JLBC Staff – April 2020 Revenue and Budget Update

Summary of the General Fund Budget Outlook

- Through at least FY 2021, the state revenue forecast will be linked to the future of the COVID-19 pandemic.
- Current virus projections are extremely speculative and change weekly. As a result, economic forecasting is significantly more challenging than usual.
- Based on the April FAC consensus process, we anticipate the COVID pandemic reducing 4^{th} quarter General Fund revenues by (24)%.
- With the new 4-sector forecast, we are projecting a $(1.1) billion shortfall by the end of FY 2021. This estimate could be off by $500 million in either direction.
- The projections are too uncertain at this time to develop any definitive plans for resolving the shortfall. We do offer, however, several potential approaches as starting points for consideration.
- We plan to revisit our forecast at least once by June so that policymakers have better information on the budget picture prior to beginning FY 2021.

Epidemiological Projections

In compiling the April budget forecast, we first analyzed potential pandemic outcomes. The future course of the coronavirus, otherwise known as COVID-19, is obviously difficult to predict in advance. Much like in revenue forecasting, there are several different scenarios.

The Institute for Health Metrics and Evaluation (IHME) produces one of the two major forecasting models of the pandemic at a state level. As of April 8, the IHME model predicts that the highest number of deaths in Arizona will peak at 24 per day on April 23. Overall, IHME forecasts the total mortality at 775 deaths, which would occur by the end of May, but with a possible range of 230 to 2,361. As of April 8, Arizona had 80 total deaths.

Another entity called “COVID Act Now” also produces a state-level forecast. Nationwide, their modeling generally forecasts worse outcomes than IHME. COVID Act Now projects 6,000 Arizona deaths through this summer if the state has a strict stay-at-home policy for 3 months.

In general, states use these forecasts as a tool along with their own projections including local epidemiological, social distancing, and hospitalization data.

The projected mortality rate along with a sustained reduction in new cases provides guidance as to when the current broad-based "stay at home" policy may be modified or ended. The lifting of the policy would help regenerate economic activity. Even reaching 0 new deaths may not immediately result in the elimination of all current social distancing practices. Lifting all social distancing too quickly runs the risk of new positive COVID-19 tests.

If the social distancing policies are gradually lifted, the economy will also improve gradually. In compiling the revenue forecast, we also need to evaluate the possibility of a "second wave" of COVID-19 transmissions and deaths later in the year and into the beginning of CY 2021. In the flu pandemic of 1918 and 1919, there were 3 waves of the disease.

At the end of the first wave of COVID-19, according to the 2 models, fewer than 5% to 11% of the population may carry antibodies that naturally ward off the disease. As a result, most of the general population would serve as a target in a second COVID-19 outbreak. Presumably, we will be better prepared for the 2nd wave in terms of mitigation strategies. Most public health officials believe that the development of a COVID-19 vaccine is likely to take 12 to 18 months before being made broadly available.

Given those circumstances, we believe that an economic recovery may not begin to take hold firmly until FY 2022.

Revenue Forecast

Until last month, the state's economy was doing very well. Through March, for example, state General Fund revenues were 8.1% higher than the prior year. The social distancing policy has clearly had negative effects starting in the latter half of March, but we lack any solid revenue data to confirm the magnitude of the downturn. There is, however, some anecdotal evidence:

- In the last 3 weeks, initial Unemployment Compensation claims have totaled 247,000 or approximately 7% of the state workforce
- The Phoenix hotel occupancy rate fell by 71% in the last week of March
- Several restaurant chains reported a 70% decrease in sales even after the rise in takeout orders
- AHCCCS caseloads grew by 42,000 in 1 month, or an increase of 2.3%

While income tax withholding information will become available in the next several weeks, the relevant Transaction Privilege Tax (TPT) data will not be available until early May. Sellers typically transmit TPT to the state by the end of the month following the month of collection. As a result:

- March TPT data will be available at the beginning of May. Since the stay at home policy was only in effect for part of March, that estimate will not tell the full story.
- We will have a full month of reduced TPT activity when April data are available in early June.

Interpreting the 4-Sector Results

The federal government has deferred their individual and corporate income tax filing dates from April 15 to July 15 for only Tax Year 2019. The state, in turn, has delayed the state income tax filing date to July 15 as well. The federal government also deferred the April payment of estimated income taxes from April to July. Estimated tax payments are due every quarter. The state, however, did not conform to the policy of deferring the estimated payments.

We have assumed that 90% of final individual income tax (IIT) payments will be deferred until July 15. A taxpayer with a refund can also defer their filing until July. We further assume, however, that only 10% of filers expecting a refund will defer. Under these assumptions, we project that \$(676) million in IIT payment revenue will be shifted out of FY 2020 and into July 2020 (FY 2021). We do not think that corporate income tax deferrals will have as much of an impact as 80% of corporations' total tax payments come from their quarterly estimated payments.

