

GENERAL FUND REVENUE

Summary of General Fund Forecast

The FY 2005 budget assumes that both the national and Arizona economies will continue to exhibit the improvement that began in the last few months of FY 2004. The budget is built on a revenue growth rate (excluding one-time financing sources) of 8.3% in FY 2005 compared to a forecasted FY 2004 growth rate of 9.9%.

Including one-time financing sources, Urban Revenue Sharing, disproportionate share revenue, and the balance forward from the previous fiscal year, the “bottom line” revenue growth rate in the FY 2005 budget is projected to be 9.1% in FY 2005, compared to 8.4% in FY 2004. In dollar terms, revenue collections are expected to equal \$6,743.8 million in FY 2004, and \$7,358.0 million in FY 2005. The detailed enacted budget revenue forecast appears in *Table 4* at the end of this section.

The forecast for FY 2005 provided in *Table 4* includes a small net decrease in on-going revenues of \$(6.3) million due to tax law and other revenue changes. The FY 2004 forecast includes an increase of \$120.1 million in on-going revenue changes.

Tax Law and Revenue Changes

FY 2004

Each year there are statutory tax law and other revenue changes that impact the state’s revenue collection base. These may include tax rate or tax exemption changes, conformity to federal tax law changes, or the implementation of programs that affect revenue collections. *Table 5* at the end of this section provides a summary of these tax law and revenue changes.

The on-going tax law and revenue change in FY 2004 was \$120.1 million. In other words, The FY 2004 revenue base was \$120.1 million higher than it otherwise would have been without these adjustments. The increase consists primarily of the net impact of tax changes enacted by the Legislature in the 2003 Regular Session. Included are the elimination of the insurance premium tax exemption for Medicaid premiums (partial year impact) and the full year impact of the implementation of the Department of Revenue (DOR) revenue generating program described below. These increases are partially offset by the continued phase-out of the estate tax.

Department of Revenue (DOR) Revenue Generating Program – The FY 2004 enacted budget included a \$6.6 million appropriation and 153 new FTE positions for an

expansion of the DOR revenue generating program, which was begun in FY 2003. This program was anticipated to generate \$53.2 in FY 2004 through increased enforcement activity. The \$53.2 million estimate included \$25.4 million of sales tax, \$18.7 million individual income tax, and \$9.1 million corporate income tax.

DOR is required to report quarterly on the progress of the revenue generating program. The last quarterly report was released on April 30, 2004, and addressed activity through January. While the report noted that enforcement collections were slightly exceeding the department’s target, they did not separate out the enforcement collections directly attributable to the revenue generating program.

Minimum Withholding Tax – The FY 2004 enacted budget included a provision to implement a minimum \$5 per month withholding tax. This provision was subsequently repealed in the Second Special Session.

FY 2005

The on-going tax law and revenue change for FY 2005 is a decrease of \$(6.3) million. As a result, the on-going revenue base is \$(6.3) million lower than it otherwise would have been. *Table 1* below summarizes the on-going revenue changes for FY 2005. A short description of each component of the decrease follows the table.

Table 1	
FY 2005 On-Going Revenue Changes	
\$ in Thousands	
IRS Conformity	\$ (1,800.0)
Stillborn Children Exemption	(34.0)
Flight Property Tax	(7,000.0)
Higher Fee Collections	975.0
Annualization of FY 2004 Changes	<u>1,529.0</u>
Total	\$ (6,330.0)

IRS Conformity – Federal adjusted gross income forms the basis for computation of Arizona income for income tax purposes. Changes to the federal tax code impact the state’s income tax collections. The federal government enacted three tax bills during 2003, including the Jobs and Growth Tax Relief Reconciliation Act, the Military Family Tax Relief Act, and the Medicare Prescription Drug, Improvement, and Modernization Act. Legislation was enacted to conform to provisions of the federal tax bills related to deductions for overnight travel expenses, the exclusion of gain on the sale of residences for military personnel, and contributions to health savings accounts. The Legislature did not conform to the provisions of the federal tax changes related to additional bonus depreciation allowances and investment deductions by small businesses.

