're on the same page. []

JEROME DEICHERT: Good. []

FRED LOCKWOOD: Thank you, Mr. Chairman. That's the only questions I have. []

LAURENCE LANPHIER: Okay, Fred, thank you. If there's no more questions of Mike or Dave, we'll proceed with the open comments, the comments from the board members from their...of the...regarding the economy, from their perspective and their own observation. I would like you...I think most of the board members have received copies of the letter from Gene Koepke and from Rick Kolkman, the two board members that were unable to attend. Be nice if you read those. But Fred will... []

FRED LOCKWOOD: Mr. Chairman, I wonder, as a suggestion for the public and others where both Gene and...our other one, Rick took the time and effort and if they are relatively short that those in fact might be read out. []

LAURENCE LANPHIER: Mike, did you have copies of those for the... []

MICHAEL CALVERT: Yes, I do. []

LAURENCE LANPHIER: ...for the press? []

MICHAEL CALVERT: I've got a few extra, yes. []

LAURENCE LANPHIER: Okay. []

MICHAEL CALVERT: Do you want them read? []

LAURENCE LANPHIER: Fred, you'll go, if you don't mind, go ahead and read them. []

FRED LOCKWOOD: Okay. This is Gene. I'll paraphrase to speed up our time: Like to start by apologizing for missing the meeting. Unfortunately, some group planning made had me out of the United States for the board meeting. This meeting is probably one of the most important since I've been on the board, so I thought I would at least send you my thoughts, musings, and anecdotal evidence of what is currently happening in central or to central Nebraska. In terms of the national economy, I've not seen anything approaching the current mess in my lifetime. This is now being called the great recession. That seems to fit our circumstances pretty well. The depth of this recession caught me off guard, as did the quickness of its arrival. Bad news follows bad news to the point that it is difficult to anticipate what is next. Without a doubt, the recession will end in a technical sense but much damage has been done to the faith in our financial system, equity markets, and the housing market. There is more than enough grief to go around and more than enough blame to be shared. With that said, I would like to share what I see in Kearney and central Nebraska. We have experienced national recessions where you simply cannot detect that there was a recession in central Nebraska. This time that is clearly not the case. In terms of jobs lost, we have been hit pretty hard. We have enjoyed many manufacturing jobs related to the auto industry. The auto industry is clearly struggling. In visiting with Buffalo County economic development officer, we could count up to 1,000 jobs lost in our area the last 18 months, and this does not include jobs lost in Hastings or Grand Island. Job losses have occurred at Eaton, Baldwin, Marshall Engines, our hospital, university, and Coleman. Turkey plant at Gibbon is closed, the plastics plant in Alma will soon close, and the call center in Kearney was closed. There have also been job losses at Monroe and Cozad at some of the ethanol plants. Even with these job losses, unemployment rates remain fairly low. I will guess they are in the 3 percent range. In terms of real estate, I visited with a Kearney realtor who indicated that the number of listings is as low as he has witnessed in 25 years. Housing values have held up very well. He indicated there are buyers waiting in the wings. Unfortunately, when offers are made, they are usually significantly below asking price and sellers are not budging. Most farming operations are coming off a very good year. In terms of next year, grain prices, significantly lower than they were last year. Most expect corn to be somewhat close to $4 in the fall. This isn't great but many will be able to operate profitably at that level. The key here is input costs. Fuel and fertilizer are currently much lower than last year. Corn prices have moved back down to these levels. This follows a year where corn prices were inflicting damage to the feeders. Retail sales have softened a bit, as evidenced by lower sales tax receipts. Motor vehicle tax receipts are down significantly. Construction has slowed. Going on down here, paraphrasing: Is there any good news to report? I had one individual indicate he thought a significant part of our problem is that everyone is simply scared. The news that is reported is almost all bad. But consider this--retail gas prices are down more than $2 a gallon. Average family drives 20,000 miles, that's 20 miles a gallon. They burn 1,000 gallons a year so that's approaching $200 a month savings. Federal tax rates have now been adjusted and withholding will drop. That, of course, happens April 1. Many houses are being refinanced at some of the lowest in history. Bottom line here is that many families are going to start having more disposable income. The pessimist will surely say, well, people are scared so they will simply save the money, not spend it. Last year we were all worried that consumer debt was out of control. Well, figure! Good luck to all of you. That's from Gene Koepke. Very short one from Rick. He had a long-term commitment: It's simple. Loan demand is soft, deposits are piling up, lenders are more cautious. I don't see any lack of availability. Dealer paper is more available for cars. (Inaudible) for dealer paper has shrunk for 23 to 6 for many of our largest dealers. We may get back to bank financing more cars directly, as in the past. Cars are just slow to move right now. Better dealers are doing okay, but finding a challenge in budgeting for '09. With our ag consumers, some did well in '08 but many didn't market as well as they could, leaving them in a tighter position for '09. Open space in newer strip malls. Residential real estate is good, below $200,000; over $200,000 they are slow; and over $350,000--this is real estate residential houses, excuse me--$200,000 are slow and over $350,000 extremely slow. Pricing is stable and slightly down on higher priced homes. See refinancing actually with low rates. Many cannot take advantage of them due to having insufficient equity and large debt loads. Must be very cautious in projecting tax income, as a slowdown will continue. With ag prices where they are at, there will be little extra this year. There is some concern in the labor market about job security, so that will slow spending as well. That's my story and I'm sticking to it. Have a good meeting. I am committed to being there. I don't have any more of these long-term commitments at this point. Regards, Rick. []

LAURENCE LANPHIER: Fred, thank you very much. []

FRED LOCKWOOD: Okay. []

LAURENCE LOCKWOOD: Okay. At this time, we're going to each...ask each board member to give a short commentary on the economy from his perspective and observations. Fred, we'll start with you. []

