

## GENERAL FUND REVENUE

### Summary of General Fund Forecast

The enacted September 2009 budget for FY 2010 assumes total net General Fund revenues of \$8.22 billion. This amount constitutes a decline of (2.6)% compared to enacted FY 2009 General Fund revenues, and a decline of (0.3)% compared to preliminary actual FY 2009 revenue collections.

Base revenues represent ongoing 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 2010, base revenues were projected to decrease (0.9)% when compared to forecasted FY 2009 revenues and increase 0.9% when compared to FY 2009 preliminary actual collections. The detailed enacted budget revenue forecasts appear at the end of this section. *Table 9* compares the enacted FY 2010 forecast to the enacted FY 2009 forecast, and *Table 10* compares the enacted FY 2010 forecast to preliminary FY 2009 actual collections.

### Development of General Fund Revenue Forecast

#### FY 2009

The original FY 2009 budget was based on total net revenues of \$9.98 billion. Excluding one-time revenues, ongoing base revenues were projected at \$9.28 billion. Based on the January revisions for the FY 2010 JLBC Baseline, this amount was forecasted to decrease to \$7.81 billion. The primary reason for the \$(1.47) billion reduction was a substantial drop-off in revenue collections in all of the major revenue categories during the first half of the fiscal year.

The large reduction in revenue collections was a direct result of the economy suffering its deepest and longest recession in postwar history. This was evident from the record or near-record decline in a number of economic indicators, such as employment, personal income, and housing construction. The significant decline in economic activity in the state helps to explain the fact that base revenues decreased in FY 2008 and FY 2009 by (4.6)% and (18.2)%, respectively.

In May, the base revenue forecast was reduced to \$7.11 billion, based primarily on significantly lower than anticipated revenue collections.

The enacted FY 2009 budget based on the May revenue forecast reflects a (16.7)% decrease in base revenues compared to FY 2008. In comparison, the March “four-sector” consensus forecast predicted a base decrease of (13.2)% (see FY 2010 section for more information on the four-sector consensus process). See *Table 1* below for FY

2009 consensus estimates. The table includes consensus estimates from January 2009, as well as updated estimates from March 2009.

	<u>FAC</u>	<u>UA Low</u>	<u>UA Base</u>	<u>JLBC</u>	<u>Avg</u>
<b>Sales Tax</b>					
January 09	(7.6)%	(10.1)%	(8.8)%	(6.3)%	(8.2)%
March 09	(11.4)%	(10.2)%	(9.4)%	(11.4)%	(10.6)%
<b>Individual Income Tax</b>					
January 09	(9.2)%	(8.7)%	(3.1)%	(7.7)%	(7.2)%
March 09	(15.6)%	(14.8)%	(11.0)%	(17.8)%	(14.8)%
<b>Corporate Income Tax</b>					
January 09	(33.0)%	(20.2)%	(18.2)%	(20.4)%	(23.0)%
March 09	(22.1)%	(21.2)%	(19.9)%	(20.4)%	(20.9)%
<b>Overall <sup>2/</sup></b>					
January 09	(10.6)%	(10.5)%	(7.4)%	(8.2)%	(9.1)%
March 09	(14.1)%	(13.0)%	(11.0)%	(14.8)%	(13.2)%

<sup>1/</sup> Prior to any tax law or other revenue changes.  
<sup>2/</sup> Includes JLBC Staff estimates for other revenue categories.

Preliminary FY 2009 actual base revenue ended up (18.2)% below the comparable amount for FY 2008.

#### FY 2010

The January FY 2010 JLBC Baseline estimated total net revenues of \$7.67 billion for FY 2010. Excluding one-time revenues, the ongoing revenues were projected at \$7.63 billion. This amount reflected a base decline of (2.2)% compared to FY 2009. The JLBC’s FY 2010 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 3 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 2009 table in the prior section, the table includes consensus estimates from January 2009, as well as updated estimates from March 2009. The January 2009 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					
January 09	0.1%	(8.7)%	(4.2)%	0.1%	(3.2)%
March 09	0.7%	(6.4)%	(3.3)%	(1.6)%	(2.7)%
Individual Income Tax					
January 09	(0.1)%	(8.7)%	(2.2)%	(0.1)%	(2.8)%
March 09	1.1%	(5.8)%	1.8%	(1.4)%	(1.1)%
Corporate Income Tax					
January 09	1.3%	(12.6)%	(4.9)%	0.0%	(4.1)%
March 09	2.9%	(15.6)%	(8.6)%	0.0%	(5.3)%
Overall <sup>2/</sup>					
January 09	0.1%	(9.0)%	(3.4)%	0.0%	(3.1)%
March 09	1.0%	(6.9)%	(1.7)%	(1.4)%	(2.3)%

<sup>1/</sup> Prior to any tax law or other revenue changes.  
<sup>2/</sup> Includes JLBC Staff estimates for other revenue categories.

