

GENERAL FUND REVENUE

Summary of General Fund Forecast

When the Legislature enacted FY 2008 budget revisions in April 2008, the projected General Fund revenue total was \$10.30 billion. Preliminary actual FY 2008 revenue collections, however, were only \$9.94 billion.

The enacted budget for FY 2009 assumes total net General Fund revenues of \$9.98 billion. This amount constitutes a decline of (3.1)% compared to enacted FY 2008 General Fund revenues, but a growth of 0.4% compared to preliminary actual FY 2008 revenue collections. The enacted FY 2008 revenue estimate reflects the budget revisions in Laws 2008, Chapter 53.

Base revenues represent on-going General Fund revenues, exclusive of tax law and revenue changes, one-time revenue adjustments, and any balance forward from the previous fiscal year. For FY 2009, base revenues are projected to grow 1.9% when compared to enacted FY 2008 revenues and 6.1% when compared to FY 2008 preliminary actual collections. The detailed enacted budget revenue forecast appears at the end of this section. *Table 8* compares the enacted FY 2009 forecast to the enacted FY 2008 forecast, and *Table 9* compares the FY 2009 forecast to preliminary FY 2008 actual collections.

Development of General Fund Revenue Forecast

FY 2008

The original FY 2008 budget was based on total net revenues of \$10.61 billion. Based on the January revisions for the FY 2009 JLBC Baseline, this amount was forecasted to decrease to \$9.76 billion. The primary reason for the \$(850) million reduction was a substantial drop-off in revenue collections in all of the major revenue categories during the first half of the fiscal year, as well as a \$(151) million decrease in carry-forward funds available from FY 2007. The forecast was further reduced to \$9.53 billion in March, reflecting reduced revenue collections in January and February.

In March 2008, the Executive revised their FY 2008 revenue estimate issued in January from \$9.95 billion to \$9.50 billion, or \$26 million lower than the revised JLBC estimate. The Legislature ultimately used a compromise revenue estimate of \$9.52 billion in developing its FY 2008 revisions.

This March compromise revenue forecast formed the basis for the FY 2008 budget plan (Laws 2008, Chapter 53), which addressed a shortfall estimated at the time to be \$(1.21) billion. The plan included state agency reductions, agency fund sweeps, a withdrawal from the Budget Stabilization Fund, and a delayed payment to school

districts (K-12 rollover). Based on the provisions of the budget plan, total FY 2008 revenues were estimated to be \$10.30 billion.

The enacted FY 2008 budget reflected a (0.9)% decrease in base revenues compared to FY 2007. In comparison, the “four-sector” consensus forecast predicted a base growth rate of (0.3)% (see FY 2009 section for more information on the four-sector consensus process). See *Table 1* below for FY 2008 consensus estimates. The table includes consensus estimates from December 2007, as well as updated estimates from March 2008.

Table 1					
FY 2008 Quartile Forecast Percentages					
Base Revenue ^{1/}					
	<u>FAC</u>	<u>UA Low</u>	<u>UA Base</u>	<u>JLBC</u>	<u>Avg</u>
Sales Tax					
December 07	1.7%	(1.9)%	(1.1)%	2.5%	0.3%
March 08	0.2%	(0.9)%	(0.7)%	0.3%	(0.3)%
Individual Income Tax					
December 07	2.1%	0.6%	5.8%	3.0%	2.9%
March 08	0.6%	1.3%	4.5%	(0.4)%	1.5%
Corporate Income Tax					
December 07	(2.4)%	1.6%	4.9%	1.9%	1.5%
March 08	(19.6)%	(0.8)%	0.2%	(8.8)%	(7.3)%
Overall ^{2/}					
December 07					1.5%
March 08					(0.3)%

^{1/} Prior to any tax law or other revenue changes.
^{2/} Includes JLBC Staff estimates for other revenue categories.

FY 2009

The January FY 2009 JLBC Baseline estimated total net revenues of \$9.41 billion for FY 2009. This amount reflected base growth of 1.0%, and a net revenue decline of (3.5)% due to enacted tax reductions. The JLBC’s FY 2009 estimated growth rates for the “Big 3” revenue categories (sales tax, individual income tax, and corporate income tax) were initially developed and revised using a four-sector consensus process. This process is based on averaging the results of the following 4 forecasts:

- The Finance Advisory Committee (FAC) panel forecast. This independent panel consists of 15 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 base 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 used in the development of the JLBC revenue estimates from each sector of the forecast are detailed in *Table 2* below. As with the FY 2008 table in the prior section, the table includes consensus estimates from December 2007, as well as updated estimates from March 2008. The December 2007 four-sector consensus estimate was the basis of the January JLBC Baseline.

