GENERAL FUND REVENUE

FY 2013

FY 2013 General Fund Baseline revenues are projected to be $9.36 billion. As indicated in *Table 1*, the revised FY 2013 revenue estimate is $341.5 million higher than the estimate from the FY 2013 budget enacted May 2012.

Table 1

FY 2013 Revenue Forecast
($ in Millions)

Adopted FY 2013 Revenue Estimate	$9,022.3
Revised Revenue Forecast	$ 341.5
Revised FY 2013 Revenue Estimate	$9,363.8

The Baseline Revenue projection is $341.5 million higher than the original forecast due to:

- A gain of $66 million in ongoing revenues under the updated January consensus forecast, as discussed below.
- Increased balance forward from FY 2012. The original budget assumed an ending balance of $122 million for FY 2012. The actual balance carried forward into FY 2013 was $397 million, an increase of $275 million. This increase was due to a combination of both higher than expected revenue collections and lower than expected expenditures in FY 2012.

The FY 2013 base revenue growth is based on the consensus forecasting process (*see FY 2014 section below*). "Base Revenues" reflect the underlying growth in the economy and do not include one-time adjustments, urban revenue sharing or new tax law changes. *Table 2* shows the FY 2013 base revenue growth rates for the "Big 3" General Fund revenue sources (sales tax, individual, and corporate income tax) provided by each of the components comprising the 4-sector consensus forecast.

Table 2

FY 2013 4-Sector Forecast Percentages

	FAC	UA Low	UA Base	JLBC	Avg.
Sales	4.2%	2.8%	4.7%	4.6%	4.1%
Individual Income	5.2%	5.2%	7.6%	5.5%	5.9%
Corporate Income	5.3%	4.7%	5.1%	3.3%	4.6%
Weighted Average [1/]	4.7%	4.0%	5.9%	4.9%	4.9%

1/ Once adjusted for minor revenue categories, the base FY 2013 revenue increase is 4.0%.

Based on the weighted average of the components of the 4-sector consensus forecast, "Big 3" General Fund revenue would grow by 4.9% in FY 2013. After adjusting for small revenue categories, the base revenue growth rate would be 4.0%. After including tax law changes, the projected adjusted revenue growth would be 3.6%.

The original FY 2013 budget assumed base revenue growth of 5.1%. The Arizona economy, however, has not grown as quickly as anticipated. For example, year-to-date sales tax growth is 4.3%.

Based on preliminary tax collections through December, all year-to-date ongoing revenues (including the 1-cent temporary sales tax) are 3.6% above the same period in FY 2012. While this growth rate includes tax law changes, this estimate is likely comparable to base revenues. Most tax law changes will affect the second half of FY 2013.

Despite having revenue growth below the original budgeted rates, overall revenues are projected to be higher than budgeted by $66 million. The higher than expected FY 2012 base more than offsets the lower FY 2013 revenue growth rate.

FY 2013 state revenue collections are also likely to be affected by the increase in capital gain and dividend taxes at the federal level on January 1, 2013. This change incentivized taxpayers to take capital gains and businesses to issue dividends in the 4th quarter of calendar 2012. Due to the difficulty in estimating this one-time gain, the Baseline does not reflect these added revenues. *(See Other Issues at the end of this section for more information.)*

The individual revenue detail for FY 2013 is found in *Table 8* at the end of this section.

FY 2014

While base revenues are forecast to grow in FY 2014, one-time factors are forecast to reduce overall FY 2014 collections to $8.98 billion, or $(384.6) million below FY 2013. This net revenue loss includes:

- $416.4 million representing a 4.9% gain in base revenues under the 4-sector consensus forecast for FY 2014, as outlined below.
- $254.0 million increase in the balance forward from the previous fiscal year.
- $52.0 million increase due to a one-time budget cost in FY 2013.
- $(924.2) million loss due to the expiration of the temporary 1-cent sales tax in June 2013.
- $(90.0) million loss as a result of discontinuing fund transfers.
- $(45.9) million loss due to an increase in urban revenue sharing.

