

GENERAL FUND REVENUE AND LEGISLATIVE ADJUSTMENTS

The January JLBC Recommendation included a net state General Fund forecast of \$5.94 billion for FY 2000 and \$6.27 billion for FY 2001. The JLBC Staff and OSPB revenue forecasts were the same for FY 2000 but no revenue consensus was reached for FY 2001. (For a more detailed explanation of the JLBC Staff's January General Fund revenue forecast, see pages C-7 to C-14 of the January 2000 *Budget Adjustments* book.) A mid-session JLBC forecast revision was not released in FY 2000 because revenues were closely tracking the monthly forecast. As a result, the state General Fund revenue forecast shown in *Table 1* has been adjusted only for new legislated changes, and for one small property tax revenue adjustment to the January figures.

The General Fund revenue forecast is divided into baseline and adjusted forecasts. The annual baseline forecast shows the growth rate in annual revenues before new legislated or other revenue adjustments take effect in that fiscal year. The adjusted revenue figures show the actual net state General Fund receipts after taking these estimated changes into account.

In addition to the previously legislated changes to revenues which will have an impact in FY 2000 and later years (*see Table 2*), the 44th Legislature enacted in the 2nd Regular Session tax adjustments of \$(0.6) million which will impact FY 2000. An additional \$(2.6) million in tax reductions was added to the bills which will impact FY 2001. One small adjustment item which was not due to this year's legislation was a \$(175,000) reduction in state General Fund property tax receipts in FY 2001 related to previously enacted Truth in Taxation (TNT) provisions. Pursuant to TNT law, the qualifying tax rate is reduced annually to account for the statewide appreciation of existing property. This rate reduction results in lower state property tax collections in unorganized districts and in certain school districts ineligible for state aid.

In addition, a further net tax reduction of \$(5.3) million was added to FY 2002 and an increase of \$0.8 million was added to FY 2003. The tax increase in FY 2003 was due to technical changes to federal tax laws, which are expected to raise state revenues through the annual state IRS Conformity bill (Laws 2000, Chapter 252). The legislated adjustments will be applied to the JLBC Staff's FY 2002-FY 2003 baseline revenue forecast.

Table 1

BASELINE REVENUE GROWTH ^{1/}

(\$ in Thousands)

	<u>Estimated Baseline FY 1999</u>	<u>% Above FY 1998 Actual</u>	<u>Baseline Forecast FY 2000</u>	<u>% Above FY 1999 Actual</u>	<u>Baseline Forecast FY 2001</u>	<u>% Above FY 2000 Adjusted</u>
Taxes:						
Sales and Use	2,584,050.3	9.1	2,797,454.1	8.5	2,970,627.3	6.5
Income -Individual	2,143,070.4	15.1	2,335,133.7	11.3	2,520,051.1	9.1
-Corporate	552,415.8	4.6	569,930.6	4.5	577,092.5	4.0
Property	44,298.0	(3.1)	41,981.8	(3.5)	39,953.8	(4.7)
Luxury	64,770.5	0.5	60,000.0	(7.4)	60,000.0	0.0
Insurance Premium	150,606.2	20.9	163,000.0	8.2	178,000.0	9.2
Motor Vehicle License	176,526.1	7.3	80,000.0	(11.7)	25,000.0	0.0
Estate	87,250.1	38.7	70,000.0	(19.8)	70,000.0	0.0
Other Taxes	2,177.6	(9.6)	2,420.0	11.1	2,420.0	0.0
Subtotal - Taxes	<u>5,805,164.9</u>	11.1	<u>6,119,920.2</u>	8.1	<u>6,443,144.7</u>	7.1
Other Non-Tax Revenues:						
Lottery	21,000.0	(1.3)	21,000.0	0.0	21,000.0	0.0
Licenses, Fees and Permits	83,842.8	3.7	80,926.8	(3.5)	100,049.5	23.5
Interest	75,453.7	(2.9)	65,000.0	(13.9)	65,000.0	0.0
Transfers and Reimbursements	29,920.0	(3.2)	30,000.0	0.3	30,000.0	0.0
Disproportionate Share Revenue	74,849.0	(13.8)	101,667.9	35.8	76,490.0	(24.8)
Balance Transfers	31,513.0	-	4,393.6	(86.1)	7,433.4	69.2
Subtotal - Non-Tax	<u>316,578.5</u>	6.4	<u>302,988.3</u>	(4.3)	<u>299,972.9</u>	(1.0)
Total Base Revenue	6,121,743.4	10.9	6,422,908.5	7.5	6,743,117.6	6.7
Urban Revenue Sharing (URS)	<u>(340,310.6)</u>	16.8	<u>(377,711.0)</u>	11.0	<u>(396,452.6)</u>	5.0
Base Revenue After URS	5,781,432.8	10.6	6,045,197.5	7.3	6,346,664.9	6.8