	<u>FAC</u>	<u>UA Low</u>	<u>UA Base</u>	<u>JLBC</u>	<u>Avg</u>
Sales Tax					
December 07	3.5%	(4.3)%	(1.3)%	3.0%	0.2%
March 08	2.7%	(2.4)%	(0.8)%	0.9%	0.1%
Individual Income Tax					
December 07	3.1%	(0.8)%	3.7%	4.8%	2.8%
March 08	3.2%	(1.5)%	4.0%	3.6%	2.3%
Corporate Income Tax					
December 07	(1.5)%	(8.5)%	(2.3)%	3.2%	(2.3)%
March 08	3.2%	(14.7)%	(7.6)%	0.2%	(4.7)%
Overall ^{2/}					
December 07					1.0%
March 08					0.5%

^{1/} Prior to any tax law or other revenue changes.
^{2/} Includes JLBC Staff estimates for other revenue categories.

The FY 2009 estimate for the remaining revenue categories, which constitute about 3% of the total, was based on JLBC Staff estimates.

In January 2008, the FY 2009 Executive budget included a General Fund revenue estimate of \$10.11 billion. In March, the Executive revised their estimate to \$9.58 billion. This estimate reflected a base growth of 5.9%.

In June 2008, the FY 2009 budget was enacted pursuant to Laws 2008, Chapter 285. The enacted FY 2009 budget reflects a base growth rate of 1.9% relative to the revised enacted FY 2008 budget (Laws 2008, Chapter 53) and 6.1% relative to preliminary actual revenue collections for FY 2008.

Table 3 below summarizes the changing revenue picture for FY 2008 and FY 2009 through the phases of budget development. The growth rates in the table reflect on-going base revenues.

	<u>Percent Change</u>
<u>FY 2008</u>	
Adopted FY 2008 Budget (June 07)	6.0%
4 - Sector Consensus (January 08)	1.5%
Executive Budget (January 08)	3.5%
JLBC Revised (March 08)	(0.7)%
Executive Revised (March 08)	(0.9)%
Enacted FY 2008 Budget (April 08)	(0.9)%
Preliminary Actual (July 08)	(3.8)%
<u>FY 2009</u>	
4 - Sector Consensus (January 08)	1.0%
Executive Forecast (January 08)	6.0%
4 - Sector Consensus (March 08)	0.5%
Executive Revised (March 08)	5.9%
Enacted FY 2009 Budget (June 08)	
Above FY 2008 Enacted	1.9%
Enacted FY 2009 Budget (June 08)	
Above FY 2008 Preliminary Actual	6.1%

Base and Adjusted Revenue Growth

Table 10 at the end of this section provides a summary of FY 2008 and FY 2009 tax law and other revenue changes.

The following 2 tables provide an overview of base revenue growth rates for FY 2008 and FY 2009 with tax law changes, revenue adjustments, and one-time financing sources. *Table 4* shows the base and adjusted revenue growth rates based on the enacted FY 2009 budget, whereas *Table 5* displays the same information based on FY 2008 preliminary actual revenues.

	<u>\$ in Millions</u>			
	<u>FY 2008</u>	<u>%</u>	<u>FY 2009</u>	<u>%</u>
Base Revenue	\$9,833.4	(0.9)%	\$10,022.2	1.9%
Tax Law and Revenue Changes	^{1/}		(26.6)	
Urban Revenue Sharing	(684.5)		(727.7)	
One-Time Financing Balance Forward	377.9		1.0	
Other Revenue	774.3		711.4	
Adjusted Revenue	<u>\$10,301.1</u>	(3.5)%	<u>\$9,980.3</u>	(3.1)%

^{1/} \$(255.5) million tax law and revenue changes included in FY 2008 base.

Table 5

**General Fund Revenue Growth Rates
Based on FY 2008 Preliminary Actual Revenues
\$ in Millions**

	<u>FY 2008</u>	<u>%</u>	<u>FY 2009</u>	<u>%</u>
Base Revenue	\$9,449.4	(4.6)%	\$10,022.2	6.1%
Tax Law and Revenue Changes	^{1/}		(26.6)	
Urban Revenue Sharing	(684.5)		(727.7)	
One-Time Financing Balance Forward	377.9		1.0	
Other Revenue	801.9		711.4	
Adjusted Revenue	<u>\$9,944.7</u>	(6.8)%	<u>\$9,980.3</u>	0.4%

^{1/} \$(255.5) million tax law and revenue changes included in FY 2008 base.

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 2008

During the 2008 regular session, there were no tax law or revenue changes enacted which affected FY 2008 on-going revenues. All of the enacted revenue changes were one-time FY 2008 changes (*see One-Time Financing Changes section below*).

FY 2009

In FY 2009, enacted tax law and revenue changes are estimated to have a net positive General Fund impact of \$684.7 million. The \$684.7 million includes \$711.3 million in one-time budget solutions and \$7.9 million in new on-going revenues, partially offset by an estimated \$(33.5) million in prior year tax law and revenue changes, and \$(1.0) million in new federal tax conformity changes.