- $(46.9) million loss due to previously enacted legislation.

The FY 2014 Baseline estimated growth rates for the "Big 3" ongoing revenue categories were developed through a consensus process. The Baseline revenue estimate is based on averaging the results of the following 4 forecasts:

- Finance Advisory Committee panel forecast of January 2013. Consisting of 15 public and private sector economists, this independent panel 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 Baseline model. The model is a simultaneous-equation model consisting of more than 100 equations that are updated on a regular basis to reflect changes in the economy. The model uses more than 200 variables related to Arizona's economy and is updated quarterly.
- EBR's conservative forecast model, and
- JLBC Staff projections.

The growth rates from each sector of the forecast are detailed in *Table 3*.

Table 3

FY 2014 4-Sector Forecast Percentages

	FAC	**UA Low**	**UA Base**	**JLBC**	**Avg**
Sales	5.8%	1.8%	6.1%	5.5%	4.8% 1/
Individual Income	5.7%	1.0%	6.2%	5.9%	4.7%
Corporate Income	7.3%	4.0%	22.5%	2.8%	11.7%
Weighted Average 2/	5.9%	2.5%	7.5%	5.4%	5.5% 1/

1/ After adjusting for Amazon sales tax collections, the adjusted sales tax would increase from 4.8% to 5.1%. The "Big 3" weighted average has been adjusted accordingly.

2/ Once adjusted for Amazon and minor revenue categories, the base FY 2014 revenue increase is 4.9%.

Individual and corporate income tax collections are forecast to grow by 4.7% and 11.7%, respectively.

In FY 2014, sales tax revenue (excluding the temporary 1 cent tax) is projected to increase by 4.8%, prior to an adjustment for Amazon sales taxation. Amazon announced in October 2012 that it will begin collecting and remitting sales tax for any goods sold to Arizonans beginning February 1, 2013. This is expected to increase revenues by $3 million in FY 2013 and $15 million in FY 2014 when this change is fully phased in.

After adjusting for small revenue categories and excluding the 1 cent tax expiration, FY 2014 base revenues would grow by 4.9%, or in dollar terms, $416.4 million.

Risks to the Revenue Forecast

Although economic conditions have improved since the recession officially ended in June 2009, there are considerable risks that could have an impact on future state revenue growth. The current environment of economic uncertainty is reflected in recent policies adopted by the Federal Reserve. In addition to its decision to retain the near 0% short-term interest rate until the unemployment rate falls below 6.5%, the Fed has also launched a new and open-ended program of asset purchases in an effort to drive down long term interest rates.

There are numerous other risks to the forecast, such as:

<u>Unforeseen natural disasters and political events</u> – Superstorm Sandy is a recent example of an event with direct economic consequences.

<u>International economics</u> – the sovereign-debt crisis in Europe and the slowing of economic growth in countries such China and India have impacts on the U.S. economy.

<u>Federal fiscal policy uncertainty</u> – while the New Year fiscal cliff legislation averted most of the tax increases that otherwise would have taken effect in January 2013, it did not address the current federal debt ceiling. Although the federal government's authorized borrowing limit of $16.4 trillion was technically reached in late December, the U.S. Treasury is expected to have the means to continue financing government spending until late February or early March.

Unless the debt ceiling is raised at this time, however, there would be immediate, steep reductions in government spending since the federal government will be able to spend only what it receives in revenues. Such a sharp reduction in government spending would likely cause the economy to contract.

Apart from the possibility of another debt ceiling crisis, there is also uncertainty associated with the current spending sequester (scheduled reductions in government spending). Instead of addressing the sequester, Congress decided to postpone its implementation from January 1 to March 1. The sequester could reduce some domestic and defense spending by approximately 9%. If that reduction occurred in defense contractor spending, for example, Arizona would be negatively affected.

