

## GENERAL FUND REVENUE

### FY 2026

FY 2026 Baseline General Fund revenues are projected to be \$18.46 billion. As shown in *Table 1* below, this is an increase of \$692.4 million compared to the original revenue estimate included in the FY 2026 budget adopted in June 2025.

**Table 1**

**FY 2026 Revenue Forecast  
(\$ in Millions)**

Adopted FY 2026 Revenue Estimate	\$17,771.0
Revision to Revenue Forecast	\$692.4
Revised FY 2026 Revenue Estimate	\$18,463.4

The higher FY 2026 revenue level under the January Baseline was due to several factors, as outlined below.

- An increase of \$480.5 million in ongoing revenues due to higher levels of collections than originally projected.
- The enacted budget assumed that the state would receive a one-time General Fund revenue deposit of \$62.9 million associated with the Affordable Care Act (ACA) disaster recovery FMAP. This deposit did not occur, however, and for this reason, relative to the adopted FY 2026 budget, this constitutes a FY 2026 one-time revenue loss of \$(62.9) million.
- The enacted budget assumed that the sale of the state-owned Marana prison to a private prison operator would result in a one-time General Fund revenue deposit of \$14.9 million in FY 2026. The actual proceeds from the sale were \$14.6 million, or \$(0.3) million less than originally assumed.
- The FY 2025 General Fund ending balance carried into FY 2026 was \$275.2 million higher than projected in the enacted budget.

Current year ongoing net revenue estimates are based on the 4-sector consensus forecasting process (*see FY 2027 and Beyond section below*). Net revenue includes the impact of previously enacted legislation but excludes Urban Revenue Sharing and one-time revenue adjustments, such as budgeted fund transfers and the carry-forward balance.

*Table 2* shows the projected net revenue growth rates in FY 2026 through FY 2029 for the “Big 3” General Fund revenue sources of sales, individual income and corporate

income taxes that were provided by each of the components comprising the 4-sector consensus forecast.

Based on the weighted average of the components of the 4-sector consensus forecast, “Big 3” General Fund revenue is projected to grow by 4.1% in FY 2026. After incorporating the smaller revenue categories, including the insurance premium tax, which were estimated by the JLBC Staff, the net revenue growth rate is 3.6%. After including Urban Revenue Sharing, fund transfers and the carry-forward balance, overall revenues are projected to increase by 6.0%, to a total of \$18.46 billion in FY 2026.

### FY 2027 and Beyond

The FY 2027 Baseline projects total General Fund revenue of \$18.30 billion, which is (0.9)%, or \$(168.4) million, below the amount in FY 2026. Net revenue, which excludes Urban Revenue Sharing, fund transfers and the beginning balance, is projected to grow by 3.6%, or \$661.9 million, in FY 2027.

There are several factors that cause FY 2027 net revenue to go from a 3.6% increase to a total General Fund revenue decline of (0.9)%, as outlined below.

- \$(694.2) million decline in the beginning balance, from \$1.37 billion in FY 2026 to \$673.1 million in FY 2027.
- \$(20.4) million reduction in one-time fund transfers and other one-time adjustments, from \$30.1 million in FY 2026 to \$9.7 million in FY 2027.
- \$115.7 million increase of Urban Revenue Sharing to municipalities, from \$1.19 billion in FY 2026 to \$1.30 billion in FY 2027, which results in General Fund revenue loss of \$(115.7) million.

The FY 2027 Baseline also incorporates revenue planning estimates for FY 2028 and FY 2029, which are shown in *Table 5*. Under the January Baseline, net revenue would increase by 4.4% in FY 2028 and 4.6% in FY 2029.

The Baseline estimated growth rates for the “Big 3” revenue categories of sales, individual income, and corporate income taxes are initially developed and revised using a 4-sector averaging process. This process is based on averaging the results of the following 4 forecasts:

- Finance Advisory Committee panel forecast of January 2026. Consisting of 11 public and private sector economists, this independent panel usually meets 3 times a year to provide the Legislature with guidance on the status of the Arizona economy.