The FY 2010 estimate for the remaining revenue categories, which constitute about 2% of the total, was based on JLBC Staff estimates.

The January 2010 JLBC Baseline was rebased in March, and again in May, to reflect declining current year revenue collections, as well as revised forecasts for FY 2010. The revenue forecast in the budget as enacted in September 2009 included a General Fund revenue estimate of \$8.22 billion.

This estimate reflects a base decrease of (0.9)% relative to forecasted revenue collections for FY 2009, and a positive 0.9% increase compared to preliminary actual FY 2009 collections.

*Table 3* below summarizes the changing revenue picture for FY 2009 and FY 2010 through the phases of budget development. The growth rates in the table reflect ongoing base revenues.

	<u>% Change</u>
<b>FY 2009</b>	
Adopted FY 2009 Budget (June 08) <i>(compared to forecasted 08 revenues)</i>	1.9%
Adopted FY 2009 Budget (June 08) <i>(compared to actual 08 revenues)</i>	6.1%
4 - Sector Consensus (January 09)	(9.1)%
Executive Budget (January 09)	(5.8)%
JLBC Revised (March 09)	(14.4)%
Executive Revised (March 09)	(16.0)%
Enacted FY 2010 Budget (September 09) <i>(reflects preliminary actual 09 collections)</i>	(18.2)%
<b>FY 2010</b>	
4 - Sector Consensus (January 09)	(3.1)%
Executive Forecast (January 09)	1.0%
4 - Sector Consensus (March 09)	(2.3)%
Executive Revised (March 09)	0.4%
Enacted FY 2010 Budget (September 09) <i>(compared to FY 2009 enacted)</i>	(0.9)%
Enacted FY 2010 Budget (September 09) <i>(compared to FY 2009 preliminary actual)</i>	0.9%

**Base and Adjusted Revenue Growth**

*Table 11* at the end of this section provides a summary of FY 2009 and FY 2010 tax law and other revenue changes.

The following 2 tables provide an overview of base revenue growth rates for FY 2009 and FY 2010 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 2010 budget, whereas *Table 5* displays the same information based on FY 2009 preliminary actual revenues.

	<u>FY 2009</u>	<u>%</u>	<u>FY 2010</u>	<u>%</u>
Base Revenue	\$7,835.3	(17.1)%	\$7,761.5	(0.9)%
Tax Law and Revenue Changes	<sup>1/</sup>		(16.3)	
Urban Revenue Sharing	(727.7)		(628.6)	
One-Time Financing Balance Forward	1.0		32.8	
Other Revenue	1,333.8		1,071.6	
<b>Adjusted Revenue</b>	<b><u>\$8,442.5</u></b>	<b>(15.1)%</b>	<b><u>\$8,221.0</u></b>	<b>(2.6)%</b>

<sup>1/</sup> \$(34.5) million tax law and revenue changes included in FY 2009 base.

**Table 5**  
**General Fund Revenue Growth Rates**  
**Based on FY 2009 Preliminary Actual Revenues**  
**(\$ in Millions)**

	<u>FY 2009</u>	<u>%</u>	<u>FY 2010</u>	<u>%</u>
Base Revenue	\$7,694.6	(18.6)%	\$7,761.5	0.9%
Tax Law and Revenue Changes	1/		(16.3)	
Urban Revenue Sharing	(727.7)		(628.6)	
One-Time Financing Balance Forward	1.0		32.8	
Other Revenue	1,280.6		1,071.6	
<b>Adjusted Revenue</b>	<b><u>\$8,248.5</u></b>	<b>(17.1)%</b>	<b><u>\$8,221.0</u></b>	<b>(0.3)%</b>

1/ \$(34.5) million tax law and revenue changes included in FY 2009 base.

As shown in *Table 4* and *Table 5* above, Urban Revenue Sharing (URS) declines from \$727.7 million in FY 2009 to \$628.6 million in FY 2010. The URS decline of \$(99.0) million, or (13.6)%, is primarily due to the fact that while FY 2009 distributions to incorporated cities and towns were based on an actual appropriation authorized by Laws 2006, Chapter 351, FY 2010 distributions were based on total net income tax collections from 2 years prior.

### 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 2009

During the 2009 regular session, there were no tax law or revenue changes enacted which affected FY 2009 ongoing revenues. All of the enacted revenue changes for FY 2009 were one-time changes (*see One-Time Financing Changes section below*).

#### FY 2010

In FY 2010, enacted tax law and revenue changes are estimated to have a net positive General Fund impact of \$1.09 billion. The \$1.09 billion includes \$1.10 billion in one-time budget solutions (including a beginning balance of \$32.8 million), and a net reduction of \$(16.2) million in new ongoing revenues. The \$(16.2) million reduction is comprised of \$(34.0) million in prior year tax law and revenue changes, and \$(13.4) million in new tax law changes, for a total of \$(47.4) million, combined with

budget legislation changes that result in ongoing revenue increases of \$31.2 million.