Stillborn Children Exemption – Legislation was enacted that allows an individual income tax exemption of \$2,300 to be taken for a stillborn child.

Flight Property Tax - Through FY 2003, 50% of flight property tax was deposited into the General Fund, and 50% into the Aviation Fund. Laws 2001, Chapter 286 provided that, beginning in FY 2004, 100% of flight property tax would be deposited into the Aviation Fund. Laws 2003, Chapter 263 (the Public Finance ORB) deferred that change until FY 2005.

Increased Fee Revenues – The enacted FY 2005 budget revenue estimate includes a net increase in revenues of \$975,000 from banking fees, liquor fees, and weights and measures fees. For a more detailed discussion of these fee revenue increases, please refer to the State Banking Department, Department of Liquor Licenses and Control, and Department of Weights and Measures sections of the FY 2005 Appropriations Report respectively. These increases total \$1,105,000, but are partially offset by the transfer of \$130,000 in license fees from the General Fund to the Hearing and Speech Professions fund.

Annualization of FY 2004 Changes – This amount represents the net impact of the full year impact of the insurance premium tax increase from last year, partially offset by the continued phase-out of the estate tax, as well as other smaller changes.

Healthy Forest Tax Credits – In addition to the above, Laws 2004, Chapter 326 provides sales tax exemptions, individual income tax credits, and corporate income tax credits to qualified businesses in the state that process biomass from Arizona’s forests. The impact of this legislation will depend on the level of new economic activity that occurs in the state that would not have occurred otherwise. Any revenue loss from new activity that would not have otherwise occurred would be considered foregone revenue, and not a reduction in the tax base. However, the impact of this legislation cannot be predicted, and no dollar estimate has been included in the enacted budget.

One-Time Financing Changes

One-time financing sources are also used to help provide a balanced budget. In FY 2003, the enacted budget included \$436.9 million in one-time revenue sources. The FY 2004 budget included \$391.3 million, a decrease of \$(45.6) million from FY 2003. The FY 2005 budget includes \$480.9 million in one-time revenues, an increase of \$89.5 million over FY 2004. Following is a discussion of one-time financing sources included in the budget for FY 2004 and FY 2005. *Table 5* at the end of this section provides a summary of these one-time financing changes.

FY 2004

The one-time financing sources decrease of \$(45.6) million in FY 2004 is primarily due to a significantly lower level

of fund balance transfers utilized in the enacted FY 2004 budget compared to FY 2003, partially offset by an increase in the General Fund balance forward from the previous year. A discussion of FY 2003 and FY 2004 fund transfers and other one-time revenue sources is provided on pages 323 and 333 of the FY 2004 Appropriations Report. One-time FY 2004 financing sources that have been adjusted since the FY 2004 Appropriations Report are as follows:

Balance Forward – The General Fund balance forward for FY 2004 is \$192.2 million compared to a \$1 million balance forward in FY 2003.

Judicial Collection Plan – Laws 2003, Chapter 263 included a plan that requires 75% of excess FY 2004 court collections over FY 2003 collections through April 15, 2004, be deposited into the General Fund (up to a maximum of \$45 million). Later in the fiscal year, these monies were to be distributed to state agencies to defray the employer cost of state employee health insurance and retirement. The amount collected and distributed to state agencies in FY 2004 was \$5.4 million. The \$32.0 million of FY 2005 fund transfers discussed below includes an additional \$8.5 million transfer of FY 2004 judicial collections to the General Fund. This additional transfer represents collections from the 4th quarter of FY 2004. Laws 2003, 2nd Special Session, Chapter 2 repealed the state retention of these court collections after FY 2004.

Fund Transfers – The FY 2005 enacted budget includes an estimated \$54.5 million in one-time fund transfers for FY 2004. These transfers include the \$49.5 million in transfers detailed in the FY 2004 Appropriations Report, plus an additional \$5.0 million in FY 2003 transfers that were not processed until FY 2004.