Table 6

**FY 2009 Tax Law and Revenue Changes
\$ in Millions**

	<u>On-Going</u>	<u>One-Time</u>	<u>Total</u>
<u>Revenue Impacts</u>			
New Tax Law Changes (2008 Session)	\$ (1.0)	\$ 0.0	\$ (1.0)
New Revenue Changes (2008 Session)	<u>7.9</u>	<u>711.3</u>	<u>719.2</u>
Annualize Tax Law Changes (Prior Sessions)	<u>(33.5)</u>	<u>0.0</u>	<u>(33.5)</u>
Total Revenue Impacts	<u>\$ (26.6)</u>	<u>\$ 711.3</u>	<u>\$ 684.7</u>

The amounts in *Table 6* above include tax law and revenue changes enacted in the 2008 legislative session, as well as annualized amounts of various tax changes which were enacted in previous sessions, and were phased in over more than one year. 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.

On-Going Revenue Changes

New Tax Law Changes (2008 Session)

The only on-going tax law change enacted during this past year as part of the 48th Legislature, Second Regular Session, was federal income tax 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 5 tax bills during 2007, including the Small Business and Work Opportunity Act, the Energy Independence and Security Act, the Prevent Taxation of Payments to Virginia Tech Victims and Families Act, the Mortgage Forgiveness Debt Relief Act, and the Tax Technical Corrections Act. There were a variety of relatively minor provisions included in the 2007 federal tax bills, with a total FY 2009 estimated impact of \$(1.0) million.

New Revenue Changes – Ongoing

In the 2008 Session, the Legislature enacted the following on-going non-tax revenue changes.

Defensive Driving Surcharge – Laws 2008, Chapter 261 authorizes the Supreme Court to apply a \$45 surcharge for all persons who elect to take a Defensive Course in lieu of paying the civil traffic violation fine. Monies from this surcharge will be deposited into the General Fund. The

surcharge is expected to generate \$10.8 million in revenue for the General Fund.

Appellate Filing Fees – Laws 2008, Chapter 261 permits the Supreme Court to increase various filing fees charged by the Supreme Court and the Court of Appeals. Upon implementation of the Supreme Court’s anticipated filing fee changes, these fees are expected to generate an additional \$123,000 in new General Fund revenue.

Department of Public Safety Equipment Funding – Laws 2008, Chapter 261 redirects the first \$3.0 million generated by additional Driving Under the Influence (DUI) assessments to the Public Safety Equipment Fund rather than the General Fund. Since FY 2006, this funding was received by the Department of Public Safety for highway patrol equipment from the General Fund and, under Chapter 261, the department will continue to receive that funding through the new non-appropriated fund. This results in a reduction of \$(3.0) million in General Fund revenue.

Prior Year Legislative Enactments

In addition to the tax law change enacted during the past legislative session, the following changes were enacted in prior sessions, and will have an impact on FY 2009 revenue collections. *Table 7* below summarizes prior year enactments. Following the table are short descriptions of each of the changes.

Table 7	
FY 2009 On-Going Revenue Changes	
Annualized Prior Session Enactments	
\$ in Thousands	
<u>2005 Tax Law Changes</u>	
Corporate Sales Factor	\$ (30,000.0)
<u>2007 Tax Law Changes</u>	
College Savings Plan	\$ (2,500.0)
Military Families Relief Fund	(1,000.0)
Subtotal – 2007 Tax Law Changes	(3,500.0)
Total	<u>\$ (33,500.0)</u>

2005 Tax Law Changes

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 incremental impact of \$(30.0) million in FY 2009, increasing to a total of \$(120.0) million when fully implemented in FY 2011.

2007 Tax Law Changes

College Savings Plan – Laws 2007, Chapter 258 provides an individual income tax subtraction for contributions to any college savings plan which is compatible with Internal

Revenue Code § 529 (529 plans) beginning in tax year 2008, and continuing through tax year 2012. This provision is expected to result in an estimated reduction in individual income tax collections of \$(2.5) million beginning in FY 2009. Currently, the growth in 529 plans generated by interest income in the account is tax-free, and withdrawals for qualified higher education expenses are federal and state income tax-free. The provisions of Chapter 258 will also make actual 529 contributions eligible for a state income tax deduction of up to \$1,500 for married filing jointly, or \$750 for a single filer or head of household.

Military Relief Fund Credit – Laws 2007, Chapter 258 provides an individual income tax credit for donations to the Military Relief Fund for the purpose of aiding family members of injured or deceased military personnel. This provision is effective beginning in tax year 2008, with an initial revenue impact beginning in FY 2009. The credits are capped at \$1.0 million per year on a first-come first-serve basis.

