

GENERAL FUND REVENUE

Summary of General Fund Forecast

The FY 2006 budget assumes that both the national and Arizona economies will continue to grow, but at a more moderate level than the extraordinary growth rates seen in FY 2005. The budget is built on a revenue growth rate (excluding one-time financing sources) of 7.4% in FY 2006 compared to a forecasted FY 2005 growth rate of 13.3%. Adjusting for tax law and revenue changes as noted in the following sections, the FY 2006 growth rate is estimated to be 7.2%.

Including one-time financing sources, Urban Revenue Sharing, and the balance forward from the previous fiscal year, the “bottom line” revenue growth rate in the FY 2006 budget is projected to be 3.2% in FY 2006, compared to 16.1% in FY 2005. In dollar terms, revenue collections are expected to equal \$7.99 billion in FY 2005, and \$8.25 billion in FY 2006. The decrease in the bottom line growth rate for FY 2006 is the result of the more moderate growth rate in on-going revenues as noted above, plus a \$(250) million decrease in one-time financing sources. The detailed enacted budget revenue forecast appears in *Table 5* at the end of this section.

The forecast for FY 2006 provided in *Table 5* includes an increase in on-going revenues of \$560.3 million, including tax law and other revenue changes. The FY 2005 forecast includes an increase of \$909.3 million in on-going revenue compared to the previous year.

Since enactment of the FY 2006 budget in mid-May, FY 2005 revenue collections have exceeded the forecast by approximately \$250 million. These revenues are not reflected in the FY 2005 or FY 2006 numbers discussed below.

Development of General Fund Revenue Forecast

FY 2005

The original FY 2005 budget was based on revenue growth of 8.4% (exclusive of one-time revenues). The JLBC January revision in the FY 2006 JLBC Budget Book Summary increased the FY 2005 forecast to 11.1% growth. The Governor’s January budget proposal included a revenue estimate for FY 2005 that was virtually the same as the JLBC estimate, with a growth rate of 11.2%. During the budget process, the Governor subsequently revised the estimate for FY 2005 upward, and JLBC Staff concurred. The enacted budget reflects a growth rate for FY 2005 of 13.3%.

FY 2006

The January FY 2006 JLBC Budget estimated FY 2006 revenue growth at 7.2% (excluding one-time revenues). The Governor’s proposal for FY 2006 was based on a growth rate of 6.0%. The enacted budget is based on a projected FY 2006 base growth rate of 7.4%.

The JLBC’s FY 2006 estimate growth rates for the “Big 3” revenue categories (sales tax, individual income tax and corporate income tax) were developed through a consensus process. The enacted budget’s 7.4% growth rate is based on averaging the results of the following four forecasts:

- Finance Advisory Committee panel forecast of March 4, 2005. This independent panel consists of 18 public and private sector economists that meets three times a year to provide the Legislature with guidance on the status of the Arizona economy.
- The University of Arizona Economic and Business Research (EBR) General Fund baseline model. The model is a simultaneous-equation model consisting of over 100 equations which are updated on an ongoing basis to accommodate changes in the economy. The model uses over 200 variables related to Arizona’s economy, and is updated quarterly.
- EBR’s conservative forecast model, and
- JLBC Staff projections.

The growth rates for the Big 3 categories from each sector of the forecast are detailed in *Table 1* below.

Table 1					
FY 2006 Quartile Forecast Percentages					
	<u>FAC</u>	UA <u>Low</u>	UA <u>Base</u>	<u>JLBC</u>	<u>Avg</u> ^{1/}
Sales Tax	8.2%	5.5%	5.5%	7.0%	6.6%
Individual Income Tax	8.4%	8.0%	9.4%	7.9%	8.4%
Corporate Income Tax	5.8%	26.2%	25.5%	18.7%	19.1%
^{1/} Consensus average used in FY 2006 revenue estimate.					

The FY 2006 estimate for remaining revenue categories, which constitute about 6% of the total, was based on JLBC Staff estimates.

Table 2 below summarizes the changing revenue picture for FY 2005 and FY 2006 through the phases of budget development. The growth rates in the table reflect on-going revenues, exclusive of one-time financing sources.

