GENERAL FUND REVENUE

FY 2015

FY 2015 General Fund Baseline revenues are projected to be $9.21 billion. As indicated in *Table 1*, the revised FY 2015 revenue estimate is $(193.0) million lower than the estimate from the FY 2015 budget enacted April 2014.

Table 1

FY 2015 Revenue Forecast ($ in Millions)

Adopted FY 2015 Revenue Estimate	$9,401.0
Revised Revenue Forecast	$ (193.0)
Revised FY 2015 Revenue Estimate	$9,208.0

The Baseline Revenue projection is $(193.0) million lower than the original forecast due to:

- A loss of $(175) million in ongoing revenues under the updated January consensus forecast, as discussed below.
- Decreased balance forward from FY 2014. The original budget assumed an ending balance of $595 million for FY 2014. The actual balance carried forward into FY 2015 was $577 million, a decrease of $(18) million. This decrease was the net result of lower-than-expected revenue collections for FY 2014, partially offset by lower-than-anticipated expenditures.

The FY 2015 base revenue growth is based on the consensus forecasting process (*see FY 2016 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 2015 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.

The recent trend in revenue collections has been below the forecasted levels. Between April and November 2014, revenue collections were below forecast for 8 consecutive months. Ongoing revenue growth since April is 1.7%.

Overall for FY 2014, the budgeted base growth of 4.3% ended up at 3.1%. This was primarily due to a larger-than-expected decline in corporate income tax collections.

FY 2015 revenue growth has remained slow as well. Compared to the budgeted FY 2015 growth rate of 5.3%, collections through November were up by only 3.0%.

In December, corporate income tax collections grew by 47.5% compared to the prior year. Year to date, corporate income tax is up by 21.4% and has thereby offset the weak performance in FY 2014. Although overall year-to-date General Fund revenue growth improved to 4.6% in December, sales tax and individual income tax growth remain slow with year-to-date growth rates of 3.4% and 3.2%, respectively.

Based on the weighted average of the components of the 4-sector consensus forecast, "Big 3" General Fund revenue would grow by 4.2% in FY 2015. After adjusting for small revenue categories, the base revenue growth rate is 4.3%. After including tax law changes, the projected adjusted revenue growth would be 3.0%.

The above forecast has been adjusted from the original 4-sector forecast to more accurately reflect actual growth in corporate income tax collections through the first half of the current fiscal year. The original 4-sector forecast resulted in an estimated 3.7% growth in base corporate income tax collections for FY 2015, before the impact of the previously enacted rate changes.

Given corporate revenue growth of 21.4% through the first half of the fiscal year, corporate collections would have to decline by (10)% in the second half of the fiscal year to reach the 3.7% level. Given the year-to-date collections, JLBC Staff has adjusted the 3.7% growth to 15.0%. To achieve this rate, corporate collections would have to show growth of approximately 10% in the second half of FY 2015.

Total corporate collections are projected to decline by (0.8)% after accounting for $(91.1) million in enacted tax law changes for Tax Year (TY) 2014. As is standard practice for some filers, corporations may seek extensions of their TY 2014 filing until October 2015. In that circumstance, the impact of some of the tax law reductions may be deferred to FY 2016.

Table 2

FY 2015 4-Sector Forecast Percentages

	FAC	UA Low	UA Base	JLBC	Avg.
Sales	4.5%	2.5%	4.0%	4.0%	3.7%
Individual Income	3.7%	1.8%	3.0%	3.6%	3.0%
Corporate Income [1/]	2.9%	(2.0)%	(1.2)%	15.0%	3.7%
Weighted Average [2/]	4.9%	3.1%	4.4%	4.6%	4.3%

1/ Given year-to-date actuals, each sector subsequently adjusted to 15.0% growth.

2/ Once adjusted for small revenue categories, the base FY 2015 revenue increase is 3.6%. After further adjusting all sectors to 15% corporate income tax growth, the base FY 2015 revenue increase is 4.3%.

The original FY 2015 budget assumed a revenue level of $9.40 billion, which represented base revenue growth of 5.3%. Due to lower-than-expected FY 2014 collections, General Fund Revenues would need to increase by 6.6% to meet the original forecast. Relative to that projection, preliminary year-to-date results through December for the 3 major revenue categories are mixed. Sales tax revenues have grown 3.4%, individual income tax has increased 3.2%, while corporate income tax collections have increased 21.4%.

Based on tax collections through December, year-to-date ongoing revenues are 4.6% above the same period in FY 2014. 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 2015.

The individual revenue detail for FY 2015 is found in *Table 8* at the end of this section.

FY 2016 AND BEYOND

While base revenues are forecast to grow in FY 2016, one-time factors are forecast to reduce overall FY 2016 collections to $8.77 billion, or $(439.8) million below FY 2015. This net revenue loss includes:

- $300.0 million increase representing a 3.3% gain in base revenues under the 4-sector consensus forecast for FY 2016, as outlined below.
- $3.3 million gain due to a decrease in urban revenue sharing.
- $(577.4) million decrease in the balance forward from the previous fiscal year.
- $(111.8) million loss due to previously enacted legislation.
- $(53.9) million loss as a result of the one-time HITF transfer in FY 2015.

The FY 2016 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:

Table 3

FY 2016 4-Sector Forecast Percentages

	FAC	UA Low	UA Base	JLBC	Avg
Sales	4.4%	1.1%	4.4%	4.4%	3.6%
Individual Income	4.4%	1.0%	3.8%	5.4%	3.7%
Corporate Income	3.1%	(6.6)%	0.7%	3.1%	0.1%
Weighted Average [1/]	4.3%	0.6%	3.9%	4.7%	3.3%

1/ Once adjusted for small revenue categories, the base FY 2016 revenue increase is 3.3%.

- Finance Advisory Committee panel forecast of January 2015. Consisting of 13 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*.

Sales tax is expected to grow by 3.6%, individual income tax by 3.7%, and corporate income tax by 0.1%. After adjusting for small revenue categories, FY 2016 base revenues would grow by 3.3%, or in dollar terms, $300.0 million.

Arizona's expected slow growth in FY 2016 is likely due to a combination of factors. Apart from unfavorable economic conditions, such as slow wage and household formation growth, which Arizona shares with most other states, the Grand Canyon State remains disproportionately affected by the overhang of the "housing bubble" that lead up to the 2007-2009 recession. To provide some perspective, through November, Arizona remained among a minority of states with year-over-year losses in construction employment. This is in contrast to other states that were similarly affected by the run-up in housing prices, such as California, Nevada and Florida, which are now experiencing high single-digit (or even double-digit) growth in construction employment.

