

GENERAL FUND REVENUE

Summary of General Fund Forecast

The enacted April 2011 budget for FY 2012 assumes total net General Fund revenues of \$8.33 billion. This amount constitutes an increase of 4.1% compared to enacted FY 2011 General Fund revenues. The FY 2012 revenues include \$8.37 billion in ongoing revenue and \$(38.2) million in one-time revenue. The latter consists of \$294.1 million in fund transfers and other adjustments less a projected \$(332.3) million carryover shortfall from FY 2011.

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 2012, base revenues are projected to increase 5.7% when compared to forecasted FY 2011 revenues. The detailed enacted budget revenue forecasts appear at the end of this section. *Table 9* compares the enacted FY 2012 forecast to the enacted FY 2011 forecast.

General Fund Base Revenue Forecast

FY 2011

The original FY 2011 budget was based on total net revenues of \$8.56 billion. Excluding enacted budget legislation, one-time revenues, and balance forward from FY 2010, ongoing base revenues were projected to be \$7.26 billion in FY 2011, or 4.3% above the prior fiscal year. As a result of the January revisions for the FY 2012 JLBC Baseline, the base revenue forecast was raised to 5.2%. This increase reflected higher than expected income tax collections during the first half of FY 2011. As a result of continued strength in tax collections, the enacted April budget increased the FY 2011 base revenue forecast to 5.6%, or \$40 million above the January Baseline.

As noted, the enacted FY 2011 budget assumes a 5.6% increase in base revenues compared to FY 2010. By way of comparison, the April “four-sector” consensus forecast also predicted base revenue growth of 5.6% (*see FY 2012 section for more information on the four-sector consensus process*). See *Table 1* below for FY 2011 consensus estimates. The table includes consensus estimates from January 2011 and updated estimates from April 2011, as well as the budget forecast adopted earlier the same month.

FY 2012

The January FY 2012 JLBC Baseline forecasted total net revenues of \$8.31 billion for FY 2012. Excluding one-time revenues and Urban Revenue Sharing, the ongoing

Table 1

FY 2011 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					
January	0.8%	(2.8)%	0.0%	2.0%	0.0%
April	2.3%	(1.6)%	1.5%	2.8%	1.3%
Budget	N/A	N/A	N/A	N/A	2.6%
Individual Income Tax					
January	5.1%	3.1%	13.4%	5.0%	6.6%
April	7.8%	6.7%	15.7%	6.7%	9.2%
Budget	N/A	N/A	N/A	N/A	5.0%
Corporate Income Tax					
January	21.9%	(6.0)%	3.8%	39.6%	14.8%
April	39.2%	29.3%	48.3%	34.5%	37.8%
Budget	N/A	N/A	N/A	N/A	41.6%
Overall ^{2/}					
January ^{3/}	3.9%	(0.7)%	5.5%	5.2%	3.3%
April	6.9%	3.7%	10.1%	6.4%	5.6%
Budget	N/A	N/A	N/A	N/A	5.7%

^{1/} Prior to any tax law or other revenue changes.

^{2/} Includes JLBC Staff estimates for other revenue categories.

^{3/} January Baseline forecast was based on JLBC Staff estimate of 5.2%.

revenues were projected at \$7.78 billion. This amount reflected a base revenue increase of 5.4% compared to FY 2011. The JLBC’s FY 2012 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 meet 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 2011 table in the prior section, the table includes consensus estimates from January 2011 and

updated estimates from April 2011, as well as the budget forecast enacted in April. The January 2011 four-sector consensus estimate was the basis of the January JLBC Baseline.

	<u>FAC</u>	<u>UA</u> <u>Low</u>	<u>UA</u> <u>Base</u>	<u>JLBC</u>	<u>Avg</u>
Sales Tax					
January	4.0%	3.1%	7.6%	5.0%	4.9%
April	6.1%	(1.8)%	3.1%	5.5%	3.2%
Budget	N/A	N/A	N/A	N/A	5.5%
Individual					
Income Tax					
January	6.6%	(1.1)%	5.8%	6.4%	4.4%
April	7.2%	(5.2)%	6.1%	6.4%	3.6%
Budget	N/A	N/A	N/A	N/A	4.4%
Corporate					
Income Tax					
January	17.1%	17.4%	33.1%	2.3%	17.5%
April	20.9%	22.7%	11.6%	4.8%	15.0%
Budget	N/A	N/A	N/A	N/A	18.0%
Overall ^{2/}					
January	6.1%	2.3%	8.5%	5.3%	5.4%
April	7.8%	(1.1)%	5.1%	5.8%	4.2%
Budget	N/A	N/A	N/A	N/A	5.7%

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

The FY 2012 estimate for the remaining revenue categories, which constitute about 10% of the total, was based on JLBC Staff estimates.