Table 2**Revenue Change Assumptions**

	<u>Percent Change</u>
<u>FY 2005</u>	
Adopted FY 2005 Budget (May 04)	8.4%
JLBC Budget (January 05)	11.1%
Governor's Budget (January 05)	11.2%
Revised FY 2005 (May 05)	13.3%
<u>FY 2006</u>	
JLBC Budget (January 05)	7.2%
Governor's Forecast (January 05)	6.0%
Enacted FY 2006 Budget	7.4%

Baseline and Adjusted Revenue Growth

Table 6 at the end of this section provides a summary of FY 2005 and FY 2006 tax law, revenue, and one-time financing changes.

The following table provides an overview of base revenue growth rates for FY 2005 and FY 2006 with tax law changes, revenue adjustments, and one-time financing sources.

Table 3**Base General Fund Revenue Growth Rates
\$ in Millions**

	<u>FY 2005</u>	<u>%</u>	<u>FY 2006</u>	<u>%</u>
Base Revenue	\$7,771.5	13.4%	\$8,337.2	7.4%
Tax Law Changes	(4.9)		(18.1)	
Revenue Changes	<u>(1.4)</u>		<u>6.4</u>	
Base Revenue w/tax law changes	7,765.2	13.3%	8,325.5	7.2%
Urban Revenue Sharing	<u>(373.1)</u>		<u>(425.2)</u>	
Adjusted Revenue w/URS	7,392.2	13.9%	7,900.3	6.9%
One-Time Financing	<u>598.1</u>		<u>345.4</u>	
Adjusted Revenue	\$7,990.3	16.1%	\$8,245.7	3.2%

Tax Law and Revenue Changes

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.

FY 2005

During the first regular session, there were no tax law and revenue changes approved beyond the original FY 2005

provisions enacted in May 2004 (*see the FY 2005 Appropriations Report*).

FY 2006

The on-going tax law and revenue change in FY 2006 was \$(11.7) million. In other words, the FY 2006 revenue base was \$(11.7) million lower than it otherwise would have been without these adjustments. The decrease consists of the net impact of \$(18.1) million in tax reductions enacted by the Legislature, and \$6.4 million in higher fee collections. These estimates do not reflect any "dynamic," or secondary impacts. Tax law changes may have an impact beyond the direct impact of the revision if they cause taxpayers to revise their behavior.

Table 4 below summarizes the on-going revenue changes for FY 2006. A short description of each component follows the table.

Table 4**FY 2006 On-Going Revenue Changes
\$ in Thousands**

Tax Law Changes	
IRS Conformity	\$ (8,400.0)
Elimination of "Marriage Penalty"	(6,400.0)
Standard Deduction Indexing	(2,400.0)
National Guard Employment Credit	(250.0)
Motion Picture Production Tax Incentive	<u>(600.0)</u>
Subtotal – Tax Law Changes	(18,050.0)
Revenue Changes	
Increased Liquor License Fees	5,362.0
Increased DUI Assessments	<u>1,000.0</u>
Subtotal – Revenue Changes	6,362.0
Total	<u>\$ (11,688.0)</u>

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 two tax bills during 2004, including the Working Families Tax Relief Act and the American Jobs Creation Act. Laws 2005, Chapter. 334 conforms Arizona's tax code to the provisions of the federal tax code. There were a variety of provisions included in the federal tax bills, however the provision with the most impact on state income tax collections was a provision creating a new deduction for U.S. manufacturers. This provision is estimated to account for \$(7.2) million of the total \$(8.4) million impact.

Elimination of "Marriage Penalty" – Laws 2005, Chapter 334 provides that certain tax credits for married filers will become twice that of single filers. Included are the credits for contributions to charitable organizations, contribution to qualifying school tuition organizations, and contributions to public school extracurricular activities.

Standard Deduction Indexing – Laws 2005, Chapter 334 requires the standard deduction for individual income tax filers be indexed for annual cost of living changes. The estimated FY2006 impact of \$(2.4) million noted in the table above is expected to grow to \$(4.8) million in FY 2007.

National Guard Employment Credit – Laws 2005, Chapter 264 provides a \$1,000 per employee income tax credit for businesses that employ Arizona National Guard members that are placed on active duty.