Additionally, the continuing resolution under which the federal government is now operating expires at the end of March. Without a new resolution, the federal government will shut down in April.

The discussion above underscores that any forecast is uncertain and therefore unlikely to be correct. In an attempt to spell out the risk associated with the January Consensus Forecast, JLBC Staff asked FAC panel members to submit the probability percentage at which they believed that their revenue forecast would be met or exceeded. Based on the average of survey responses, there is a 65% probability of meeting or exceeding the FY 2014 Baseline Consensus Forecast.

To address the uncertainty of the forecast, the JLBC Staff has also developed an Alternate scenario. *See Other Issues at the end of this section for more information.*

Revenue Adjustments

Table 4 provides an overview of base revenue growth rates for FY 2013 and FY 2014 with budget legislation changes (which include a number of tax law changes and revenue adjustments described in more detail in *Table 6*) and one-time financing sources.

Table 4

General Fund Revenue Baseline
For FY 2013 and FY 2014
($ in Millions)

	FY 2013	%	FY 2014	%
Base Revenue	$8,512.2 1/	3.6%	$8,928.6	4.9%
Prior Budget Legislation	N/A		(46.9)	
Temporary 1¢ TPT Increase	924.2		N/A	
Urban Revenue Sharing	(513.6)		(559.5)	
One-Time Financing				
Budget Legislation	(52.0)		0.0	
Fund Transfers	96.0		6.0	
Balance Forward	397.0		651.0	
Adjusted Revenue	**$9,363.8**	**3.3%**	**$8,979.2**	**(4.1)%**

1/ The FY 2013 Base Revenue of $8.51 billion includes $(33.3) million in ongoing tax law and revenue changes. Adjusting for these changes, the FY 2013 base increase is 4.0%.

Prior Budget Legislation

Each year, statutory tax law and other revenue changes affect 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 2013

In FY 2013, ongoing budget legislation is expected to reduce General Fund revenues by $(33.3) million. *Table 5* provides a summary of budget legislation changes with ongoing revenue impacts in FY 2013. As noted above, the FY 2013 base revenue growth of 4.0% excludes these changes. Further details on these changes can be found on pages 294 and 295 of the *FY 2013 Appropriations Report*. In addition, there is $(52.0) million in one-time tax law changes as described in the *One-Time Financing* section.

Table 5

FY 2013 Budget Legislation Changes
With Ongoing Revenue Impact
($ in Millions)

Prior Year Changes (Year Enacted)	
Renewable Energy Production Credit (2010)	$ (10.0)
Arizona Commerce Authority (2010)	(10.7)
QSCB Revenue (2010)	(1.8)
Lottery Decrease (Debt Service) (2010)	(16.8)
Subtotal	(39.3)
2012 Tax Law and Revenue Changes	
New STO Tax Credit	$ (4.0)
Clean Elections Tax Credit Elimination	12.8
Long Term Care Insurance	(4.1)
Healthy Forest	(0.1)
Lottery Distribution	3.5
Pari-Mutuel Tax Redirect	(0.3)
Use Tax Declaration Repeal	(1.8)
Subtotal	$ 6.0
Total – FY 2013 Revenue Impact	**$ (33.3)**

The combined impact of all tax law changes in FY 2013 is $(85.3) million.

FY 2014 – FY 2019

Several tax law changes enacted in 2011 and 2012 will either take effect or be further phased in during FY 2014. As shown in *Table 6*, ongoing budget legislation is expected to result in a total new net revenue loss of $(46.9) million in FY 2014 compared to FY 2013. By FY 2019, the revenue loss is projected to grow to $(512.0) million relative to the FY 2013 budget.

Below is a description of the ongoing revenue changes relative to the FY 2013 budget.