The enacted FY 2012 budget includes a General Fund base revenue estimate of \$7.83 billion. This amount reflects a base growth rate of 5.7% compared to forecasted FY 2011 revenue and is \$70.4 million above the January Baseline (including the temporary 1¢ sales tax).

Table 3 below summarizes the changing revenue picture for FY 2011 and FY 2012 through the phases of budget development. The growth rates in the table reflect ongoing base revenues.

	<u>% Change</u>
<u>FY 2011</u>	
Adopted FY 2011 Budget (May 10)	4.3%
(compared to forecasted 10 revenues)	
JLBC Baseline (January)	5.2%
Enacted FY 2011 Budget (April)	5.6%
<u>FY 2012</u>	
4 - Sector Consensus (January)	5.4%
Enacted FY 2012 Budget (April)	5.7%

Revenue Adjustments

Table 11 at the end of this section provides a summary of FY 2011 and FY 2012 tax law and other revenue changes.

Table 4 below provides an overview of base revenue growth rates for FY 2011 and FY 2012 with budget legislation changes (which include a number of tax law changes and revenue adjustments described in more detail in Table 5) and one-time financing sources. The table shows the base and adjusted revenue growth rates based on the enacted FY 2012 budget.

	<u>FY 2011</u>	<u>%</u>	<u>FY 2012</u>	<u>%</u>
Base Revenue	\$7,411.7 ^{1/}	5.6%	\$7,834.2	5.7%
Ongoing Budget				
Legislation	N/A		58.7	
Temporary 1¢ TPT				
Increase	824.8		901.0	
Urban Revenue				
Sharing	(474.0)		(424.4)	
One-Time Financing				
Balance Forward	(5.7)		(332.3)	
Budget Legislation	<u>245.3</u>		<u>294.1</u>	
Adjusted Revenue	<u>\$8,002.1</u>	2.0%	<u>\$8,331.3</u>	4.1%

^{1/} \$94.6 million in tax law and revenue changes from the original FY 2011 budget are included in FY 2011 base. The FY 2011 increase of 5.6% excludes these changes.

Ongoing Budget Legislation

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 2011

For FY 2011, ongoing budget legislation enacted prior to the 1st Regular Session is estimated to provide additional General Fund revenues of \$94.6 million. Table 5 provides a summary of budget legislation changes with ongoing revenue impacts in FY 2011. As noted above, the FY 2011 base revenue growth of 5.6% excludes these changes. Further details on these changes can be found on page 386 of the FY 2011 Appropriations Report and page 375 of the FY 2012 Baseline Book. Since the FY 2011 Appropriations Report, the \$34.6 million in county contributions has been reclassified from one-time to ongoing.

Table 5	
FY 2011 Budget Legislation Changes	
With Ongoing Revenue Impact	
(\$ in Millions)	
<u>Prior Year Changes (Year Enacted)</u>	
Phoenix Convention Center (03)	\$ (5.0)
Contributions to Charities (09)	(0.9)
Solar Tax Credit (09)	(5.0)
BRITS Shift (09)	2.0
Treasurer's Management Fees (09)	(2.5)
Out-of-State Proportionality (10)	22.0
STO Inflation Adjustments (10)	(0.6)
STO Deadline Extension (10)	(2.5)
Refundable R&D Credit (10)	(5.0)
IRC Conformity (10)	-- ^{1/}
Subtotal	\$ 2.5
<u>Other Revenue Changes</u>	
DOR Auditors/Collectors	\$ 7.7
DOR Revenue Generating Programs	15.3
Lottery Decrease (Debt Service)	(21.6)
Lottery Distribution Change	49.6
Abandoned Vehicle Fees	6.0
Property Tax – Class 3 Reform	0.5
County Contributions	34.6
Subtotal	<u>\$ 92.1</u>
Total – FY 2011 Revenue Impact	<u>\$ 94.6</u>
^{1/} Legislation is expected to have a minimal impact.	

FY 2012

For FY 2012, ongoing budget legislation is expected to provide additional General Fund revenues of \$58.7 million, as described below. This estimate does not reflect any “dynamic” or secondary revenue impacts resulting from any potential change in taxpayer behavior induced by new legislation. A summary of budget legislation changes with ongoing revenue impacts in FY 2012 is shown in *Table 7*.

Prior Year Changes

In addition to the tax law and revenue changes enacted during the 2011 legislative session, the following changes (as described below) were enacted in prior sessions and will have an impact on FY 2012 revenue collections.

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 expansion of the Phoenix Convention Center. The state’s obligation was to begin in the fiscal year after the Certificate of Completion for the project was filed with the State Treasurer.