Tax Amnesty – The original FY 2004 revenue estimate included \$25 million from the DOR tax amnesty program. The program provided for abated penalties and reduced interest on unpaid sales and income tax liability from 1983 through January 1, 2003. One third of the tax liability was to be paid by October 31, 2003, and the remaining balance by May 1, 2004. The program actually generated \$72.3 million. This included approximately \$22 million in audit collections that would have been collected anyway. After adjusting for the audit collections, as well as distributions to local jurisdictions, the tax amnesty program generated approximately \$47.1 million in General Fund revenue in FY 2004, or \$22.1 million over the original estimate. This increased amount was incorporated into the FY 2004 revenue estimate in the enacted FY 2005 budget. The \$47 million estimate includes \$4 million of on-going collections, and \$43 million of one-time tax amnesty revenue.

Legal Settlement – The estimate includes the \$9 million legal settlement paid by Qwest as a result of the court decision in their case related to the sale of long-distance services in Arizona. The settlement was received by the state in mid-May of this year.

FY 2005

The one-time financing sources increase of \$89.5 million in FY 2005 reflects the net impact of the elimination of \$391.3 million in one-timing financing sources from FY 2004, the addition of \$480.9 million in FY 2005, including an increase in the General Fund balance forward from FY 2004. Additional one-time financing sources include:

Balance Forward – The FY 2005 General Fund balance forward is estimated to be \$243.1 million, compared to the \$192.2 million balance forward in FY 2004.

Fund Transfers – The FY 2005 enacted budget includes an \$11.7 million fund transfer from the Air Quality Fund that was first implemented as part of the FY 2004 enacted budget. In addition, the enacted budget includes \$32.0 million of new miscellaneous one-time fund transfers for FY 2005 as noted in Fund Transfers section following this section.

Vehicle License Tax Transfer – The enacted FY 2005 budget includes the one-time transfer of the first \$118 million of VLT collections in FY 2005 from the State Highway Fund (SHF) to the state’s General Fund. The Department of Transportation indicates that this one-time transfer from the SHF will not impact the state’s 5-year highway construction plan.

Withholding Tax – The enacted FY 2004 budget included an increase to the state’s withholding tax rates. The state’s withholding tax is a percentage of federal withholding tax. Federal tax reductions included in the federal Jobs and Growth Tax Relief Reconciliation Act of 2003 reduced federal withholding taxes. As a result, the state’s withholding tax revenue would have been reduced by what was originally estimated to be \$14 million. The enacted budget included an increase in the state’s withholding tax rates to hold the state harmless from the federal tax reductions. Subsequently, DOR determined that its original estimate was understated, and the state’s withholding tax revenues would be reduced by an estimated \$90 million. The enacted FY 2005 budget includes an increase in the state’s withholding rates as of January 1, 2005 to hold the state harmless from this additional \$76 million reduction.

Baseline and Adjusted Revenue Growth

Table 5 at the end of this section provides a summary of FY 2004 and FY 2005 tax law, revenue, and one-time financing changes. The estimates of FY 2004 revenue changes in Table 5 are new changes over and above FY 2003, and the FY 2005 changes are over and above FY 2004.

The following table provides an overview of base revenue growth rates for FY 2004 and FY 2005 with and without tax law and changes and one-time financing sources.

Table 2

Base General Fund Revenue Growth Rates
\$ in Millions

	<u>FY 2004</u>	<u>%</u>	<u>FY 2005</u>	<u>%</u>
Base Revenue	\$6,232.3	7.8%	\$6,883.4	8.4%
w/o tax law changes				
Tax Law Changes	<u>120.1</u>		<u>(6.3)</u>	
Base Revenue	6,352.4	9.9%	6,877.1	8.3%
w/tax law changes				
One-Time Financing	<u>391.4</u>		<u>480.9</u>	
Adjusted Revenue	\$6,743.8	8.4%	\$7,358.0	9.1%

Ladewig Settlement

See Department of Revenue section in the FY 2005 Appropriations Report for a discussion of the Ladewig settlement.