REVENUE GROWTH AFTER LEGISLATED ADJUSTMENTS ^{2/}

(\$ in Thousands)

	<u>Actual FY 1999</u>	<u>% Above FY 1998 Actual</u>	<u>Adjusted Forecast FY 2000</u>	<u>% Above FY 1999 Actual</u>	<u>Adjusted Forecast FY 2001</u>	<u>% Above FY 2000 Adjusted</u>
Taxes:						
Sales and Use	2,577,170.5	8.8	2,789,101.8	8.2	2,965,735.3	6.3
Income -Individual	2,097,629.5	12.6	2,310,383.5	10.1	2,513,701.3	8.8
-Corporate	545,388.1	3.3	554,896.1	1.7	538,376.4	(3.0)
Property	43,488.6	(4.9)	41,930.2	(3.6)	39,923.8	(4.8)
Luxury	64,770.5	0.5	60,000.0	(7.4)	60,000.0	0.0
Insurance Premium	150,606.2	20.9	163,000.0	8.2	178,000.0	9.2
Motor Vehicle License	90,592.3	(44.9)	25,000.0	(72.4)	0.0	(100.0)
Estate	87,250.1	38.7	70,000.0	(19.8)	70,000.0	0.0
Other Taxes	2,177.6	(9.6)	2,420.0	11.1	2,420.0	0.0
Subtotal - Taxes	<u>5,659,073.3</u>	8.3	<u>6,016,731.6</u>	6.3	<u>6,368,156.8</u>	5.8
Other Non-Tax Revenues:						
Lottery	21,000.0	(1.3)	21,000.0	0.0	21,000.0	0.0
Licenses, Fees and Permits	83,842.8	3.7	81,030.4	(3.4)	99,562.6	22.9
Interest	75,453.7	(2.9)	65,000.0	(13.9)	65,000.0	0.0
Transfers and Reimbursements	29,920.0	(3.2)	30,000.0	0.3	30,000.0	0.0
Disproportionate Share Revenue	74,849.0	(13.8)	101,667.9	35.8	76,490.0	(24.8)
Balance Transfers	31,513.0	-	4,393.6	(86.1)	7,433.4	69.2
Subtotal - Non-Tax	<u>316,578.5</u>	6.4	<u>303,091.9</u>	(4.3)	<u>299,486.0</u>	(1.2)
Total Base Revenue	5,975,651.8	8.2	6,319,823.5	5.8	6,667,642.8	5.5
Urban Revenue Sharing (URS)	<u>(340,310.6)</u>	16.8	<u>(377,711.0)</u>	11.0	<u>(396,452.6)</u>	5.0
Base Revenue After URS	5,635,341.2	7.8	5,942,112.5	5.4	6,271,190.2	5.5

^{1/} The baseline forecast represents revenue growth prior to accounting for previously enacted, but newly effective legislative adjustments

^{2/} The adjusted forecast includes these adjustments and represents a "bottom line" revenue growth estimate. See next table for a listing of these legislative adjustments.