Tax Law Changes – FY 2010 and Beyond

In addition to the tax law and revenue changes noted above that impact FY 2009, there were tax law changes enacted that will not have a revenue impact until FY 2010 or later.

Research and Development Credit – Laws 2008, Chapter 290 increases the individual and corporate income tax credits for research and development activities for an 8 year period beginning in CY 2010. The credit is increased from 20% of the first \$2.5 million in qualifying expenses plus 11% of the amount exceeding \$2.5 million, to 22% and 13% respectively for CY 2010. The credit is increased further to 24% and 15% respectively for CY 2011 through CY 2017. The credits revert back to their current levels beginning in CY 2018. These changes will have a revenue impact beginning in FY 2011. The first year impact is estimated to be \$(5.7) million.

Small Business Investment Credit – Laws 2005, Chapter 316 establishes 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. Since it is unknown when these credits would be taken, General Fund revenue estimates have not been adjusted for this legislation.

One-Time Financing Changes

One-time financing sources have been used to help provide a balanced budget. Following is a discussion of one-time financing sources included in the budget for FY 2008 and FY 2009.

FY 2008

The \$1.152 billion in one-time financing sources for FY 2008 includes:

Balance Forward – The FY 2008 General Fund balance forward is estimated to be \$377.9 million.

Corporate Consolidated Credit – Laws 1994, Chapter 41 changed the methodology under which groups of corporations could file Arizona corporate income tax returns by allowing them to file a consolidated return similar to their federal returns. Eligible corporations could also elect to file amended returns for tax years 1986 through 1993, as long as they were filed by January 1, 1995. These amended returns resulted in tax credits for previous corporate income tax payments, as well as accrued interest. The tax credits, which totaled about \$115 million, were nonrefundable, and the total was to be spread over 10 years. In the 11th year, the Department of Revenue (DOR) is required to refund all unused credits. DOR had estimated that the “11th year” payment in FY 2008 would total \$(55.5) million. However, actual payments for FY 2008 were significantly less than this estimate, totaling \$(24.5) million.

Unclaimed Property – Laws 2007, Chapter 260 permits the Department of Revenue to liquidate securities in the Unclaimed Property Fund immediately. Chapter 260 also includes session law which provides that the proceeds from the sales of these securities are to be deposited into the General Fund in FY 2008, rather than the statutory split between the General Fund, Department of Housing, and Department of Racing. The sale of securities currently held in the Unclaimed Property Fund was originally estimated to generate approximately \$45.0 million for the General Fund in FY 2008. The actual amount for FY 2008 was \$2.1 million higher than the original estimate, or \$47.1 million.

Liquor License Fees – the Department of Liquor License and Control collected \$2.0 million in liquor license fees in FY 2008 which would have otherwise been collected in FY 2009.

Budget Plan – Laws 2008, Chapter 53 addressed the FY 2008 budget shortfall. Included in components of the plan were \$295.8 million of one-time agency fund balance transfers, and a \$487.0 million transfer from the Budget Stabilization Fund. (For more details, see page 537 - 542 of the *FY 2009 Appropriations Report*.)

FY 2009

The \$712.3 million in one-time financing sources for FY 2009 includes:

Balance Forward – The FY 2009 General Fund balance forward is estimated to be \$1.0 million.

Other Revenues – One-time revenues totaling \$66.5 million include:

- **ALTCS Reversion** – Laws 2008, Chapter 288 provides that, instead of returning excess ALTCS funding to the counties for FY 2008 and FY 2009, AHCCCS will deposit the excess funding into the General Fund. In prior years, excess funding has been split 50/50 between state and counties. Without this provision, the counties would have received \$11.9 million for FY 2007 (returned in FY 2008) and an estimated \$5.9 million for FY 2008, for a total of \$17.8 million.
- **Local Contributions** – Laws 2008, Chapter 285 provides that counties and incorporated cities and town in the state are to deposit a total of \$29.7 million into the state’s General Fund in FY 2009. The amount to be transferred from each jurisdiction is to be calculated by the JLBC by August 31, 2008, and is to be based on the Highway User Revenue Fund distributions provided in A.R.S. § 28-6538.
- **Vehicle License Tax** – Laws 2008, Chapter 285 provides that the first \$8.4 million of vehicle license tax for distribution to the State Highway Fund be transferred to the General Fund in FY 2009.
- **Lottery Funds** – Laws 2008, Chapter 287 limits General Fund lottery proceeds to \$46.5 million. Chapter 287 further provides for an additional \$10.5 million in lottery collections to be deposited into the General Fund in FY 2009, for a total of \$57.0 million. (*See Lottery individual agency budget discussion for more information.*)

Prior Year School Facilities Board Bond Proceeds – Laws 2008, Chapter 287 authorizes the School Facilities Board to enter into a maximum of \$593 million of lease-to-own transactions in FY 2009. A portion of the lease-to-own proceeds will be used to fund prior year design fees and expenditures, allowing the SFB to recoup a total of \$344.0 million of prior year expenses in FY 2009.