Development of General Fund Revenue Forecast

FY 2004

The original FY 2004 budget was based on revenue growth of 5.3% (exclusive of one-time revenues). The JLBC January revision increased the FY 2004 forecast to 8.5% growth. The Governor’s budget proposal included a revenue estimate for FY 2004 that was \$78 million above the JLBC January revision, with a growth rate in on-going revenues of 9.9%. The enacted budget reflects the Governor’s growth rate for FY 2004 of 9.9%.

FY 2005

The FY 2005 JLBC Budget Book Summary estimated FY 2005 revenue growth at 7.5% (excluding one-time revenues). The Governor’s proposal for FY 2005 was based on a growth rate of 7.8%. The enacted budget is based on a projected FY 2005 growth rate of 8.3%.

Table 3 below summarizes the changing revenue picture for FY 2004 and FY 2005 through the phases of budget development. The growth rates in the table reflect on-going revenues, exclusive of one-time financing sources.

Table 3

Revenue Change Assumptions

	<u>Percent Change</u>
<u>FY 2004</u>	
Adopted FY 2004 Budget (June 03) ^{1/}	5.3%
JLBC Budget (January 04)	8.5%
Governor’s Budget (January 04)	9.9%
Revised FY 2004 (May 04)	9.9%
<u>FY 2005</u>	
JLBC Budget (January 04)	7.5%
Governor’s Forecast (January 04)	7.8%
Enacted FY 2005 Budget	8.3%

^{1/}The FY 04 Appropriations Report indicated a FY 04 growth rate of 4.0%. This estimate included a \$75 million set-aside for the Ladewig settlement, which was subsequently vetoed by the Governor. Adjusting for this veto results in a budgeted FY 04 growth rate of 5.3%

Table 4

GENERAL FUND REVENUE - FY 2004 & FY 2005

ADJUSTED REVENUE GROWTH ^{1/}							
(\$ in Thousands)							
	ACTUAL FY 2003	ADJUSTED FORECAST FY 2004	% CHANGE FY 2003 ACTUAL	\$ CHANGE FY 2003 ACTUAL	ADJUSTED FORECAST FY 2005	% CHANGE FY 2004 ADJUSTED	\$ CHANGE FY 2004 ADJUSTED
Taxes:							
Sales and Use	3,033,877.7	3,237,400.0	6.7%	203,522.3	3,501,366.1	8.2%	263,966.1
Income							
-Individual	2,097,754.9	2,212,600.0	5.5%	114,845.1	2,455,800.0	11.0%	243,200.0
-Corporate	389,406.3	475,200.0	22.0%	85,793.7	525,000.0	10.5%	49,800.0
Tax Amnesty Program	0.0	4,000.0	N/A	4,000.0	4,000.0	0.0%	0.0
Property	25,689.8	35,600.0	38.6%	9,910.2	21,600.0	-39.3%	(14,000.0)
Luxury	64,587.0	65,000.0	0.6%	413.0	65,000.0	0.0%	0.0
Insurance Premium	226,648.8	307,600.0	35.7%	80,951.2	354,500.0	15.2%	46,900.0
Estate	94,217.9	40,300.0	-57.2%	(53,917.9)	20,100.0	-50.1%	(20,200.0)
Other Taxes	8,689.4	15,700.0	80.7%	7,010.6	10,400.0	-33.8%	(5,300.0)
Sub-Total - Taxes	5,940,871.8	6,393,400.0	7.6%	452,528.2	6,957,766.1	8.8%	564,366.1
Other Non-Tax Revenues:							
Lottery	31,000.0	31,000.0	0.0%	0.0	31,000.0	0.0%	0.0
Licenses, Fees and Permits	97,520.4	108,400.0	11.2%	10,879.6	111,900.0	3.2%	3,500.0
Interest	12,855.3	26,496.9	106.1%	13,641.6	13,200.0	-50.2%	(13,296.9)
Transfers and Reimbursements	24,259.9	25,000.0	3.1%	740.1	24,870.0	-0.5%	(130.0)
Sub-Total - Non-Tax	165,635.6	190,896.9	15.3%	25,261.3	180,970.0	-5.2%	(9,926.9)
Subtotal Adjusted Revenue	6,106,507.4	6,584,296.9	7.8%	477,789.5	7,138,736.1	8.4%	554,439.2
Urban Revenue Sharing (URS)	(430,559.1)	(365,065.1)	-15.2%	65,494.0	(373,074.2)	2.2%	(8,009.1)
Disproportionate Share Revenue	120,613.5	133,179.2	10.4%	12,565.7	111,447.4	-16.3%	(21,731.8)
Litigation/Other Set-Aside	(15,000.0)	0.0	-100.0%	15,000.0	0.0	N/A	0.0
Adjusted Revenue w/URS/Litigation	5,781,561.8	6,352,411.0	9.9%	570,849.2	6,877,109.3	8.3%	524,698.3
One-Time Financing Sources:							
Balance Forward	1,000.0	192,185.0	19118.5%	191,185.0	243,127.3	26.5%	50,942.3
FY 2003 Prison Funding	3,800.0	0.0	-100.0%	(3,800.0)	0.0	N/A	0.0
FY 2003 Transfers - 2nd RS/6th SS/1st SS	344,863.2	0.0	-100.0%	(344,863.2)	0.0	N/A	0.0
FY 2004 Judicial Enhancement	0.0	5,389.3	N/A	5,389.3	0.0	-100.0%	(5,389.3)
FY 2004 Transfers In	0.0	54,500.0	N/A	54,500.0	11,700.0	-78.5%	(42,800.0)
FY 2004 Tax Amnesty	0.0	43,000.0	N/A	43,000.0	0.0	-100.0%	(43,000.0)
FY 2004 Federal Cash Assistance	87,234.1	87,265.9	0.0%	31.8	0.0	-100.0%	(87,265.9)
FY 2004 Legal Settlement	0.0	9,000.0	N/A	9,000.0	0.0	-100.0%	(9,000.0)
FY 2005 Transfers In	0.0	0.0	N/A	0.0	32,034.5	N/A	32,034.5
FY 2005 Vehicle License Tax Transfer	0.0	0.0	N/A	0.0	118,000.0	N/A	118,000.0
FY 2005 Withholding Adjustment	0.0	0.0	N/A	0.0	76,000.0	N/A	76,000.0
Sub-Total - One-Time Financing Sources	436,897.3	391,340.2	-10.4%	(45,557.1)	480,861.8	22.9%	89,521.6
Total Adjusted Revenue	6,218,459.1	6,743,751.2	8.4%	525,292.1	7,357,971.1	9.1%	614,219.9