The Certificate of Completion was filed with the Treasurer on March 25, 2009. The statutory schedule was for \$5 million in the first year (FY 2010), \$10 million in the second year, \$15 million in the third year, \$20 million in the fourth year, and then followed by \$500,000 annual

increases up to a maximum of \$30 million per year until the debt service and related costs are retired. Thus, under the original legislation, the General Fund would incur a revenue loss of \$(5.0) million in FY 2012 over and above the loss in FY 2011. For FY 2012, however, the Revenue Budget Reconciliation Bill (BRB) (Laws 2011, Chapter 28) suspends the debt service payment and thus generates a one-time savings of \$15.0 million (*for more detail, see One-Time Financing section*).

TPT Business License Fee – Laws 2010, 7th Special Session, Chapter 12 authorized the Department of Revenue (DOR) to set a one-time fee for new and renewed Transaction Privilege Tax (TPT) business licenses in FY 2011. The temporary fee is expected to generate a total of \$5.4 million in General Fund revenue in FY 2011. Since the TPT business license fee will not be imposed in FY 2012, there will be a one-time revenue offset of \$(5.4) million in FY 2012.

Renewable Energy Production Credit – Laws 2010, Chapter 312 provided a tax credit for the production of electricity using renewable energy. The new credit allows a qualified producer of renewable energy to receive an individual or corporate income tax credit of up to \$2 million per year, beginning in FY 2012. Total credits are capped at \$20 million annually. The revenue loss in FY 2012, the first year the credit is available to businesses, is estimated to be \$(10.0) million.

Land Fees – Laws 2010, Chapter 243 changed the State Land Department’s fee structure. Previously, fee revenue was deposited into the General Fund, but under Chapter 243 such revenue will be deposited in the Trust Land Management Fund instead. However, in FY 2011 only, Chapter 243 deposits the first \$2.1 million of fees into the General Fund, an amount comparable to such General Fund deposits in prior years. As a result, this statutory change is cost neutral in FY 2011. Beginning in FY 2012, however, Chapter 243 will result in a revenue loss of \$(2.1) million since Land Department fees will no longer be deposited in the General Fund. The deposit of these fees in the Trust Land Management Fund will permit the Land Department’s General Fund appropriation to be reduced by a corresponding \$(2.1) million.

QSCB Revenue – Laws 2010, 7th Special Session, Chapter 8 authorized the School Facilities Board (SFB) to enter into a maximum of \$100 million worth of lease-purchase transactions through the end of FY 2011, to be financed through a federal bonding program known as Qualified School Construction Bonds (QSCB). The program provides a direct federal interest subsidy based on a rate determined by the U.S. Department of Treasury. SFB issued \$91.3 million worth of QSCBs at an annual interest rate of 6.0%, with a federal subsidy of 4.86%. The FY 2012 QSCB revenue of \$6.2 million reflects the federal subsidy for interest due for the FY 2012 debt service payment.

Current Year Changes

In the 2011 Session, the Legislature enacted the following ongoing tax law and revenue changes.

Arizona Commerce Authority – Laws 2011, 2nd Special Session, Chapter 1 created the Arizona Commerce Authority (ACA) and made several changes to individual and corporate income taxes, as well as property taxes, over the next few years (*for more detail, see Table 10*). The ACA legislation is estimated to reduce General Fund revenues by \$(6.7) million in FY 2012, including:

- \$(4.0) million related to the expansion of the existing small business investment credit.
- \$(6.7) million related to the creation of the new job tax credit.
- \$4.0 million savings related to the repeal of the state’s Enterprise Zone program.

In addition, Chapter 1 diverts \$(31.5) million in individual income tax withholding to ACA for operating expenses. These monies are displayed as expenditures in the *Appropriations Report*.

Internal Revenue Code Conformity – Federal adjusted gross income is the starting point for calculating Arizona state income tax. Changes to the federal tax code affect the state’s income tax collections. Laws 2011, Chapter 4 conforms Arizona Revised Statutes to the federal Internal Revenue Code in effect as of January 1, 2011. This act is estimated to increase individual and corporate income tax collections by \$9.2 million in FY 2012.

County Contributions – The enacted budget provides \$66.2 million in new revenues from higher local contributions, for total county contributions of \$100.8 million in FY 2012, as shown in *Table 6* below. In *Table 9*, the \$34.6 million base contribution is part of the Transfers and Reimbursements line while the \$66.2 million is part of the Budget Legislation line.

<u>Cash Contribution By County</u>	<u>FY 2011</u>	<u>FY 2012</u>
Maricopa	\$ 28.6	\$ 26.4
Pima	6.0	6.8
Pinal	0.0	2.6
Yavapai	0.0	1.5
Mohave	<u>0.0</u>	<u>1.4</u>
Subtotal	\$ 34.6	\$ 38.6
DPS Funding Shift Resulting in Increased County Contributions	\$ 0.0	\$ 23.6
MVD Funding Shift Resulting in Increased County Contributions	\$ <u>0.0</u>	\$ <u>38.6</u>
Total – County Contributions	\$ <u>34.6</u>	\$ <u>100.8</u>

The new revenues in FY 2012 include:

- \$23.6 million related to shifting the Department of Public Safety’s (DPS) funding from the State Highway Fund (SHF) to the Highway User Revenue Fund (HURF). These monies are transferred to the General Fund via the Vehicle License Tax.
- \$38.6 million related to shifting the Motor Vehicle Division funding from SHF to HURF. These monies are transferred to the General Fund via the Vehicle License Tax.
- \$4.0 million as a result of increased cash contributions by counties from \$34.6 million in FY 2011 to \$38.6 million in FY 2012.