Hiring Freeze Transfers – Laws 2008, Chapter 285 provides that \$4.7 million in other appropriated funds and nonfederal nonappropriated state funds, resulting from savings derived from the state hiring freeze, be transferred to the General Fund in FY 2009 (*see Hiring Freeze table in the General Provisions section*).

Agency Fund Balance Transfers – Laws 2008, Chapter 285 provides that \$276.2 million of fund balances from various state agencies be transferred to the General Fund. (*For more detail, see the Detail List of FY 2008 and FY 2009 Changes by Agency section*).

Budget Stabilization Fund Transfer – Laws 2008, Chapter 285 provides that \$20.0 million be transferred from the Budget Stabilization Fund to the General Fund.

Table 8

GENERAL FUND REVENUE - FY 2008 - FY 2009

FORECAST REVENUE GROWTH								
(\$ in Thousands)								
	ACTUAL FY 2007	% CHANGE PRIOR YR	FORECAST FY 2008	% CHANGE PRIOR YR	\$ CHANGE ACTUAL	FORECAST FY 2009	% CHANGE PRIOR YR	\$ CHANGE FORECAST
Taxes:								
Sales and Use	4,512,830.8	5.6%	4,526,269.3	0.3%	13,438.5	4,643,641.6	2.6%	117,372.3
Income								
-Individual	3,747,386.9	1.6%	3,545,222.1	-5.4%	(202,164.8)	3,619,401.6	2.1%	74,179.5
-Corporate	986,169.6	12.8%	867,196.7	-12.1%	(118,972.9)	871,212.8	0.5%	4,016.1
Property	24,486.0	-2.1%	24,000.0	-2.0%	(486.0)	25,000.0	4.2%	1,000.0
Luxury								
-Tobacco	37,566.9	-5.1%	33,753.4	-10.2%	(3,813.5)	33,753.4	0.0%	0.0
-Liquor	28,241.9	4.0%	29,374.8	4.0%	1,132.9	30,544.7	4.0%	1,169.9
Insurance Premium	399,817.0	7.0%	414,356.2	3.6%	14,539.2	437,900.0	5.7%	23,543.8
Estate	(550.8)	-104.7%	234.8	-142.6%	785.6	0.0	-100.0%	(234.8)
Other Taxes	1,328.6	6.3%	600.0	-54.8%	(728.6)	630.0	5.0%	30.0
Sub-Total - Taxes	9,737,276.9	4.5%	9,441,007.3	-3.0%	(296,269.6)	9,662,084.1	2.3%	221,076.8
Other Non-Tax Revenues:								
Lottery	52,922.3	15.8%	44,725.3	-15.5%	(8,197.0)	46,490.0	3.9%	1,764.7
Licenses, Fees and Permits	40,235.8	18.5%	38,854.4	-3.4%	(1,381.4)	42,135.0	8.4%	3,280.6
Interest	104,473.0	40.6%	87,838.9	-15.9%	(16,634.1)	52,000.0	-40.8%	(35,838.9)
Sales and Services	63,734.9	6.8%	66,744.0	4.7%	3,009.1	74,380.9	11.4%	7,636.9
Other Miscellaneous	44,434.9	19.2%	44,807.3	0.8%	372.4	49,000.0	9.4%	4,192.7
Transfers and Reimbursements	19,481.1	-24.1%	35,856.9	84.1%	16,375.8	22,579.8	-37.0%	(13,277.1)
Disproportionate Share Revenue	113,127.3	4.7%	73,570.3	-35.0%	(39,557.0)	73,570.3	0.0%	0.0
Sub-Total - Other Non-Tax	438,409.3	14.0%	392,397.1	-10.5%	(46,012.2)	360,156.0	-8.2%	(32,241.1)
Subtotal On-Going Revenue	10,175,686.2	4.9% ^{1/}	9,833,404.4	-3.4% ^{2/}	(342,281.8)	10,022,240.1	1.9%	188,835.7
Corporate Sales Factor Phase-In	0.0	N/A	0.0	N/A	0.0	(30,000.0)	N/A	(30,000.0)
529 College Savings Plan	0.0	N/A	0.0	N/A	0.0	(2,500.0)	N/A	(2,500.0)
Military Families Relief Fund	0.0	N/A	0.0	N/A	0.0	(1,000.0)	N/A	(1,000.0)
IRS Conformity	0.0	N/A	0.0	N/A	0.0	(1,050.0)	N/A	(1,050.0)
Other Revenue Changes	0.0	N/A	0.0	N/A	0.0	7,923.0	N/A	7,923.0
Subtotal w/Tax Law Changes	10,175,686.2	4.9%	9,833,404.4	-3.4%	(342,281.8)	9,995,613.1	1.6%	162,208.7
Urban Revenue Sharing (URS)	(551,230.7)	29.6%	(684,538.9)	24.2%	(133,308.2)	(727,677.4) ^{3/}	6.3%	(43,138.5)
Subtotal w/Tax Law Changes/URS	9,624,455.5	3.8%	9,148,865.5	-4.9%	(475,590.0)	9,267,935.7	1.3%	119,070.2
One-Time Financing Sources:								
Balance Forward	1,046,460.1	63.8%	377,947.0	-63.9%	(668,513.1)	1,000.0	-99.7%	(376,947.0)
Liquor License Fees	450.0	N/A	2,000.0	344.4%	1,550.0	0.0	-100.0%	(2,000.0)
Revised TPT Threshold	(55,200.0)	N/A	0.0	-100.0%	55,200.0	0.0	N/A	0.0
Corporate Consolidated Credit	(4,000.0)	N/A	(55,500.0)	1287.5%	(51,500.0)	0.0	-100.0%	55,500.0
FY 2007 Fund Transfer - SFB	60,080.5	N/A	0.0	-100.0%	(60,080.5)	0.0	N/A	0.0
Unclaimed Property	0.0	N/A	45,000.0	N/A	45,000.0	0.0	-100.0%	(45,000.0)
Other Revenue	0.0	N/A	0.0	N/A	0.0	66,479.5	N/A	66,479.5
Prior Year SFB Bond Proceeds	0.0	N/A	0.0	N/A	0.0	344,000.0	N/A	344,000.0
Fund Transfers	0.0	N/A	295,772.0	N/A	295,772.0	280,867.7	-5.0%	(14,904.3)
BSF Transfer	0.0	N/A	487,000.0	N/A	487,000.0	20,000.0	-95.9%	(467,000.0)
Sub-Total - One-Time Financing Sources	1,047,790.6	61.4%	1,152,219.0	10.0%	104,428.4	712,347.2	-38.2%	(439,871.8)
Total Revenue	10,672,246.1	7.5%	10,301,084.5	-3.5%	(371,161.6)	9,980,282.9	-3.1%	(320,801.6)