**Table 2**

**4-Sector Estimates  
Forecast Percentages (FY 2026 - FY 2029)  
Net Revenue <sup>1/</sup>**

	FY 2026					FY 2027				
	<u>JLBC</u>	<u>UA Low</u>	<u>UA Base</u>	<u>FAC</u>	<u>Avg</u>	<u>JLBC</u>	<u>UA Low</u>	<u>UA Base</u>	<u>FAC</u>	<u>Avg</u>
Sales Tax	3.7%	2.0%	3.2%	3.0%	3.0%	4.4%	2.6%	3.9%	3.0%	3.5%
Individual Income Tax	6.5%	3.9%	5.6%	5.6%	5.4%	6.0%	4.7%	6.2%	4.6%	5.4%
Corporate Income Tax	7.0%	1.8%	3.6%	7.4%	5.0%	4.0%	1.7%	3.4%	5.2%	3.6%
<b>Overall <sup>2/</sup></b>	<b>4.4%</b>	<b>2.3%</b>	<b>3.6%</b>	<b>3.9%</b>	<b>3.6%</b>	<b>4.3%</b>	<b>2.8%</b>	<b>4.1%</b>	<b>3.3%</b>	<b>3.6%</b>
	FY 2028					FY 2029				
	<u>JLBC</u>	<u>UA Low</u>	<u>UA Base</u>	<u>FAC</u>	<u>Avg</u>	<u>JLBC</u>	<u>UA Low</u>	<u>UA Base</u>	<u>FAC</u>	<u>Avg</u>
Sales Tax	4.2%	3.9%	4.4%	4.4%	4.2%	4.3%	4.1%	4.4%	4.4%	4.3%
Individual Income Tax	5.3%	5.7%	6.1%	5.8%	5.7%	5.0%	5.6%	6.1%	5.7%	5.6%
Corporate Income Tax	4.0%	2.9%	3.2%	6.6%	4.2%	4.0%	3.6%	3.8%	5.9%	4.4%
<b>Overall <sup>2/</sup></b>	<b>4.3%</b>	<b>4.1%</b>	<b>4.5%</b>	<b>4.8%</b>	<b>4.4%</b>	<b>4.4%</b>	<b>4.5%</b>	<b>4.8%</b>	<b>4.9%</b>	<b>4.6%</b>

<sup>1/</sup> Includes impact of previously enacted tax legislation.

<sup>2/</sup> The growth rates for each sector represent the weighted average of Big-3 revenue estimates plus JLBC Staff estimates of other revenue.

- 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 more cautious forecast model, and
- JLBC Staff projections.

The growth rates from each sector of the forecast for FY 2026 through FY 2029 are displayed in *Table 2*.

**Risks to the Revenue Forecast**

Most economists see continued global growth in 2026, but at slower pace than in recent years due to policy uncertainty, trade tensions, and uneven regional performance. In terms of the U.S. economy, many analysts expect a slowdown in economic activity as a result of softer consumer demand, slower hiring, and a weakening of business investments. In addition, there are also concerns that persistent inflation or an unexpected surge of price pressures could challenge the Federal Reserve’s ability to manage the economy through its monetary policy tools.

**Revenue Adjustments**

*Table 3* provides an overview of ongoing net revenue and total revenue growth for FY 2026 and FY 2027

**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 distributed to cities and towns is 18% of net individual and corporate income tax collections from 2 years prior.