Motion Picture Production Tax Incentives – Laws 2005, Chapter 317 provides sales tax exemptions and individual and corporate income tax credits to encourage motion picture production in the state. The credits are capped at \$30 million in 2006, increasing by \$10 million per year to \$70 million in 2010. Unclaimed credits may be sold or transferred to another claimant. The estimated FY 2006 impact of \$(600,000) reflects projected sales tax exemptions. The impact on income tax collections is not expected to begin until FY 2007.

Liquor License Fees – Laws 2005, Chapter 284 requires the issuance of additional liquor licenses each year through 2010 according to a formula based on county size. It is estimated that this will result in the issuance of 40 new licenses of each type (bar, beer and wine bar, and liquor store) each year, with a resulting increase in liquor license fees. The estimated \$5.4 million revenue increase is ongoing.

DUI Assessments – Laws 2005, Chapter 307 established additional assessments to individuals found guilty of operating boats, vehicles or aircraft while intoxicated. It is estimated that the \$1.0 million FY 2006 impact will increase to \$7.0 million in FY 2007.

Other Tax Law Changes

In addition to the tax law and revenue changes noted above that impact FY 2006, there were several tax law changes enacted that will not have a revenue impact until FY 2007 or later.

Corporate Sales Factor – Laws 2005, Chapter 289 provides that corporations may use an enhanced sales factor in computing corporate income tax beginning in tax year 2008. It is estimated that this will have an impact of \$(32.0) million in FY 2008, increasing to \$(120.0) million when fully implemented in FY 2011.

Graywater Tax Credit – Laws 2005, Chapter 292 established an income tax credit for the use of residential graywater systems to recycle household water for landscaping purposes. The credit is capped at \$750,000 per year for 5 years beginning in FY 2008.

Business Property Tax Reduction – Laws 2005, Chapter 302 phases down the assessment ratio for business

property from the current 25% to 20% over 10 years. It also increases the state's "buy down" of property taxes, otherwise known as the homeowner's rebate. By reducing property tax collections, and increasing homeowner's rebate expenses, these changes are estimated to increase Arizona Department of Education expenditures by \$12.3 million in FY 2007. Full implementation in FY 2016 is estimated to cost \$140 million.

Military Active Duty Pay – Laws 2005, Chapter 303 exempts military active duty pay from individual income tax during tax year 2006. This is estimated to have a one-time impact of \$(10.3) million in FY 2007.

Widows Property Tax Exemption - Laws 2005, Chapter 309 provides that the existing property tax exemption for widows be indexed to inflation, and increases the cap for the exemption. This is expected to result in increased expenditures in the Arizona Department of Education budget of \$500,000 beginning in FY 2007.

Small Business Investment Credit – Laws 2005, Chapter 316 established an individual income tax credit for investments in qualified small businesses from tax years 2007 through 2014. The credit is capped at \$20 million, and is administered by the Department of Commerce.

One-Time Financing Changes

One-time financing sources have been used to help provide a balanced budget. In FY 2004, the enacted budget included \$391.5 million in one-time revenue sources. The FY 2005 budget included \$598.1 million, an increase of \$206.7 million from FY 2004. The FY 2006 budget includes \$345.4 million in one-time revenues, a decrease of \$(252.8) million from FY 2005. Following is a discussion of one-time financing sources included in the budget for FY 2005 and FY 2006. *Table 6* at the end of this section provides a summary of these one-time financing changes.

FY 2005

One-time financing sources of \$598.1 million in FY 2005 include a balance forward from the previous year of \$360.4 million, various fund transfers totaling \$43.7 million, a transfer of Vehicle License Tax revenue of \$118 million, and a withholding tax adjustment with a \$76 million impact. See the *FY 2005 Appropriations Report* for a more detailed discussion of these one-time financing sources.

FY 2006

The \$345.4 million in one-time financing sources for FY 2006 includes:

Balance Forward – The FY 2006 General Fund balance forward is estimated to be \$329.4 million.

Fund Transfers – The FY 2006 enacted budget includes a \$10.0 million transfer of in-lieu vehicle inspection fees to the General fund.