Table 2

LEGISLATIVE ADJUSTMENTS

(\$ in Thousands)

Marginal impact over and above prior year impact

Chapter No.	Short Title	FY 2000 Impact	FY 2001 Impact	FY 2002 Impact	FY 2003 Impact	Revenue Category
Forty-Fourth Legislature - Second Regular Session:^{1/}						
111	Board of Athletic Training		60.0 ^{2/}			Other
168	Victim Compensation; Unclaimed Restitution		(83.3)			Other
214	Renewable Energy; Tax Incentive		(40.7)	(2.1)	(2.2)	Sales
					(57.0)	Individual
					(8.8) ^{3/}	Property
	Subtotal - Chapter 214	0.0	(40.7)	(2.1)	(68.0)	
209	Named Claimants; Appropriations	103.6	(103.6)			Other
239	Technology Training; Tax Credit			(2,500.0)		Corporate
				(300.0)		Individual
	Subtotal - Chapter 239	0.0	0.0	(2,800.0)	0.0	
252	Internal Revenue Code Conformity	(680.0)	(2,116.0)	(464.0)	2,624.0	Individual
		(15.0)	36.0	154.0	(26.0)	Corporate
	Subtotal - Chapter 252	(695.0)	(2,080.0)	(310.0)	2,598.0	
258	Cemeteries; Property Tax Exemption Process ^{4/}					Property
267	Agricultural Preservation District			(100.0)		Individual
313	Tax Credits; Character Instruction			(75.0)		Individual
359	Spaceport; Launch Site; Exemption	(18.4)	(18.3)			Sales
372	Tourism and Sports Authority ^{5/}					Various
381	Appropriation; Floodway Control		(360.0) ^{6/}			Other
384	Property Tax; Electrical Generation Facilities			(2,234.9) ^{7/}	(1,722.2) ^{8/}	Property
394	Tuition Tax Credit; Handicapped Preschoolers			(100.0)		Individual
405	2000 Clean Air Act			192.3		Corporate
				96.1		Individual
	Subtotal - Chapter 405	0.0	0.0	288.4	0.0	
	Session Total	(609.8)	(2,625.9)	(5,333.6)	807.8	
Forty-Fourth Legislature - First Special Session:						
5	Tax Relief and Fiscal Control	(20,000.0)	(20,000.0)			VLT
5	Triggers:					
	Reduce Mining Severance	(4,667.0)	(3,333.0)			Sales
	Corporate Tax Rate Reductions		(32,000.0)	(32,000.0)		Corporate
	R & D Tax Credit Cap		(5,000.0)	(5,000.0)		Corporate
	Personal Property Tax		(30.0)	(30.0)		Property
	VLT Rate Reductions ^{9/}	(15,000.0)	(5,000.0)			VLT
	Subtotal - Triggers	(19,667.0)	(45,363.0)	(37,030.0)	0.0	
	Session Total	(39,667.0)	(65,363.0)	(37,030.0)	0.0	
Forty-Fourth Legislature - First Regular Session:						
50	Public Retirement; Benefits		(1,766.7)			Individual
153	Sales Tax Exemptions; Expendable Materials	(3,400.0)				Sales
168	Alternative Fuel Vehicles	(1,052.2)	(1,052.1)			Corporate
		2,427.7	(427.1)	(427.1)		Individual
	Subtotal - Chapter 168	1,375.5	(1,479.2)	(427.1)	0.0	
183	Tax Sharing; Indian Tribal Colleges		(1,500.0)	(250.0)		Sales
190	Corporate Income Tax; Income Allocation		(700.0)	(700.0)		Corporate
250	Taxpayer Bill of Rights	(200.0)	(400.0)	200.0		Individual
317	Taxation; Internal Revenue Code Conformity	(2,250.0)	0.0	(2,030.0)		Corporate
		2,570.0	(1,640.0)	(3,880.0)		Individual
	Subtotal - Chapter 317	320.0	(1,640.0)	(5,910.0)		
	Session Total	(1,904.5)	(7,485.9)	(7,087.1)	0.0	