<b>Table 3</b>				
<b>General Fund Revenue Baseline For FY 2026 and FY 2027 Budget (\$ in Millions)</b>				
	<u>FY 2026</u>	<u>%</u>	<u>FY 2027</u>	<u>%</u>
Net Revenue <sup>1/</sup>	\$18,252.4	3.6%	\$18,914.2	3.6%
Urban Revenue Sharing	(1,186.3)		(1,302.0)	
One-Time Financing Sources:				
Balance Forward	1,367.3		673.1	
Marana Prison Sale Revenue	14.6		0.0	
Fund Transfers	<u>15.5</u>		<u>9.7</u>	
Subtotal	1,397.4		682.8	
<b>Total Revenue</b>	<b><u>\$18,463.4</u></b>	<b>6.0%</b>	<b><u>\$18,295.0</u></b>	<b>(0.9)%</b>
<sup>1/</sup> Net revenue represents ongoing General Fund revenue after the impact of previously enacted tax legislation.				

As shown in *Table 4*, total URS distributions will increase from \$1.19 billion in FY 2026 to \$1.30 billion in FY 2027. This URS increase results in a net General Fund revenue loss of \$(116) million in FY 2027 relative to FY 2026. As displayed in *Table 5*, URS distributions are projected to increase to \$1.37 billion in FY 2028 and \$1.44 billion in FY 2029, which will result in a net General Fund loss of \$(69) million and \$(68) million in FY 2028 and FY 2029, respectively.

**One-Time Financing**

As shown in *Table 4*, the FY 2026 budget adopted in June 2025 includes the following one-time financing sources:

**FY 2026**

Fund Transfers

The enacted FY 2026 budget includes fund transfers of \$15.5 million to the General Fund in FY 2026.

Marana Prison Sale Proceeds

The sale of the state-owned Marana Prison to the private prison operator Management and Training Corporation resulted in deposit of \$14.6 million into the General Fund.

Balance Forward

The FY 2025 General Fund ending balance carried into FY 2026 was \$1.37 billion.

**FY 2027**

Fund Transfers

The adopted budget includes fund transfers of \$9.7 million to the General Fund in FY 2027.

Balance Forward

The FY 2026 General Fund ending balance carried into FY 2027 is projected to be \$673.1 million.

**FY 2028**

Fund Transfers

The adopted budget includes fund transfers of \$0.6 million to the General Fund in FY 2028.

Balance Forward

The FY 2027 General Fund ending balance carried into FY 2028 is projected to be \$675.1 million.

**FY 2029**

Balance Forward

The FY 2028 General Fund ending balance carried into FY 2029 is projected to be \$577.5 million. The Baseline assumes no other one-time financing sources in FY 2029.