FRED LOCKWOOD: Okay. Not too much to add what we have out there. As it pertains to agriculture and through June 30 we have such a wide variance of individuals that did a rather, in retrospect, outstanding job on marketing as compared to what we find our current prices, that we're going to have a wide variance. Just a very quick story: Out our way we've got dry edible beans, primarily great northerns, also raise pintos. Pintos are not a problem. Great northern is probably a million bags currently on hand and, for the first time in the 70-year history of that crop, it's off the market. Neither the processor or the grower is able to receive anything for this million-bag crop, which is roughly $38 million to $40 million, based on what it went off the market at last October. So that's a specific concern for a crop out there. And, of course, we see corn at 50 percent of what it was at some time during the '08 marketing season, so that's a concern out there. Real estate, much like Rick has related, there just are no sales for houses over $300,000 in Nebraska...or in Scotts Bluff County for the last 18 months. But with all that said, it's amazing how many signs you still see, like when you're driving down O Street in Lincoln, that says hiring, and I go three-tenths of a mile and see three want ads or marques for help wanted. And that seems to be the case in Nebraska, I think, or out west. One interesting thing, we've all been talking about, I think, about the...what's taken place in the financial circles. We've heard very little on the credit card situation till this last week, where American Express has announced their special program to...they sent out a number of letters, they did not comment how many that was but asking certain customers to pay up their debt and they'd give them a $300 rebate. So that's a start, I think, of what is a real concern out there on the credit card business, which has not even been faced or really discussed. I think with that, Mr. Chairman, that's enough comments from this corner. []

LAURENCE LANPHIER: Thanks, Fred. Gerald. []

GERALD CONWAY: Thank you, Mr. Chairman. Northeast Nebraska is similar, too, to a degree, I think. You know, Gene is usually pretty optimistic about cheerleading for the Kearney area and the center of the state, and so to (inaudible) his letter this time around is quite a change-up from his usual pattern. But much of that we've seen in my corner of the state as well. The job loss has not been great and the common denominator, it seems, when there is job loss is with manufacturers and suppliers of things that are on the national market: Great Dane, Heritage Homes, Pacific Coast, some of those companies that have a national product that's out into those areas have cut back on shifts; still operating but are cutting back on shifts and operation. So we're seeing some employment concerns there. I think more than anything we're seeing more of an attitude of concern for their employment because that's obviously crucial to anything going on. Short of that, almost everything else is just sort of hunkered down. In part, it's been a long winter, which holds back on any building and attitude and so forth as well, but there's very little building going on. The ag real estate seems to have sagged about 10 percent from what it was last summer, but a lot of that has to do with the corn prices now settling in and the ethanol cutting back and the fuel prices going down and so forth. So it's hard to get a handle on that. But in northeast Nebraska, it's cold and wintery and we're all kind of waiting for the groundhog to come back out again (laugh) anyway, so...but much of the attitude is just hunker down. If you talk to most people they say, no, I'm just like I was a year ago but I'm not doing much until I see what's going to happen. So there's just that general attitude that's holding things back. []

LAURENCE LANPHIER: Thanks. Steve. []

STEVEN FERRIS: I just kind of agree with both of these, and with Gene. Gene, you could probably substitute Lincoln for most of the examples that Gene gave on the economy, how things are going, how real estate is, how sales are. It's pretty...things are slowing down. I mean from the last time we met, and we weren't all that optimistic last time, it has gotten a lot slower and I'll bet if you contacted the econometric models they wouldn't be saying second quarter recovery now. Most everybody is saying fourth quarter now I think, third, fourth, probably fourth, end of the year before any recovery comes along. So it's going to be a tough year for the economy and for Nebraska. I think we're starting to hit what we last time we were missing and, you know, I think we pointed out that Nebraska was missing all this. Now we're hitting it and now we're getting in the middle of what's happening to everybody else but not to the degree of everybody else. The other interesting thing, it seems like the board itself, when you look at this sheet, when things are really good we're a little bit not as optimistic as the forecasting (inaudible); when things are bad we're not as pessimistic. And you know it could...I think this time it could be just a little bit worse than we even think it could be so... []

LAURENCE LANPHIER: Yeah. Thanks, Steve. Jerry. []

JEROME DEICHERT: Yeah. I mean ditto. But, you know, kind of a little bit added is that it does appear that the unemployment rates in Omaha and in Nebraska are going up a little bit, but we're still about two-thirds of what the national average is, and so I don't know to what those things reflect. And I think before the meeting, we were having a discussion as far as there seems to be an awful lot of nonresidential construction going on in Omaha with hospitals and other buildings and large projects. I don't have a good handle on residential, I think Leslie may have a better idea on that, but there's a lot of nonresidential construction going on right now. []

LAURENCE LANPHIER: Thanks, Jerry. Leslie. []

LESLIE ANDERSON: You're right. There's a ton of the nonresidential construction going on and, in fact, they're projecting that jobs will actually increase in commercial construction in the Omaha area over the next 12 months, primarily due to the hospitals, everything that's going on at Midtown Crossing, the Ak-Sar-Ben projects. So there's a lot of commercial construction going on, which is great, but there's almost zero on the residential side; a lot of small contractors out of business. They're kind of pushing snow this winter and getting along and surviving that way, but I know spring is around the corner and I think a lot of those folks are going to become unemployed. []

LAURENCE LANPHIER: Thanks, Leslie. Tonn. []

TONN OSTERGARD: Well, I wouldn't add a whole lot other than my perception of the economy from our business standpoint is usually influenced more by the general nationwide economics because that's the nature of our business. But while we've certainly been insulated from some of the dramatic credit crisis that have been felt in some of the other major markets, I do have this sense of feeling that things have significantly slowed down on the consumer side of things. And in the financial markets, in everything you read, until the financials improve, the general market is not going to improve. And I think that's still a ways off. I can just say I know in going through these numbers this time that it's a lot more difficult for me to feel comfortable in making a forecast because of some of the disparity and the differences not only between the Department of Revenue and the Legislative Fiscal Office but between the two models. There's quite a disparity and it makes it a lot harder, from my perspective, to make that best guesstimate. So with that,... []

LAURENCE LANPHIER: Okay. Thanks, Tonn. Well, from my perspective, I, you know, the same things are holding true for this meeting as held for the last meeting, as far as residential construction and commercial construction. But the other day I was doing a tax return for a young man who is with the public relations department with the Union Pacific Railroad and I was asking him how the railroad was doing and I have some figures here that normally about this time of the year they have about 20,000 box cars on the side. Right now Union Pacific has got 48,000 of them on the side. They're not shipping cars. They're not shipping lumber. They've got about 8,735 employees in