This shift will have 3 impacts on the nominal percentage change in revenue collections between now and FY 2022:

- FY 2020 will be artificially suppressed due to the movement of payments to July.
- FY 2021 will be artificially boosted due to the payments in July (along with regular payments still being made in April 2021).
- FY 2022 will appear low since the FY 2021 collections will be artificially high.

April 4-Sector Forecast

Based on the January 4-sector forecast, the enacted budget assumed that revenues would increase by 3.6% in FY 2020 (or 6.2% prior to the TY 2019 tax reductions). In FY 2021, the growth moderated to 4.1% under the enacted forecast.

Under the April forecast, revenues are now expected to decline by (8.5)% in FY 2020, but grow by 11.0% in FY 2021. As described above, however, the deferral of income tax payments clouds the underlying level of economic activity. After excluding the deferral issue, the April forecast expects reductions in both FY 2020 and FY 2021 revenues compared to the prior year. In the 4th quarter, General Fund revenues are projected to decline by (23.6)%. Combined with the 8.1% growth through March, the annual FY 2020 growth rate is now estimated to decline to (2.8)%. *(See Appendix A and B for further detail.)*

The pace of economic activity is expected to increase gradually throughout FY 2021. Given the high growth rate through March 2020, however, revenues will struggle to match that pace in FY 2021. As a result, FY 2021 revenues are forecast to drop by (1.5)% for the entire year compared to the revised FY 2020 level. *(See Table 1.)*

Table 1

Forecasted Revenue Growth Rate

	'20	'21	'22
Enacted Budget	3.6%	4.1%	3.3%
April FAC with Deferral	(8.5)%	11.0%	1.9%
April FAC without Deferral	(2.8)%	(1.5)%	8.0%

In FY 2020 and FY 2021, the individual revenue categories are expected to perform as follows:

- Transaction Privilege Tax (TPT): While the FY 2020 year-to-date collections were 8.4% above FY 2019, the final forecast is for an FY 2020 decline of (2.9)%, with slow growth of 3.3% in FY 2021 as well. The restaurant/bar and hotel categories in particular are expected to see significant declines of (70)% in the fourth quarter of FY 2020, with retail declining by (32)%, led by a (50)% decline in automotive sales. The slow growth in FY 2021 presumes that these categories do not recover until sometime after the start of the fiscal year.
- Individual Income Tax (IIT): Besides the deferral, the forecast expects that the IIT category primarily will lose revenues from reduced withholding (down an estimated (15)%) in the fourth quarter of FY 2020. As with the other revenue categories, withholding will begin to recover in FY 2021 but will not meet the average level of FY 2020 activity. Withholding is forecasted to fall by (2)% in FY 2021. In addition, FY 2021 estimated and final payments are expected to drop by (17)% due to stock market losses (excluding the deferral impact).
- Corporate Income Tax (CIT): Since most CIT is received via estimated payments, the final payment deferral is not expected to have a substantial impact on these collections. Corporate collections, however, are expected to decline by (39)% in the 4th quarter of FY 2021, which would bring down the overall year-end growth rate to 3.6% in FY 2020. The April 4-sector foresees a further reduction of (6.2)% in FY 2021. Given the historic sensitivity of CIT to economic conditions, the JLBC Staff sector has a much steeper decline of (22.5)% in FY 2021. During the Great Recession, overall CIT collections fell by (58)% between FY 2007 and FY 2010.

In FY 2022, the 4-sector forecast envisions higher levels of economic activity along with a 8.0% growth rate, excluding the deferral. This above average growth is possible given the suppressed levels of the economy through the first half of calendar 2021.

Spending Adjustments

Beyond revenue adjustments for FY 2020 and FY 2021, the April forecast also updates Medicaid spending estimates. Part of the COVID-19 response legislation passed by Congress is an enhancement of the Federal match for the program. The Federal government has increased their share of spending by 6.2%, retroactive to January 1, 2020, and will maintain that higher level of spending for as long as the Federal emergency declaration lasts.

This increase would be partially offset in the short-run by increased Medicaid caseloads, particularly in AHCCCS. The April forecast assumes that caseloads will increase 20% by July and another 10% through the rest of FY 2021. This total increase would slightly exceed the 27% caseload increase during the Great Recession.

Health Management Associates, a national health care consulting firm, has estimated Medicaid caseload growth of a comparable magnitude. Their model assumes that Arizona's Medicaid caseloads will increase between 14% and 29% by mid-to-late 2020 depending on the national level of unemployment.

The April forecast assumes overall net savings of $(237) million in FY 2020 and $(130) million in FY 2021. These net savings also include the impact of the enhanced Federal match on the

Developmental Disabilities Long Term Care program in DES. These estimates assume that the Federal emergency lasts until the end of FY 2021. If the federal emergency declaration is rescinded sooner, the FY 2021 savings would be less. For example, the state would have to spend approximately $260 million above this April estimate in FY 2021 if the emergency ends in December 2020.