**Table 6**  
**FY 2010 Tax Law and Revenue Changes**  
**(\$ in Millions)**

	<u>Ongoing</u>	<u>One-Time</u>	<u>Total</u>
<b>Revenue Impacts</b>			
New Tax Law Changes (2009 Session)	\$ (13.4)	\$ 0.0	\$ (13.4)
New Revenue Changes (2009 Session)	<u>31.2</u>	<u>1,104.4</u>	<u>1,135.6</u>
Annualize Tax Law Changes (Prior Sessions)	<u>(34.0)</u>	<u>0.0</u>	<u>(34.0)</u>
<b>Total Revenue Impacts</b>	<b><u>\$ (16.2)</u></b>	<b><u>\$ 1,104.4</u></b>	<b><u>\$ 1,088.2</u></b>

The amounts in *Table 6* above include tax law and revenue changes enacted in the 2009 legislative session, as well as annualized amounts of various tax changes which were enacted in previous sessions, and were phased in over more than 1 year. The amounts do not include any balance forward from the prior 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.

### Ongoing Revenue Changes

#### New Tax Law Changes (2009 Session)

In the 2009 Session, the Legislature enacted the following ongoing tax law changes.

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. Laws 2009, Chapter 2 conforms Arizona's tax code to the federal tax code. The federal government enacted 7 tax bills during 2008, including the Economic and Stimulus Act of 2008, the Heartland, Habitat, Harvest and Horticulture Act of 2008, the Heroes Earnings Assistance and Relief Tax Act of 2008, the Housing Assistance Tax Act of 2008, the Emergency Economic Stabilization Act of 2008, the Fostering Connections to Success and Increasing Adoptions Act of 2008, and the Worker Retiree, and Employer Recovery Act of 2008. The total FY 2010 estimated impact of these provisions is \$(8.4) million.

Contributions to Charitable Organizations – Laws 2009, Chapter 80 eliminates the requirement for a taxpayer to establish a baseline year to qualify for the tax credit for

cash contributions to charitable organizations that provide assistance to the working poor. This provision is estimated to reduce individual income tax revenues by \$(5.0) million in FY 2010, \$(5.9) million in FY 2011, and \$(7.0) million in FY 2012.

**Withholding Rate Changes** – Laws 2009, Chapter 2 makes adjustments to Arizona withholding rates, and decouples the state’s withholding rates from federal withholding. The state withholding rate changes were adopted to offset the federal withholding reductions under the American Recovery and Reinvestment Act of 2009.

The new state withholding rates (expressed as a percentage of federal withholding) under Chapter 2 are shown in the table below.

Arizona Withholding Rates and Effective Dates		
<u>1/1/05 to 4/30/09:</u>	<u>5/1/09 to 12/31/09</u>	<u>1/1/10 to 6/30/10</u>
0.0%	0.0%	0.0%
10.0%	11.5%	10.7%
19.0%	21.9%	20.3%
23.0%	26.5%	24.5%
25.0%	28.8%	26.7%
31.0%	35.7%	33.1%
37.0%	42.6%	39.5%

Chapter 2 effectively decouples Arizona’s withholding rates from federal withholding as of July 1, 2010. Instead, state withholding amounts will be determined based on withholding tables established by the Department of Revenue, which the department is required to submit to JLBC by March 15, 2010. This provision has no fiscal impact.

**Prior Year Legislative Enactments**

In addition to the tax law and revenue changes enacted during the past legislative session, the following changes (as described below) were enacted in prior sessions, and will have an impact on FY 2010 revenue collections.

**2003 Legislative Change**

**Phoenix Convention Center** – Laws 2003, Chapter 266 established the state’s obligation to pay the debt service and related costs on \$300 million of construction bonds for the Phoenix Convention Center \$600 million expansion project. The state’s obligation begins in the fiscal year after the Certificate of Completion for the project is filed with the State Treasurer.

The Certificate of Completion was filed with the Treasurer on March 25, 2009. The state’s obligation is for \$5 million the first year (FY 2010), increasing to \$10 million the second year, \$15 million the third year, \$20 million the fourth year, then increasing by \$500,000 per year up to a

maximum of \$30 million per year, until the debt service and related costs are retired.

**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.

Table 7 below summarizes the impact of both new tax law changes and prior year enactments on FY 2010 revenue collections.

Table 7	
FY 2010 New Tax Law Changes and Ongoing Revenue Changes from Prior Years’ Legislation Annualized Prior Session Enactments (\$ in Millions)	
<b><u>2003 Legislative Change</u></b>	
Phoenix Convention Center	\$ (5.0)
<b><u>2005 Tax Law Change</u></b>	
Corporate Sales Factor	\$ (29.0)
<b><u>2009 Tax Law Changes</u></b>	
IRS Conformity	\$ (8.4)
Contributions to Charities	\$ (5.0)
Subtotal	\$ (13.4)
<b>Total</b>	<b>\$ (47.4)</b>

**Tax Law Changes – FY 2011 and Beyond**

In addition to the tax law and revenue changes noted above that impact FY 2010, there were tax law changes enacted that will not have a revenue impact until FY 2011 or later.