Housing Trust Fund Redirect – The Revenue BRB reduced the annual deposit of unclaimed property revenues to the Housing Trust Fund (HTF) from \$10.5 million to \$2.5 million, beginning in FY 2012. Additionally, the Revenue BRB established the Seriously Mentally Ill Housing Trust Fund with the first \$2.0 million in unclaimed property revenue collected annually. The remaining \$6.0 million in the HTF deposit reduction is redirected to the General Fund. These monies were previously used to provide affordable housing opportunities to low and moderate income families.

Agricultural Fees – The Environment Budget Reconciliation Bill (Laws 2011, Chapter 36) permits the director of the Arizona Department of Agriculture, upon recommendation from the Agricultural Advisory Council, to continue prior fee increases in FY 2012 with the intent that the additional fee revenues will not exceed \$218,000 to the General Fund.

<u>Prior Year Changes (Year Enacted)</u>	
Phoenix Convention Center (03)	\$ (5.0)
TPT Business License Fee (10)	(5.4)
Renewable Energy Production Credit (10)	(10.0)
Land Fees (10)	(2.0)
QSCB Revenue (10)	<u>6.2</u>
Subtotal	\$ (16.2)
<u>Current Year Changes</u>	
Arizona Commerce Authority	\$ (6.7)
Internal Revenue Code Conformity	9.2
County Contributions	66.2
Housing Trust Fund Redirect	6.0
Agricultural Fees	<u>0.2</u>
Subtotal	\$ <u>74.9</u>
Total – FY 2012 Revenue Impact	\$ <u>58.7</u>

Temporary 1-Cent TPT Increase

At the May 2010 Special Election, voters approved a 1-cent increase of the TPT (sales tax) for 3 years. As shown in *Table 4*, the temporary TPT increase is estimated to generate additional General Fund revenues of \$824.8 million in FY 2011 and \$901.0 million in FY 2012. Under the budget enacted in March 2010, it was estimated that the 1-cent tax would generate \$918.0 million in FY 2011 (*for more detail, see page 388 of the FY 2011 Appropriations Report*).

Urban Revenue Sharing

The Urban Revenue Sharing (URS) program provides that a percentage of state income tax revenues (including both individual and corporate income tax) be shared with incorporated cities and towns within the state. The amount that is currently distributed to cities and towns is 15% of net income tax collections from 2 years prior. As indicated in *Table 4*, total URS distributions will decline from \$474.0 million in FY 2011 to \$424.4 million in FY 2012. These amounts are significantly below the URS distribution of \$628.6 million in FY 2010.

One-Time Financing

As shown in *Table 4*, one-time financing sources have been used to help provide a balanced budget. The following is a discussion of one-time financing sources included in the budget for FY 2011 and FY 2012. *Table 8* provides the one-time detail.

FY 2011

The \$239.6 million in one-time financing sources for FY 2011 includes:

Balance Forward – The FY 2011 General Fund balance forward had a deficit of \$(5.7) million.

Budget Legislation – One-time net revenues of \$(2.0) million, which include:

- **Unclaimed Property Acceleration** – Laws 2009, 4th Special Session, Chapter 3 accelerated the timeframe for unclaimed traveler's checks from 15 years to 3 years. Laws 2010, Chapter 119 reverted the presumption of abandonment schedule for such unclaimed property back to 15 years, which is expected to result in a revenue reduction of \$(2.4) million in FY 2011.
- **Teacher Certification Repayment** – Laws 2010, Chapter 306 established a new Teacher Certification Fund and appropriated \$429,700 to it from the General Fund as a temporary intra-year loan in order to fund expenses incurred during the early part of the year (since the fund had no beginning balance going into FY 2011). The Arizona Department of Education will transfer the fees paid by teachers and other

certification applicants back to the General Fund by June 30, 2011. These certification fees will result in net new General Fund revenues of \$429,700 in FY 2011. (There will be no net impact on the General Fund, however, since the appropriation will be paid for by the fees collected during FY 2011.)

Fund Transfers – Laws 2010, 7th Special Session, Chapter 1 provides for a total of \$195.3 million in fund transfers in FY 2011 (*for more detail, see the FY 2011 Appropriations Report, General Provisions section*). The enacted FY 2012 budget authorizes an additional \$52.0 million in fund transfers, thereby bringing total FY 2011 transfers to \$247.3 million (*for more detail, see the Agency Detail and Allocations section*).

