
Finance Advisory Committee Revenue and Budget Update

April 11, 2024



Key Points

- FY 24 General Fund revenue collections have improved marginally since the January FAC meeting.
- As a result, the General Fund revenue shortfall has declined to \$(650) M in FY 24 and \$(676) M in FY 25, or a combined total of \$(1.3) B.
- The Legislature may opt to continue \$369 M of traditional “ongoing one-times” and litigation-related one-time spending in FY 25.
- After adjusting for these one-time items and a \$100 M ending balance, we will need \$1.8 B of shortfall solutions (down from \$2.2 B in January).
- The shortfalls continue through FY 27, the last year of the 3-year budget window. The projected FY 27 shortfall is \$(143) M.

FY 24 Trends Since January

- Through March, General Fund revenues are \$128 M above the January forecast.
- The April update would raise FY 24 revenues by \$185 M above the January forecast.
- There are 2 main drivers of the improvement in the last 3 months.
 - Individual Income Tax refunds have declined more than anticipated.
 - Insurance Premium Tax collections are 12% above last year.
- On the other hand, growth in sales tax collections – especially retail – has been slow lately.

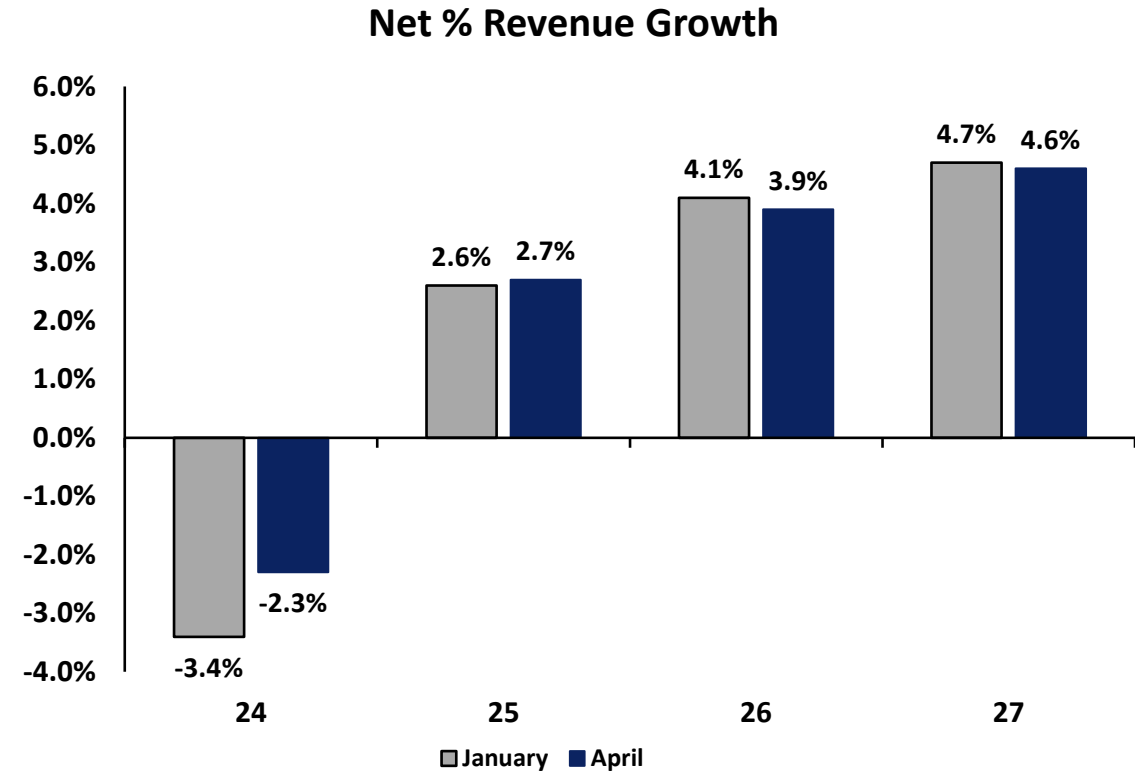
Forecasting State Revenues

January vs. April 4-Sector Forecasts

- April Estimates Raise the Forecast in Both FY 24 and FY 25

FY 25-27 4-Sector Components

- Finance Advisory Committee
- UA model – base
- UA model – more cautious
- JLBC Staff (sole source of FY 24)