Because of the slow growth in recent years coupled with the uncertainty of Arizona's future growth trajectory, FAC members now believe that the long term base revenue growth rate will be close to 4.8%. This long term growth rate is essentially consistent with the 4-sector base revenue growth rates of 4.4% in FY 2017 and 5.1% in FY 2018.

Risks to the Revenue Forecast

The growth in state tax revenues is closely linked to the overall performance of the U.S. and Arizona economy. In prior periods of economic recovery, the state economy has generally outperformed the national economy. At these times, the stronger economic rebound in Arizona was primarily fueled by the construction sector. However, this has not been the case during the current expansion phase of the business cycle (which officially began more than 5 years ago). Instead, the construction industry is expected to be the only private sector of the state's economy that lost jobs in calendar year 2014. In terms of overall economic performance, including employment and personal income growth, Arizona is essentially on par with the nation as a whole.

This deviation from the historical norm (in terms of the pace of the economic recovery in Arizona vis-à-vis the nation) has introduced additional uncertainty into the state revenue forecast. Thus, one question that forecasters have to consider in the current environment of uncertainty is whether the Great Recession has produced a "new normal" for Arizona in terms of the future growth of economic measures such as job, population, and personal income, all of which affect state revenue collections.

Since the Arizona economy is ultimately dependent on the U.S. and global economy, there are a number of risks to the state revenue forecast, including:

Unforeseen natural disasters and geopolitical events – An escalation of the conflict in the Middle East is one example of an event that could affect the global economy in the near term.

International economics – Although the U.S. is less dependent on international trade than most other developed economies, slower growth among our major trading partners could adversely affect the U.S. economy. With Japan suffering its fourth recession in 6 years, the Eurozone barely growing, and growth in China poised to decelerate in 2015, U.S. net export, and hence economic growth, could slow in future years.

Monetary policy – While the Federal Reserve Bank recently ended its third round of quantitative easing (program under which the Fed purchased U.S. Treasury bonds and mortgage-backed securities), it also signaled that future rate increases would follow once economic conditions have improved sufficiently. There is always a risk, however, that if the timing and pace of such rate hikes are poorly executed, economic recovery could stall.

Housing and Construction – Recent demographic data indicates that household formation in the U.S. has been slowing. If this trend continues, the lower demand for housing and related construction activity may be more persistent than currently assumed. While part of this change can be attributed to an underlying demographic shift (aging population), much of it also appears to be driven by economic factors, including poor wage growth, slower immigration, limited access to credit, reduced mobility, and the burden of record-high student loans, all of which have slowed the recovery of the housing market. Thus, the uncertainty of future household formation is another risk factor that could affect the economy and hence revenue growth.

Oil Prices – With the price of crude oil being down by more than 50% since June 2014, U.S. consumers have also benefitted from the concomitant drop in gasoline prices. The economic and fiscal impacts of lower prices at the gas pump are uncertain, however, as such impacts depend on numerous factors, including the magnitude and duration of the price reduction, as well as the amount of the "gas price" windfall that is saved or used to pay down debt. Additionally, it is also difficult to predict how much of the spending that is being redirected to non-gasoline purchases is subject to the state sales tax.

To provide some perspective of the potential impact, the JLBC Staff estimates that the sales tax windfall could range from $10 million to $40 million depending on the underlying assumptions with respect to the size and length of the price decrease, the assumed savings rate, and the percentage of redirected consumer spending that is taxable. However, considering the uncertain nature of oil prices, any associated state revenue windfall should not be considered ongoing. For this reason, the 4-sector forecast does not factor in the oil price windfall.

Revenue Adjustments

Table 4 provides an overview of base revenue growth rates for FY 2015 and FY 2016 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 2015 and FY 2016
($ in Millions)

	FY 2015	%	FY 2016	%
Base Revenue	$9,185.6 [1/]	3.0%	$9,485.6	3.3%
Prior Budget Legislation	N/A		(105.7)	
Urban Revenue Sharing	(608.9)		(605.6)	
One-Time Financing				
Fund Transfers	53.9		0.0	
Prior Legislation	N/A		(6.1)	
Balance Forward	577.4		0.0	
Adjusted Revenue	**$9,208.0**	**(1.8)%**	**$8,768.2**	**(4.8)%**

1/ The FY 2015 Base Revenue of $9.19 billion includes $(120.6) million in ongoing tax law and revenue changes. Adjusting for these changes, the FY 2015 base increase is 4.3%.

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 2015

In FY 2015, prior budget legislation is expected to reduce General Fund revenues by $(120.6) million. *Table 5* provides a summary of previously-enacted budget legislation changes with ongoing revenue impacts in FY 2015. As noted above, the FY 2015 base revenue growth of 4.3% excludes these changes.

Table 5

FY 2015 Budget Legislation Changes With Ongoing Revenue Impact ($ in Millions)

Pre-2014 Tax Law Changes (Year Enacted)	
1) School Tuition Credit Indexing (2006)	$ (7.2)
2) Expansion of Small Business Eligibility for "Angel" Investment Credit (2011)	(0.5)
3) Elimination of Capital Gains on Income Derived from Small Businesses (2011)	(8.6)
4) Phase-in of Corporate Tax Rate Reduction from 6.968% to 4.9% over 4 Years (2011)	(42.5)
5) Phase-in of Corporate Sales Factor Increase from 80% to 100% over 4 Years (2011)	(29.3)
6) Job Tax Credit (2011 & 2012)	(4.2)
7) Corporate Sales Factor Change for Service Providers (2012)	(3.0)
8) Phase-in of Long Term Capital Gains Reduction of 25% over 3 Years (2012)	(9.2)
9) Income Tax Deduction for Federal Bonus Depreciation (2012)	(1.8)
10) Qualified Facility Credit (2012)	(4.0)
11) Data Center TPT Exemption (2013)	(1.8)
Subtotal	$(112.1)
2014 Tax Law and Revenue Changes	
12) Electricity and Natural Gas TPT Exemption	$ (14.6)
13) Long Term Care System Fund	7.9
14) Watercraft Fine Revenue Shift	(0.5)
15) Job Tax Credit Change	(0.9)
16) Mixed Waste Processing TPT Exemption	(0.2)
17) Health Sciences Institution TPT Exemption	(0.2)
Subtotal	$ (8.5)
Total – FY 2015 Revenue Impact	**$(120.6)**

Pre-2014 Tax Law Changes

In addition to the tax law and revenue changes enacted during the 2014 Legislative Session, the following changes (as described below) were enacted in prior sessions and will have an impact on FY 2015 revenue collections.