Table 2 (Continued)

LEGISLATIVE ADJUSTMENTS

(\$ in Thousands)

Marginal impact over and above prior year impact

Chapter No.	Short Title	FY 2000 Impact	FY 2001 Impact	FY 2002 Impact	FY 2003 Impact	Revenue Category
Forty-Third Legislature - Fourth Special Session:						
3	Tax Relief Act of 1998	(20,000.0)				Individual Corporate VLT
		(10,000.0)				
		(20,000.0)				
	Session Total	<u>(50,000.0)</u>	0.0	0.0	0.0	
Forty-Third Legislature - Second Regular Session:						
	Proposition 200: Campaign Financing	(1,279.1)				Individual
132	Sales and Use Tax; Printing	(100.0)				Sales
165	Sales Tax Return Thresholds	50.0				Sales
177	Sales Tax Exemption; Flight Property	80.0				Sales
208	Wheels to Work	(1,140.0)				Individual
		(1,140.0)				Corporate
	Subtotal - Chapter 208	<u>(2,280.0)</u>	0.0	0.0	0.0	
220	Telecommunications Property	(19.3)				Property
221	Alternative Fuels	(857.6)				Sales
		(1,931.8)				Individual
	Subtotal - Chapter 221	<u>(2,789.4)</u>	0.0	0.0	0.0	
261	Widows, Widowers Disabled Exemption	(32.3)				Property
283	Omnibus Taxation Act	(3,170.0)				Individual
286	Tax Exemptions; Deductions; Credits	560.7				Sales
		(1,347.0)				Individual
		(577.3)				Corporate
	Subtotal - Chapter 286	<u>(1,924.3)</u>	0.0	0.0	0.0	
	Session Total	<u>(10,903.7)</u>	0.0	0.0	0.0	

Summary by Revenue Category:

Corporate Income Tax	(15,034.5)	(38,716.1)	(41,883.7)	(26.0)
Individual Income Tax	(24,750.2)	(6,349.8)	(5,050.0)	2,567.0
Sales Tax	(8,352.3)	(4,892.0)	(252.1)	(2.2)
Vehicle License Tax	(55,000.0)	(25,000.0)	0.0	0.0
Property Tax	(51.6)	(30.0)	(2,264.9)	(1,731.0)
Other Revenues	103.6	(486.9)	0.0	0.0
Total - All Sessions	(103,085.0)	(75,474.8)	(49,450.7)	807.8

- 1/ Conditional upon voter approval in next general election, H.C.R. 2028 will have a FY 2004 impact of \$(15.6) in lost property tax revenues and \$479.5 in increased costs for K-12 education
- 2/ This act has a one-time fiscal impact, which will be excluded from the FY 2002-03 baseline forecast
- 3/ Additional K-12 education cost in FY 2003 of \$454.5.
- 4/ Conditional upon voter approval of S.C.R. 1010 in next general election, the act will have a FY 2003 impact of \$(7.3) in lost property tax revenues and \$375.1 in increased costs for K-12 education.
- 5/ Conditional upon voter approval in next general election and dependent on when the authority initiates the project, the act will have a FY 2002 impact of \$(2,718.6) in lost individual income taxes, \$(1,512.5) in lost sales taxes, and \$2,275.4 in additional spending related to the Office of Tourism.
- 6/ This act has a one-time fiscal impact, which will be excluded from the FY 2002-03 baseline forecast
- 7/ Additional K-12 education cost in FY 2002 of \$1,897.7.
- 8/ Additional K-12 education cost in FY 2003 of \$3,411.7.
- 9/ In addition, reductions in the VLT rate will result in \$21,400.4 in additional General Fund spending in FY 2001 to compensate for lost revenue to the State Highway Fund and the local Transportation Assistance Fund