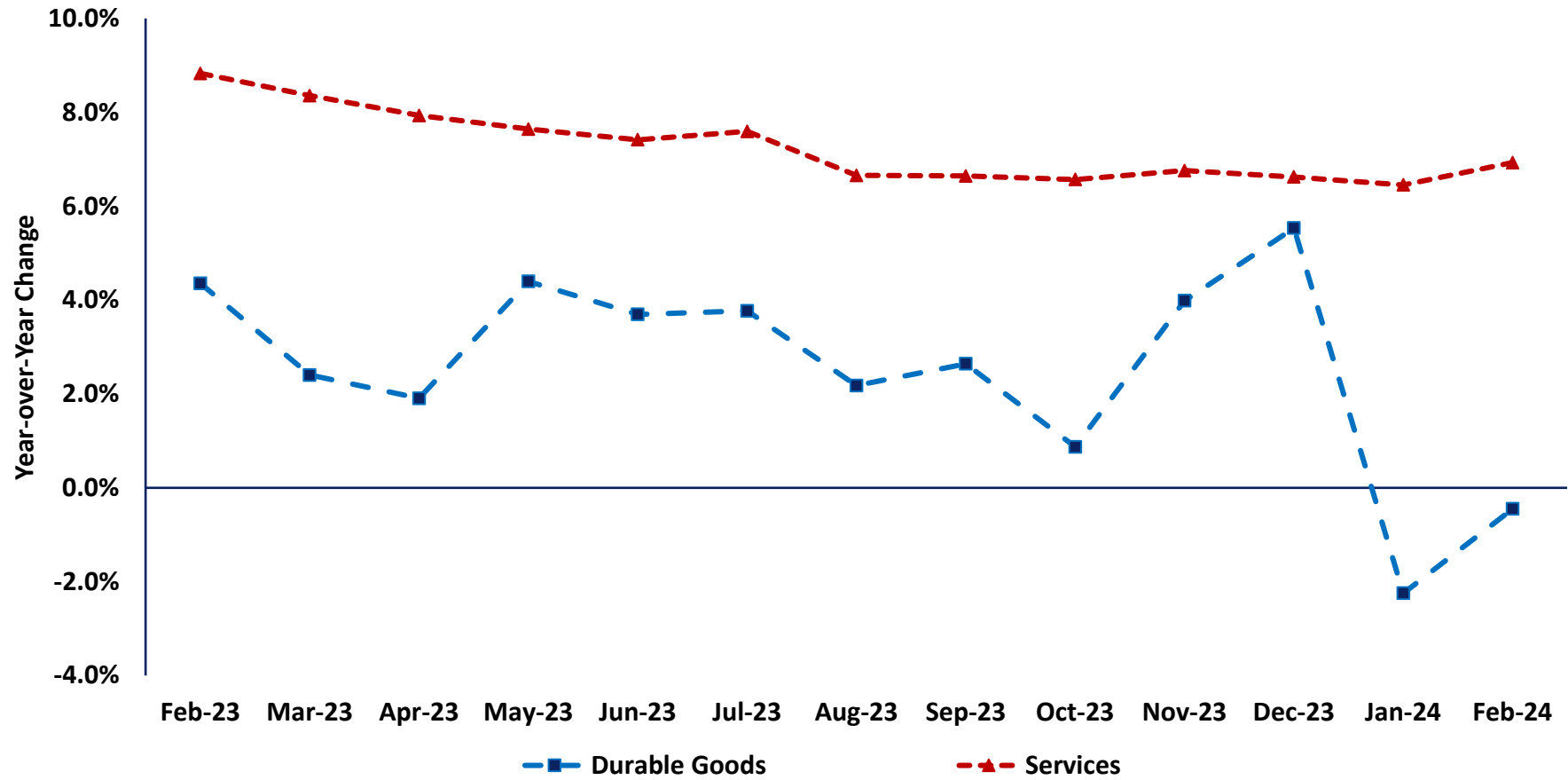


Excludes balance forward, one-time tax rebate and urban revenue sharing

See Appendix A and B

The Year-to-Date Growth of Sales Tax Collections is 3.4%

- Sluggish Durable Goods Spending Has Affected FY 24 Collections