Nebraska and last year they purchased $287 million worth of goods in the state of Nebraska and their payroll ran $778 million in the state of Nebraska. And markets that generally they use the slack periods like this to renovate their equipment and their tracks, and he says that's what they're doing right now. He said, they're sitting back but, he says, if this continues much longer they're going to have to start laying off. They're not going to have a choice. They're business people. So it kind of bothers me that...I think this is the case with a lot of the larger businesses, is that they're just trying to sit this thing out but if it continues and if it deepens, I think that we're going to see a much deeper recession than what they're predicting right now. I think that's...if there are any other comments from the board members? If there's no comments from the board members, we'll proceed with the revision of the 2008...I'm sorry, yeah, the 2009...I mean 2008-2009 General Fund revenue. We'll start with the sales and use tax. []

GERALD CONWAY: So, Tonn, when is this going to turn around? []

TONN OSTERGARD: It's going to be awhile. []

GERALD CONWAY: You're always six months ahead of the game, so. []

TONN OSTERGARD: It's going to be awhile. []

GERALD CONWAY: Has there been any trend starting to turn yet? []

MICHAEL CALVERT: You really think anybody is going to see that? (Laugh) []

JEROME DEICHERT: Subtle, but it is a nice touch. []

FRED LOCKWOOD: Mike, where's my ARIMA? Oh, here it is. []

GERALD CONWAY: But don't you figure you're probably six months...I mean you would see six months ahead? []

TONN OSTERGARD: Usually, but, you know, we certainly knew at least a year before they announced in December that there was a recession. We knew that but... []

LESLIE ANDERSON: You think we're going to be out of it this year? []

GERALD CONWAY: I mean, if anybody has got an indicator, you do. []

LESLIE CONWAY: I don't either. []

TONN OSTERGARD: I think it will be 2011 (inaudible). []

LESLIE ANDERSON: I do too. []

GERALD CONWAY: Power unit fires haven't increased yet, have they? []

TONN OSTERGARD: I'm sorry? []

GERALD CONWAY: I said power unit fires haven't increased yet, have they? []

MICHAEL CALVERT: Okay. On the board, the high, $1,346,000,000; the low, $1,310,000,000; the average $1,329,400,000. []

FRED LOCKWOOD: Mr. Chairman, I'll identify myself as being the $1,310,000,000. Two factors I took in view of the fact on the comments made by a couple others that I don't think they're, "they" being our services, are behind what's happened in the last four to six weeks entered into my thought process. I took the lowest number possible on any of the reports, which happen to be about $1,320,000. Then, because we're only concerned with the last four months of this fiscal year, I looked at what our receipts were actually for the four months, February to June or February 1 to June 30, and reduced that by 3 percent for sales tax receipts between now and the end of June 30 as compared to a year ago. That came up slightly less than $1,310,000. Knowing I couldn't get past a few of the board members here, I rounded it up to $1,310,000 on that total. And certainly looking forward to hear the thoughts of others that have a higher number than I do. []

LAURENCE LANPHIER: Okay. A motion has been made to set the sales and use tax for 2008-2009 at a billion... []

FRED LOCKWOOD: No, I didn't make the motion. I made...oh, I guess I should have made a motion, then discussed it. I'm sorry. []

LAURENCE LANPHIER: Oh, I thought you made the motion. You didn't make a motion. Okay. I'm sorry. []

FRED LOCKWOOD: (Laugh) I don't have a motion on the floor. []

LAURENCE LANPHIER: Okay. []

FRED LOCKWOOD: So I'm not following protocol. []

LAURENCE LANPHIER: Okay. That's fine. []

TONN OSTERGARD: Mr. Chairman, I'd move $1,330,000,000. []

LAURENCE LANPHIER: Okay. A motion has been made to set the sales and use tax at $1,330,000,000. Is there a second on that motion? []

GERALD CONWAY: Second. []

LAURENCE LANPHIER: A motion has been made and seconded that the sales and use tax for 2008-2009 be set at $1,330,000,000. Any discussion? If there's no discussion, let's call for a vote. []

WANDA McNALLY: Mr. Conway. []

GERALD CONWAY: Yes. []

WANDA McNALLY: Mr. Deichert. []

JEROME DEICHERT: Yes. []

WANDA McNALLY: Mr. Ferris. []

STEVEN FERRIS: Yes. []

WANDA McNALLY: Mr. Lockwood. []

FRED LOCKWOOD: No. []

WANDA McNALLY: Mr. Ostergard. []

TONN OSTERGARD: Yes. []

WANDA McNALLY: Mr. Lanphier. []

LAURENCE LANPHIER: Yes. []

WANDA McNALLY: Ms. Anderson. []

LESLIE ANDERSON: No. []

LAURENCE LANPHIER: Motion has been carried and the sales and use tax for 2008-2009 will be set at...will be revised to $1,330,000,000. We'll go ahead and with the individual income tax. []

MICHAEL CALVERT: Okay. For individual income tax, the high was $1,710,000,000; the low was $1,690,000,000; the average, $1,702,800,000. []

FRED LOCKWOOD: Mr. Chairman, I move it be set at $1,710,000,000. []

LAURENCE LANPHIER: A motion has been made to set the individual income tax at $1,710,000,000. []

JEROME DEICHERT: Second. []

LAURENCE LANPHIER: And the motion has been seconded. Is there any discussion? []

FRED LOCKWOOD: Mr. Chairman, again I was low at $1,690,000, following pretty much the Department of Revenue's bold projection of it being down overall for the following year. I took the four months again and reduced that 5 percent from our actual a year ago and added to what we had. That came up in that neighborhood of $1.690 to $1.7 million. []

LAURENCE LANPHIER: Okay. A motion has been and seconded that the individual income tax be set at $1,710,000,000. Is there any further discussion? No discussion, we'll call for a vote. []

WANDA McNALLY: Mr. Deichert. []

JEROME DEICHERT: Yes. []

WANDA McNALLY: Mr. Ferris. []

STEVEN FERRIS: Yes. []

WANDA McNALLY: Mr. Lockwood. []

FRED LOCKWOOD: Yes. []

WANDA McNALLY: Mr. Ostergard. []

TONN OSTERGARD: Yes. []

WANDA McNALLY: Mr. Lanphier. []

LAURENCE LANPHIER: Yes. []

WANDA McNALLY: Ms. Anderson. []

LESLIE ANDERSON: Yes. []

WANDA McNALLY: Mr. Conway. []

GERALD CONWAY: Yes. []

MICHAEL CALVERT: And the dollar amount was what? I'm sorry. []