Projected Ending Balances

The combined impact of reduced revenues and some offsetting Federal Medicaid dollars would produce a total projected cash shortfall of $(1.1) billion by the end of FY 2021. *(See Appendix C.)* Of this amount, $(638) million would be incurred in FY 2020, the result of both revenue reductions and spending adjustments, further altered by the deferral of individual income tax payments into FY 2021. The $(1.1) billion shortfall assumes that this FY 2020 shortfall is rolled over into FY 2021 and added to another $(462) million shortfall associated with FY 2021 alone. *(See Table 2.)* Given the epidemiological and economic uncertainties, this $(1.1) billion estimate is exceedingly tentative -- the likely range of the shortfall could be off by $500 million in either direction.

Table 2

Projected '21 Cash Shortfall

	$ in M
Incurred during '20	(638)
Incurred during '21	(462)
Total Shortfall	**(1,100)**

Potential Approaches

FY 2020 and FY 2021

The Arizona Constitution allows incurred deficits to be paid in the following year, so the Legislature is not required to solve the $(638) million shortfall by the end of FY 2020. For example, at the end of FY 2009, the state chose to roll its negative ending balance into FY 2010 and solve it as part of those changes. The state could take that same approach with any FY 2020 shortfall, choosing to roll the problem into FY 2021.

Another option would be to statutorily withdraw monies from the Budget Stabilization Fund, which currently has a balance of $973 million. The actual shortfall, however, will not be known until after the end of the fiscal year. Once this year-end data is available, this option would authorize the JLBC Staff and OSPB to determine a transfer amount that will result in an FY 2020 ending balance of $1 million. The state used this approach at the end of the FY 2008 budget.

There are at least 3 other ways the state could choose to address an FY 2020 shortfall:

- Use additional federal funds: *See discussion below.*
- Fund transfers: It may be preferable to use these in FY 2021 once we have a better idea of the overall scope of the problem.

- Agency budget reductions: Such reductions are usually hard to implement at the end of a fiscal year. The options, too, may be more suited for consideration in FY 2021.

If the state were to roll over the $(638) million FY 2020 shortfall into FY 2021, resulting in a total $(1.1) billion shortfall, the Legislature would have at least the following options:

- Use up to $973 million of Budget Stabilization Fund monies
- Use federal monies allocated for COVID-19 response
- Fund transfers
- Make revenue and spending adjustments

Federal Funds

There are 2 main potential sources of federal funding that could offset portions of the shortfall: 1) the federal Coronavirus Relief Fund, and 2) education federal relief funds.

- Federal Coronavirus Relief Fund: Authorized by the "COVID 3" Federal legislation, this $1.6 billion allocation for the state is limited to reimbursing COVID-related spending and as such would be much less flexible than depositing these monies directly into the General Fund. At a minimum, however, the $50 million General Fund appropriation into the state's own Crisis Contingency and Safety Net Fund would be reimbursable by this fund.
- Education Federal Relief Funds: The "COVID 3" Federal legislation created 3 additional new funds for states, all subject to "Maintenance of Effort" (MOE) requirements. MOE requires the state's current budget to at least continue spending at the level of its average expenditure level in FY 2017 – FY 2019. The legislation provides Arizona the following amounts:
    - $277 million for a K-12 Emergency Relief Fund. Arizona currently spends $866 million above the MOE level, so Arizona could use all $277 million to supplant or supplement K-12 spending.
    - $190 million for a Higher Education Emergency Relief Fund. Of this amount, an estimated $118 million would be distributed to public universities and $72 million would be distributed to community colleges. (Additional amounts would go to private institutions.) Arizona currently spends $11 million above the MOE level.
    - $69 million for a Governor's Emergency Education Relief Fund. The Governor determines the allocation of these funds, which can be used for any level of education, including child care. These monies are only available if the state meets both its K-12 and Higher Education MOE levels.

Next Steps

We would face a significant challenge in crafting a specific solution to a shortfall in the very near term when the magnitude of the problem is uncertain. By early June, we will have more data to assess the scope of the problem, including April and May withholding and April TPT collections. We plan to revisit the forecast at least once by June. Between now and then, the Legislature could begin to consider potential solution sets which could be implemented near the beginning of the fiscal year.