Table 4

## GENERAL FUND REVENUE - FY 2025 - FY 2027

FORECAST REVENUE GROWTH								
(\$ in Thousands)								
	ACTUAL FY 2025	% CHANGE PRIOR YR	FORECAST FY 2026	% CHANGE PRIOR YR	\$ CHANGE PRIOR YR	FORECAST FY 2027	% CHANGE PRIOR YR	\$ CHANGE PRIOR YR
Sales and Use	8,151,850.1	2.7%	8,395,047.0	3.0%	243,196.9	8,686,395.1	3.5%	291,348.1
Income - Individual	5,482,950.4	13.1%	5,778,801.2	5.4%	295,850.9	6,089,008.3	5.4%	310,207.1
- Corporate	1,750,547.2	0.3%	1,837,345.2	5.0%	86,798.0	1,903,284.7	3.6%	65,939.5
Property	35,136.7	35.2%	36,571.4	4.1%	1,434.8	37,229.7	1.8%	658.3
Luxury - Tobacco	16,233.8	-16.9%	16,436.2	1.2%	202.3	16,419.7	-0.1%	(16.4)
- Liquor	48,610.0	8.2%	50,307.6	3.5%	1,697.6	52,521.1	4.4%	2,213.5
Insurance Premium	923,760.0	12.6%	1,038,306.2	12.4%	114,546.2	1,085,030.0	4.5%	46,723.8
Other Taxes	19,006.4	10.5%	19,936.9	4.9%	930.5	21,013.5	5.4%	1,076.6
Subtotal - Taxes	16,428,094.6	6.3%	17,172,751.6	4.5%	744,657.1	17,890,902.0	4.2%	718,150.4
<b>Other Non-Tax Revenues:</b>								
Lottery	217,294.1	-2.2%	171,343.3	-21.1%	(45,950.8)	168,752.5	-1.5%	(2,590.8)
Gaming Revenue	39,734.4	8.9%	47,942.3	20.7%	8,207.9	64,946.8	35.5%	17,004.5
Licenses, Fees and Permits	55,470.5	5.3%	55,076.6	-0.7%	(393.9)	57,555.1	4.5%	2,478.4
Interest	286,881.2	-22.7%	228,000.0	-20.5%	(58,881.2)	175,000.0	-23.2%	(53,000.0)
Sales and Services	28,469.5	-7.4%	31,416.4	10.4%	2,946.9	32,830.2	4.5%	1,413.7
Other Miscellaneous	363,676.6	60.2%	363,676.6	0.0%	0.0	381,860.4	5.0%	18,183.8
Transfers and Reimbursements	111,219.3	-66.1%	88,846.2	-20.1%	(22,373.1)	49,212.0	-44.6%	(39,634.2)
Medicaid Hospital Revenue	93,477.4	3.7%	93,320.8	-0.2%	(156.6)	93,169.8	-0.2%	(151.0)
Subtotal - Other Non-Tax	1,196,222.9	-11.9%	1,079,622.2	-9.7%	(116,600.7)	1,023,326.7	-5.2%	(56,295.5)
<b>Net Ongoing Revenue</b>	<b>17,624,317.5</b>	<b>4.8%</b>	<b>18,252,373.9</b>	<b>3.6%</b>	<b>628,056.3</b>	<b>18,914,228.8</b>	<b>3.6%</b>	<b>661,854.9</b>
Urban Revenue Sharing (URS)	(1,268,257.8)	N/A	(1,186,305.8)	N/A	81,952.0	(1,302,029.6)	N/A	(115,723.8)
<b>Net Ongoing Revenue w/ URS</b>	<b>16,356,059.7</b>	<b>7.3%</b>	<b>17,066,068.1</b>	<b>4.3%</b>	<b>710,008.3</b>	<b>17,612,199.2</b>	<b>3.2%</b>	<b>546,131.1</b>
<b>One-Time Financing Sources:</b>								
Fund Transfers	30,491.8	-96.4%	15,500.0	-49.2%	(14,991.8)	9,700.0	-37.4%	(5,800.0)
One-Time Income Tax Rebate	(16.1)	-100.0%	0.0	N/A	16.1	0.0	N/A	0.0
Other One-Time Revenue Adjustments	71,249.0	N/A	14,574.4	-79.5%	(56,674.6)	0.0	-100.0%	(14,574.4)
Subtotal - One-Time Financing Sources	101,724.7	-82.1%	30,074.4	-70.4%	(71,650.3)	9,700.0	-67.7%	(20,374.4)
<b>Subtotal - Revenues</b>	<b>16,457,784.4</b>	<b>4.1%</b>	<b>17,096,142.5</b>	<b>3.9%</b>	<b>638,358.0</b>	<b>17,621,899.2</b>	<b>3.1%</b>	<b>525,756.7</b>
Balance Forward	962,823.0	-61.9%	1,367,290.0	42.0%	404,467.0	673,119.0	-50.8%	(694,171.0)
<b>Total - Resources</b>	<b>17,420,607.4</b>	<b>-5.0%</b>	<b>18,463,432.5</b>	<b>6.0%</b>	<b>1,042,825.0</b>	<b>18,295,018.2</b>	<b>-0.9%</b>	<b>(168,414.3)</b>