LAURENCE LANPHIER: $1,710,000,000. The motion is carried and the individual income tax for 2008-2009 will be revised to $1,710,000,000. We'll go ahead and proceed with the revision of the corporate income tax for 2008 and 2009. []

JEROME DEICHERT: Mr. Chairman. []

LAURENCE LANPHIER: Yes, sir. []

JEROME DEICHERT: May I suggest that we do corporate and miscellaneous at the same time, too? I mean we've done that sometimes in the past. []

FRED LOCKWOOD: I have no objection. []

LAURENCE LANPHIER: Any other...any opposition to that? []

FRED LOCKWOOD: I have none. []

LAURENCE LANPHIER: Let's go ahead then and we'll do the corporate and the miscellaneous at the same time. []

GERALD CONWAY: Do you want separate motions or added up together? []

JEROME DEICHERT: We'll have separate motions. []

LAURENCE LANPHIER: Yeah. []

JEROME DEICHERT: It will just save us from...it will save Dave some steps. []

MICHAEL CALVERT: Okay. I'm going to go through and do corporate first... []

DAVE DEARMONT: Okay. []

MICHAEL CALVERT: ...and then I'll do miscellaneous. []

GERALD CONWAY: He's up for that exercise. Mr. Chairman, I'd like to move that corporate income tax be set at $210 million. []

TONN OSTERGARD: Second. []

LAURENCE LANPHIER: Been a motion made and seconded that corporate income tax be set at $210 million. Is there any discussion? If there's no discussion, we'll call for a vote. []

WANDA McNALLY: Mr. Ferris. []

STEVEN FERRIS: Yes. []

WANDA McNALLY: Mr. Lockwood. []

FRED LOCKWOOD: Yes. []

WANDA McNALLY: Mr. Ostergard. []

TONN OSTERGARD: Yes. []

WANDA McNALLY: Mr. Lanphier. []

LAURENCE LANPHIER: Yes. []

WANDA McNALLY: Ms. Anderson. []

LESLIE ANDERSON: Yes. []

WANDA McNALLY: Mr. Conway. []

GERALD CONWAY: Yes. []

WANDA McNALLY: Mr. Deichert. []

JEROME DEICHERT: Yes. []

LAURENCE LANPHIER: The motion has carried and the corporate income tax will be revised to $210 million. Is there a motion on miscellaneous? []

STEVEN FERRIS: I'll move miscellaneous be $215 million. []

TONN OSTERGARD: Second. []

LAURENCE LANPHIER: A motion has been made and seconded that miscellaneous taxes be set at $215 million. Is there any discussion? If there's no discussion, we'll call for a vote. []

WANDA McNALLY: Mr. Lockwood. []

FRED LOCKWOOD: Yes. []

WANDA McNALLY: Mr. Ostergard. []

TONN OSTERGARD: Yes. []

WANDA McNALLY: Mr. Lanphier. []

LAURENCE LANPHIER: Yes. []

WANDA McNALLY: Ms. Anderson. []

LESLIE ANDERSON: Yes. []

WANDA McNALLY: Mr. Conway. []

GERALD CONWAY: Yes. []

WANDA McNALLY: Mr. Deichert. []

JEROME DEICHERT: Yes. []

WANDA McNALLY: Mr. Ferris. []

STEVEN FERRIS: Yes. []

LAURENCE LANPHIER: Motion is carried and the miscellaneous taxes for the fiscal year 2008-2009 will be revised to $215 million. We'll proceed with the 2009... []

MICHAEL CALVERT: Do you want to do the total? []

LAURENCE LANPHIER: I'm sorry. We should do the... []

MICHAEL CALVERT: The total is up on the screen, $3,465,000,000 for all tax types. []

JEROME DEICHERT: Mr. Chairman, I move that the total receipts for the fiscal year

2008-2009 be set at $3,465,000,000. []

TONN OSTERGARD: Second. []

LAURENCE LANPHIER: There's been a motion made and seconded that the General Fund receipts for the fiscal year 2008-2009 be revised to $3,465,000,000. Is there any discussion or debate? If there's no discussion or debate, we'll proceed with a vote. []

WANDA McNALLY: Mr. Ostergard. []

TONN OSTERGARD: Yes. []

WANDA McNALLY: Mr. Lanphier. []

LAURENCE LANPHIER: Yes. []

WANDA McNALLY: Ms. Anderson []

LESLIE ANDERSON: Yes. []

WANDA McNALLY: Mr. Conway. []

GERALD CONWAY: Yes. []

WANDA McNALLY: Mr. Deichert. []

JEROME DEICHERT: Yes. []

WANDA McNALLY: Mr. Ferris. []

STEVEN FERRIS: Yes. []

WANDA McNALLY: Mr. Lockwood. []

FRED LOCKWOOD: Yes. []

LAURENCE LANPHIER: Motion is carried and the General Fund receipts, net General Fund receipts for the fiscal year 2008-2009 will be set at $3,465,000,000. Let's proceed with the 2009-2010 forecast, and we'll start again with sales and use tax. Wanda, can you see that up there? []

WANDA McNALLY: Uh-huh. []

LAURENCE LANPHIER: I can't see it at all. []

WANDA McNALLY: You can't here? []

LAURENCE LANPHIER: No, I can't see it. So when they get to the average up there, if you'd give that to me (inaudible). []

WANDA McNALLY: Okay. []

STEVEN FERRIS: Well, I'm on the wrong sheet but maybe I can just use the same numbers for next year, too, you know? []

LESLIE ANDERSON: It's hard to see it. []

FRED LOCKWOOD: (Inaudible) getting into the year after this you're losing more. []

STEVEN FERRIS: Well, I'm just saying I wrote the same numbers I brought, wrote them on the wrong sheet, but I can probably use the same ones. (Laugh) []

GERALD CONWAY: (Inaudible) why not? []

FRED LOCKWOOD: That's just what I (inaudible). That's just what I just did in Lincoln (inaudible). []

STEVEN FERRIS: I think I was pretty close. Actually, I was. (Laugh) So there's at least two that way. []

FRED LOCKWOOD: Well, I don't know if I'd vote against that last motion but we're within 1 percent of where I wanted it, so... []

STEVEN FERRIS: Well, that's kind of (inaudible) that very first one when you were a lower and I was the next lower. []

FRED LOCKWOOD: Were you? []