Laws 2011, 2nd Special Session, Chapter 1

- Elimination of Capital Gains on Income Derived from Small Business – Capital gains generated by small business are no longer subject to income tax, beginning in Tax Year (TY) 2014. This legislation defines small businesses as having assets up to $10 million. The individual income tax loss is estimated to be $(11.6) million in FY 2015 and grow to $(13.6) million in FY 2019.

- Phase-Down of Corporate Income Tax Rate – The corporate income tax rate is reduced from 6.968% to 4.9% over 4 years, beginning in TY 2014. The rate reduction is estimated to reduce corporate income tax collections by $(53.8) million in FY 2015 and grow to $(269.6) million in FY 2019.

- Phase-In of Single Corporate Sales Factor – This provision increases the optional sales factor available to multi-state corporations from 80% to 100% over 4 years, beginning in TY 2014. This provision is estimated to reduce corporate income tax collections by $(24.6) million in FY 2015 and grow to $(84.0) million in FY 2019.

Table 6

Prior Year Budget Legislation With Ongoing Revenue Impact in FY 2014 through FY 2019
($ Millions) [1/]

Bill/Description of Provision	**FY 14**	**FY 15**	**FY 16**	**FY 17**	**FY 18**	**FY 19**
Laws 2011, 2nd SS, Ch. 1						
Eliminates capital gains on income derived from small businesses.	$0.0	$(11.6)	$(12.3)	$(12.9)	$(13.6)	$(13.6)
Phases down corporate tax rate from 6.968% to 4.9% over 4 years.	0.0	(53.8)	(116.0)	(183.5)	(269.6)	(269.6)
Phases in corporate sales factor from 80% to 100% over 4 years.	0.0	(24.6)	(47.3)	(67.8)	(84.0)	(84.0)
Creates a $3,000 new job tax credit claimed annually for 3 years. [2/]	(18.2)	(37.9)	(44.7)	(45.7)	(42.9)	(42.9)
Increases small business eligibility for 30% “angel” investment tax credit from $2 million to $10 million in assets through FY 2016.	0.0	(0.5)	4.0	4.0	4.0	4.0
Laws 2012, Ch. 2						
Provides a change in the calculation of the corporate sales factor for service companies.	(3.0)	(3.5)	(3.9)	(4.4)	(4.4)	(4.4)
Laws 2012, Ch. 343						
Phases in (over 3 years) a 25% reduction of long term capital gains on assets purchased after 2011.	(17.5)	(40.5)	(56.5)	(61.4)	(65.6)	(69.3)
Extends the net operating loss (NOL) carry-forward from 5 years to 20 years.	0.0	0.0	0.0	0.0	0.0	(12.2)
Provides income tax deduction equal to 10% of federal bonus depreciation for assets placed in service in 2012.	(4.2)	0.0	0.0	0.0	0.0	0.0
Creates an income tax credit for capital investments in new/expanded manufacturing/ research facilities and commercial headquarters	(4.0)	(8.0)	(12.0)	(16.0)	(20.0)	(20.0)
Total Revenue Impact Relative To FY 2013 Baseline	**$(46.9)**	**$(180.4)**	**$(288.7)**	**$(387.7)**	**$(496.1)**	**$(512.0)**
Revenue Impact Over Prior Year	**$(46.9)**	**$(133.5)**	**$(108.3)**	**$(99.0)**	**$(108.4)**	**$(15.9)**

1/ All impacts are stated relative to the original FY 2013 budget projection. Excludes property tax changes, which affect Department of Education spending rather than General Fund Revenues.

2/ Includes impact of Laws 2012, Chapter 343 provision which eliminated individual company cap of 400 eligible employees.

- Job Tax Credit – Laws 2011, 2nd Special Session, Chapter 1 created a $3,000 annual tax credit for each net new qualifying job added by an employer in the state. To qualify for the 3-year credit, the new employment position must: (1) be full-time, (2) pay at least the county median wage, and (3) include health insurance paid by the employer. In addition, a business cannot claim the credit unless it meets certain minimum job creation and capital investment requirements. Laws 2012, Chapter 343 removes the 400 maximum job tax credit claims per employer established by Chapter 1. The job tax credit is estimated to reduce FY 2014 revenues by $(18.2) million over and above the estimated revenue loss in FY 2013. The revenue loss is expected to increase to $(42.9) million in FY 2019.