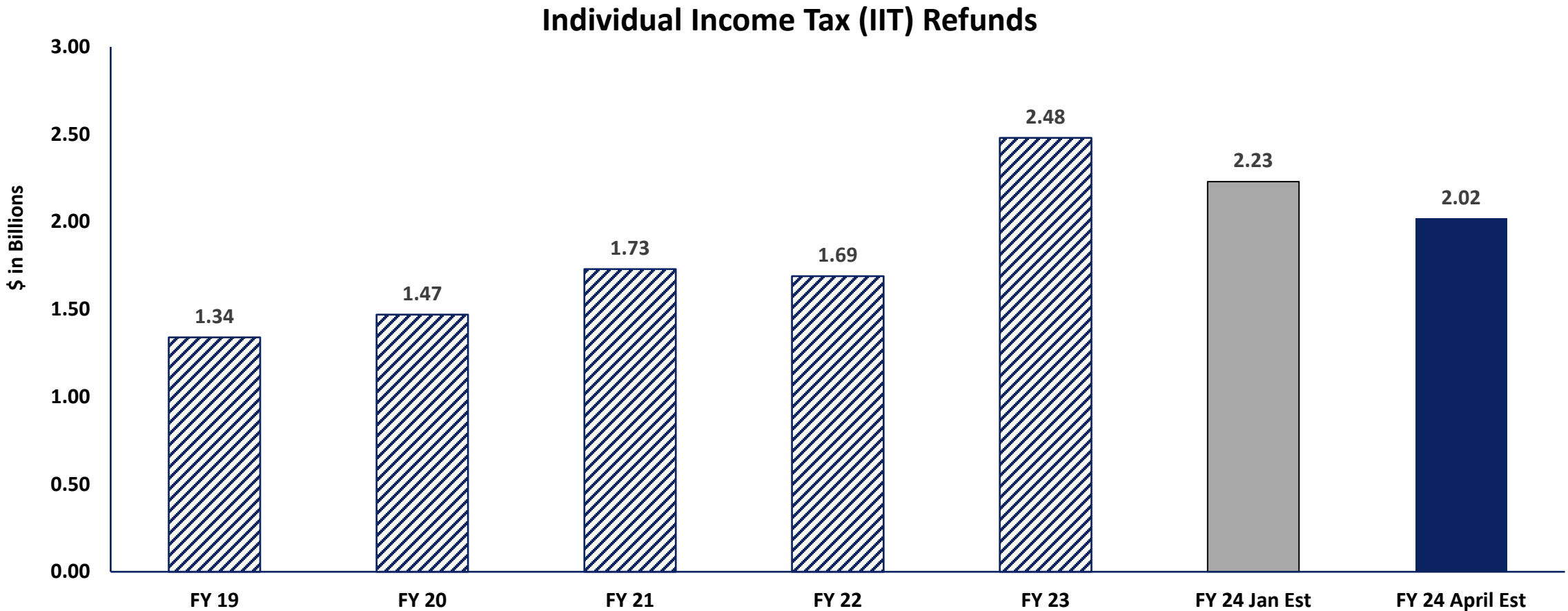


US Personal Consumption Expenditure (PCE) Growth

IIT Refunds Declining More than Anticipated in FY 24

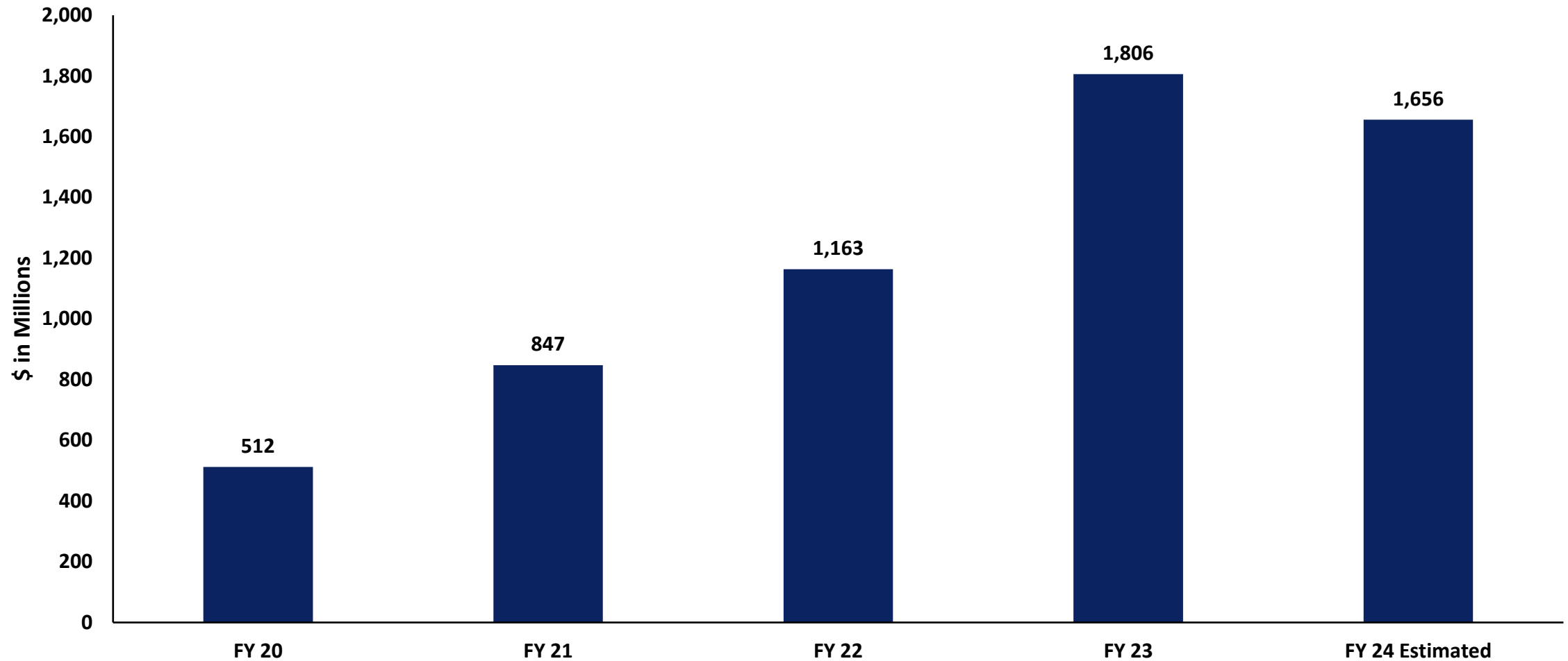
- Based on February and March Refund Levels