STEVEN FERRIS: But, yeah, you know, I don't know. []

FRED LOCKWOOD: You know on this darn farm income because it's paid in this year, there's so many of them are paying (inaudible) tax, then you've got the other extreme and it's not going to be that...well, it's impacting less. (Inaudible) because there was a heck of a lot of guys that market (inaudible) their wheat and seed corn (inaudible). []

MICHAEL CALVERT: Okay. All right. For sales, $1,355,000,000 was the high; $1,330,000,000 was the low; the average, $1,341,400,000. []

TONN OSTERGARD: Mr. Chairman, I'll move $1,340,000,000. []

LESLIE ANDERSON: Second. []

LAURENCE LANPHIER: The motion has been made and seconded that the sales and use tax for 2009 and 2010 be set at $1,340,000,000. Is there any discussion and debate? No discussion or debate... []

JEROME DEICHERT: May I just ask Mike? []

LAURENCE LANPHIER: Yes, go ahead. []

JEROME DEICHERT: Would you put in a billion...could you put that in there to see what the rate-base change would be? []

MICHAEL CALVERT: Sure. Okay, $1,340,000,000 would be about a 1.7 percent growth over the number you just previously established. []

JEROME DEICHERT: Okay, that's what I was trying to figure out. Okay. Thanks. []

MICHAEL CALVERT: On sales tax. []

LAURENCE LANPHIER: Okay. Any further discussion? []

FRED LOCKWOOD: So I guess we're being somewhat positive compared to what we did in October that that's only a decrease of $10 million, which is statistically insignificant? []

GERALD CONWAY: We were pretty good in October. []

FRED LOCKWOOD: Yeah, we were. I just pass that. []

GERALD CONWAY: That's why we have to support our previous decision. []

FRED LOCKWOOD: And I'm only $10 million less than that, and that's really insignificant so. []

GERALD CONWAY: You could make up that difference. []

LAURENCE LANPHIER: If there's no further discussion, we'll proceed with a vote. []

WANDA McNALLY: Mr. Lanphier. []

LAURENCE LANPHIER: Yes. []

WANDA McNALLY: Ms. Anderson. []

LESLIE ANDERSON: Yes. []

WANDA McNALLY: Mr. Conway. []

GERALD CONWAY: Yes. []

WANDA McNALLY: Mr. Deichert. []

JEROME DEICHERT: Yes. []

WANDA McNALLY: Mr. Ferris. []

STEVEN FERRIS: Yes. []

WANDA McNALLY: Mr. Lockwood. []

FRED LOCKWOOD: Yes. []

WANDA McNALLY: Mr. Ostergard. []

TONN OSTERGARD: Yes. []

LAURENCE LANPHIER: The vote is positive. We will set...revise the sale and use tax receipts, net receipts for the fiscal year 2009-2010 to $1,340,000,000. Proceed to individual income tax. []

MICHAEL CALVERT: High for individual income tax, $1,740,000,000; low is $1,680,000,000; the average, $1,711,400,000. []

GERALD CONWAY: I'll go out on a limb, see who follows me. I'll go $1,720,000,000. []

LAURENCE LANPHIER: $1,720,000,000? []

TONN OSTERGARD: I'll second that. []

LAURENCE LANPHIER: The motion has been made and seconded to revise the individual income tax for 2009-2010 to $1,720,000,000. Is there any discussion or debate? []

JEROME DEICHERT: Again, could you put that in there to see what that would be on...? []

MICHAEL CALVERT: Negative 1.2, $1,720,000,000, in terms of growth over prior year. []

FRED LOCKWOOD: I thought $1,710,000 we approved. []

LESLIE ANDERSON: That was the prior year, yeah. []

JEROME DEICHERT: But it's rate-base adjusted so. []

MICHAEL CALVERT: Right. You got rate-base changes that alter that from prior legislation. It shouldn't be that significant. If it's wrong, we'll clarify that, but. []

STEVEN FERRIS: It's primarily that LB360. []

MICHAEL CALVERT: Pardon? []

STEVEN FERRIS: It's primarily whatever that bill was, LB365? []

MICHAEL CALVERT: Yeah, I think that might have been. []

TONN OSTERGARD: Mike, that 721 compares to which number? []

LESLIE ANDERSON: $1,710,000,000 year ago. []

MICHAEL CALVERT: It compares to... []

TONN OSTERGARD: That's what I thought, 710. []

LESLIE ANDERSON: But they're rate-base adjusted. []

MICHAEL CALVERT: ...$1,710,000,000. []

GERALD CONWAY: To the $1,710. []

FRED LOCKWOOD: Well, no, he's compared it to the legislative adjustment number... []

MICHAEL CALVERT: See if I've got the rate table. []

FRED LOCKWOOD: ...of the change in the Legislature's impact of it. That's what Jerome was asking. That's getting too sophisticated for me. []

LAURENCE LANPHIER: Is there any further discussion or debate? If there's no further discussion and debate, let's proceed with a vote. []

WANDA McNALLY: Ms. Anderson. []

LESLIE ANDERSON: No. []

WANDA McNALLY: Mr. Conway. []

GERALD CONWAY: Yes. []

WANDA McNALLY: Mr. Deichert. []

JEROME DEICHERT: Yes. []

WANDA McNALLY: Mr. Ferris. []

STEVEN FERRIS: No. []

WANDA McNALLY: Mr. Lockwood. []

FRED LOCKWOOD: No. []

WANDA McNALLY: Mr. Ostergard. []

TONN OSTERGARD: Yes. []

WANDA McNALLY: Mr. Lanphier. []

LAURENCE LANPHIER: Yes. []

WANDA McNALLY: Passed. []

LAURENCE LANPHIER: The vote has passed and the individual income tax for 2009-2010 will be revised to $1,720,000,000. We'll proceed. We'll do the corporate and the miscellaneous taxes together. []

MICHAEL CALVERT: Okay, on corporate, high is $210, low is $185, average is $193,751. Miscellaneous is $210 for a high; low, $180; $189.2, $189.3 for an average. []

FRED LOCKWOOD: I move $195 on corporate income tax. []

JEROME DEICHERT: I'll second that. []

LAURENCE LANPHIER: Motion has been made and seconded that the corporate income tax for 2009-2010 be set at $195 million. Is there any discussion or debate? If there's no discussion or debate, let's proceed with a vote. []

WANDA McNALLY: Mr. Conway. []