1) Corporate School Tuition Tax Credit – Laws 2006, Chapter 14 established a tax credit for contributions by corporations and insurers to private school tuition organizations that provide scholarships and tuition grants to students of low-income families. Chapter 14 established a cap on this credit of $5 million per year. Laws 2006, Chapter 325 increased the credit cap to $10 million per year, and provided that the cap be increased by 20% annually, beginning in FY 2008. According to the Department of Revenue, credit-eligible donations by corporations and insurers equaled the credit cap of $35.8 million in FY 2014 and have already reached the FY 2015 credit cap of $43.0 million. Thus, relative to FY 2014, this credit program is estimated to reduce General Fund revenue by $(7.2) million in FY 2015. *(For the revenue impact after FY 2015, see page 461.)*

2) Expansion of Small Business Eligibility for Angel Investment Credit – Laws 2011, 2nd Special Session, Chapter 1 provided certain changes to the state's Angel Investment Tax Credit program, beginning in FY 2012. Under this program, qualified "angel" investors are eligible to receive up to a 35% credit over 3 years on investments in small businesses certified by the Arizona Commerce Authority. The credit program is capped at $20 million. Chapter 1 extended agency's credit authorization by 4 years, through the end of FY 2016. Additionally, Chapter 1 also increased the asset cap of small businesses qualified to receive credit-eligible angel investments from $2 million to $10 million, beginning in FY 2012. This provision is estimated to reduce individual income tax revenue by $(0.5) million in FY 2015, after which time the $20 million in allowable credit authorization is assumed to be exhausted. The original estimate of this provision has not been revised. *(For the revenue impact after FY 2015, see page 461.)*

3) Elimination of Small Business Capital Gains – Laws 2011, 2nd Special Session, Chapter 1 eliminates capital gains on income derived from small businesses certified by the Arizona Commerce Authority to receive credit-eligible angel investments, beginning in TY 2014. This provision was originally estimated to reduce individual income tax collections by $(11.6) million in FY 2015. However, as a result of updated capital gains data, the estimated FY 2015 revenue impact has since been revised to $(8.6) million. *(For the revenue impact after FY 2015, see page 461.)*

4) Phase-In of Corporate Income Tax Rate Reduction – Laws 2011, 2nd Special Session, Chapter 1 reduces the corporate income tax rate from 6.968% to 4.9% over 4 years, beginning in TY 2014. This rate reduction was originally estimated to reduce corporate income tax collections by $(53.8) million in FY 2015. At the time of the enacted April 2014 budget for FY 2015, this estimate was revised to $(50.4) million. However, based on the latest update of the corporate income tax forecast, this estimate has now been revised to $(42.5) million in FY 2015. *(For the revenue impact after FY 2015, see page 461.)*

5) Phase-In of Corporate Sales Factor Increase – Laws 2011, 2nd Special Session, Chapter 1 increases the optional sales factor, which is used to calculate the apportionment of taxable income for multi-state corporations, from 80% to 100% over 4 years, beginning in TY 2014. This provision was originally estimated to reduce corporate income tax collections by $(24.6) million in FY 2015. At the time of the enacted April 2014 budget for FY 2015, this estimate was revised to $(39.3) million. However, as a

result of the latest update of the corporate income tax forecast, along with a new report from the Department of Revenue on the corporate sales factor, this provision is now estimated to reduce corporate income tax revenue by $(29.3) million in FY 2015. *(For the revenue impact after FY 2015, see page 461.)*

6) Job Tax Credit – Laws 2011, 2nd Special Session, Chapter 1 provides a $3,000 annual individual and corporate income 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 removed the 400 maximum job tax credit claims per employer established by Chapter 1. The job tax credit was originally estimated to reduce revenues by $(19.7) million in FY 2015. Based on actual credit data, however, the original estimate has since been revised to $(4.2) million for FY 2015. *(For the revenue impact after FY 2015, see page 461.)*

7) Corporate Sales Factor for Service Providers – Laws 2012, Chapter 2 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 was originally estimated to reduce corporate income tax collections by $(3.0) million in FY 2014. As a result of further review of the legislation, however, it was subsequently determined that the first-year impact would not occur until FY 2015. *(For the revenue impact after FY 2015, see page 461.)*

8) Phase-In of Long Term Capital Gains Reduction – Laws 2012, Chapter 343 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 was initially estimated to reduce individual income tax collections by $(23.0) million in FY 2015. However, as a result of a recent report by the Department of Revenue on the preliminary cost of this provision, the estimated revenue reduction in FY 2015 has been revised to $(9.2) million. *(For the revenue impact after FY 2015, see page 461.)*

9) Income Tax Deduction for Federal Bonus Depreciation – Laws 2012, Chapter 343 allows an individual income deduction equal to 10% of the bonus depreciation claimed on federal returns for assets purchased and placed in service in 2013 and subsequent years. The state revenue impact of this provision depends on whether the federal government provides bonus depreciation or not. In December 2014, the U.S. Congress extended the 50% bonus depreciation retroactively for TY 2014. The Baseline assumes that the Legislature will conform to the extension of this federal provision. Additionally, the Baseline also assumes that the U.S. Congress will continue to provide "one-year extenders" in the next few years. Under these assumptions, individual income tax revenue is estimated to be reduced by $(1.8) million annually, beginning in FY 2015. At the time of the enacted April 2014 budget for FY 2015, the $(1.8) million estimate was assumed to be one-time. *(For a more detailed discussion of this topic, see page 354 of the FY 2015 Appropriations Report.)*

Apart from bonus depreciation and other provisions, the U.S. Congress also retroactively extended the $500,000 individual and corporate income tax deduction ("business expensing") for qualifying investments. Without the federal tax extender, the business expensing allowance would have been $25,000. The $500,000 federal cap has been in place since TY 2012. As result of legislation enacted in 2013 (Laws 2013, Chapter 256), the state conformed to the $500,000 amount for TY 2013 (or FY 2014, for budgetary purposes).