**Solar Tax Credit** – Laws 2009, Chapter 96 provides income and property tax incentives for qualifying renewable energy companies that build headquarter or manufacturing facilities in the state from tax year 2010 to 2014. An income tax credit is allowed for up to 10% of the capital investment, with an aggregate ceiling, including individual and corporate income tax credits, of \$70 million annually. The credit is refundable and must be received in 5 equal portions over a period of 5 consecutive tax years. Qualifying properties will also receive a class 6 property designation, which reduces the assessment ratio to 5% instead of the class 1 assessment ratio of 22% (declining to 20% over the next 2 years). The class 6 property designation remains in effect for 10 or 15 years, depending on the level of wages paid to employees of the facility in relation to the median wage of the state.

**New Revenue Changes – Ongoing**

The enacted budget includes a net \$31.2 million in new ongoing non-tax revenue changes, including:

Temporary Revenue Collectors – Laws 2009, Chapter 12 provides a \$3.0 million increase in the appropriation to the Department of Revenue to hire temporary collectors to assist in the collection of already established debt. It is projected that the temporary collectors will generate an additional \$45.0 million in FY 2010.

Liquor License Revenue – Laws 2009, 3<sup>rd</sup> Special Session, Chapter 7 diverts \$(2.8) million in Liquor License Fee revenue from the General Fund to the newly-established Liquor License Fee Fund in order to fund operating expenses of the Department of Liquor Licenses and Control.

Defensive Driving Surcharge – Laws 2009, 3<sup>rd</sup> Special Session, Chapter 6 transfers \$(10.4) million in defensive driving surcharge revenues which would have otherwise gone to the General Fund into the newly-created Crime Laboratory Operations Fund in order to fund the Department of Public Safety crime lab operations.

Land Department – Laws 2009, 3<sup>rd</sup> Special Session, Chapter 5, allows for the transfer of \$(600,000) in fee revenue collected by the department which would have otherwise been deposited into the General Fund to be deposited into the Trust Management Fund.

Table 8 below summarizes the impact on FY 2010 revenue collections from budget legislation changes enacted in 2009.

<b>Table 8</b>	
<b>FY 2010 Budget Legislation Changes with Ongoing Revenue Impact (\$ in Millions)</b>	
Temporary Revenue Collectors	\$ 45.0
Liquor License Revenue	\$(2.8)
Defensive Driving Surcharge	\$(10.4)
Land Department	\$(0.6)
<b>Total</b>	<b><u>\$ 31.2</u></b>

**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 2009 and FY 2010.

**FY 2009**

The \$1.33 billion 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 Revenue – One-time revenues totaling a net \$118.9 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 towns 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. This payment was not made as the result of litigation brought against the state.
- Vehicle License Tax – Laws 2008, Chapter 285 provides that the first \$8.4 million of vehicle license tax (VLT) for distribution to the State Highway Fund be transferred to the General Fund in FY 2009.
- AHCCCS Revenue Shift – Laws 2009, 1<sup>st</sup> Special Session, Chapter 4 provides an increase of \$45.8 million in one-time revenue, including \$17.8 million from ALTCS revertsments due to excess funding, and \$28.0 million from additional payments made by Maricopa and Pima Counties.
- Tax Amnesty – Laws 2009, Chapter 3 established a tax amnesty program for the month of May 2009. It was estimated that the program would generate \$5.0 million, which is the amount reflected in the enacted budget. Actual collections from the program totaled \$31.8 million.
- Lottery Proceeds – Laws 2009, 1<sup>st</sup> Special Session, Chapter 3 provides that \$2.0 million which would otherwise have been distributed to counties through the County Assistance Fund, Local Transportation Assistance Fund, and Local Transportation Assistance Fund II be deposited into the General Fund.

- DHS Matching Federal Funds – Laws 2009, Chapter 11 provides an appropriation of monies to DHS resulting in an additional \$39.9 million in matching Federal Funds.

Prior Year School Facilities Board Bond Proceeds – Laws 2008, Chapter 287 authorizes SFB 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.

Budget Stabilization Fund Transfers –Laws 2008, Chapter 285 provides that \$20.0 million be transferred from the Budget Stabilization Fund to the General Fund. Laws 2009, 1<sup>st</sup> Special Session, Chapter 1 provides that an additional \$130.0 million be transferred, for a total of \$150.0 million.

Fund Transfers – Laws 2008, Chapter 285, Laws 2009, 1<sup>st</sup> Special Session, Chapter 1, and Laws 2009, Chapter 1 provide for a total of \$720.9 million in agency fund transfers in FY 2009 (*see page 518 for more detail*).