April 9, 2020 FAC 4-Sector Consensus With Deferral

	FY 2020	FY 2021	FY 2022	FY 2023
Sales Tax				
JLBC Forecast	-4.2%	2.2%	8.2%	7.2%
UA - Low	-5.1%	3.1%	6.4%	6.6%
UA - Base	-3.5%	4.7%	6.5%	3.7%
FAC	1.1%	3.1%	5.4%	4.4%
Average:	**-2.9%**	**3.3%**	**6.6%**	**5.4%**
Individual Income Tax				
JLBC Forecast	-18.6%	26.4%	-3.5%	7.5%
UA - Low	-17.3%	24.6%	-4.1%	4.9%
UA - Base	-16.3%	27.5%	-2.9%	5.3%
FAC	-16.9%	26.1%	-3.3%	5.3%
Average:	**-17.3%**	**26.1%**	**-3.4%**	**5.8%**
Corporate Income Tax				
JLBC Forecast	7.0%	-22.5%	17.8%	9.7%
UA - Low	5.0%	-3.2%	10.1%	5.0%
UA - Base	9.7%	1.3%	12.7%	6.0%
FAC	-7.1%	0.3%	8.9%	7.8%
Average:	**3.6%**	**-6.2%**	**12.2%**	**7.0%**
Insurance Premium Tax				
JLBC Forecast	1.6%	5.0%	2.0%	2.0%
UA - Low	-2.2%	3.5%	2.2%	2.1%
UA - Base	-1.3%	5.3%	3.7%	2.5%
FAC	1.6%	6.8%	3.7%	4.0%
Average:	**-0.1%**	**5.2%**	**2.9%**	**2.7%**
JLBC Weighted Average:	**-9.8%**	**10.8%**	**2.8%**	**7.2%**
UA Low Weighted Average:	**-10.0%**	**11.6%**	**1.5%**	**5.6%**
UA Base Weighted Average:	**-8.5%**	**13.9%**	**2.4%**	**4.5%**
FAC Consensus Weighted Average:	**-7.3%**	**12.4%**	**1.5%**	**4.9%**
"Big-4" Weighted Average:	**-8.9%**	**12.2%**	**2.1%**	**5.5%**
Consensus Weighted Average: *	**-8.5%**	**11.0%**	**1.9%**	**5.4%**

* Represents ongoing revenue adjusted for small revenue categories

Appendix A2
(Without Deferral)

April 9, 2020 FAC 4-Sector Consensus Without Deferral

	FY 2020	FY 2021	FY 2022	FY 2023
Sales Tax				
JLBC Forecast	-4.2%	2.2%	8.2%	7.2%
UA - Low	-5.1%	3.1%	6.4%	6.6%
UA - Base	-3.5%	4.7%	6.5%	3.7%
FAC	1.1%	3.1%	5.4%	4.4%
Average:	**-2.9%**	**3.3%**	**6.6%**	**5.4%**
Individual Income Tax				
JLBC Forecast	-5.1%	-5.7%	11.1%	7.5%
UA - Low	-4.1%	-6.4%	10.0%	4.9%
UA - Base	-3.0%	-3.6%	10.9%	5.3%
FAC	-2.9%	-6.4%	11.6%	5.3%
Average:	**-3.8%**	**-5.5%**	**10.9%**	**5.8%**
Corporate Income Tax				
JLBC Forecast	7.0%	-22.5%	17.8%	9.7%
UA - Low	5.0%	-3.2%	10.1%	5.0%
UA - Base	9.7%	1.3%	12.7%	6.0%
FAC	-7.1%	0.3%	8.9%	7.8%
Average:	**3.6%**	**-6.2%**	**12.2%**	**7.0%**
Insurance Premium Tax				
JLBC Forecast	1.6%	5.0%	2.0%	2.0%
UA - Low	-2.2%	3.5%	2.2%	2.1%
UA - Base	-1.3%	5.3%	3.7%	2.5%
FAC	1.6%	6.8%	3.7%	4.0%
Average:	**-0.1%**	**5.2%**	**2.9%**	**2.7%**
JLBC Weighted Average:	**-3.8%**	**-2.4%**	**9.5%**	**7.2%**
UA Low Weighted Average:	**-4.0%**	**-1.5%**	**7.9%**	**5.6%**
UA Base Weighted Average:	**-2.6%**	**0.8%**	**8.6%**	**4.5%**
FAC Consensus Weighted Average:	**-1.0%**	**-1.0%**	**8.0%**	**4.9%**
"Big-4" Weighted Average:	**-2.9%**	**-1.0%**	**8.5%**	**5.5%**
Consensus Weighted Average: *	**-2.8%**	**-1.5%**	**8.0%**	**5.4%**

* Represents ongoing revenue adjusted for small revenue categories

April 2020 4-Sector Forecast With Deferral

Appendix B1
(With Deferral)

GENERAL FUND REVENUE - FY 2019 - FY 2021

FORECAST REVENUE GROWTH
($ in Thousands)