1/ The 4.9% FY 2007 growth rate includes \$(190.7) million in tax law and other revenue changes. Adjusting for these changes, the actual FY 2007 growth rate was 6.9%.

2/ The (3.4)% FY 2008 growth rate includes \$(255.5) million in tax law and other revenue changes. Adjusting for these changes, the base FY 2008 growth rate is (0.9)%.

3/ While this amount is usually a deduction to revenue, the FY 2009 amount was appropriated in Laws 2006, Chapter 351. FY 2009 is shown as a revenue deduction for comparability.

'08 - '09 FORECAST - '09 ENACTED BUDGET

Table 9

GENERAL FUND REVENUE - FY 2008 - FY 2009

FORECAST REVENUE GROWTH								
(\$ in Thousands)								
	ACTUAL FY 2007	% CHANGE PRIOR YR	PRELIM ACT FY 2008	% CHANGE PRIOR YR	\$ CHANGE ACTUAL	FORECAST FY 2009	% CHANGE PRIOR YR	\$ CHANGE FORECAST
Taxes:								
Sales and Use	4,512,830.8	5.6%	4,353,564.8	-3.5%	(159,266.0)	4,643,641.6	6.7%	290,076.8
Income	3,747,386.9	1.6%	3,406,483.3	-9.1%	(340,903.6)	3,619,401.6	6.3%	212,918.3
-Individual								
-Corporate	986,169.6	12.8%	808,961.3	-18.0%	(177,208.3)	871,212.8	7.7%	62,251.5
Property	24,486.0	-2.1%	20,041.3	-18.2%	(4,444.7)	25,000.0	24.7%	4,958.7
Luxury	37,566.9	-5.1%	32,474.4	-13.6%	(5,092.5)	33,753.4	3.9%	1,279.0
-Tobacco	28,241.9	4.0%	28,562.8	1.1%	320.9	30,544.7	6.9%	1,981.9
-Liquor	399,817.0	7.0%	407,043.0	1.8%	7,226.0	437,900.0	7.6%	30,857.0
Insurance Premium								
Estate	(550.8)	-104.7%	320.2	-158.1%	871.0	0.0	-100.0%	(320.2)
Other Taxes	1,328.6	6.3%	1,484.8	11.8%	156.2	630.0	-57.6%	(854.8)
Sub-Total - Taxes	9,737,276.9	4.5%	9,058,935.9	-7.0%	(678,341.0)	9,662,084.1	6.7%	603,148.2
Other Non-Tax Revenues:								
Lottery	52,922.3	15.8%	48,449.6	-8.5%	(4,472.7)	46,490.0	-4.0%	(1,959.6)
Licenses, Fees and Permits	40,235.8	18.5%	37,771.1	-6.1%	(2,464.7)	42,135.0	11.6%	4,363.9
Interest	104,473.0	40.6%	95,067.0	-9.0%	(9,406.0)	52,000.0	-45.3%	(43,067.0)
Sales and Services	63,734.9	6.8%	57,251.6	-10.2%	(6,483.3)	74,380.9	29.9%	17,129.3
Other Miscellaneous	44,434.9	19.2%	45,719.2	2.9%	1,284.3	49,000.0	7.2%	3,280.8
Transfers and Reimbursements	19,481.1	-24.1%	34,035.1	74.7%	14,554.0	22,579.8	-33.7%	(11,455.3)
Disproportionate Share Revenue	113,127.3	4.7%	72,189.6	-36.2%	(40,937.7)	73,570.3	1.9%	1,380.7
Sub-Total - Other Non-Tax	438,409.3	14.0%	390,483.2	-10.9%	(47,926.1)	360,156.0	-7.8%	(30,327.2)