Table 5

## GENERAL FUND REVENUE - FY 2028 - FY 2029

FORECAST REVENUE GROWTH						
(\$ in Thousands)						
	FORECAST FY 2028	% CHANGE PRIOR YR	\$ CHANGE PRIOR YR	FORECAST FY 2029	% CHANGE PRIOR YR	\$ CHANGE PRIOR YR
Sales and Use	9,054,251.8	4.2%	367,856.7	9,443,768.1	4.3%	389,516.3
Income - Individual	6,437,176.5	5.7%	348,168.2	6,797,683.6	5.6%	360,507.1
- Corporate	1,983,519.8	4.2%	80,235.2	2,070,279.4	4.4%	86,759.5
Property	37,676.5	1.2%	446.8	38,053.2	1.0%	376.8
Luxury - Tobacco	16,255.5	-1.0%	(164.2)	16,174.3	-0.5%	(81.3)
- Liquor	54,779.5	4.3%	2,258.4	57,025.5	4.1%	2,246.0
Insurance Premium	1,133,856.3	4.5%	48,826.4	1,184,879.9	4.5%	51,023.5
Other Taxes	22,169.2	5.5%	1,155.7	23,299.9	5.1%	1,130.6
Subtotal - Taxes	18,739,685.2	4.7%	848,783.2	19,631,163.8	4.8%	891,478.6
<b>Other Non-Tax Revenues:</b>						
Lottery	174,597.6	3.5%	5,845.1	182,521.8	4.5%	7,924.3
Gaming Revenue	83,842.2	29.1%	18,895.4	88,034.3	5.0%	4,192.2
Licenses, Fees and Permits	59,857.3	4.0%	2,302.2	62,850.2	5.0%	2,992.9
Interest	120,000.0	-31.4%	(55,000.0)	112,000.0	-6.7%	(8,000.0)
Sales and Services	34,143.4	4.0%	1,313.2	35,509.1	4.0%	1,365.7
Other Miscellaneous	397,134.8	4.0%	15,274.4	413,020.2	4.0%	15,885.4
Transfers and Reimbursements	49,761.4	1.1%	549.5	50,330.4	1.1%	568.9
Medicaid Hospital Revenue	93,169.8	0.0%	0.0	93,169.8	0.0%	0.0
Subtotal - Other Non-Tax	1,012,506.5	-1.1%	(10,820.2)	1,037,435.8	2.5%	24,929.3
<b>Net Ongoing Revenue</b>	<b>19,752,191.7</b>	<b>4.4%</b>	<b>837,962.9</b>	<b>20,668,599.6</b>	<b>4.6%</b>	<b>916,407.9</b>
Urban Revenue Sharing (URS)	(1,370,906.4)	N/A	(68,876.8)	(1,438,612.7)	N/A	(67,706.4)
<b>Net Ongoing Revenue w/ URS</b>	<b>18,381,285.3</b>	<b>4.4%</b>	<b>769,086.1</b>	<b>19,229,986.9</b>	<b>4.6%</b>	<b>848,701.5</b>
<b>One-Time Financing Sources:</b>						
Fund Transfers	600.0	-93.8%	(9,100.0)	0.0	-100.0%	(600.0)
One-Time Income Tax Rebate	0.0	N/A	0.0	0.0	N/A	0.0
Other One-Time Revenue Adjustments	0.0	N/A	0.0	0.0	N/A	0.0
Subtotal - One-Time Financing Sources	600.0	-93.8%	(9,100.0)	0.0	-100.0%	(600.0)
<b>Subtotal - Revenues</b>	<b>18,381,885.3</b>	<b>4.3%</b>	<b>759,986.1</b>	<b>19,229,986.9</b>	<b>4.6%</b>	<b>848,101.5</b>
Balance Forward	675,054.7	0.3%	1,935.7	577,515.7	-14.4%	(97,539.0)
<b>Total - Resources</b>	<b>19,056,940.0</b>	<b>4.2%</b>	<b>761,921.8</b>	<b>19,807,502.6</b>	<b>3.9%</b>	<b>750,562.5</b>