Lottery/Powerball Cap – The enacted budget also includes a continuation of FY 2005 session law, which provides that the Lottery return to the state 31.6% of total revenue from multi-state lottery tickets. In addition, the budget includes a provision that no deposits will be made to the Mass Transit Fund until the General Fund has received \$37 million from Powerball sales. This provision will provide an additional \$6.0 million in revenue in FY 2006.

Ladewig Settlement

See Department of Revenue section in the *FY 2006 Appropriations Report* for a discussion of the Ladewig settlement.

Table 5

GENERAL FUND REVENUE - FY 2005 & FY 2006

FORECAST REVENUE GROWTH							
(\$ in Thousands)							
	ACTUAL FY 2004	FORECAST FY 2005	% CHANGE FY 2004 ACTUAL	\$ CHANGE FY 2004 ACTUAL	FORECAST FY 2006	% CHANGE FY 2005 FORECAST	\$ CHANGE FY 2005 FORECAST
Taxes:							
Sales and Use	3,294,788.3	3,627,039.3	10.1%	332251.0	3,865,823.9	6.6%	238,784.6
Income -Individual	2,306,176.3	2,665,197.3	15.6%	359021.0	2,874,873.9	7.9%	209,676.6
-Corporate	494,044.9	691,418.9	40.0%	197374.0	820,229.9	18.6%	128,811.0
'04 Tax Amnesty	4,000.0	0.0	-100.0%	(4000.0)	0.0	N/A	0.0
Property	39,587.7	23,000.0	-41.9%	(16587.7)	21,000.0	-8.7%	(2,000.0)
Luxury	61,301.0	64,461.6	5.2%	3160.6	64,284.4	-0.3%	(177.2)
Insurance Premium	308,967.9	356,861.9	15.5%	47894.0	372,920.7	4.5%	16,058.8
Estate	38,818.4	32,500.0	-16.3%	(6318.4)	10,000.0	-69.2%	(22,500.0)
Other Taxes	2,781.5	2,781.5	0.0%	(0.0)	2,781.5	0.0%	0.0
Sub-Total - Taxes	6,550,466.2	7,463,260.5	13.9%	912,794.3	8,031,914.3	7.6%	568,653.9
Other Non-Tax Revenues:							
Lottery	31,000.0	34,538.0	11.4%	3,538.0	36,403.2	5.4%	1,865.2
Licenses, Fees and Permits	25,510.2	29,341.1	15.0%	3,830.9	36,802.4	25.4%	7,461.3
Interest	12,337.2	17,176.6	39.2%	4,839.4	17,480.2	1.8%	303.6
Sales and Services	52,980.7	51,152.0	-3.5%	(1,828.7)	52,167.0	2.0%	1,015.0
Other Miscellaneous	39,979.0	31,854.2	-20.3%	(8,124.8)	33,026.4	3.7%	1,172.2
Transfers and Reimbursements	10,913.7	25,913.7	137.4%	15,000.0	25,913.7	0.0%	0.0
Disproportionate Share Revenue	132,742.8	112,005.0	-15.6%	(20,737.8)	91,841.5	-18.0%	(20,163.5)
Sub-Total - Non-Tax	305,463.6	301,980.6	-1.1%	(3,483.0)	293,634.4	-2.8%	(8,346.2)
Subtotal Adjusted Revenue	6,855,929.7	7,765,241.1	13.3%	909,311.3	8,325,548.7	7.2% ^{1/}	560,307.7
Urban Revenue Sharing (URS)	(365,065.2)	(373,074.2)	2.2%	(8009.0)	(425228.9)	0.1	(52154.7)
Adjusted Revenue w/URS	6,490,864.6	7,392,166.9	13.9%	901,302.3	7,900,319.8	6.9%	508,153.0
One-Time Financing Sources:							
Balance Forward	192,185.0	360,388.9	87.5%	168,203.9	329,387.1	-8.6%	(31,001.8)
FY 2004 Judicial Enhancement	5,389.3	0.0	-100.0%	(5,389.3)	0.0	N/A	0.0
FY 2004 Transfers In	54,500.0	11,700.0	-78.5%	(42,800.0)	0.0	-100.0%	(11,700.0)
FY 2004 Tax Amnesty	43,123.5	0.0	-100.0%	(43,123.5)	0.0	N/A	0.0
FY 2004 Federal Cash Assistance	87,265.9	0.0	-100.0%	(87,265.9)	0.0	N/A	0.0
FY 2004 Legal Settlement	9,000.0	0.0	-100.0%	(9,000.0)	0.0	N/A	0.0
FY 2005 Transfers In	0.0	32,034.5	N/A	32,034.5	0.0	-100.0%	(32,034.5)
FY 2005 Vehicle License Tax Transfer	0.0	118,000.0	N/A	118,000.0	0.0	-100.0%	(118,000.0)
FY 2005 Withholding Adjustment	0.0	76,000.0	N/A	76,000.0	0.0	-100.0%	(76,000.0)
FY 2006 In-Lieu Fee Transfer	0.0	0.0	N/A	0.0	10,000.0	N/A	10,000.0
FY 2006 Lottery/Powerball Cap	0.0	0.0	N/A	0.0	5,972.0	N/A	5,972.0
Sub-Total - One-Time Financing Sources	391,463.7	598,123.4	52.8%	206,659.7	345,359.1	-42.3%	(252,764.3)
Total Adjusted Revenue	6,882,328.3	7,990,290.3	16.1%	1,107,962.0	8,245,678.9	3.2%	255,388.7