## **FY 2010**

The \$1.104 billion in one-time financing sources for FY 2010 includes:

Balance Forward – The FY 2010 General Fund balance forward is estimated to be \$32.8 million.

Vehicle License Tax – Laws 2009, 3<sup>rd</sup> Special Session, Chapter 11 provides that the first \$8.4 million of vehicle license tax (VLT) for distribution to the State Highway Fund be transferred to the General Fund in FY 2010.

Prison Concession Agreement – Laws 2009, 3<sup>rd</sup> Special Session, Chapter 6 allows the Department of Corrections to privatize a portion of prison concessions. The concession agreement is estimated to generate \$100.0 million in FY 2010. (*For more detail, see page 98 of the FY 2010 Appropriations Report.*)

State Asset Sale/Lease-Purchase – Laws 2009, 3<sup>rd</sup> Special Session, Chapter 6 allows the Department of Corrections to enter into sale and simultaneous lease-purchase agreements for existing prison facilities. The sale and lease-purchase provisions are estimated to generate \$735.4 million in FY 2010. (*For more detail, see page 98 of the FY 2010 Appropriations Report.*)

Fund Transfers – Laws 2009, 1<sup>st</sup> Regular Session, Chapters 11 and 12 and Laws 2009, 3<sup>rd</sup> Special Session, Chapter 12 provide for a total of \$227.8 million in agency fund transfers in FY 2010 (*see page 518 for more detail*).

Table 9

## GENERAL FUND REVENUE - FY 2009 - FY 2010

FORECAST REVENUE GROWTH								
(\$ in Thousands)								
	ACTUAL FY 2008	% CHANGE PRIOR YR	FORECAST FY 2009	% CHANGE PRIOR YR	\$ CHANGE ACTUAL	FORECAST FY 2010	% CHANGE PRIOR YR	\$ CHANGE FORECAST
<b>Taxes:</b>								
Sales and Use	4,353,564.8	-3.5%	3,807,258.4	-12.5%	(546,306.4)	3,744,462.4	-1.6%	(62,796.0)
Income								
-Individual	3,406,483.3	-9.1%	2,645,659.3	-22.3%	(760,824.0)	2,656,557.0	0.4%	10,897.7
-Corporate	808,961.3	-18.0%	580,880.8	-28.2%	(228,080.5)	556,891.2	-4.1%	(23,989.6)
Property								
Luxury								
-Tobacco	20,041.3	-18.2%	18,000.0	-10.2%	(2,041.3)	17,000.0	-5.6%	(1,000.0)
-Liquor	32,474.4	-13.6%	30,538.8	-6.0%	(1,935.6)	30,538.8	0.0%	0.0
Insurance Premium	28,562.8	1.1%	29,253.4	2.4%	690.6	29,838.5	2.0%	585.1
Estate	407,043.0	1.8%	417,000.0	2.4%	9,957.0	425,000.0	1.9%	8,000.0
Other Taxes	320.2	-158.1%	125.3	-60.9%	(194.9)	0.0	-100.0%	(125.3)
Sub-Total - Taxes	1,484.8	11.8%	630.0	-57.6%	(854.8)	630.0	0.0%	0.0
Sub-Total - Taxes	9,058,935.9	-7.0%	7,529,346.0	-16.9%	(1,529,590.0)	7,460,917.9	-0.9%	(68,428.0)
<b>Other Non-Tax Revenues:</b>								
Lottery	48,449.6	-8.5%	50,376.0	4.0%	1,926.4	46,500.0	-7.7%	(3,876.0)