- “Angel” Investment Tax Credit – This provision increased the eligibility for tax credits available to “angel” investors in certain small businesses. This program, which is capped at $20 million, allows qualified investors to receive a 30% tax credit over 3 years on investment in qualified small businesses (35% if the business is located in a rural area or is a bioscience enterprise). Chapter 1 extended the credit authorization by 5 years through FY 2016. Additionally, the act also expanded the definition of qualified small business to include firms with assets up to $10 million, compared to an asset cap of $2 million under prior law. This provision of Chapter 1 is estimated to reduce individual income tax collections by $(0.5) million in FY 2015 over and above the $(4.0) million revenue loss expected to occur in each year between FY 2012 and FY 2014. The $20 million credit cap is assumed to be reached by the end of FY 2015. Therefore, when the credit is exhausted beginning in FY 2016, this provision is estimated to produce a one-time revenue gain of $4.0 million relative to the original FY 2013 budget projection.

<u>Laws 2012, Chapter 2</u>

- Corporate Sales Factor for Service Providers – This legislation allows multi-state service-providing companies to reduce their Arizona corporate income tax liability through a change in the calculation of the sales factor. To be eligible for the change, a company is required to derive at least 85% of its sales of services from out-of-state customers. The change in the calculation of the sales factor is phased in over 4 years, beginning in TY 2014. This provision is estimated to reduce corporate income tax collections by $(3.0) million in FY 2014 and grow to $(4.4) million in FY 2019.

<u>Laws 2012, Chapter 343</u>

- Reduction of Long Term Capital Gains – This provision reduces the individual income taxation of long term capital gains on assets acquired after TY 2011 by 25% over 3 years, beginning in TY 2013. This provision is estimated to reduce individual income tax collections by $(17.5) million in FY 2014 and grow to $(69.3) million in FY 2019.

- Extension of Net Operating Loss Carry Forward – The legislation increases the net operating loss (NOL) carry forward from 5 years to 20 years, beginning in TY 2012. This provision is estimated to reduce corporate income tax collections by $(12.2) million, beginning in FY 2019.

- Income Tax Deduction for Federal Bonus Depreciation – This provision allows a one-time state individual income tax deduction equal to 10% of the bonus depreciation claimed on federal tax returns for assets placed in service in 2012. This provision is estimated to result in a one-time income tax loss of $(4.2) million in FY 2014.

- Qualified Facility Tax Credit – A new income tax credit is created for businesses that expand or locate qualified facilities in the state, beginning in TY 2013. The credit is 10% of the lesser of (1) the capital investment in the facility or (2) $200,000 for each net new employee hired at the facility. To qualify for the credit, a company is required to devote at least 80% of its property and payroll at the facility to manufacturing, research, or a national or regional headquarter. There are also certain minimum requirements with respect to wage and health insurance coverage for new employees at the facility. The credit is refundable but no single taxpayer can claim more than $30 million per calendar year. The credit must be taken in equal installments over 5 years. The qualified facility credit is subject to an annual aggregate cap of $70 million, which it shares with the renewable energy credit enacted in 2009. This provision is estimated to reduce revenues by $(4.0) million in FY 2014 and grow to $(20.0) million in FY 2019.

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. The temporary TPT increased General Fund revenues by $864.5 million in FY 2011 and $915.8 million in FY 2012. As shown in *Table 4*, the 1 cent sales tax is expected to generate $924.2 million in its third and final year in FY 2013.

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 town 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 increase from $513.6 million in FY 2013 to $559.5 million in FY 2014. This URS increase results in a FY 2014 General Fund revenue loss of $(45.9) million relative to FY 2013.