1/ The adjusted revenue forecast includes tax law and other one-time changes and represents a "bottom line" revenue growth estimate.

Table 5

BASELINE REVENUE ADJUSTMENTS BY CATEGORY		
(\$ in Thousands)		
Summary By Category:	<u>FY 2004</u> ^{1/}	<u>FY 2005</u> ^{1/}
On-Going Revenue Changes		
Tax Law Changes		
Sales & Use Tax	22,284.0	0.0
Individual Income Tax	16,415.0	(1,834.0)
Corporate Income Tax	8,712.0	0.0
Tax Amnesty	4,000.0	0.0
Property Tax	0.0	(7,000.0)
Estate Tax	(19,310.0)	(19,600.0)
Luxury Tax	0.0	250.0
Insurance Premium Tax	69,728.1	23,242.0
Subtotal - Tax Law Changes	<u>101,829.1</u>	<u>(4,942.0)</u>
Other Revenue Adjustments		
Licenses and Fees	433.4	855.0
Transfers and Reimbursements	13,697.7	(2,243.0)
URS Hold Harmless ^{2/}	4,968.4	0.0
URS Reduction ^{3/}	(818.0)	0.0
Subtotal - Other Revenue Adjustments	<u>18,281.5</u>	<u>(1,388.0)</u>
Subtotal - On-Going Revenue Changes	<u>120,110.6</u>	<u>(6,330.0)</u>
One-Time Financing Sources		
Balance Forward (FY 03)	(1,000.0)	0.0
Balance Forward (FY 04)	192,185.0	(192,185.0)
Balance Forward (FY 05)	0.0	243,127.3
FY 03 Prison Funding (2nd Regular Session)	(3,800.0)	0.0
FY 03 Balance Transfers	(343,963.2)	0.0
FY 03 Asset Sales (1st Special Session)	(900.0)	0.0
FY 04 Judicial Enhancement	5,389.3	(5,389.3)
FY 04 Balance Transfers (1st Regular Session)	54,500.0	(54,500.0)
FY 04 Tax Amnesty - One-Time (1st Regular Session)	43,000.0	(43,000.0)
FY 04 Federal Cash Assistance (FY 03 Payment)	(87,234.1)	0.0
FY 04 Federal Cash Assistance (FY 04 Payment)	87,265.9	(87,265.9)
FY 04 Legal Settlement	9,000.0	(9,000.0)
FY 05 Balance Transfer (1st Regular Session/Air Quality)	0.0	11,700.0
FY 05 Balance Transfers (2nd Regular Session)	0.0	32,034.5
Vehicle License Tax Transfer	0.0	118,000.0
Withholding Tax Adjustment	0.0	76,000.0
Subtotal - One-Time Financing Sources	<u>(45,557.1)</u>	<u>89,521.6</u>
TOTAL REVENUE CHANGES	<u><u>\$ 74,553.5</u></u>	<u><u>\$ 83,191.6</u></u>