FY 2012

The \$(38.2) million net reduction in one-time financing sources for FY 2012 includes (*see Table 8*):

Balance Forward – The FY 2012 General Fund balance forward is estimated to have a deficit of \$(332.3) million. All other one-time financing totals \$294.1 million, as described below.

Tax Recovery – The Revenue BRB (Laws 2011, Chapter 28) establishes a tax recovery program for the month of September 2011. This tax recovery program, which applies to all taxes administered or collected by the Department of Revenue except estate and property taxes, is expected to generate \$22.0 million in General Fund revenues in FY 2012. The most recent tax amnesty program was implemented in May 2009 and generated additional collections of \$31.8 million in FY 2009. The FY 2004 tax amnesty program resulted in additional General Fund revenues of \$47.1 million.

Phoenix Convention Center – To match the actual debt service schedule, the Revenue BRB changes the FY 2012 Phoenix Convention Center debt payment from \$15.0 million to \$0, which results in a one-time savings of \$15.0 million. (*For additional information on the Phoenix Convention Center debt service schedule, see the Ongoing Budget Legislation section.*)

DPS GIITEM Backfill – Laws 2011, Chapter 308 appropriates \$1.0 million from the General Fund to the DPS in FY 2012 for County Assistance. These monies are to be provided to Pinal County for purposes of purchasing equipment and supplies related to border security. Chapter 308 also allocated a portion of a new fee to the Gang and Immigration Intelligence Team Enforcement (GIITEM) Fund. Notwithstanding the new Chapter 308 allocation, the act also stipulates that the first \$1.0 million that otherwise would have been put into the GIITEM Fund in FY 2012 be diverted to the General Fund. For this reason, Chapter 308 provides a one-time revenue increase of \$1.0 million in FY 2012.

Fund Transfers – The enacted FY 2012 budget provides for a total of \$256.1 million in fund transfers, which is \$171.5 million above the amount included in the January Baseline (for more detail, see the Agency Detail and Allocations section).

FY 2011 and FY 2012 One-Time Financing Sources		
(\$ in Millions)		
	<u>FY 2011</u>	<u>FY 2012</u>
Balance Forward	\$ (5.7)	\$ (332.3)
Budget Legislation		
Unclaimed Property	(2.4)	
Teacher Certification	0.4	
Tax Recovery		22.0
Phoenix Convention Center		15.0
DPS GITEM Backfill		1.0
Subtotal	(2.0)	38.0
Fund Transfers	247.3	256.1
Total One-Time Financing	<u>\$239.6</u>	<u>\$(38.2)</u>

Tax Law Changes – FY 2013 and Beyond

In addition to the tax law and revenue changes that impact FY 2012, as noted above, there were tax law changes enacted in 2011 that will not have a revenue impact until FY 2013 or later.

Credit for Qualified Health Insurance Plans – Laws 2011, Chapter 287 establishes a new individual and corporate income tax credit for employers that provide qualified health insurance plans for their employees. The credit amount is \$360 per employee and is limited to employers that have between 2 and 50 employees. The credit is available from tax year 2012 through 2014. The fiscal impact of the credit cannot be determined in advance.

Arizona Commerce Authority – Laws 2011, 2nd Special Session, Chapter 1 created the Arizona Commerce Authority and provided a number of business tax incentives phased in over several years, beginning in FY 2012. The income and property tax provisions contained in the “Jobs Bill” and their associated General Fund impact are summarized in Table 10. (For more detail, see the fiscal note for HB 2001 (2nd Special Session) released February 15, 2011.)