One-Time Financing

As shown in *Table 4*, one-time financing sources are included in the budget for FY 2013 as well as FY 2014. The following is a discussion of these one-time financing sources.

FY 2013

The $44.0 million in one-time financing sources for FY 2013 includes:

<u>TPT Estimated Payment</u> – Laws 2010, 7th Special Session, Chapter 12 lowered the threshold for estimated TPT payments from $1.0 million in annual TPT liability to $100,000 for FY 2010 through FY 2012. Chapter 12 generated an estimated one-time General Fund revenue gain of $48.0 million in FY 2010 and is expected to result in a one-time revenue loss of $(52.0) million in FY 2013

when the estimated payment threshold reverts to $1.0 million.

Fund Transfers – The enacted FY 2013 budget provides for a total of $106.0 million in fund transfers. Under the Baseline, this amount has been adjusted to $96.0 million. The FY 2013 budget assumed a $10.0 million transfer to the General Fund from the Citizens Clean Elections Fund, based on the level of prior year transfers. A 1998 ballot initiative establishes a formula for the reversion of unused Clean Elections Funds to the General Fund. The ballot language makes the Citizens Clean Election Commission responsible for calculating the reversion amount. The Commission currently projects, however, that the ballot formula will not require a reversion.

Balance Forward – The FY 2012 General Fund ending balance carried forward into FY 2013 was $397.0 million.

FY 2014

The $6.0 million in one-time financing sources for FY 2014 reflects previously enacted transfers from Judiciary Funds. *(See Judiciary agency narratives for more detail.)*

Balance Forward – The FY 2013 General Fund ending balance carried forward into FY 2014 is estimated to be $651.0 million. Compared to the $397.0 million FY 2013 beginning balance, the projected FY 2014 balance reflects a gain of $254.0 million.

Other Issues

Federal Fiscal Cliff Impacts

The possibility of Bush-era tax cuts expiring on December 31, 2012 may have shifted some of Arizona individual income tax collections forward into tax year (TY) 2012 that would have otherwise occurred in future years. Though the United States Congress eventually passed legislation to avert many tax increases of the "fiscal cliff," investors appear to have proactively taken steps to avoid even the potential of higher tax rates in TY 2013. As a result, investors' TY 2012 personal income may have increased substantially, which may result in higher FY 2013 income tax collections in April. This short term gain, however, could be offset by lower than expected income tax liability in FY 2014.

Even without the fiscal cliff, the federal Affordable Care Act (ACA) of 2010 created incentives for investment income to be accelerated into calendar year 2012. To help finance federal health care changes, the ACA legislation established a 3.8% surtax on the lesser of net investment income (capital gains, interest, dividends, rents, etc.) or annual earnings over a certain threshold amount ($250,000 for married couples) as of January 2013. These ACA provisions were not subsequently changed in the January 1 federal budget legislation.

The federal fiscal cliff further added to the incentive to post gains in 2012. Prior to the American Taxpayer Relief Act of 2012 passed by the Congress on January 1, 2013, a maximum federal tax rate of 15% applied to both long term capital gains and qualified dividends. Absent federal legislation, long term capital gains would have been taxed at the pre-2003 rate of 20%, beginning in 2013. Qualified dividends would have been taxed as ordinary income with a maximum tax rate of 39.6%.

The American Taxpayer Relief Act of 2012 increased the top rate on long term capital gains and qualified dividends from 15% to 20% for joint filers with income above $450,000 ($400,000 for single filers). For taxpayers earning less than the thresholds, income tax rates were left unchanged (excluding the health care surcharge).

While the magnitude of this potential tax year shift is difficult to estimate, it could be substantial. Numerous corporations paid significantly higher dividends in the last quarter of calendar year 2012. According to a market research company, the amount of special dividends ($30 billion) distributed in the last quarter of 2012 was 4 times that paid in the same quarter in the prior year.