In the 2014 Regular Session, the Legislature passed HB 2664 to permanently raise the business expensing allowance for state income taxes to $500,000. At the time, the budget had already been enacted and assumed a 1-year continuation of the $500,000 limit at a cost of $25 million. The Governor, however, vetoed HB 2664. The Executive used the $25 million General Fund savings from the veto as a financing source for the cost of establishing the new Department of Child Safety in the May 2014 2nd Special Session. Since the cost of business expensing has been redirected elsewhere, the Baseline does not fund its continuation in FY 2016.

10) Qualified Facility Tax Credit – Laws 2012, Chapter 343 created a new individual and corporate income tax credit 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 headquarters. 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 investment credit enacted in 2009. This provision is estimated to reduce revenues by $(4.0) million in FY 2015. *(For the revenue impact after FY 2015, see page 461.)*

11) Data Center TPT Exemption – Laws 2013, 1st Special Session, Chapter 9 provides, effective September 1, 2013, Transaction Privilege Tax (TPT) and Use Tax exemptions, for equipment purchased by owners, operators, or co-location tenants of computer data centers certified by the Arizona Commerce Authority. To qualify for the exemption, newly-constructed data centers located in Maricopa and Pima Counties must make a minimum investment of $50 million over 5 years. The corresponding minimum requirement in other counties is $25 million. Existing data centers, which made an investment of at least $250 million during the 6 years immediately preceding the act's effective date, are eligible for the same exemption with respect to future equipment purchases. The exemptions are estimated to reduce General Fund revenues by $(1.8) million in FY 2015. *(For the revenue impact after FY 2015, see page 461.)*

2014 Tax Law Changes

In the 2014 Session, the Legislature enacted the following ongoing tax law and revenue changes.

12) Electricity and Natural Gas TPT Exemption – Laws 2014, Chapter 7 exempts the gross proceeds from sales of electricity and natural gas to businesses that are principally engaged in manufacturing or smelting operations from state TPT and use tax. The exemption is estimated to reduce General Fund revenue collections by $(14.6) million in FY 2015. *(For the revenue impact after FY 2015, see page 461.)*

13) Long Term Care System Fund – Laws 2014, Chapter 11 (FY 2015 Health and Welfare Budget Reconciliation Bill) requires all monies in the Long Term Care System Fund accrued from capitation payments for developmental disability services that are unexpended and unencumbered at the end of the fiscal year to revert to the General Fund. The transfer amount may be adjusted for reported but unpaid claims as well as estimated incurred but unreported claims, subject to approval by the Arizona Health Care Cost Containment System (AHCCCS). At the time of the enactment of the FY 2015 budget, Chapter 11 was estimated to increase General Fund revenues by $35 million annually, beginning in FY 2015. This estimate has since been revised to $7.9 million annually.

14) Watercraft Fine Revenue Shift – Laws 2014, Chapter 127 redirects certain fines for operating a watercraft while under the influence from the Public Safety Equipment Fund (PSEF) to the Law Enforcement and Boating Safety Fund (LEBSF). PSEF retains the first $1,200,000 of certain DUI fee revenues and the remainder is deposited into the General Fund. Prior to Chapter 127, PSEF received $1,200,000 and the General Fund received $9,179,400 in FY 2013. After shifting the $500,000 of under the influence fees to LEBSF, PSEF is projected to still receive $1,200,000. The General Fund deposit, however, will decline by $(500,000) beginning in FY 2015.

15) Job Tax Credit Change – Laws 2014, Chapter 168 changed the requirement for the new Job Tax Credit program by providing that second and third year individual and corporate credits can be claimed irrespective of whether the same employee remains employed as long as the employer replaces the vacant position with another qualified employee within 90 days. The provision, which is effective retroactively from January 1, 2014, is estimated to reduce income tax collections by $(882,000), beginning in FY 2015.

16) Mixed Waste Processing Facility TPT Exemption – Laws 2014, Chapter 228 exempts the gross proceeds from building a mixed waste processing facility from the prime contracting tax. To qualify for the TPT exemption, the facility must be located on a municipal landfill and constructed for the purpose of recycling solid waste or producing renewable energy from landfill waste. Chapter 228 is estimated to decrease General Fund revenue by $(183,600), beginning in FY 2015.

17) Health Sciences Institution TPT Exemption – Laws 2014, Chapter 276 exempts personal property that is sold to a qualified health sciences educational institution from state and municipal retail, publication, and job printing TPT and use tax. Chapter 276 is estimated to reduce General Fund revenue by $(196,400), beginning in FY 2015.

FY 2016 – FY 2018

In recent years, the Legislature has enacted a number of tax provisions with delayed effective dates. In some cases, there was a period of time of up to 4 years between the initial estimates developed by the JLBC Staff and the subsequent implementation of the provision. The JLBC Staff's general approach is to revisit the original estimate as the provision is about to be implemented. The FY 2015 budget adopted in April 2014 reflects a number of such revisions of the original estimates (*for more detail, see page 351 of the FY 2015 Appropriations Report*). Additionally, for those provisions that are phased in over multiple years, the estimates may need to be revised several times as newer data becomes available. *Table 6* below compares estimates used at the time of the enactment of the FY 2015 budget to estimates that have been revised after this time.

In FY 2016, General Fund revenue estimates have been adjusted downward by $(105.7) million relative to FY 2015 to reflect the start of a previously enacted tax law change or its ongoing phase-in. The FY 2017 estimates have been further adjusted downward by $(78.3) million relative to FY 2016 for additional phase-ins. In FY 2018, the Baseline revenues were reduced by another $(76.9) million relative to FY 2017 as the phase-in continues.