Table 9

GENERAL FUND REVENUE - FY 2011-FY 2012

FORECAST REVENUE GROWTH								
(\$ in Thousands)								
	ACTUAL FY 2010	% CHANGE PRIOR YR	FORECAST FY 2011	% CHANGE PRIOR YR	\$ CHANGE PRIOR YR	FORECAST FY 2012	% CHANGE PRIOR YR	\$ CHANGE PRIOR YR
Taxes:								
Sales and Use	3,377,528.5	-10.1%	3,476,312.3	2.9%	98,783.8	3,666,498.1	5.5%	190,185.8
Income	2,416,296.3	-5.9%	2,558,853.9	5.9%	142,557.6	2,671,443.4	4.4%	112,589.5
-Individual	413,193.3	-30.2%	581,953.4	40.8%	168,760.1	686,807.8	18.0%	104,854.4
-Corporate	20,269.6	11.1%	20,000.0	-1.3%	(269.6)	20,000.0	0.0%	0.0
Property	25,810.4	-13.4%	25,881.0	0.3%	70.6	25,881.0	0.0%	0.0
Luxury	29,541.8	2.4%	28,994.9	-1.9%	(546.9)	28,994.9	0.0%	0.0
-Tobacco	405,616.6	-1.4%	412,600.0	1.7%	6,983.4	420,000.0	1.8%	7,400.0
-Liquor	363.8	72.9%	500.0	37.5%	136.2	0.0	-100.0%	(500.0)
Insurance Premium	1,447.9	24.2%	1,500.0	3.6%	52.1	1,500.0	0.0%	0.0
Estate	6,690,068.2	-9.7%	7,106,595.5	6.2%	416,527.3	7,521,125.2	5.8%	414,529.7
Other Taxes								
Sub-Total - Taxes								
Other Non-Tax Revenues:								
Lottery	67,808.5	118.7%	77,900.9	14.9%	10,092.4	80,309.6	3.1%	2,408.7
Licenses, Fees and Permits	27,022.9	-21.7%	25,000.0	-7.5%	(2,022.9)	26,000.0	4.0%	1,000.0
Interest	211.4	-98.9%	4,000.0	1792.1%	3,788.6	6,000.0	50.0%	2,000.0
Sales and Services	34,451.7	-28.6%	24,507.6	-28.9%	(9,944.1)	27,000.0	10.2%	2,492.4
Other Miscellaneous	53,276.9	-0.8%	42,500.0	-20.2%	(10,776.9)	45,700.0	7.5%	3,200.0
Transfers and Reimbursements	34,330.3	1.7%	69,600.0	102.7%	35,269.7	75,600.0	8.6%	6,000.0
Disproportionate Share Revenue	18,722.2	-72.3%	61,592.3	229.0%	42,870.1	52,489.0	-14.8%	(9,103.3)
Sub-Total - Other Non-Tax	235,823.9	-18.3%	305,100.8	29.4%	69,276.9	313,098.6	2.6%	7,997.8
Subtotal On-Going Revenue	6,925,892.1	-10.0% ^{1/}	7,411,696.3	7.0% ^{2/}	485,804.2	7,834,223.8	5.7%	422,527.5
TPT Increase - May Ballot	0.0	N/A	824,756.3	N/A	824,756.3	901,024.5	9.2%	76,268.2
Budget Legislation	0.0	N/A	0.0	N/A	0.0	58,690.9	N/A	58,690.9
Subtotal w/Tax Law Changes	6,925,892.1	-10.0%	8,236,452.6	18.9%	1,310,560.5	8,793,939.2	6.8%	557,486.6
Urban Revenue Sharing (URS)	(628,644.6)	-13.6%	(474,006.5)	-24.6%	154,638.1	(424,423.4)	-10.5%	49,583.1
Subtotal w/Tax Law Changes/URS	6,297,247.5	-9.6%	7,762,446.1	23.3%	1,465,198.6	8,369,515.8	7.8%	607,069.7
One-Time Financing Sources:								
Budget Legislation	154,720.0	30.1%	(1,956.0)	-101.3%	(156,676.0)	38,000.0	-2042.7%	39,956.0
Fund Transfers	387,085.5	-42.0%	247,291.8	-36.1%	(139,793.7)	256,074.6	3.6%	8,782.8
State Asset Leaseback/Lottery	1,485,419.3	N/A	0.0	-100.0%	(1,485,419.3)	0.0	N/A	0.0
Sub-Total - One-Time Financing Sources	2,027,224.8	58.3%	245,335.8	-87.9%	(1,781,889.0)	294,074.6	19.9%	48,738.8
Subtotal - Revenues	8,324,472.3	0.9%	8,007,781.9	-3.8%	(316,690.4)	8,663,590.4	8.2%	655,808.5
Balance Forward	(480,713.0)	N/A	(5,723.0)	N/A	474,990.0	(332,260.3)	N/A	(326,537.3)
Total - Resources	7,843,759.3	-4.9%	8,002,058.9	2.0%	158,299.6	8,331,330.1	4.1%	329,271.2

^{1/} The (10.0)% FY 2010 decline includes \$21.5 million in tax law and other revenue changes. Adjusting for these changes, the base FY 2010 decline is (10.3)%.

^{2/} The 7.0% FY 2011 increase includes \$94.6 million in tax law and other revenue changes. Adjusting for these changes, the base FY 2011 increase is 5.6%.