As a result of these tax year shifting activities, Arizona will likely receive increased final income tax payments in April 2013. However, such increases would come at the expense of reduced income tax collections in future years.

The JLBC Staff is analyzing the potential impact of this provision. There is little available data, however, to quantify the magnitude of the tax shift with any certainty. In addition, the state received an unusually large one-time individual income tax payment of $60 million in January 2012. Since this payment is not expected to be repeated, the federal cliff windfall may help offset the loss of these funds.

The FY 2014 Baseline Summary on page S-2 provides possible options for addressing the windfall.

Alternate Scenario

Under the January 4-sector forecast, base revenue growth accelerates in the out-years, increasing from 4.9% in FY 2014 to 6.2% in FY 2016. The 3-year average is 5.7%. Long term forecasts, however, typically become more cautious with each succeeding year due to various risks and uncertainties (some of which were discussed in the *FY 2014* section).

To address such contingencies, JLBC Staff developed an Alternate forecast that caps base revenue growth at 4.7% annually from the period from FY 2014 through FY 2016. This is 1% below the average annual growth rate of 5.7% for the same period under the 4-sector forecast. The JLBC

Staff used a similar approach at the last FAC meeting in October 2012. The probability that the Alternate forecast will be met or exceeded is 75%.

This 4.7% forecast would reduce total General Fund revenues from $9.36 billion in FY 2013 to $8.96 billion in FY 2014, $8.78 billion in FY 2015, and $8.85 billion in FY 2016. *(See Long Term Estimates section for more information.)*

The level of projected General Fund revenues under the 2 scenarios is summarized in *Table 7* below.

Table 7

Comparison of Revenue Forecasts ($ Billions)

Forecast Scenario	**FY 2014**	**FY 2015**	**FY 2016**
4-Sector Baseline			
Beginning Balance	$0.66	$0.31	$0.02
On-Going Revenue	8.32	8.69	9.12
Total Revenue	**$8.98**	**$9.00**	**$9.14**
Alternate			
Beginning Balance	$0.66	$0.22	$0.00
On-Going Revenue	8.31	8.56	8.85
Total Revenue	**$8.96**	**$8.78**	**$8.85**

Table 8

GENERAL FUND REVENUE - FY 2013-FY 2014

FORECAST REVENUE GROWTH

($ in Thousands)