Table 6

Prior Year Budget Legislation with Ongoing Revenue Impact in FY 2016 through FY 2018
($ Millions) [1/]

Bill/Description of Provision	**Prior Estimates** [2/] **FY 16**	**FY 17**	**FY 18**	**Current Estimates FY 16**	**FY 17**	**FY 18**
Laws 2006, Ch. 14 & 325 18) Corporate School Tuition Credit for Low-Income Students.	[3/]	[3/]	[3/]	$(8.6)	$(10.3)	$(12.4)
Laws 2011, 2nd SS, Ch. 1 19) Increases small business eligibility for 30% "angel" investment tax credit from $2 million to $10 million in assets through FY 2016.	4.5	0.0	0.0	4.5	0.0	0.0
20) Eliminates capital gains on income derived from small businesses.	$(0.4)	$(0.8)	$(0.4)	$(0.0)	$(0.0)	$(0.0)
21) Phases down corporate tax rate from 6.968% to 4.9% over 4 years.	(60.7)	(61.7)	(81.2)	(41.9)	(37.9)	(41.2)
22) Phases in corporate sales factor from 80% to 100% over 4 years.	(37.9)	(31.7)	(26.0)	(26.2)	(23.0)	(19.3)
23) Creates a $3,000 new job tax credit claimed annually for 3 years. [4/]	(4.2)	(3.1)	(2.0)	(4.2)	(3.1)	(0.0)
Laws 2012, Ch. 2 24) Provides a change in the calculation of the corporate sales factor for service companies.	(0.5)	(0.4)	(0.5)	(0.0)	(0.0)	(0.0)
Laws 2012, Ch. 343 25) Phases in (over 3 years) a 25% reduction of long term capital gains on assets purchased after 2011. [5/]	(12.1)	(7.0)	(4.7)	(11.3)	(0.0)	(0.0)
26) Creates an income tax credit for capital investments in new/expanded manufacturing/ research facilities and commercial headquarters. [5/]	(4.0)	(4.0)	(4.0)	(4.0)	(4.0)	(4.0)
Laws 2013, Ch. 236 27) Exempts certain Enterprise Zone income tax credit certification requirements.	0.3	0.0	0.0	0.0	0.0	0.0
Laws 2013, Ch. 255 28) Exempts trade/service contractors from prime contracting tax. Instead, materials taxed as retail.	1.3	0.0	0.0	0.0	0.0	0.0
Laws 2013, 1st SS, Ch. 9 29) Exempts data center equipment from TPT. [5/]	(1.9)	0.0	0.0	(1.9)	0.0	0.0
Laws 2014, Ch. 7 30) Exempts electricity and natural gas purchased by manufacturing & smelting facilities from TPT. [6/]	(3.6)	0.0	0.0	(3.6)	0.0	0.0
Laws 2014, Ch. 8 31) Creates a tax credit for investment in new facilities that produce energy for self-consumption using renewable energy sources if the power is used primarily in manufacturing.	(10.0)	0.0	0.0	(10.0)	0.0	0.0

Bill/Description of Provision	Prior Estimates 2/ FY 16	FY 17	FY 18	Current Estimates FY 16	FY 17	FY 18
Laws 2014, Ch. 68 32) Requires individual taxpayers claiming an amount for the Proposition 301 $25 Tax Credit to provide a valid social security number.	1.5	0.0	0.0	1.5	0.0	0.0
Laws 2014, Ch. 168 33) Provides that if an employee in a newly created job leaves his position, the employer can still claim the new job tax credit as long as the vacant position is filled within 90 days.	(0.4)	(0.4)	0.0	0.0	0.0	0.0
Laws 2014, Ch. 228 34) Exempts the construction of mixed waste processing facilities located on a municipal landfill and built for the purpose of recycling waste or producing renewable energy from TPT.	0.1	(0.1)	0.0	0.0	0.0	0.0
Laws 2014, Ch. 276 35) Exempts personal property sold to a qualified health sciences educational institution under the retail, publication, and job printing classifications from TPT.	(0.3)	0.0	0.0	0.0	0.0	0.0
Revenue Impact Over Prior Year	**$(128.3)**	**$(109.2)**	**$(118.8)**	**$(105.7)**	**$(78.3)**	**$(76.9)**

1/ Represents marginal pricing: All impacts are stated relative to the prior year. *See Table 5 for first FY 2015 tax law changes*. Impact excludes property tax changes, which affect Department of Education spending rather than General Fund Revenues.
2/ The estimated revenue impact of the bill/provision included in the FY 2015 budget enacted in April 2014.
3/ Revenue impacts of Laws 2006, Chapters 14 and 325 were not reflected in the FY 2015 budget enacted in April 2014.
4/ Includes impact of Laws 2012, Chapter 343 provision, which eliminated individual company cap of 400 eligible employees. Impact of Chapter 343 began in FY 2014.
5/ Impact began in FY 2014.
6/ Impact began in FY 2015.

As noted above, *Table 6* lists prior year tax law changes with ongoing revenue impact in FY 2016 through FY 2018 under both prior (when FY 2015 budget was enacted in April 2014) and current scoring. Below follows a description of each of the provisions included in *Table 6*.

18) Corporate School Tuition Tax Credit – Laws 2006, Chapters 14 and 325. *(For a detailed description of this provision, see 1) on page 458.)* As noted earlier, the cap of this credit program increases by 20% annually. Credit donations were made up to the cap in each year between FY 2013 and FY 2015, and are currently projected to reach the cap of $51.6 million in FY 2016, $61.9 million in FY 2017, and $74.3 million in FY 2018. Thus, this credit program is estimated to reduce corporate income and insurance premium tax collections by $(8.6) million in FY 2016, followed by additional reductions of $(10.3) million in FY 2017, and $(12.4) million in FY 2018. The impact of this provision was not included in the FY 2015 budget adopted in April 2014.

19) Expansion of Small Business Eligibility for Angel Investment Credit – Laws 2011, 2nd Special Session, Chapter 1. *(For a detailed description of this provision, see 2) on page 458.)* This program allows the Arizona Commerce Authority to authorize a total of $20 million in "angel" investment credits through FY 2016. This program cap, however, is expected to be reached already in FY 2015 when the final amount of credit authorization is estimated to be $4.5 million. Thus, relative to the FY 2015 revenue base, the "Angel" Investment program is estimated to generate a savings of $4.5 million in FY 2016. The original estimate of this provision has not been revised.

20) Elimination of Small Business Capital Gains – Laws 2011, 2nd Special Session, Chapter 1. *(For a detailed description of this provision, see 3) on page 458.)* When the FY 2015 budget was enacted, this provision was estimated to reduce individual income tax revenue by $(0.4) million in FY 2016, followed by an additional $(0.8) million in FY 2017 and $(0.4) million in FY 2018. The estimated impact has since been revised to $0 (relative to the FY 2015 revenue base) due to the small magnitude of the change.