Table 10

General Fund Impact of Tax Provisions in Laws 2011, 2nd Special Session, Chapter 1 (“Jobs Bill”) 1/2/
(\$ in Millions)

Description of Provision	Tax	FY 12	FY 13	FY 14	FY 15	FY 16	FY 17	FY 18
Phases down Class 1 (commercial) property assessment ratio from 20% to 18% over 4 years, beginning in TY 2013	Property <u>3/</u>			(3.4)	(7.2)	(11.6)	(16.5)	(17.4)
Reduces Class 2 (agricultural) property assessment ratio from 16% to 15% in TY 2016	Property <u>3/</u>						(2.4)	(2.7)
Reduce Homeowner Rebate costs by limiting to primary residence & requiring affidavits	Property <u>3/</u>		39.0	39.0	39.0	39.0	39.0	39.0
Increases Homeowner Rebate % to offset Class 3 tax shift due to Class 1 & 2 assessment ratio reductions, beginning in FY 2014	Property <u>3/</u>			(15.6)	(34.1)	(55.7)	(93.0)	(100.5)
Reimburses County Assessor' Costs for Implementation of Homeowner Rebate changes, beginning in FY 2013	Other <u>4/</u>		(2.0)	(2.0)	(2.0)	(2.0)	(2.0)	(2.0)
Changes personal property exemption inflation factor to cost employment index	Property <u>3/</u>		-	-	-	-	-	-
Increases depreciation of business personal property, beginning in TY 2012	Property <u>3/</u>	-	(4.8)	(4.8)	(4.8)	(4.8)	(4.8)	(4.8)
Increases small businesses eligibility for 30% "Angel" investment credit from \$2m to \$10m in assets	Individual Income	(4.0)	(4.0)	(4.0)	(4.5)	-	-	-
Eliminates capital gains on income derived from small businesses, beginning in TY 2014	Individual Income	-	-	-	(11.6)	(12.3)	(12.9)	(13.6)
Phases down corporate tax rate from 6.968% to 4.9% over 4 years, beginning in TY 2014	Corporate Income	-	-	-	(53.8)	(116.0)	(183.5)	(269.6)
Phases in corporate sales factor from 80% to 100% over 4 years, beginning in TY 2014	Corporate Income	-	-	-	(24.6)	(47.3)	(67.8)	(84.0)
Increases university-related R&D credit by 10%, beginning in TY 2012	Corporate & Individual Income	-	(4.0)	(4.0)	(4.0)	(4.0)	(4.0)	(4.0)
Creates annual \$3,000 3-year new job credit with conditions	Corporate / Individual Income & Insurance Premium	(6.7)	(13.4)	(29.8)	(47.7)	(52.7)	(53.7)	(50.9)
Eliminates Enterprise Zone Program	Corporate / Individual Income & Property	4.0	4.0	4.0	4.0	4.0	4.0	4.0
SUBTOTAL		(\$6.7)	\$14.8	(\$20.6)	(\$151.3)	(\$263.4)	(\$397.6)	(\$506.5)
Diverts withholding tax to Arizona Commerce Authority, beginning in FY 2012	Individual Income <u>5/6/</u>	(31.5)	(31.5)	(31.5)	(31.5)	(31.5)	(31.5)	(31.5)
Total General Fund Impact		(\$38.2)	(\$16.7)	(\$52.1)	(\$182.8)	(\$294.9)	(\$429.1)	(\$538.0)

Notes:

1/ Cost to General Fund appears as a negative and savings appears as a positive.

2/ Property tax changes are estimated after truth-in-taxation adjustments.

3/ Impact will be displayed as a change in state expenditures due to change in funding requirements for K-12 Basic State Aid and Additional State Aid.

4/ This is a non-tax provision that requires the Legislature to reimburse counties for their costs of administering the new Homeowner's Rebate affidavit process.

5/ Plus \$3.5 million of lottery proceeds previously designated for Department of Commerce.

6/ Displayed as expenditure in Appropriations Report Tables.

Table 11

BASE REVENUE ADJUSTMENTS BY CATEGORY

(\$ in Thousands)

Summary By Category:	<u>FY 2011</u> ^{1/}	<u>FY 2012</u> ^{1/}
Tax Law Changes		
Individual Income Tax	13,000.0	3,100.0
Corporate Income Tax	(5,000.0)	(10,600.0)
Transaction Privilege Tax	819,756.3	71,268.2
Subtotal - Tax Law Changes	<u>827,756.3</u>	<u>63,768.2</u>
Other Revenue Adjustments		
Other Revenues	91,630.0	71,190.9
Subtotal - Other Revenue Adjustments	<u>91,630.0</u>	<u>71,190.9</u>
TOTAL REVENUE CHANGES	<u>\$ 919,386.3</u>	<u>\$ 134,959.1</u>