	ACTUAL FY 2012	% CHANGE PRIOR YR	FORECAST FY 2013	% CHANGE PRIOR YR	$ CHANGE PRIOR YR	FORECAST FY 2014	% CHANGE PRIOR YR	$ CHANGE PRIOR YR
Taxes:								
Sales and Use	3,652,165.7	5.9%	3,801,949.3	4.1%	149,783.6	3,997,096.6	5.1%	195,147.4
Income - Individual	3,086,137.4	7.8%	3,265,549.1	5.8%	179,411.7	3,418,638.0	4.7%	153,089.0
- Corporate	643,771.8	14.9%	652,626.8	1.4%	8,855.0	728,925.4	11.7%	76,298.6
Property	15,887.9	-21.9%	16,000.0	0.7%	112.1	16,000.0	0.0%	0.0
Luxury - Tobacco	24,931.1	-0.5%	25,003.6	0.3%	72.5	24,158.6	-3.4%	(845.0)
- Liquor	31,426.0	10.1%	32,928.3	4.8%	1,502.3	33,140.6	0.6%	212.3
Insurance Premium	393,990.5	-4.8%	387,000.0	-1.8%	(6,990.5)	388,000.0	0.3%	1,000.0
Estate	200.8	-54.1%	0.0	-100.0%	(200.8)	0.0	N/A	0.0
Other Taxes	1,783.1	-57.5%	1,800.0	0.9%	16.9	1,800.0	0.0%	0.0
Sub-Total - Taxes	7,850,294.3	6.6%	8,182,857.1	4.2%	332,562.8	8,607,759.3	5.2%	424,902.2
Other Non-Tax Revenues:								
Lottery	81,932.2	0.6%	73,671.9	-10.1%	(8,260.3)	77,829.9	5.6%	4,158.0
Licenses, Fees and Permits	27,893.5	-1.2%	27,000.0	-3.2%	(893.5)	27,000.0	0.0%	0.0
Interest	10,177.1	123.3%	6,900.0	-32.2%	(3,277.1)	5,100.0	-26.1%	(1,800.0)
Sales and Services	35,730.9	-4.2%	35,000.0	-2.0%	(730.9)	35,000.0	0.0%	0.0
Other Miscellaneous	87,995.4	22.9%	80,892.5	-8.1%	(7,102.9)	73,000.0	-9.8%	(7,892.5)
Transfers and Reimbursements	23,471.4	-11.5%	25,000.0	6.5%	1,528.6	25,000.0	0.0%	0.0
Disproportionate Share Revenue	95,688.3	9.3%	80,861.2	-15.5%	(14,827.1)	77,868.4	-3.7%	(2,992.8)
Sub-Total - Other Non-Tax	362,888.7	7.6%	329,325.6	-9.2%	(33,563.1)	320,798.3	-2.6%	(8,527.3)
Subtotal On-Going Revenue	**8,213,183.0**	**6.6%** [1/]	**8,512,182.7**	**3.6%** [2/]	**298,999.7**	**8,928,557.6**	**4.9%**	**416,374.9**
Previously Enacted Tax Law Changes	0.0	N/A	0.0	N/A	0.0	(46,900.0)	N/A	(46,900.0)
Budget Legislation	0.0	N/A	0.0	N/A	0.0	0.0	N/A	0.0
3-Year 1¢ TPT Increase	915,835.5	5.9%	924,237.3	0.9%	8,401.8	0.0	-100.0%	(924,237.3)
Subtotal w/Tax Law Changes	**9,129,018.6**	**6.6%**	**9,436,420.0**	**3.4%**	**307,401.4**	**8,881,657.6**	**-5.9%**	**(554,762.4)**
Urban Revenue Sharing (URS)	(424,423.4)	-10.5%	(513,584.1)	21.0%	(89,160.7)	(559,486.4)	8.9%	(45,902.3)
Subtotal w/Tax Law Changes/URS	**8,704,595.1**	**7.6%**	**8,922,835.9**	**2.5%**	**218,240.7**	**8,322,171.2**	**-6.7%**	**(600,664.7)**
One-Time Financing Sources:								
Budget Legislation	13,867.4	N/A	(52,000.0)	-475.0%	(65,867.4)	0.0	-100.0%	52,000.0
Fund Transfers	306,403.5	19.1%	96,000.0	-68.7%	(210,403.5)	6,000.0	-93.8%	(90,000.0)
County Contributions	38,600.0	11.6%	0.0	-100.0%	(38,600.0)	0.0	N/A	0.0
Sub-Total - One-Time Financing Sources	358,870.9	23.0%	44,000.0	-87.7%	(314,870.9)	6,000.0	-86.4%	(38,000.0)
Subtotal - Revenues	**9,063,466.0**	**8.1%**	**8,966,835.9**	**-1.1%**	**(96,630.2)**	**8,328,171.2**	**-7.1%**	**(638,664.7)**
Balance Forward	3,243.0	-156.7%	396,960.0	N/A	393,717.0	650,987.1	64.0%	254,027.1
Total - Resources	**9,066,709.0**	**8.2%**	**9,363,795.9**	**3.3%**	**297,086.8**	**8,979,158.3**	**-4.1%**	**(384,637.6)**

1/ The 6.6% FY 2012 increase includes $(2.5) million in tax law and other revenue changes. Adjusting for these changes, the base FY 2012 is 6.7%.

2/ The 3.6% FY 2013 increase includes $(33.3) million in tax law and other revenue changes. Adjusting for these changes, the base FY 2013 is 4.0%.