Subtotal On-Going Revenue	10,175,686.2	4.9% ^{1/}	9,449,419.1	-7.1% ^{2/}	(726,267.1)	10,022,240.1	6.1%	572,821.0
Corporate Sales Factor Phase-In	0.0	N/A	0.0	N/A	0.0	(30,000.0)	N/A	(30,000.0)
529 College Savings Plan	0.0	N/A	0.0	N/A	0.0	(2,500.0)	N/A	(2,500.0)
Military Families Relief Fund	0.0	N/A	0.0	N/A	0.0	(1,000.0)	N/A	(1,000.0)
IRS Conformity	0.0	N/A	0.0	N/A	0.0	(1,050.0)	N/A	(1,050.0)
Other Revenue Changes	0.0	N/A	0.0	N/A	0.0	7,923.0	N/A	7,923.0
Subtotal w/Tax Law Changes	10,175,686.2	4.9%	9,449,419.1	-7.1%	(726,267.1)	9,995,613.1	5.8%	546,194.0
Urban Revenue Sharing (URS)	(551,230.7)	29.6%	(684,538.9)	24.2%	(133,308.2)	(727,677.4) ^{3/}	6.3%	(43,138.5)
Subtotal w/Tax Law Changes/URS	9,624,455.5	3.8%	8,764,880.2	-8.9%	(859,575.3)	9,267,935.7	5.7%	503,055.5
One-Time Financing Sources:								
Balance Forward	1,046,460.1	63.8%	377,947.0	-63.9%	(668,513.1)	1,000.0	-99.7%	(376,947.0)
Liquor License Fees	450.0	N/A	2,000.0	344.4%	1,550.0	0.0	-100.0%	(2,000.0)
Revised TPT Threshold	(55,200.0)	N/A	0.0	-100.0%	55,200.0	0.0	N/A	0.0
Corporate Consolidated Credit	(4,000.0)	N/A	(24,450.5)	511.3%	(20,450.5)	0.0	-100.0%	24,450.5
FY 2007 Fund Transfer - SFB	60,080.5	N/A	0.0	-100.0%	(60,080.5)	0.0	N/A	0.0
Unclaimed Property	0.0	N/A	47,132.5	N/A	47,132.5	0.0	-100.0%	(47,132.5)
Other Revenue	0.0	N/A	0.0	N/A	0.0	66,479.5	N/A	66,479.5
Prior Year SFB Bond Proceeds	0.0	N/A	0.0	N/A	0.0	344,000.0	N/A	344,000.0
Fund Transfers	0.0	N/A	290,186.0	N/A	290,186.0	280,867.7	-3.2%	(9,318.3)
BSF Transfer	0.0	N/A	487,000.0	N/A	487,000.0	20,000.0	-95.9%	(467,000.0)
Sub-Total - One-Time Financing Sources	1,047,790.6	61.4%	1,179,815.0	12.6%	132,024.4	712,347.2	-39.6%	(467,467.8)
Total Revenue	10,672,246.1	7.5%	9,944,695.2	-6.8%	(727,550.9)	9,980,282.9	0.4%	35,587.7

1/ The 4.9% FY 2007 growth rate includes \$(190.7) million in tax law and other revenue changes. Adjusting for these changes, the actual FY 2007 growth rate was 6.9%.

2/ The (7.1)% FY 2008 growth rate includes \$(255.5) million in tax law and other revenue changes. Adjusting for these changes, the base FY 2008 growth rate is (4.6)%.

3/ While this amount is usually a deduction to revenue, the FY 2009 amount was appropriated in Laws 2006, Chapter 351. FY 2009 is shown as a revenue deduction for comparability.