Licenses, Fees and Permits	37,771.1	-6.1%	39,058.0	3.4%	1,286.9	39,000.0	-0.1%	(58.0)
Interest	95,067.0	-9.0%	13,000.0	-86.3%	(82,067.0)	10,000.0	-23.1%	(3,000.0)
Sales and Services	57,251.6	-10.2%	54,380.9	-5.0%	(2,870.7)	55,000.0	1.1%	619.1
Other Miscellaneous	45,719.2	2.9%	47,000.0	2.8%	1,280.8	47,523.1	1.1%	523.1
Transfers and Reimbursements	34,035.1	74.7%	28,579.8	-16.0%	(5,455.3)	29,000.0	1.5%	420.2
Disproportionate Share Revenue	72,189.6	-36.2%	73,570.3	1.9%	1,380.7	73,570.3	0.0%	0.0
Sub-Total - Other Non-Tax	390,483.2	-10.9%	305,965.0	-21.6%	(84,518.2)	300,593.4	-1.8%	(5,371.6)
<b>Subtotal On-Going Revenue</b>	<b>9,449,419.1</b>	<b>-7.1%</b> <sup>1/</sup>	<b>7,835,311.0</b>	<b>-17.1%</b> <sup>2/</sup>	<b>(1,614,108.2)</b>	<b>7,761,511.3</b>	<b>-0.9%</b>	<b>(73,799.6)</b>
Enacted Tax Law Other Changes	0.0	N/A	0.0	N/A	0.0	(47,410.0)	N/A	(47,410.0)
Budget Legislation Changes	0.0	N/A	0.0	N/A	0.0	31,159.0	N/A	31,159.0
<b>Subtotal w/Tax Law Changes</b>	<b>9,449,419.1</b>	<b>-7.1%</b>	<b>7,835,311.0</b>	<b>-17.1%</b>	<b>(1,614,108.2)</b>	<b>7,745,260.3</b>	<b>-1.1%</b>	<b>(90,050.6)</b>
Urban Revenue Sharing (URS)	(684,538.9)	24.2%	(727,677.4) <sup>3/</sup>	6.3%	(43,138.5)	(628,649.1)	-13.6%	99,028.3
<b>Subtotal w/Tax Law Changes/URS</b>	<b>8,764,880.2</b>	<b>-8.9%</b>	<b>7,107,633.6</b>	<b>-18.9%</b>	<b>(1,657,246.7)</b>	<b>7,116,611.2</b>	<b>0.1%</b>	<b>8,977.7</b>
<b>One-Time Financing Sources:</b>								
Balance Forward	377,947.0	-63.9%	1,000.0	-99.7%	(376,947.0)	32,803.1	3180.3%	31,803.1
Liquor License Fees	2,000.0	344.4%	0.0	-100.0%	(2,000.0)	0.0	N/A	0.0
Corporate Consolidated Credit	(24,450.5)	511.3%	0.0	-100.0%	24,450.5	0.0	N/A	0.0
Unclaimed Property	47,132.5	N/A	0.0	-100.0%	(47,132.5)	0.0	N/A	0.0
Other Revenue	0.0	N/A	118,893.3	N/A	118,893.3	8,390.6	-92.9%	(110,502.7)
Prior Year SFB Bond Proceeds	0.0	N/A	344,000.0	N/A	344,000.0	0.0	-100.0%	(344,000.0)
Fund Transfers	290,186.0	N/A	720,928.6	148.4%	430,742.6	0.0	-100.0%	(720,928.6)
BSF Transfer	487,000.0	N/A	150,000.0	-69.2%	(337,000.0)	0.0	-100.0%	(150,000.0)
State Asset Sale/Lease-Purchase - '10	0.0	N/A	0.0	N/A	0.0	735,419.3	N/A	735,419.3
Prison Concession Agreement - '10	0.0	N/A	0.0	N/A	0.0	100,000.0	N/A	100,000.0
Fund Transfers - '10	0.0	N/A	0.0	N/A	0.0	227,774.4	N/A	227,774.4
Sub-Total - One-Time Financing Sources	1,179,815.0	12.6%	1,334,821.9	13.1%	155,006.9	1,104,387.4	-17.3%	(230,434.5)
<b>Total Revenue</b>	<b>9,944,695.2</b>	<b>-6.8%</b>	<b>8,442,455.5</b>	<b>-15.1%</b>	<b>(1,502,239.8)</b>	<b>8,220,998.6</b>	<b>-2.6%</b>	<b>(221,456.8)</b>