ADJUSTMENTS BY INDIVIDUAL PROVISION

<u>Ch.</u>	<u>Reference Title</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>Revenue Category</u>
<u>50th Legislature - 2nd Regular Session:</u>				
4	IRS Conformity	0.0	3,100.0	Individual
		<u>0.0</u>	<u>6,100.0</u>	Corporate
	Subtotal - IRS Conformity	0.0	9,200.0	
24	County Contributions and Shifts	0.0	66,203.1	Other
28	Housing Trust Fund Deposit Decrease	0.0	6,000.0	Other
36	Agricultural Fees	0.0	218.0	Other
	Subtotal - Revenue Changes	<u>0.0</u>	<u>72,421.1</u>	
	Session Total	<u>0.0</u>	<u>81,621.1</u>	
<u>50th Legislature - 2nd Special Session:</u>				
1	Small Business Investment ("Angel") Credit Increase	0.0	(4,000.0)	Individual
1	Eliminated Enterprise Zones	0.0	4,000.0	Individual
1	Job Creation Credit	0.0	(6,700.0) ^{2/}	Corporate
	Subtotal - Revenue Changes	<u>0.0</u>	<u>(6,700.0)</u>	
	Session Total	<u>0.0</u>	<u>(6,700.0)</u>	
<u>49th Legislature - 2nd Regular Session:</u>				
188	STO Contribution Deadline Extension	(2,500.0)	0.0	Individual
243	Land Fees Redirect	0.0	(2,060.0)	Other
293	STO Maximum Credit Inflation Adjustment	(600.0)	0.0	Individual
312	Research and Development Refundable Credit	(5,000.0)	0.0	Individual
	Subtotal - Revenue Changes	<u>(8,100.0)</u>	<u>(2,060.0)</u>	
	Session Total	<u>(8,100.0)</u>	<u>(2,060.0)</u>	

ADJUSTMENTS BY INDIVIDUAL PROVISION

<u>Ch.</u>	<u>Reference Title</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>Revenue Category</u>
<u>49th Legislature - 7th Special Session:</u>				
8	QSCB Bonds - Federal Interest Reimbursement	0.0	6,213.8	Other
12	County Contributions	34,600.0	0.0	Other
12	Lottery Distribution Change - Beneficiary Elimination	49,650.0 ^{3/}	0.0	Other
12	DOR Revenue Generation Plan	15,267.3 ^{4/}	(5,384.0) ^{4/}	Other
12	Abandoned Vehicle Fees	6,000.0 ^{5/}	0.0	Other
	DOR Auditors/Collections Staff	7,705.1 ^{4/}	0.0	Other
	Class 3 Property Tax - Increased Enforcement	500.0	0.0	Other
	Subtotal - Revenue Changes	<u>113,722.4</u>	<u>829.8</u>	
	Session Total	<u>113,722.4</u>	<u>829.8</u>	
<u>49th Legislature - 6th Special Session:</u>				
SCR 1001	TPT Increase - May Election	824,756.3 ^{5/}	76,268.2	TPT
3	Out-of-State Filers Proportionality	22,000.0	0.0	Individual
4	Lottery Distribution Reduction - Debt Service	(21,600.0)	0.0	Other
	Subtotal - Revenue Changes	<u>825,156.3</u>	<u>76,268.2</u>	
	Session Total	<u>825,156.3</u>	<u>76,268.2</u>	
<u>49th Legislature - 4th Special Session:</u>				
3	BRITS Shift	2,000.0	0.0	Other
	Subtotal - Revenue Changes	<u>2,000.0</u>	<u>0.0</u>	
	Session Total	<u>2,000.0</u>	<u>0.0</u>	
<u>49th Legislature - 1st Regular Session:</u>				
80	Contributions to Charitable Organizations	(900.0)	0.0	Individual
89	Treasurer's Management Fees	(2,492.4)	0.0	Other
96	Renewable Energy Tax Credit	(5,000.0)	(10,000.0)	Corporate
	Subtotal - Revenue Changes	<u>(8,392.4)</u>	<u>(10,000.0)</u>	
	Session Total	<u>(8,392.4)</u>	<u>(10,000.0)</u>	
<u>Statutory Adjustments</u>				
	Phoenix Convention Center	(5,000.0)	(5,000.0) ^{6/}	TPT
	Statutory Total	<u>(5,000.0)</u>	<u>(5,000.0)</u>	
	TOTAL - All Adjustments	<u>\$ 919,386.3</u>	<u>\$ 134,959.1</u>	

^{1/} Adjustments for FY 2011 reflect estimated change from FY 2010 and adjustments for FY 2012 reflect estimated change from FY 2011, unless otherwise noted.

^{2/} These adjustments may impact both Individual and Corporate Income Taxes.

^{3/} The \$49,650,000 FY 2011 adjustment includes a continuation of the FY 2010 increase of \$18,800,700 plus an additional increase of \$30,849,300.

^{4/} These adjustments will be allocated to Individual and Corporate Income Taxes and TPT.

^{5/} Adjustment reflect current forecast. The Abandoned Vehicle Fees was originally forecast to generate \$12,061,200 and the 1¢ TPT increase \$918,000,000 in FY 2011.

^{6/} Laws 2011, Chapter 28 altered the debt service schedule, eliminating the FY 2011 payment and providing a one-time \$15,000,000 savings.