21) Phase-In of Corporate Income Tax Rate Reduction – Laws 2011, 2nd Special Session, Chapter 1. *(For a*

detailed description of this provision, see 4) on page 458.) When the FY 2015 budget was adopted, this rate reduction was estimated to reduce corporate income tax collections by $(60.7) million in FY 2016, followed by an additional reduction of $(61.7) million in FY 2017, and $(81.2) million in FY 2018. However, based on the latest update of the corporate income tax forecast, this estimate has now been revised to $(41.9) million in FY 2016, followed by an additional reduction of $(37.9) million in FY 2017, and $(41.2) million in FY 2018.

22) Phase-In of Corporate Sales Factor Increase – Laws 2011, 2nd Special Session, Chapter 1. *(For a detailed description of this provision, see 5) on page 458.)* When the FY 2015 budget was enacted, the phase-in of the single sales factor was estimated to reduce corporate income tax collections by $(37.9) million in FY 2016, followed by an additional reduction of $(31.7) million in FY 2017, and $(26.0) million in FY 2018. However, based on the latest update of the corporate income tax forecast, along with a new report from the Department of Revenue on the corporate sales factor, this provision is now estimated to reduce corporate income tax revenue by $(26.2) million in FY 2016, followed by an additional reduction of $(23.0) million in FY 2017, and $(19.3) million in FY 2018.

23) Job Tax Credit – Laws 2011, 2nd Special Session, Chapter 1. *(For a detailed description of this provision, see 6) on page 459.)* When the FY 2015 budget was enacted, the job tax credit was estimated to reduce corporate income tax revenue by $(4.2) million in FY 2016, followed by an additional reduction of $(3.1) million in FY 2017, and $(2.0) million in FY 2018. Under the revised estimate, the revenue impact is unchanged for FY 2016 and FY 2017. Because of the small dollar impact in FY 2018, the revised estimate is scored at $0.

24) Corporate Sales Factor for Service Providers – Laws 2012, Chapter 2. *(For a detailed description of this provision, see 7) on page 459.)* At the time of the FY 2015 budget enactment, this provision was estimated to reduce corporate income tax revenue by $(0.5) million in FY 2016, followed by an additional reduction of $(0.4) million in FY 2017, and $(0.5) million in FY 2018. Because of the small dollar impacts beginning in FY 2016, these estimates are scored at $0 under the revised revenue estimate.

25) Phase-In of Long Term Capital Gains Reduction – Laws 2012, Chapter 343. *(For a detailed description of this provision, see 8) on page 459.)* When the FY 2015 budget was adopted, this provision was estimated to reduce individual income tax revenue by $(12.1) million in FY 2016, followed by an additional reduction of $(7.0) million in FY 2017, and $(4.7) million in FY 2018. As a result of a recently issued report by the Department of Revenue, the estimate for FY 2016 has been revised to $(11.3) million. Since the phase-in of the 25% capital gains reduction will be fully implemented in FY 2016, the revised estimate assumes no incremental impact in FY 2017 and FY 2018.

26) Qualified Facility Tax Credit – Laws 2012, Chapter 343. *(For a detailed description of this provision, see 10) on page 459.)* This provision is estimated to reduce income tax revenue by $(4.0) million in FY 2016, followed by an additional reduction of $(4.0) million in FY 2017 and $(4.0) million in FY 2018. The impact of this provision has not been revised.

27) Exempts Enterprise Zone Credit Certification Requirement – Laws 2013, Chapter 236 provides that businesses, which were certified by the Arizona Commerce Authority and then claimed first year individual or corporate credits under the now repealed Enterprise Zone (EZ) credit program, be exempt from the requirement to file for certification in order to claim second or third year credits. At the time of the FY 2015 budget enactment, this provision was estimated to generate a savings of $0.3 million in FY 2016 *(For more details, see pages 349 and 351 of the FY 2015 Appropriations Report.)* Because of the small dollar impact in FY 2016, the revised estimate is scored at $0 in FY 2016.

28) TPT Simplification – Laws 2013, Chapter 255 makes numerous changes to the state and municipal TPT with respect to administration, collections, and auditing. In addition, beginning January 1, 2015, Chapter 255 exempts service and trade contractors from state and municipal contracting tax whenever they work directly for the property owners and such work is limited to maintenance, repair, or replacement of existing property. Instead, the materials purchased by such contractors will be subject to retail TPT. When the FY 2015 budget was enacted, the changes under Chapter 255 were estimated to result in a state TPT net increase of $1.3 million, beginning in FY 2016. Because of the considerable uncertainty associated with the fiscal impact of this provision, the revised estimate is scored at $0.

29) Data Center TPT Exemption – Laws 2013, 1st Special Session, Chapter 9. *(For a detailed description of this provision, see 11) on page 460.)* Relative to the FY 2015 revenue base, this provision is estimated to reduce state sales tax collections by $(1.9) million beginning in FY 2016. The impact of this provision has not been revised.

30) Electricity and Natural Gas TPT Exemption – Laws 2014, Chapter 7. *(For a detailed description of this provision, see 12) on page 460.)* Relative to the FY 2015 base, this provision is estimated to reduce state sales tax revenue by $(3.6) million in FY 2016. The estimated impact of this provision has not been revised.

31) Renewable Energy Facility Credit – Laws 2014, Chapter 8 creates a new individual and corporate income tax credit for any company that makes an investment of at least $300 million in a new renewable energy facility that produces energy that is primarily used in the company's own manufacturing processes. The credit has an aggregate cap of $10 million a year. The credit is estimated to

reduce income tax collections by $(10) million, beginning in FY 2016. The fiscal impact of this provision has not been revised.

32) Social Security Number (SSN) Requirement – Laws 2014, Chapter 68 requires individual taxpayers to provide the Department of Revenue a valid SSN to claim the Proposition 301 Sales Tax Credit, otherwise known as the Increased Excise Taxes Paid Credit (IETC). An individual income tax filer can claim a $25 credit to offset the 0.6% sales tax increase resulting from Proposition 301 passed in November 2000. For taxpayers filing as single or as married person filing separately, the income requirement for claiming the credit is $12,500 or less. Individual taxpayers had previously been able to also claim this credit using a federally-issued individual taxpayer identification number. The SSN requirement is effective January 1, 2015 and is estimated to reduce the use of the credit, thereby increasing income tax collections by $1.5 million annually, beginning in FY 2016. The estimated impact of this provision has not been revised.