	ACTUAL FY 2019	% CHANGE PRIOR YR	FORECAST FY 2020	% CHANGE PRIOR YR	$ CHANGE PRIOR YR	FORECAST FY 2021	% CHANGE PRIOR YR	$ CHANGE PRIOR YR
Sales and Use	5,096,879.9	6.5%	4,947,498.8	-2.9%	(149,381.1)	5,109,765.8	3.3%	162,267.0
Income - Individual	5,009,020.6	10.2%	4,144,637.5	-17.3%	(864,383.1)	5,228,342.7	26.1%	1,083,705.2
- Corporate	514,264.1	37.8%	532,970.4	3.6%	18,706.4	499,916.4	-6.2%	(33,054.0)
Property	29,683.3	-23.3%	28,137.4	-5.2%	(1,545.9)	28,949.2	2.9%	811.8
Luxury - Tobacco	21,040.8	-4.3%	21,069.0	0.1%	28.2	20,580.4	-2.3%	(488.6)
- Liquor	37,259.4	3.4%	37,102.2	-0.4%	(157.2)	33,828.8	-8.8%	(3,273.3)
Insurance Premium	549,760.6	7.9%	549,376.4	-0.1%	(384.2)	577,728.5	5.2%	28,352.2
Other Taxes	13,539.4	77.0%	12,890.2	-4.8%	(649.2)	14,418.0	11.9%	1,527.8
Subtotal - Taxes	11,271,448.0	9.2%	10,273,681.9	-8.9%	(997,766.1)	11,513,530.0	12.1%	1,239,848.1
Other Non-Tax Revenues:								
Lottery	82,886.1	21.1%	103,594.7	25.0%	20,708.6	90,753.9	-12.4%	(12,840.8)
Licenses, Fees and Permits	32,019.5	-15.7%	32,662.6	2.0%	643.0	33,343.3	2.1%	680.8
Interest	53,106.7	141.3%	29,290.1	-44.8%	(23,816.6)	21,001.7	-28.3%	(8,288.4)
Sales and Services	24,054.0	-29.5%	21,018.9	-12.6%	(3,035.0)	20,465.0	-2.6%	(553.9)
Other Miscellaneous	111,313.8	2.8%	112,655.9	1.2%	1,342.1	116,024.3	3.0%	3,368.4
Transfers and Reimbursements	63,365.2	56.1%	100,954.7	59.3%	37,589.5	67,336.9	-33.3%	(33,617.8)
Public Safety Transfers	72,364.5	N/A	23,343.2	-67.7%	(49,021.3)	23,343.2	0.0%	0.0
Disproportionate Share Revenue	95,552.6	14.2%	99,842.6	4.5%	4,290.1	95,417.3	-4.4%	(4,425.3)
Subtotal - Other Non-Tax	534,662.3	35.3%	523,362.8	-2.1%	(11,299.6)	467,686	-10.6%	(55,677.1)
Net Ongoing Revenue	**11,806,110.3**	**10.2%**	**10,797,044.7**	**-8.5%**	**(1,009,065.7)**	**11,981,215.6**	**11.0%**	**1,184,170.9**
Urban Revenue Sharing (URS)	(674,804.4)	N/A	(737,573.6)	N/A	(62,769.2)	(828,492.7)	N/A	(90,919.1)
Net Ongoing Revenue w/ URS	**11,131,305.9**	**10.9%**	**10,059,471.1**	**-9.6%**	**(1,071,834.9)**	**11,152,722.9**	**10.9%**	**1,093,251.8**
One-Time Financing Sources:								
Pre-2019 Enacted Fund Transfers	100,425.9	35.0%	1,840.7	-98.2%	(98,585.2)	0.0	-100.0%	(1,840.7)
Prescription Drug Rebate Fund Transfer	0.0	N/A	69,000.0	N/A	69,000.0	16,700.0	-75.8%	(52,300.0)
Wells Fargo Settlement Fund Transfer	0.0	N/A	20,000.0	N/A	20,000.0	0.0	-100.0%	(20,000.0)
Water Infrastructure Repayment	0.0	N/A	0.0	N/A	0.0	0.0	N/A	0.0
Subtotal - One-Time Financing Sources	100,425.9	35.0%	90,840.7	-9.5%	(9,585.2)	16,700.0	-81.6%	(74,140.7)
Subtotal - Revenues	**11,231,731.7**	**11.1%**	**10,150,311.8**	**-9.6%**	**(1,081,420.0)**	**11,169,422.9**	**10.0%**	**1,019,111.1**
Balance Forward	449,632.0	198.0%	957,241.0	112.9%	507,609.0	(638,220.0)	N/A	(1,595,461.0)
Total - Resources	**11,681,363.7**	**13.9%**	**11,107,552.8**	**-4.9%**	**(573,811.0)**	**10,531,202.9**	**-5.2%**	**(576,349.9)**

April 2020 4-Sector Forecast With Deferral

Appendix B1
(With Deferral)

GENERAL FUND REVENUE - FY 2022 - FY 2023

FORECAST REVENUE GROWTH
($ in Thousands)