ADJUSTMENTS BY INDIVIDUAL PROVISION

<u>Ch.</u>	<u>Reference Title</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>Revenue Category</u>
na	FY 2003 Balance Forward from FY 2002	(1,000.0)	0.0	Balance Forward
na	FY 2004 Balance Forward from FY 2003	192,185.0	(192,185.0)	Balance Forward
na	FY 2005 Balance Forward from FY 2004	0.0	243,127.3	Balance Forward
 <u>46th Legislature - 2nd Regular Session:</u>				
196	IRS Conformity	0.0	(1,800.0)	Individual
214	Stillborn Children Exemption	0.0	(34.0)	Individual
270	Hearing and Speech Fund Transfer	0.0	(130.0)	Trns & Reimb
275	Banking Fees	0.0	220.0	License/Fees
275	Weights and Measures Fees	0.0	635.0	License/Fees
275	Liquor Fees	0.0	250.0	Luxury Tax
326	Healthy Forests ^{4/}	0.0	unknown	NA
	One-Time Financing Sources			
na	Legal Settlement	9,000.0	(9,000.0)	FY 04 One-Time
275	Fund Transfers - FY 2005	0.0	32,034.5	FY 05 One-Time
282	Vehicle License Tax Transfer	0.0	118,000.0	FY 05 One-Time
284	Withholding Tax Adjustment	0.0	76,000.0	FY 05 One-Time
	Subtotal - One-Time Financing Sources	<u>9,000.0</u>	<u>217,034.5</u>	
	Session Total	<u>9,000.0</u>	<u>216,175.5</u>	
 <u>46th Legislature - 1st Regular Session:</u>				
136	Medicaid Exemption/Premium Tax	69,728.1	23,242.0	IPT
262	DOR Revenue Generating Proposal	25,452.0	0.0	Sales
262	DOR Revenue Generating Proposal	18,667.0	0.0	Individual
262	DOR Revenue Generating Proposal	9,130.0	0.0	Corporate
263	Tax Amnesty	4,000.0	0.0	Tax Amnesty
263	Other Revenue Adjustments			
	Flight Property Tax ^{5/}	7,000.0	(7,000.0)	Property
	Licenses and Fees	433.4	0.0	Licenses/Fees
	Other Revenues ^{6/}	13,697.7	(2,113.0)	Trns & Reimb
	Subtotal - Other Revenue Adjustments	<u>21,131.1</u>	<u>(9,113.0)</u>	
na	One-Time Financing Sources			
262	Fund Transfers - General Appropriations Act	54,500.0	(54,500.0)	FY 04 One-Time
262	Fund Transfer - General Appropriations Act - Air Quality	0.0	11,700.0	FY 05 One-Time
263	Tax Amnesty - Public Finance ORB	43,000.0	(43,000.0)	FY 04 One-Time
263	Judicial Enhancement	5,389.3	(5,389.3)	FY 04 One-Time
	Federal Cash Assistance (FY 03 Payment)	(87,234.1)	0.0	FY 04 One-Time
	Federal Cash Assistance (FY 04 Payment)	87,265.9	(87,265.9)	FY 04 One-Time
	Subtotal - One-Time Financing Sources	<u>102,921.1</u>	<u>(178,455.2)</u>	
	Session Total	<u>251,029.3</u>	<u>(164,326.2)</u>	
 <u>46th Legislature - 1st Special Session:</u>				
1	One-Time FY 03 Fund Transfers	(178,991.5)	0.0	FY 03 One-Time
2	One-Time FY 03 Asset Sales	(900.0)	0.0	FY 03 One-Time
1	DOR Revenue Generating Proposal	(3,168.0)	0.0	Sales
1	DOR Revenue Generating Proposal	(2,252.0)	0.0	Individual
1	DOR Revenue Generating Proposal	(418.0)	0.0	Corporate
	Session Total	<u>(185,729.5)</u>	<u>0.0</u>	