1/ The 7.2% increase over FY 2005 includes tax changes and fee adjustments approved by the Legislature in 2005. Exclusive of these changes, the base increase is 7.4%.

Table 6

BASELINE REVENUE ADJUSTMENTS BY CATEGORY

	(\$ in Thousands)	
	<u>FY 2005</u> ^{1/}	<u>FY 2006</u> ^{1/}
Summary By Category:		
On-Going Revenue Changes		
Tax Law Changes		
Sales & Use Tax	0.0	(600.0)
Individual Income Tax	(1,834.0)	(14,200.0)
Corporate Income Tax	0.0	(3,250.0)
Property Tax	(7,000.0)	0.0
Estate Tax	(19,600.0)	0.0
Luxury Tax	250.0	0.0
Insurance Premium Tax	<u>23,242.0</u>	<u>0.0</u>
Subtotal - Tax Law Changes	(4,942.0)	(18,050.0)
Other Revenue Adjustments		
Licenses and Fees	855.0	6,362.0
Transfers and Reimbursements	<u>(2,243.0)</u>	<u>0.0</u>
Subtotal - Other Revenue Adjustments	(1,388.0)	6,362.0
Subtotal - On-Going Revenue Changes	<u>(6,330.0)</u>	<u>(11,688.0)</u>
One-Time Financing Sources		
Balance Forward (FY 04)	(192,185.0)	0.0
Balance Forward (FY 05)	360,388.9	(360,388.9)
Balance Forward (FY 06)	0.0	329,387.1
FY 04 Judicial Enhancement	(5,389.3)	0.0
FY 04 Balance Transfers (1st Regular Session)	(54,500.0)	0.0
FY 04 Tax Amnesty - One-Time (1st Regular Session)	(43,123.5)	0.0
FY 04 Federal Cash Assistance (FY 04 Payment)	(87,265.9)	0.0
FY 04 Legal Settlement	(9,000.0)	0.0
FY 05 Balance Transfer (1st Regular Session/Air Quality)	11,700.0	(11,700.0)
FY 05 Balance Transfers (2nd Regular Session)	32,034.5	(32,034.5)
FY 05 Vehicle License Tax Transfer	118,000.0	(118,000.0)
FY 05 Withholding Tax Adjustment	76,000.0	(76,000.0)
FY 06 Transfers	<u>0.0</u>	<u>15,972.0</u>
Subtotal - One-Time Financing Sources	206,659.7	(252,764.3)
TOTAL REVENUE CHANGES	<u><u>\$ 200,329.7</u></u>	<u><u>\$ (264,452.3)</u></u>