GERALD CONWAY: Yes. []

WANDA McNALLY: Mr. Deichert. []

JEROME DEICHERT: Yes. []

WANDA McNALLY: Mr. Ferris. []

STEVEN FERRIS: No. []

WANDA McNALLY: Mr. Lockwood. []

FRED LOCKWOOD: Yes. []

WANDA McNALLY: Mr. Ostergard. []

TONN OSTERGARD: Yes. []

WANDA McNALLY: Mr. Lanphier. []

LAURENCE LANPHIER: Yes. []

WANDA McNALLY: Ms. Anderson. []

LESLIE ANDERSON: No. []

LAURENCE LANPHIER: The motion is carried and the... []

STEVEN FERRIS: (Inaudible) the motion. []

GERALD CONWAY: (Inaudible) of us. []

LAURENCE LANPHIER: ...and the corporate income tax for 2009-2010 will be revised to $195 million. Proceed with miscellaneous taxes. []

TONN OSTERGARD: I move $190 million, Mr. Chairman. []

LAURENCE LANPHIER: The motion has been made to set miscellaneous taxes for 2009-2010. []

GERALD CONWAY: I'll second. []

LAURENCE LANPHIER: That was a hundred and...? []

TONN OSTERGARD: Ninety. []

LAURENCE LANPHIER: $190 million. Motion has been made and seconded that they be set at $190 million. Any discussion or debate? If there's no discussion or debate, we'll proceed with a vote. []

WANDA McNALLY: Mr. Deichert. []

JEROME DEICHERT: Yes. []

WANDA McNALLY: Mr. Ferris. []

STEVEN FERRIS: No. []

WANDA McNALLY: Mr. Lockwood. []

FRED LOCKWOOD: Yes. []

WANDA McNALLY: Mr. Ostergard. []

TONN OSTERGARD: Yes. []

WANDA McNALLY: Mr. Lanphier. []

LAURENCE LANPHIER: Yes. []

WANDA McNALLY: Ms. Anderson. []

LESLIE ANDERSON: No. []

WANDA McNALLY: Mr. Conway. []

GERALD CONWAY: Yes. []

LAURENCE LANPHIER: The motion has carried. []

MICHAEL CALVERT: At $190, is that correct? []

LAURENCE LANPHIER: Yes, sir. Miscellaneous taxes for 2009-2010 will be set at $190 million. []

MICHAEL CALVERT: Okay. It gives you a total, $3,445,000,000 for fiscal '09-10. []

LAURENCE LANPHIER: Okay. Jerry? Is there a motion? []

GERALD CONWAY: I'll move that number, $3,445,000,000 for 2009-2010. []

LAURENCE LANPHIER: Okay. Is there a second? []

FRED LOCKWOOD: Second. []

LAURENCE LANPHIER: The motion has been made and seconded that the net receipts for the General Fund for 2009-2010 be set at $3,445,000,000. Is there any discussion or debate? If there's no discussion or debate, we'll proceed with a vote. []

WANDA McNALLY: Mr. Ferris. []

STEVEN FERRIS: Yes. []

WANDA McNALLY: Mr. Lockwood. []

FRED LOCKWOOD: Yes. []

WANDA McNALLY: Mr. Ostergard. []

TONN OSTERGARD: Yes. []

WANDA McNALLY: Mr. Lanphier. []

LAURENCE LANPHIER: Yes. []

WANDA McNALLY: Ms. Anderson. []

LESLIE ANDERSON: Yes. []

WANDA McNALLY: Mr. Conway. []

GERALD CONWAY: Yes. []

WANDA McNALLY: Mr. Deichert. []

JEROME DEICHERT: Yes. []

LAURENCE LANPHIER: The motion has carried and the net General Fund receipts for 2009-2010 will...the forecast will be revised to $3,445,000,000. We'll proceed with the 2010-2011 forecast, and we'll start with sales and use tax. []

FRED LOCKWOOD: So what did Jerome say it is, that '08 and '09 is almost identical to...or '09-10 is almost identical to '08 and 09? That's that what we did (inaudible). []

GERALD CONWAY: (Inaudible). []

FRED LOCKWOOD: (Inaudible) '08 and '09, which is absolute numbers, is...it's $20 million, it's $20 million higher than '09-10, but with all his weight adjustments (inaudible). []

GERALD CONWAY: Actually, we're closer together than I thought (inaudible). []

STEVEN FERRIS: It is. Yeah. I thought I was low but, I mean I am low, but everybody else is pretty low too. []

MICHAEL CALVERT: Okay. All right. The high amongst board members, $1,400,000,000; $1,380,000,000 was the low; $1,393,560,000 the average. []

GERALD CONWAY: I'll move $1,395,000,000. []

STEVEN FERRIS: Second. []

LAURENCE LANPHIER: A motion has been made and seconded that the sales and use tax for 2010-2011 be revised to $1,395,000,000. Is there any discussion or debate? If there's no discussion or debate, we'll proceed with a vote. []

WANDA McNALLY: Mr. Lockwood. []

FRED LOCKWOOD: Yes. []

WANDA McNALLY: Mr. Ostergard. []

TONN OSTERGARD: Yes. []

WANDA McNALLY: Mr. Lanphier. []

LAURENCE LANPHIER: Yes. []

WANDA McNALLY: Ms. Anderson. []

LESLIE ANDERSON: Yes. []

WANDA McNALLY: Mr. Conway. []

GERALD CONWAY: Yes. []

WANDA McNALLY: Mr. Deichert. []

JEROME DEICHERT: Yes. []

WANDA McNALLY: Mr. Ferris. []

STEVEN FERRIS: Yes. []

LAURENCE LANPHIER: The motion has carried. []

MICHAEL CALVERT: $1,395,000,000. Correct? []

LAURENCE LANPHIER: $1,395,000,000. We'll proceed with the individual income tax for 2010-2011. []

MICHAEL CALVERT: Okay. The high for fiscal '10-11 individual income tax, $1,850,000,000; low, $1,720,000,000; average, $1,805,000,000. []

STEVEN FERRIS: I'll move $1,805,000,000. []

GERALD CONWAY: Was that your number? []

STEVEN FERRIS: (Inaudible) I like the lower. (Laughter) []

LAURENCE LANPHIER: Was there a second on that? []

JEROME DEICHERT: I'll second that. []