ADJUSTMENTS BY INDIVIDUAL PROVISION

<u>Ch.</u>	<u>Reference Title</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>Revenue Category</u>
<u>45th Legislature - 6th Special Session:</u>				
1	One-Time Fund Transfers/ASH	(51,228.0)	0.0	FY 03 One-Time
<u>45th Legislature - 2nd Regular Session</u>				
327	One-Time Fund Transfers/BSF ^{7/}	(113,743.7)	0.0	FY 03 One-Time
na	One-Time FY 03 Prison Funding	(3,800.0)	0.0	FY 03 One-Time
344	IRS Conformity	(19,310.0)	(19,600.0)	Estate
344	Urban Revenue Sharing ^{3/}	(818.0)	0.0	URS
	Subtotal - Chapter 344	<u>(20,128.0)</u>	<u>0.0</u>	
	Session Total	<u>(137,671.7)</u>	<u>(19,600.0)</u>	
<u>45th Legislature - 1st Regular Session:</u>				
286	Flight Property Tax ^{5/}	(7,000.0)	0.0	Property
<u>44th Legislature - 7th Special Session:</u>				
1	URS Hold Harmless ^{2/}	4,968.4	0.0	URS
TOTAL - All Sessions		<u>\$ 74,553.5</u>	<u>\$ 83,191.6</u>	

1/ Adjustments for FY 2004 reflect estimated change from FY 2003 and FY 2005 from FY 2004.

2/ The URS hold harmless amounts for FY 2003 and FY 2004 are \$(9,960,000) and \$(4,991,600) respectively. The FY 2004 amount noted on the table of \$4,968,400 reflects the incremental difference between these amounts.

3/ The URS reduction amounts (gain to the General Fund) for FY 2003 and FY 2004 are \$5,683,900 and \$4,865,900 respectively. The FY 2004 amount noted on the table of \$(818,000) reflects the incremental difference between these amounts.

4/ Chapter 326 provides sales tax exemptions, individual income tax credits, and corporate income tax credits for qualified companies that process biomass from Arizona forests. The General Fund revenue impact cannot be determined.

5/ Through FY 2003, 50% of flight property tax was deposited into the General Fund, and 50% into the Aviation Fund. Laws 2001, Chapter 286 provided that, beginning in FY 2004, 100% of flight property tax would be deposited into the Aviation Fund. Laws 2003, Chapter 263 (the Public Finance ORB) defers that change until FY 2005.

6/ The FY 04 budget included one-time revenues of \$1,100,000 from a securities industry lawsuit settlement and a \$1,013,000 assessment to the operators of the Palo Verde Nuclear Generating Station for costs related to the emergency management program funded by the Nuclear Emergency Management Fund.

7/ The FY 2004 budget included \$143.6 million of one-time transfers from various state funds, including \$50 million from the Budget Stabilization Fund. Only \$30 million of BSF funds were available to transfer, and several other funds had insufficient balances to make the budget transfer. The revenue adjustment amount has been reduced accordingly.