1/ The (7.1)% FY '08 growth rate includes \$(255.5) million in tax law and other revenue changes. Adjusting for these changes, the base FY '08 growth rate is (4.6)%.

2/ The (17.1)% FY '09 decline includes \$(34.5) million in tax law and other revenue changes. Adjusting for these changes, the base FY '09 decline is (16.7)%.

3/ While this amount is usually a deduction to revenue, the FY '09 amount was appropriated in Laws 2006, Chapter 351. FY '09 is shown as a revenue deduction for comparability.

Table 10

## GENERAL FUND REVENUE - FY 2009 - FY 2010

FORECAST REVENUE GROWTH								
(\$ in Thousands)								
	ACTUAL FY 2008	% CHANGE PRIOR YR	PRELIM ACT FY 2009	% CHANGE PRIOR YR	\$ CHANGE ACTUAL	FORECAST FY 2010	% CHANGE PRIOR YR	\$ CHANGE PRELIM ACT
<b>Taxes:</b>								
Sales and Use	4,353,564.8	-3.5%	3,756,407.2	-13.7%	(597,157.6)	3,800,345.2	1.2%	43,938.0
Income								
-Individual	3,406,483.3	-9.1%	2,567,754.4	-24.6%	(838,728.9)	2,576,557.0	0.3%	8,802.6
-Corporate	808,961.3	-18.0%	592,157.3	-26.8%	(216,804.0)	596,891.2	0.8%	4,733.9
Property								
Luxury								
-Tobacco	20,041.3	-18.2%	18,244.5	-9.0%	(1,796.8)	17,000.0	-6.8%	(1,244.5)
-Liquor	32,474.4	-13.6%	29,808.4	-8.2%	(2,666.0)	30,538.8	2.5%	730.4
Insurance Premium	28,562.8	1.1%	28,856.0	1.0%	293.2	29,838.5	3.4%	982.5
Estate	407,043.0	1.8%	411,370.9	1.1%	4,327.9	425,000.0	3.3%	13,629.1
Other Taxes	320.2	-158.1%	210.4	-34.3%	(109.8)	0.0	-100.0%	(210.4)
Sub-Total - Taxes	1,484.8	11.8%	1,165.8	-21.5%	(319.0)	630.0	-46.0%	(535.8)
Sub-Total - Taxes	9,058,935.9	-7.0%	7,405,974.7	-18.2%	(1,652,961.2)	7,476,800.7	1.0%	70,825.9
<b>Other Non-Tax Revenues:</b>								
Lottery	48,449.6	-8.5%	31,000.0	-36.0%	(17,449.6)	46,500.0	50.0%	15,500.0
Licenses, Fees and Permits	37,771.1	-6.1%	34,531.6	-8.6%	(3,239.5)	39,000.0	12.9%	4,468.4
Interest	95,067.0	-9.0%	19,669.4	-79.3%	(75,397.6)	0.0	-100.0%	(19,669.4)
Sales and Services	57,251.6	-10.2%	48,241.7	-15.7%	(9,009.9)	55,000.0	14.0%	6,758.3
Other Miscellaneous	45,719.2	2.9%	53,700.6	17.5%	7,981.4	47,523.1	-11.5%	(6,177.5)
Transfers and Reimbursements	34,035.1	74.7%	33,770.4	-0.8%	(264.7)	29,000.0	-14.1%	(4,770.4)
Disproportionate Share Revenue	72,189.6	-36.2%	67,687.5	-6.2%	(4,502.1)	67,687.5	0.0%	(0.0)
Sub-Total - Other Non-Tax	390,483.2	-10.9%	288,601.2	-26.1%	(101,882.0)	284,710.6	-1.3%	(3,890.6)
<b>Subtotal On-Going Revenue</b>	<b>9,449,419.1</b>	<b>-7.1%</b> <sup>1/</sup>	<b>7,694,575.9</b>	<b>-18.6%</b> <sup>2/</sup>	<b>(1,754,843.2)</b>	<b>7,761,511.3</b>	<b>0.9%</b>	<b>66,935.3</b>
Enacted Tax Law Other Changes	0.0	N/A	0.0	N/A	0.0	(47,410.0)	N/A	(47,410.0)
Budget Legislation Changes	0.0	N/A	0.0	N/A	0.0	31,159.0	N/A	31,159.0
<b>Subtotal w/Tax Law Changes</b>	<b>9,449,419.1</b>	<b>-7.1%</b>	<b>7,694,575.9</b>	<b>-18.6%</b>	<b>(1,754,843.2)</b>	<b>7,745,260.3</b>	<b>0.7%</b>	<b>50,684.3</b>
Urban Revenue Sharing (URS)	(684,538.9)	24.2%	(727,677.4) <sup>3/</sup>	6.3%	(43,138.5)	(628,649.1)	-13.6%	99,028.3
<b>Subtotal w/Tax Law Changes/URS</b>	<b>8,764,880.2</b>	<b>-8.9%</b>	<b>6,966,898.5</b>	<b>-20.5%</b>	<b>(1,797,981.7)</b>	<b>7,116,611.2</b>	<b>2.1%</b>	<b>149,712.6</b>
<b>One-Time Financing Sources:</b>								
Balance Forward	377,947.0	-63.9%	1,000.0	-99.7%	(376,947.0)	32,803.1	3180.3%	31,803.1
Liquor License Fees	2,000.0	344.4%	0.0	-100.0%	(2,000.0)	0.0	N/A	0.0
Corporate Consolidated Credit	(24,450.5)	511.3%	0.0	-100.0%	24,450.5	0.0	N/A	0.0
Unclaimed Property	47,132.5	N/A	0.0	-100.0%	(47,132.5)	0.0	N/A	0.0
Other Revenue	0.0	N/A	118,893.3	N/A	118,893.3	8,390.6	-92.9%	(110,502.7)
Prior Year SFB Bond Proceeds	0.0	N/A	344,000.0	N/A	344,000.0	0.0	-100.0%	(344,000.0)
Fund Transfers - '09	290,186.0	N/A	667,749.8	130.1%	377,563.8	0.0	-100.0%	(667,749.8)
BSF Transfer	487,000.0	N/A	150,000.0	-69.2%	(337,000.0)	0.0	-100.0%	(150,000.0)
Other Revenue Changes - '10	0.0	N/A	0.0	N/A	0.0	0.0	N/A	0.0
State Asset Sale/Lease-Purchase - '10	0.0	N/A	0.0	N/A	0.0	735,419.3	N/A	735,419.3
Prison Concession Agreement - '10	0.0	N/A	0.0	N/A	0.0	100,000.0	N/A	100,000.0
Fund Transfers - '10	0.0	N/A	0.0	N/A	0.0	227,774.4	N/A	227,774.4
Sub-Total - One-Time Financing Sources	1,179,815.0	12.6%	1,281,643.1	8.6%	101,828.1	1,104,387.4	-13.8%	(177,255.7)
<b>Total Revenue</b>	<b>9,944,695.2</b>	<b>-6.8%</b>	<b>8,248,541.6</b>	<b>-17.1%</b>	<b>(1,696,153.6)</b>	<b>8,220,998.6</b>	<b>-0.3%</b>	<b>(27,543.1)</b>