LAURENCE LANPHIER: Okay. A motion has been made and seconded that the individual income tax for 2010-2011 be set at $1,805,000,000. Is there any discussion or debate? []

GERALD CONWAY: Just before you do that, Mike,... []

MICHAEL CALVERT: Yeah. []

GERALD CONWAY: ...could you pull (inaudible) $1,720,000,000 out, just see what the average is without that outlier? []

MICHAEL CALVERT: If it blows up, it's your fault. (Laughter) $819. []

GERALD CONWAY: Eight nineteen then? []

FRED LOCKWOOD: No one is going to believe this, but even with my revision, I'm the high. (Laughter) []

LAURENCE LANPHIER: No, I don't think we do believe that. []

TONN OSTERGARD: You're right, we don't believe it. []

FRED LOCKWOOD: Okay. All right. Pick out a number, that's mine. Well, but basically, you know, two years out and what is that percentage over our action we've taken? I don't have the benefit of Jerome's figuring out our rate base changes in all of that, but that's, what, about 6 percent I guess higher than what 16 months would be out, and that's probably perhaps high. I do think that...I'm not sure why the Senator took out the one number. Was that yours? []

GERALD CONWAY: I was just seeing the average (inaudible). []

FRED LOCKWOOD: (Inaudible) lower and the highest. []

GERALD CONWAY: No, that wasn't me either. I just took... []

STEVEN FERRIS: Sometimes when you have an outlier that far out, it really brings the average (inaudible). []

FRED LOCKWOOD: Yeah, good point. Good point, and perhaps the highest and the lowest, although I guess there's a couple of $1,850,000 or $1,850,000,000, Mike? []

MICHAEL CALVERT: Well, here, $1,720,000,000, $805, $800, $800, $1,850,000,000, $825, $835. []

TONN OSTERGARD: Mike, the 5.1 percent growth is over the 2010 forecast? []

MICHAEL CALVERT: Yeah, it's over the...yeah, the individual, $1,805,000,000. I can just plug it in. []

TONN OSTERGARD: $1,720,000,000. []

MICHAEL CALVERT: Yeah. []

TONN OSTERGARD: Is that right? []

MICHAEL CALVERT: About 5.1, according to our calculations. And I was looking at the schedules. There's actually some tax changes that occurred in 2007 that have differing effects year by year, so that's going to be some of the difference. Over time most of that should wash out. []

TONN OSTERGARD: Okay. But it's over the $1,720,000,000 we just approved. []

MICHAEL CALVERT: Correct, yes. This percentage is in relation to what you just previously approved in the prior year. []

TONN OSTERGARD: Okay. With some adjustments... []

MICHAEL CALVERT: Exactly. []

TONN OSTERGARD: ...we can't see. []

MICHAEL CALVERT: Exactly. I'm thinking I'll probably run a spreadsheet for you some day and it's going to be lines upon lines and stuff. []

LAURENCE LANPHIER: If there's no further discussion or debate, the motion has been made and seconded that the individual income tax for 2010-2011 be set at $1,805,000,000. We'll call for a vote. []

WANDA McNALLY: Mr. Ostergard. []

TONN OSTERGARD: Yes. []

WANDA McNALLY: Mr. Lanphier. []

LAURENCE LANPHIER: Yes. []

WANDA McNALLY: Ms. Anderson. []

LESLIE ANDERSON: Yes. []

WANDA McNALLY: Mr. Conway. []

GERALD CONWAY: No. []

WANDA McNALLY: Mr. Deichert. []

JEROME DEICHERT: Yes. []

WANDA McNALLY: Mr. Ferris. []

STEVEN FERRIS: Yes. []

WANDA McNALLY: Mr. Lockwood. []

FRED LOCKWOOD: No. []

LAURENCE LANPHIER: The motion has carried and the individual income tax for 2010-2011 will be revised to $1,805,000,000. We'll proceed with both the corporate and the miscellaneous taxes. []

GERALD CONWAY: Mr. Chairman, I would move $201 million for corporate income taxes in the year...where are we at, 2010-2011. []

LAURENCE LANPHIER: Okay. Is there a second? []

STEVEN FERRIS: Second. []

LAURENCE LANPHIER: Motion has been made and seconded that the corporate income tax for 2010-2011 be set at $201 million. Is there any discussion or debate? If there's no discussion or debate, we'll proceed with a vote. []

WANDA McNALLY: Mr. Lanphier. []

LAURENCE LANPHIER: Yes. []

WANDA McNALLY: Ms. Anderson. []

LESLIE ANDERSON: Yes. []

WANDA McNALLY: Mr. Conway. []

GERALD CONWAY: Yes. []

WANDA McNALLY: Mr. Deichert. []

JEROME DEICHERT: Yes. []

WANDA McNALLY: Mr. Ferris. []

STEVEN FERRIS: Yes. []

WANDA McNALLY: Mr. Lockwood. []

FRED LOCKWOOD: Yes. []

WANDA McNALLY: Mr. Ostergard. []

TONN OSTERGARD: Yes. []

LAURENCE LANPHIER: I'll make a motion that miscellaneous taxes be set at $180 million. []

TONN OSTERGARD: Second. []

LAURENCE LANPHIER: Motion has been made and seconded that the miscellaneous taxes for 2010-2011 be set at $180 million. Is there any discussion or debate? If there's none, let's proceed with a vote. []

WANDA McNALLY: Mr. Anderson. []

LESLIE ANDERSON: Yes. []

WANDA McNALLY: Mr. Conway. []

GERALD CONWAY: Yes. []

WANDA McNALLY: Mr. Deichert. []

JEROME DEICHERT: No. []

WANDA McNALLY: Mr. Ferris. []

STEVEN FERRIS: Yes. []

WANDA McNALLY: Mr. Lockwood. []

FRED LOCKWOOD: No. []

WANDA McNALLY: Mr. Ostergard. []

TONN OSTERGARD: Yes. []

WANDA McNALLY: Mr. Lanphier. []

LAURENCE LANPHIER: Yes. The motion has carried and the miscellaneous taxes for 2010-2011 will be set at $180 million. []

MICHAEL CALVERT: Total is $3,581,000,000. []

GERALD CONWAY: Mr. Chairman, I'll move $3,581,000,000 be the total tax receipts for the year 2010-2011. []

STEVEN FERRIS: Second. []