	FORECAST FY 2022	% CHANGE PRIOR YR	$ CHANGE PRIOR YR	FORECAST FY 2023	% CHANGE PRIOR YR	$ CHANGE PRIOR YR
Sales and Use	5,447,132.2	6.6%	337,366.4	5,743,749.2	5.4%	296,617.0
Income - Individual	5,049,010.6	-3.4%	(179,332.1)	5,339,703.1	5.8%	290,692.5
- Corporate	560,837.5	12.2%	60,921.0	600,116.3	7.0%	39,278.8
Property	29,787.8	2.9%	838.6	30,654.1	2.9%	866.3
Luxury - Tobacco	20,114.6	-2.3%	(465.8)	19,658.8	-2.3%	(455.8)
- Liquor	40,715.9	20.4%	6,887.1	41,830.8	2.7%	1,114.9
Insurance Premium	594,520.5	2.9%	16,792.0	610,407.9	2.7%	15,887.4
Other Taxes	16,131.2	11.9%	1,713.1	18,052.3	11.9%	1,921.2
Subtotal - Taxes	11,758,250.3	2.1%	244,720.3	12,404,172.6	5.5%	645,922.3
Other Non-Tax Revenues:						
Lottery	94,040.9	3.6%	3,287.0	104,376.7	11.0%	10,335.8
Licenses, Fees and Permits	34,064.1	2.2%	720.8	34,827.4	2.2%	763.2
Interest	17,227.1	-18.0%	(3,774.5)	15,791.3	-8.3%	(1,435.8)
Sales and Services	20,024.6	-2.2%	(440.4)	19,690.1	-1.7%	(334.4)
Other Miscellaneous	119,444.8	2.9%	3,420.5	122,914.9	2.9%	3,470.1
Transfers and Reimbursements	69,787.1	3.6%	2,450.2	72,394.9	3.7%	2,607.8
Public Safety Transfers	0.0	-100.0%	(23,343.2)	0.0	N/A	0.0
Disproportionate Share Revenue	95,602.8	0.2%	185.5	95,630.8	0.0%	28.0
Subtotal - Other Non-Tax	450,191.4	-3.7%	(17,494.2)	465,626.1	3.4%	15,434.7
Net Ongoing Revenue	**12,208,441.7**	**1.9%**	**227,226.1**	**12,869,798.7**	**5.4%**	**661,357.1**
Urban Revenue Sharing (URS)	(701,641.2)	N/A	126,851.5	(859,238.9)	N/A	(157,597.7)
Net Ongoing Revenue w/ URS	**11,506,800.5**	**3.2%**	**354,077.6**	**12,010,559.8**	**4.4%**	**503,759.4**
One-Time Financing Sources:						
Pre-2019 Enacted Fund Transfers	0.0	N/A	0.0	0.0	N/A	0.0
Prescription Drug Rebate Fund Transfer	16,700.0	0.0%	0.0	16,700.0	0.0%	0.0
Wells Fargo Settlement Fund Transfer	0.0	N/A	0.0	0.0	N/A	0.0
Water Infrastructure Repayment	20,000.0	N/A	20,000.0	0.0	-100.0%	(20,000.0)
Subtotal - One-Time Financing Sources	36,700.0	119.8%	20,000.0	16,700.0	-54.5%	(20,000.0)
Subtotal - Revenues	**11,543,500.5**	**3.3%**	**374,077.6**	**12,027,259.8**	**4.2%**	**483,759.4**
Balance Forward	-	N/A	638,220.0	-	N/A	0.0
Total - Resources	**11,543,500.5**	**9.6%**	**1,012,297.6**	**12,027,259.8**	**4.2%**	**483,759.4**

April 2020 4-Sector Forecast <u>Without</u> Deferral

GENERAL FUND REVENUE - FY 2019 - FY 2021

FORECAST REVENUE GROWTH

($ in Thousands)