1/ The (7.1)% FY '08 growth rate includes \$(255.5) million in tax law and other revenue changes. Adjusting for these changes, the base FY '08 growth rate is (4.6)%.

2/ The (18.6)% FY '09 decline includes \$(34.5) million in tax law and other revenue changes. Adjusting for these changes, the base FY '09 decline is (18.2)%.

3/ While this amount is usually a deduction to revenue, the FY '09 amount was appropriated in Laws 2006, Chapter 351. FY '09 is shown as a revenue deduction for comparability.

Table 11

**BASE REVENUE ADJUSTMENTS BY CATEGORY**

(\$ in Thousands)

Summary By Category:	<u>FY 2009</u> <sup>1/</sup>	<u>FY 2010</u> <sup>1/</sup>
<b>Tax Law Changes</b>		
Individual Income Tax	(4,470.0)	(9,000.0)
Corporate Income Tax	<u>(30,080.0)</u>	<u>(33,410.0)</u>
Subtotal - Tax Law Changes	(34,550.0)	(42,410.0)
<b>Other Revenue Adjustments</b>		
Other Revenues	7,923.0	31,159.0
Phoenix Convention Center	<u>0.0</u>	<u>(5,000.0)</u>
Subtotal - Other Revenue Adjustments	7,923.0	26,159.0
<b>TOTAL REVENUE CHANGES</b>	<b><u>\$ (26,627.0)</u></b>	<b><u>\$ (16,251.0)</u></b>

**ADJUSTMENTS BY INDIVIDUAL PROVISION**

<u>Ch.</u>	<u>Reference Title</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>Revenue Category</u>
<u>49th Legislature - 1st Regular Session:</u>				
2	IRS Conformity	0.0	(4,000.0)	Individual
		<u>0.0</u>	<u>(4,410.0)</u>	Corporate
	Subtotal - IRS Conformity	0.0	(8,410.0)	
	Contributions to Charitable Organizations	<u>0.0</u>	<u>(5,000.0)</u>	Individual
	Subtotal - Other Revenue Changes	0.0	(5,000.0)	
	Other Revenue Changes	0.0	31,159.0	Other
	Phoenix Convention Center	0.0	(5,000.0)	Other
	<b>Session Total</b>	<b><u>0.0</u></b>	<b><u>12,749.0</u></b>	
<u>48th Legislature - 2nd Regular Session:</u>				
94	IRS Conformity	(970.0)	0.0	Individual
		<u>(80.0)</u>	<u>0.0</u>	Corporate
	Subtotal - IRS Conformity	(1,050.0)	0.0	
	Defensive Driving Surcharge	10,800.0	0.0	Other
	Appellate Filing Fees	123.0	0.0	Other
	DPS Equipment Funding	<u>(3,000.0)</u>	<u>0.0</u>	Other
	Subtotal - Other Revenue Changes	7,923.0	0.0	
	<b>Session Total</b>	<b><u>6,873.0</u></b>	<b><u>0.0</u></b>	
<u>48th Legislature - 1st Regular Session:</u>				
258	College Savings Plan	(2,500.0)	0.0	Individual
258	Military Relief Fund Credit	(1,000.0)	0.0	Individual
	Subtotal - Other Revenue Changes	(3,500.0)	0.0	
	<b>Session Total</b>	<b><u>(3,500.0)</u></b>	<b><u>0.0</u></b>	

**ADJUSTMENTS BY INDIVIDUAL PROVISION**

<u>Ch.</u>	<u>Reference Title</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>Revenue Category</u>
<u>47th Legislature - 1st Regular Session:</u>				
289	Corporate Sales Factor	(30,000.0)	(29,000.0)	Corporate
	Subtotal - Tax Law Changes/IRS Conformity	(30,000.0)	(29,000.0)	
	<b>Session Total</b>	<b><u>(30,000.0)</u></b>	<b><u>(29,000.0)</u></b>	
	<b>TOTAL - All Sessions</b>	<b><u>\$ (26,627.0)</u></b>	<b><u>\$ (16,251.0)</u></b>	

1/ Adjustments for FY 2009 reflect estimated change from FY 2008 and adjustments for FY 2010 reflect estimated change from FY 2009.