33) Job Tax Credit Change – Laws 2014, Chapter 168. *(For a detailed description of this provision, see 15) on page 460.)* At the time of the FY 2015 budget enactment, this provision was estimated to reduce corporate income tax revenue by $(0.4) million in FY 2016, followed by an additional reduction of $(0.4) million beginning in FY 2017. Because of the small revenue impacts in FY 2016 and FY 2017, the revised estimate is scored at $0 for both of those years.

34) Mixed Waste Processing Facility TPT Exemption – Laws 2014, Chapter 228. *(For a detailed description of this provision, see 16) on page 460.)* When the FY 2015 budget was adopted, this provision was estimated to increase state sales tax revenue by $0.1 million in FY 2016 (relative to FY 2015), followed by a revenue reduction of $(0.1) million in FY 2017 (relative to FY 2016). Due to the small dollar impacts in FY 2016 and FY 2017, the revised estimate is scored at $0 for both of those years.

35) Health Sciences Institution TPT Exemption – Laws 2014, Chapter 276. *(For a detailed description of this provision, see 17) on page 460.)* At the time of the FY 2015 budget enactment, this provision was estimated to reduce state sales tax revenue by $(0.3) million in FY 2016 (relative to FY 2015). Because of the small dollar impact in FY 2016, the revised estimate is scored at $0 in FY 2016.

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 individual and corporate income tax collections from 2 years prior. As indicated in *Table 8*, total URS distributions will decrease from $608.9 million in FY 2015 to $605.6 million in FY 2016. This URS decrease results in a FY 2016 General Fund revenue gain of $3.3 million relative to FY 2015.

One-Time Financing

As shown in *Table 8*, one-time financing sources are included in the budget for FY 2015 and FY 2016. The following is a discussion of the one-time financing sources.

FY 2015

The $631.3 million in one-time financing sources for FY 2015 includes:

Fund Transfers – The FY 2015 General Appropriation Act (Laws 2014, Chapter 18) transferred $53.9 million from the Special Employee Health Insurance Trust Fund (HITF) to the General Fund for the purpose of providing adequate support and maintenance for state agencies.

Balance Forward – The FY 2014 General Fund ending balance carried forward into FY 2015 was $577.4 million.

FY 2015 is currently projected to end with a negative General Fund balance (deficit) of $(148.4) million to $(480.5) million. The Baseline assumes that the FY 2015 shortfall will be resolved prior to FY 2016.

FY 2016

The one-time revenue loss of $(6.1) million in FY 2016 includes:

Budget Legislation – Laws 2014, Chapter 10 provides a one-time increase (in the form of an inflation adjustment) of the individual income tax rate brackets in TY 2015. This rate bracket adjustment results in an estimated one-time revenue loss of $(6.1) million in FY 2016.

FY 2017 & FY 2018

As shown in *Table 7*, no one-time financing sources are currently included for FY 2017 and FY 2018.

Table 7

FY 2015 through FY 2018 One-Time Financing Sources
($ in Millions)

	FY 2015	FY 2016	FY 2017	FY 2018
Balance Forward	$ 577.4	--	--	--
Budget Legislation				
Tax Bracket Adjustment	0.0	(6.1)	0.0	0.0
Fund Transfers	53.9	0.0	0.0	0.0
Total One-Time Financing	**$631.3**	**$(6.1)**	**$0.0**	**$0.0**

Table 8

GENERAL FUND REVENUE - FY 2014-FY 2016

FORECAST REVENUE GROWTH

($ in Thousands)

	ACTUAL FY 2014	% CHANGE PRIOR YR	FORECAST FY 2015	% CHANGE PRIOR YR	$ CHANGE PRIOR YR	FORECAST FY 2016	% CHANGE PRIOR YR	$ CHANGE PRIOR YR
Sales and Use	3,995,367.7	5.7%	4,127,914.5	3.3%	132,546.9	4,276,292.1	3.6%	148,377.6
Income - Individual [1/]	3,487,182.0	2.6%	3,572,756.1	2.5%	85,574.1	3,703,256.1	3.7%	130,500.0
- Corporate	575,180.2	-13.1%	570,375.3	-0.8%	(4,805.0)	570,866.5	0.1%	491.3
Property	25,611.2	94.0%	26,000.0	1.5%	388.8	26,500.0	1.9%	500.0
Luxury - Tobacco	25,837.4	5.3%	23,395.2	-9.5%	(2,442.2)	22,920.0	-2.0%	(475.2)
- Liquor	32,901.2	3.9%	32,911.7	0.0%	10.5	33,602.8	2.1%	691.1
Insurance Premium	411,760.7	6.5%	450,600.0	9.4%	38,839.3	475,400.0	5.5%	24,800.0
Other Taxes (Includes MV Tax)	6,937.7	342.6%	6,700.0	-3.4%	(237.7)	6,900.0	3.0%	200.0
Sub-Total - Taxes	8,560,778.0	3.2%	8,810,652.8	2.9%	249,874.8	9,115,737.6	3.5%	305,084.8
Other Non-Tax Revenues:								
Lottery	72,881.3	-8.0%	75,566.9	3.7%	2,685.6	70,576.3	-6.6%	(4,990.6)
Licenses, Fees and Permits	29,847.6	1.4%	30,937.9	3.7%	1,090.3	30,437.9	-1.6%	(500.0)
Interest	13,821.4	15.0%	9,100.0	-34.2%	(4,721.4)	6,453.6	-29.1%	(2,646.4)
Sales and Services	37,806.2	2.5%	39,140.0	3.5%	1,333.8	39,140.0	0.0%	0.0
Other Miscellaneous	75,896.9	-19.6%	80,000.0	5.4%	4,103.1	80,000.0	0.0%	0.0
Transfers and Reimbursements	55,259.5	77.8%	63,400.0	14.7%	8,140.5	65,900.0	3.9%	2,500.0
Disproportionate Share Revenue	75,366.2	-3.6%	76,821.9	1.9%	1,455.7	77,366.3	0.7%	544.4
Sub-Total - Other Non-Tax	360,879.0	-0.1%	374,966.7	3.9%	14,087.7	369,874.1	-1.4%	(5,092.6)
Subtotal On-Going Revenue	**8,921,657.1**	**3.1%** [1/]	**9,185,619.5**	**3.0%** [2/]	**263,962.4**	**9,485,611.7**	**3.3%**	**299,992.2**
Previously Enacted Tax Law Changes	0.0	N/A	0.0	N/A	0.0	(105,700.0)	N/A	(105,700.0)
3-Year 1¢ TPT Increase	8,422.9	-99.1%	**0.0**	-100.0%	(8,422.9)	0.0	N/A	0.0
Subtotal w/Tax Law Changes	**8,930,080.0**	**-7.2%**	**9,185,619.5**	**2.9%**	**255,539.5**	**9,379,911.7**	**2.1%**	**194,292.2**
Urban Revenue Sharing (URS)	(561,001.2)	9.2%	(608,935.7)	8.5%	(47,934.5)	(605,634.3)	-0.5%	3,301.4
Subtotal w/Tax Law Changes/URS	**8,369,078.8**	**-8.1%**	**8,576,683.8**	**2.5%**	**207,605.0**	**8,774,277.4**	**2.3%**	**197,593.6**
One-Time Financing Sources:								
Fund Transfers	141,541.1	207.7%	53,900.0	-61.9%	(87,641.1)	0.0	-100.0%	(53,900.0)
Previously Enacted Changes	(24,800.0)	N/A [1/]	0.0	-100.0%	24,800.0	(6,100.0)	N/A	(6,100.0)
Sub-Total - One-Time Financing Sources	116,741.1	106.6%	53,900.0	-53.8%	(62,841.1)	(6,100.0)	-111.3%	(60,000.0)
Subtotal - Revenues	**8,485,819.9**	**-7.4%**	**8,630,583.8**	**1.7%**	**144,763.8**	**8,768,177.4**	**1.6%**	**137,593.6**
Balance Forward	895,475.0	125.6%	**577,399.2**	N/A	0.0	**0.0**	-100.0%	(577,399.2)
Total - Resources	**9,381,294.9**	**-1.9%**	**9,207,983.0**	**-1.8%**	**144,763.8**	**8,768,177.4**	**-4.8%**	**(439,805.6)**