	ACTUAL FY 2019	% CHANGE PRIOR YR	FORECAST FY 2020	% CHANGE PRIOR YR	$ CHANGE PRIOR YR	FORECAST FY 2021	% CHANGE PRIOR YR	$ CHANGE PRIOR YR
Sales and Use	5,096,879.9	6.5%	4,947,498.8	-2.9%	(149,381.1)	5,109,765.8	3.3%	162,267.0
Income - Individual	5,009,020.6	10.2%	4,820,141.6	-3.8%	(188,879.0)	4,552,838.6	-5.5%	(267,303.0)
- Corporate	514,264.1	37.8%	532,970.4	3.6%	18,706.4	499,916.4	-6.2%	(33,054.0)
Property	29,683.3	-23.3%	28,137.4	-5.2%	(1,545.9)	28,949.2	2.9%	811.8
Luxury - Tobacco	21,040.8	-4.3%	21,069.0	0.1%	28.2	20,580.4	-2.3%	(488.6)
- Liquor	37,259.4	3.4%	37,102.2	-0.4%	(157.2)	33,828.8	-8.8%	(3,273.3)
Insurance Premium	549,760.6	7.9%	549,376.4	-0.1%	(384.2)	577,728.5	5.2%	28,352.2
Other Tax b	13,539.4	77.0%	12,890.2	-4.8%	(649.2)	14,418.0	11.9%	1,527.8
Subtotal - Taxes	11,271,448.0	9.2%	10,949,186.0	-2.9%	(322,262.0)	10,838,025.9	-1.0%	(111,160.1)
Other Non-Tax Revenues:								
Lottery	82,886.1	21.1%	103,594.7	25.0%	20,708.6	90,753.9	-12.4%	(12,840.8)
Licenses, Fees and Permits	32,019.5	-15.7%	32,662.6	2.0%	643.0	33,343.3	2.1%	680.8
Interest	53,106.7	141.3%	29,290.1	-44.8%	(23,816.6)	21,001.7	-28.3%	(8,288.4)
Sales and Services	24,054.0	-29.5%	21,018.9	-12.6%	(3,035.0)	20,465.0	-2.6%	(553.9)
Other Miscellaneous	111,313.8	2.8%	112,655.9	1.2%	1,342.1	116,024.3	3.0%	3,368.4
Transfers and Reimbursements	63,365.2	56.1%	100,954.7	59.3%	37,589.5	67,336.9	-33.3%	(33,617.8)
Public Safety Transfers	72,364.5	N/A	23,343.2	-67.7%	(49,021.3)	23,343.2	0.0%	0.0
Disproportionate Share Revenue	95,552.6	14.2%	99,842.6	4.5%	4,290.1	95,417.3	-4.4%	(4,425.3)
Subtotal - Other Non-Tax	534,662.3	35.3%	523,362.8	-2.1%	(11,299.6)	467,686	-10.6%	(55,677.1)
Net Ongoing Revenue	**11,806,110.3**	**10.2%**	**11,472,548.8**	**-2.8%**	**(333,561.6)**	**11,305,711.5**	**-1.5%**	**(166,837.3)**
Urban Revenue Sharing (URS)	(674,804.4)	N/A	(737,573.6)	N/A	(62,769.2)	(828,492.7)	N/A	(90,919.1)
Net Ongoing Revenue w/ URS	**11,131,305.9**	**10.9%**	**10,734,975.2**	**-3.6%**	**(396,330.8)**	**10,477,218.8**	**-2.4%**	**(257,756.4)**
One-Time Financing Sources:								
Pre-2019 Enacted Fund Transfers	100,425.9	35.0%	1,840.7	-98.2%	(98,585.2)	0.0	-100.0%	(1,840.7)
Prescription Drug Rebate Fund Transfer	0.0	N/A	69,000.0	N/A	69,000.0	16,700.0	-75.8%	(52,300.0)
Wells Fargo Settlement Fund Transfer	0.0	N/A	20,000.0	N/A	20,000.0	0.0	-100.0%	(20,000.0)
Water Infrastructure Repayment	0.0	N/A	0.0	N/A	0.0	0.0	N/A	0.0
Subtotal - One-Time Financing Sources	100,425.9	35.0%	90,840.7	-9.5%	(9,585.2)	16,700.0	-81.6%	(74,140.7)
Subtotal - Revenues	**11,231,731.7**	**11.1%**	**10,825,815.9**	**-3.6%**	**(405,915.9)**	**10,493,918.8**	**-3.1%**	**(331,897.1)**
Balance Forward	449,632.0	198.0%	957,241.0	112.9%	507,609.0	37,284.1	-96.1%	(919,956.9)
Total - Resources	**11,681,363.7**	**13.9%**	**11,783,056.9**	**0.9%**	**101,693.1**	**10,531,202.9**	**-10.6%**	**(1,251,854.0)**

April 2020 4-Sector Forecast Without Deferral

GENERAL FUND REVENUE - FY 2022 - FY 2023

FORECAST REVENUE GROWTH

($ in Thousands)