LAURENCE LANPHIER: Motion has been made and seconded that the net General Fund receipts for 2010-2011 be revised to $3,581,000,000. Is there any discussion or debate? If there's no discussion or debate, let's proceed with a vote. []

WANDA McNALLY: Mr. Conway. []

GERALD CONWAY: Yes. []

WANDA McNALLY: Mr. Deichert. []

JEROME DEICHERT: Yes. []

WANDA McNALLY: Mr. Ferris. []

STEVEN FERRIS: Yes. []

WANDA McNALLY: Mr. Lockwood. []

FRED LOCKWOOD: Yes. []

WANDA McNALLY: Mr. Ostergard. []

TONN OSTERGARD: Yes. []

WANDA McNALLY: Mr. Lanphier. []

LAURENCE LANPHIER: Yes. []

WANDA McNALLY: Ms. Anderson. []

LESLIE ANDERSON: Yes. []

LAURENCE LANPHIER: The motion has carried and the net General Fund receipts for 2010-2011 will be set at $3,581,000,000. Mike, do you have a date for the next meeting? []

MICHAEL CALVERT: Okay. It will be in April. By statute, you're required to meet in April. Thursday, April 23; Friday, April 24, is a holiday. []

LAURENCE LANPHIER: Is a holiday. []

MICHAEL CALVERT: Arbor Day. []

LAURENCE LANPHIER: Okay. []

TONN OSTERGARD: What day? []

MICHAEL CALVERT: Well,... []

TONN OSTERGARD: Arbor Day? []

MICHAEL CALVERT: ...Arbor Day is a holiday... []

TONN OSTERGARD: For who? []

MICHAEL CALVERT: ...now, not that I'm suggesting that you can't meet on Arbor Day, however. []

LAURENCE LANPHIER: Is there any objections to setting it on April 23? []

GERALD CONWAY: Mike is not going to be here. (Laughter) []

MICHAEL CALVERT: Not exactly, but... []

FRED LOCKWOOD: What about Friday, the 17th? []

MICHAEL CALVERT: Well, we may have some issues with respect to getting everything put together. I don't know. Don, your opinion? []

DON YELLICK: (Inaudible). []

MICHAEL CALVERT: Yeah, it's... []

GERALD CONWAY: Mr. Chairman. []

LAURENCE LANPHIER: Yes, sir. []

GERALD CONWAY: Just working in the mix to make sure you have a quorum, that is...the April meeting I will not be able to attend. []

LAURENCE LANPHIER: You will not. Okay. []

GERALD CONWAY: I'll be gone for three months, so... []

MICHAEL CALVERT: Yeah, we have done it earlier. Sometimes you have to compromise in terms of how soon you get handouts because it's quite a production putting it together. There are some advantages, perhaps, doing it earlier timing wise because during that time period I'm in the position of having to deal with budget stuff. []

STEVEN FERRIS: I say, we want to accommodate the Legislature, don't we? []

MICHAEL CALVERT: But it's not much of an accommodation because the budget is due on the floor April 29, which basically says, for my purposes, my work has to be pretty much done with the Appropriations Committee April 21-22, thereabouts, in order to get our budget books and everything all together. So the 17th buys you a day or two maybe. []

TONN OSTERGARD: I'm out of town that day, but... []

LAURENCE LANPHIER: That would be two of you that wouldn't... []

FRED LOCKWOOD: Senator had a conflict for any date in April, right? []

GERALD CONWAY: Yeah. []

FRED LOCKWOOD: And you do, Tonn? []

TONN OSTERGARD: I'm sorry? []

FRED LOCKWOOD: You have a conflict on any time in April or... []

TONN OSTERGARD: I could do the 23rd. I'm out the 17th. []

LAURENCE LANPHIER: Fred, let's do it on the 23rd. Is that okay? You don't want to come in on the 17th anyway. That's two days after tax season. (Laughter) []

JEROME DEICHERT: That may be when he wants to (inaudible). []

TONN OSTERGARD: Does that cause you a problem, Fred? []

FRED LOCKWOOD: No, that's fine. []

LAURENCE LANPHIER: Okay. The next meeting will be set for April 23 of 2009. Do we need to vote on that? Yeah. Is there a motion? []

JEROME DEICHERT: So moved. []

STEVEN FERRIS: Second. []

LAURENCE LANPHIER: Is there a second? []

STEVEN FERRIS: Second. []

LAURENCE LANPHIER: Motion has been made and seconded to select the date for our next meeting as April 23, 2009. Is there any discussion? No discussion, let's call for a vote. []

WANDA McNALLY: Mr. Deichert. []

JEROME DEICHERT: Yes. []

WANDA McNALLY: Mr. Ferris. []

STEVEN FERRIS: Yes. []

WANDA McNALLY: Mr. Lockwood. []

FRED LOCKWOOD: Yes. []

WANDA McNALLY: Mr. Ostergard. []

TONN OSTERGARD: Yes. []

WANDA McNALLY: Mr. Lanphier. []

LAURENCE LANPHIER: Yes. []

WANDA McNALLY: Ms. Anderson. []

LESLIE ANDERSON: Yes. []

WANDA McNALLY: Mr. Conway. []

GERALD CONWAY: Yes. []

LAURENCE LANPHIER: The motion is carried and the next meeting will be set for April 23, 2009. Is there a motion to adjourn? []

STEVEN FERRIS: So move. []

LAURENCE LANPHIER: Is there a second? []

LESLIE ANDERSON: Second. []

LAURENCE LANPHIER: Motion has been made and seconded to adjourn. Any discussion? No discuss, let's call for a vote. []

WANDA McNALLY: Mr. Ferris. []

STEVEN FERRIS: Yes. []

WANDA McNALLY: Mr. Lockwood. []

FRED LOCKWOOD: Yes. []

WANDA McNALLY: Mr. Ostergard. []

TONN OSTERGARD: Yes. []

WANDA McNALLY: Mr. Lanphier. []

LAURENCE LANPHIER: Yes. []

WANDA McNALLY: Ms. Anderson. []

LESLIE ANDERSON: Yes. []

WANDA McNALLY: Mr. Conway. []

GERALD CONWAY: Yes. []

WANDA McNALLY: Mr. Deichert. []

JEROME DEICHERT: Yes. []

LAURENCE LANPHIER: Motion is carried. Meeting is adjourned. Thank you, Wanda. []