1/ To reflect the $24.8 million of business expensing as a one time cost, the FY 2014 individual income tax actual has been adjusted upward by $24.8 million. Prior to this adjustment, the FY 2014 on-going revenue increase would be 2.7%.

2/ The 3.0% FY 2015 increase includes $(120.6) million in tax law and other revenue changes. Adjusting for these changes, the base FY 2015 increase is 4.3%.

Table 8

GENERAL FUND REVENUE - FY 2017-FY 2018

FORECAST REVENUE GROWTH

($ in Thousands)

	FORECAST FY 2017	% CHANGE PRIOR YR	$ CHANGE PRIOR YR	FORECAST FY 2018	% CHANGE PRIOR YR	$ CHANGE PRIOR YR
Sales and Use	4,473,585.5	4.6%	197,293.4	4,722,304.3	5.6%	248,718.8
Income - Individual	3,873,726.9	4.6%	170,470.8	4,084,233.2	5.4%	210,506.3
- Corporate	476,701.7	-16.5%	(94,164.8)	394,695.1	-17.2%	(82,006.6)
Property	27,030.0	2.0%	530.0	27,570.6	2.0%	540.6
Luxury - Tobacco	22,514.4	-1.8%	(405.7)	22,118.1	-1.8%	(396.3)
- Liquor	34,320.9	2.1%	718.1	35,065.0	2.2%	744.1
Insurance Premium	494,400.0	4.0%	19,000.0	514,200.0	4.0%	19,800.0
Other Taxes (Includes MV Tax)	7,107.0	3.0%	207.0	7,320.2	3.0%	213.2
Sub-Total - Taxes	9,409,386.4	3.2%	293,648.8	9,807,506.5	4.2%	398,120.1
Other Non-Tax Revenues:						
Lottery	77,223.6	9.4%	6,647.3	87,066.5	12.7%	9,842.9
Licenses, Fees and Permits	31,351.0	3.0%	913.1	32,291.6	3.0%	940.5
Interest	6,503.7	0.8%	50.1	6,519.2	0.2%	15.5
Sales and Services	40,314.2	3.0%	1,174.2	41,523.6	3.0%	1,209.4
Other Miscellaneous	83,200.0	4.0%	3,200.0	86,528.0	4.0%	3,328.0
Transfers and Reimbursements	67,877.0	3.0%	1,977.0	69,913.3	3.0%	2,036.3
Disproportionate Share Revenue	77,366.3	0.0%	0.0	77,366.3	0.0%	0.0
Sub-Total - Other Non-Tax	383,835.8	3.8%	13,961.7	401,208.5	4.5%	17,372.7
Subtotal On-Going Revenue	**9,793,222.2**	**3.2%** [3/]	**307,610.5**	**10,208,715.0**	**4.2%** [4/]	**415,492.8**
Previously Enacted Tax Law Changes	(78,300.0)	-25.9%	27,400.0	(76,900.0)	-1.8%	1,400.0
3-Year 1¢ TPT Increase	0.0	N/A	0.0	0.0	N/A	0.0
Subtotal w/Tax Law Changes	**9,714,922.2**	**3.6%**	**335,010.5**	**10,131,815.0**	**4.3%**	**416,892.8**
Urban Revenue Sharing (URS)	(621,469.7)	2.6%	(15,835.4)	(626,088.4)	0.7%	(4,618.7)
Subtotal w/Tax Law Changes/URS	**9,093,452.5**	**3.6%**	**319,175.1**	**9,505,726.6**	**4.5%**	**412,274.1**
One-Time Financing Sources:						
Fund Transfers	0.0	N/A	0.0	0.0	N/A	0.0
Previously Enacted Changes	0.0	-100.0%	6,100.0	0.0	N/A	0.0
Sub-Total - One-Time Financing Sources	0.0	-100.0%	6,100.0	0.0	N/A	0.0
Subtotal - Revenues	**9,093,452.5**	**3.7%**	**325,275.1**	**9,505,726.6**	**4.5%**	**412,274.1**
Balance Forward	0.0	N/A	0.0	0.0	N/A	0.0
Total - Resources	**9,093,452.5**	**3.7%**	**325,275.1**	**9,505,726.6**	**4.5%**	**412,274.1**

3/ Adjusting for the $(105.7) M in tax law changes in FY '16, the base FY '17 increase is 4.4%.

4/ Adjusting for the $(78.3) M in tax law changes in FY '17, the base FY '18 increase is 5.1%.