	FORECAST FY 2022	% CHANGE PRIOR YR	$ CHANGE PRIOR YR	FORECAST FY 2023	% CHANGE PRIOR YR	$ CHANGE PRIOR YR
Sales and Use	5,447,132.2	6.6%	337,366.4	5,743,749.2	5.4%	296,617.0
Income - Individual	5,049,010.6	10.9%	496,172.0	5,339,703.1	5.8%	290,692.5
- Corporate	560,837.5	12.2%	60,921.0	600,116.3	7.0%	39,278.8
Property	29,787.8	2.9%	838.6	30,654.1	2.9%	866.3
Luxury - Tobacco	20,114.6	-2.3%	(465.8)	19,658.8	-2.3%	(455.8)
- Liquor	40,715.9	20.4%	6,887.1	41,830.8	2.7%	1,114.9
Insurance Premium	594,520.5	2.9%	16,792.0	610,407.9	2.7%	15,887.4
Other Taxes	16,131.2	11.9%	1,713.1	18,052.3	11.9%	1,921.2
Subtotal - Taxes	11,758,250.3	8.5%	920,224.4	12,404,172.6	5.5%	645,922.3
Other Non-Tax Revenues:						
Lottery	94,040.9	3.6%	3,287.0	104,376.7	11.0%	10,335.8
Licenses, Fees and Permits	34,064.1	2.2%	720.8	34,827.4	2.2%	763.2
Interest	17,227.1	-18.0%	(3,774.5)	15,791.3	-8.3%	(1,435.8)
Sales and Services	20,024.6	-2.2%	(440.4)	19,690.1	-1.7%	(334.4)
Other Miscellaneous	119,444.8	2.9%	3,420.5	122,914.9	2.9%	3,470.1
Transfers and Reimbursements	69,787.1	3.6%	2,450.2	72,394.9	3.7%	2,607.8
Public Safety Transfers	0.0	-100.0%	(23,343.2)	0.0	N/A	0.0
Disproportionate Share Revenue	95,602.8	0.2%	185.5	95,630.8	0.0%	28.0
Subtotal - Other Non-Tax	450,191.4	-3.7%	(17,494.2)	465,626.1	3.4%	15,434.7
Net Ongoing Revenue	**12,208,441.7**	**8.0%**	**902,730.2**	**12,869,798.7**	**5.4%**	**661,357.1**
Urban Revenue Sharing (URS)	(701,641.2)	N/A	126,851.5	(859,238.9)	N/A	(157,597.7)
Net Ongoing Revenue w/ URS	**11,506,800.5**	**9.8%**	**1,029,581.7**	**12,010,559.9**	**4.4%**	**503,759.4**
One-Time Financing Sources:						
Pre-2019 Enacted Fund Transfers	0.0	N/A	0.0	0.0	N/A	0.0
Prescription Drug Rebate Fund Transfer	16,700.0	0.0%	0.0	16,700.0	0.0%	0.0
Wells Fargo Settlement Fund Transfer	0.0	N/A	0.0	0.0	N/A	0.0
Water Infrastructure Repayment	20,000.0	N/A	20,000.0	0.0	-100.0%	(20,000.0)
Subtotal - One-Time Financing Sources	36,700.0	119.8%	20,000.0	16,700.0	-54.5%	(20,000.0)
Subtotal - Revenues	**11,543,500.5**	**10.0%**	**1,049,581.7**	**12,027,259.9**	**4.2%**	**483,759.4**
Balance Forward	-	-100.0%	(37,284.1)	-	N/A	0.0
Total - Resources	**11,543,500.5**	**9.6%**	**1,012,297.6**	**12,027,259.9**	**4.2%**	**483,759.4**

Statement of General Fund Revenues and Expenditures 1/
With One-Time Financing Sources

Appendix C

	FY 2020 April FAC	FY 2021 April FAC	FY 2022 April FAC	FY 2023 April FAC
REVENUES				
Ongoing Revenues	$10,797,044,700	$11,981,215,600	$12,208,441,700	$12,869,798,700
Urban Revenue Sharing	(737,573,600)	(828,492,700)	(701,641,200)	(859,238,900)
Net Ongoing Revenues	$10,059,471,100	$11,152,722,900	$11,506,800,500	$12,010,559,800
One-time Financing Sources				
Balance Forward	957,241,000	(638,220,000)		
Wells Fargo Settlement	20,000,000			
Water Infrastructure Repayment			20,000,000	
Fund Transfers	70,840,700	16,700,000	16,700,000	16,700,000
Subtotal One-time Revenues	$1,048,081,700	($621,520,000)	$36,700,000	$16,700,000
Total Revenues	$11,107,552,800	$10,531,202,900	$11,543,500,500	$12,027,259,800
EXPENDITURES				
Ongoing Operating Appropriations	$10,838,429,200	$11,469,518,500	$12,002,878,300	$12,350,613,100
FY 2020 Supplementals/Ex-Approp.	46,459,700			
Enhanced FMAP/Caseload Adjustments	(237,000,000)	(130,000,000)	415,000,000	260,000,000
Administrative Adjustments	128,000,000	146,000,000	155,000,000	162,000,000
Revertments	(173,000,000)	(184,000,000)	(192,000,000)	(198,000,000)
Subtotal Ongoing Expenditures	$10,602,888,900	$11,301,518,500	$12,380,878,300	$12,574,613,100
One-time Expenditures				
Capital Outlay	4,575,000	11,000,000		
Transportation Funding	95,310,000			
Reduce K-12 Rollover (Enacted)			30,000,000	
Budget Stabilization Fund Deposit	271,107,000			
2010B Debt Payoff	190,000,000			
Operating One-Time Spending	501,275,000	275,373,600	120,370,000	76,876,700
FY 2020 One-Time Supplementals	80,616,900			
Additional (27th) Pay Period		43,078,600	20,052,100	
Subtotal One-time Expenditures	$1,142,883,900	$329,452,200	$170,422,100	$76,876,700
Total Expenditures	$11,745,772,800	$11,630,970,700	$12,551,300,400	$12,651,489,800
Ending Balance 2/	($638,220,000)	($1,099,767,800)	($1,007,799,900)	($624,230,000)
Ongoing Balance 3/	*($543,417,800)*	*($148,795,600)*	*($874,077,800)*	*($564,053,300)*

1/ Significant one-time revenues and expenditures are separately detailed so as to permit the calculation of ongoing revenue and expenditures.
2/ This calculation reflects the difference between total revenues and total expenditures. Excludes any Budget Stabilization Fund balance.
3/ This calculation reflects the difference between ongoing revenues and ongoing expenditures and excludes one-time adjustments. The Legislature makes the ongoing and one-time classifications as part of its 3-year spending plan. Excludes any Budget Stabilization Fund balance.