'08 PRELIMINARY ACTUALS / '09 ENACTED FORECAST

Table 10

BASE REVENUE ADJUSTMENTS BY CATEGORY		
(\$ in Thousands)		
Summary By Category:	<u>FY 2008</u> ^{1/}	<u>FY 2009</u> ^{1/}
Tax Law Changes		
Sales & Use Tax	(100.0)	0.0
Individual Income Tax	(185,510.0)	(4,470.0)
Corporate Income Tax	(31,900.0)	(30,080.0)
Subtotal - Tax Law Changes	<u>(217,510.0)</u>	<u>(34,550.0)</u>
Other Revenue Adjustments		
Disproportionate Share Method Change	(39,557.0)	0.0
Lottery	(1,000.0)	0.0
Other Revenues	2,607.3	7,923.0
Subtotal - Other Revenue Adjustments	<u>(37,949.7)</u>	<u>7,923.0</u>
TOTAL REVENUE CHANGES	<u>\$ (255,459.7)</u>	<u>\$ (26,627.0)</u>

ADJUSTMENTS BY INDIVIDUAL PROVISION

Ch.	<u>Reference Title</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>Revenue Category</u>
<u>48th Legislature - 2nd Regular Session:</u>				
94	IRS Conformity	0.0	(970.0)	Individual
		0.0	(80.0)	Corporate
	Subtotal - IRS Conformity	<u>0.0</u>	<u>(1,050.0)</u>	
	Defensive Driving Surcharge	0.0	10,800.0	Other
	Appellate Filing Fees	0.0	123.0	Other
	DPS Equipment Funding	0.0	(3,000.0)	Other
	Subtotal - Other Revenue Changes	<u>0.0</u>	<u>7,923.0</u>	
	Session Total	<u>0.0</u>	<u>6,873.0</u>	
<u>48th Legislature - 1st Regular Session:</u>				
1	IRS Conformity	(1,300.0)	0.0	Individual
		(300.0)	0.0	Corporate
	Subtotal - IRS Conformity	<u>(1,600.0)</u>	<u>0.0</u>	
255	Revenue Generating Program	1,000.0	0.0	Other
255	Capital Postconviction Revenue	240.1	0.0	Other
258	College Savings Plan	0.0	(2,500.0)	Individual
258	Military Relief Fund Credit	0.0	(1,000.0)	Individual
255	Nuclear Emergency Management Fund	1,367.2	0.0	Other
260	Homeless Shelter Support	(1,000.0)	0.0	Lottery
255	Disproportionate Share Method Change	(39,557.0)	0.0	Dispro Share
	Subtotal - Other Revenue Changes	<u>(37,949.7)</u>	<u>(3,500.0)</u>	
	Session Total	<u>(39,549.7)</u>	<u>(3,500.0)</u>	

ADJUSTMENTS BY INDIVIDUAL PROVISION

<u>Ch.</u>	<u>Reference Title</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>Revenue Category</u>
<u>47th Legislature - 2nd Regular Session:</u>				
357	IRS Conformity	1,100.0	0.0	Individual
		(100.0)	0.0	Corporate
	Subtotal - IRS Conformity	1,000.0	0.0	
354	Individual Income Tax Rate Reduction	(177,900.0)	0.0	Individual
342	Active-Duty Military Pay Exemption (permanent) ^{2/}	(12,200.0)	0.0	Individual
325	Increase Cap on Corporate School Tuition Credit	(2,000.0)	0.0	Corporate
	Subtotal - Tax Law Changes/IRS Conformity	(191,100.0)	0.0	
	Session Total	(191,100.0)	0.0	
<u>47th Legislature - 1st Regular Session:</u>				
334	IRS Conformity	(2,860.0)	0.0	Individual
		4,200.0	0.0	Corporate
	Subtotal - IRS Conformity	1,340.0	0.0	
334	Adjust Standard Deduction by CPI	(2,400.0)	0.0	Individual
303	Active-Duty Military Pay Exemption (TY 2006 only) ^{2/}	10,300.0	0.0	Individual
289	Corporate Sales Factor	(32,000.0)	(30,000.0)	Corporate
292	Graywater Tax Credit			
	Individual Income Tax	(250.0)	0.0	Individual
	Corporate Income Tax	(500.0)	0.0	Corporate
317	Motion Picture Tax Incentives	(100.0)	0.0	Sales
317	Motion Picture Tax Incentives	(1,200.0)	0.0	Corporate
	Subtotal - Tax Law Changes/IRS Conformity	(24,810.0)	(30,000.0)	
	Session Total	(24,810.0)	(30,000.0)	
	TOTAL - All Sessions	\$ (255,459.7)	\$ (26,627.0)	

^{1/} Adjustments for FY 2008 reflect estimated change from FY 2007 and adjustments for FY 2009 reflect estimated change from FY 2008.

^{2/} Chapter 303 provided a one-time exemption from state income tax for active duty military pay for tax year 2006. Laws 2006, Chapter 342 made the exemption permanent.