ADJUSTMENTS BY INDIVIDUAL PROVISION

<u>Ch.</u>	<u>Reference Title</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>Revenue Category</u>
na	FY 2004 Balance Forward from FY 2003	(192,185.0)	0.0	Balance Forward
na	FY 2005 Balance Forward from FY 2004	360,388.9	(360,388.9)	Balance Forward
na	FY 2006 Balance Forward from FY 2005	0.0	329,387.1	Balance Forward
<u>47th Legislature - 1st Regular Session:</u>				
334	IRS Conformity	0.0	(5,400.0)	Individual
		0.0	(3,000.0)	Corporate
	Subtotal - IRS Conformity	0.0	(8,400.0)	
334	Elimination of "Marriage Penalty"	0.0	(6,400.0)	Individual
334	Adjust Standard Deduction by CPI	0.0	(2,400.0)	Individual
264	Arizona National Guard Active Duty Employment Credit	0.0	(250.0)	Corporate
317	Motion Picture Tax Incentives	0.0	(600.0)	Sales
284	Increased Liquor Licenses	0.0	5,362.0	License/Fees
307	Increased DUI Assessments	0.0	1,000.0	License/Fees
	One-Time Financing Sources	.	.	
332	Vehicle Inspection In-Lieu Fee Transfer	0.0	10,000.0	FY 06 One-Time
288	Lottery/Powerball Cap	0.0	5,972.0	FY 06 One-Time
	Subtotal - One-Time Financing Sources	0.0	15,972.0	
	Session Total	0.0	4,284.0	
<u>46th Legislature - 2nd Regular Session:</u>				
196	IRS Conformity	(1,800.0)	0.0	Individual
214	Stillborn Children Exemption	(34.0)	0.0	Individual
270	Hearing and Speech Fund Transfer	(130.0)	0.0	Trns & Reimb
275	Banking Fees	220.0	0.0	License/Fees
275	Weights and Measures Fees	635.0	0.0	License/Fees
275	Liquor Fees	250.0	0.0	Luxury Tax
326	Healthy Forests ^{2/}	unknown	unknown	NA
	One-Time Financing Sources	.	.	
na	Legal Settlement	(9,000.0)	0.0	FY 04 One-Time
275	Fund Transfers - FY 2005	32,034.5	(32,034.5)	FY 05 One-Time
282	Vehicle License Tax Transfer	118,000.0	(118,000.0)	FY 05 One-Time
284	Withholding Tax Adjustment	76,000.0	(76,000.0)	FY 05 One-Time
	Subtotal - One-Time Financing Sources	217,034.5	(226,034.5)	
	Session Total	216,175.5	(226,034.5)	
<u>46th Legislature - 1st Regular Session:</u>				
136	Medicaid Exemption/Premium Tax	23,242.0	0.0	IPT
263	Other Revenue Adjustments			
	Flight Property Tax ^{3/}	(7,000.0)	0.0	Property
	Other Revenues ^{4/}	(2,113.0)	0.0	Trns & Reimb
	Subtotal - Other Revenue Adjustments	(9,113.0)	0.0	

ADJUSTMENTS BY INDIVIDUAL PROVISION

<u>Ch.</u>	<u>Reference Title</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>Revenue Category</u>
na	One-Time Financing Sources			
262	Fund Transfers - General Appropriations Act	(54,500.0)	0.0	FY 04 One-Time
262	Fund Transfer - General Appropriations Act - Air Quality	11,700.0	(11,700.0)	FY 05 One-Time
263	Tax Amnesty - Public Finance ORB	(43,123.5)	0.0	FY 04 One-Time
263	Judicial Enhancement	(5,389.3)	0.0	FY 04 One-Time
	Federal Cash Assistance (FY 04 Payment)	(87,265.9)	0.0	FY 04 One-Time
	Subtotal - One-Time Financing Sources	<u>(178,578.7)</u>	<u>(11,700.0)</u>	
	Session Total	<u>(164,449.7)</u>	<u>(11,700.0)</u>	
<u>45th Legislature - 2nd Regular Session</u>				
344	IRS Conformity	(19,600.0)	0.0	Estate
TOTAL - All Sessions		<u>\$ 200,329.7</u>	<u>\$ (264,452.3)</u>	

1/ Adjustments for FY 2005 reflect estimated change from FY 2004 and FY 2006 from FY 2005.

2/ 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.

3/ 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.

4/ 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.