- Decline Results from the Timing of the 2.5% Rate Implementation



Corporate Income Tax Grew 250% Between FY 20 and FY 23

- In FY 24, Projected to Decline (8.3)%; Blip or Bubble Bursting?



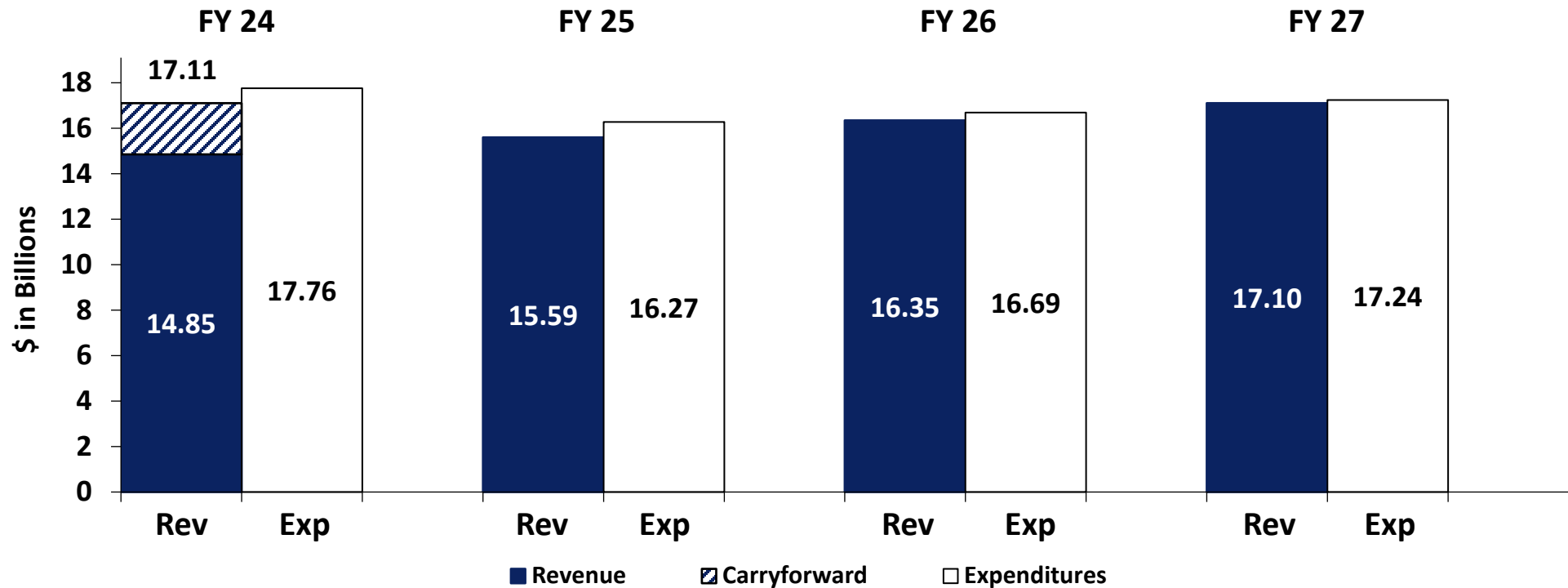
Projected Ending Balances

Excludes \$1.5 B in Budget Stabilization Fund

More Information in Appendix C

Projected Shortfall of \$(650) M in FY 24 & \$(676) M in FY 25

- Assumes Each Year's Shortfall is Resolved and Not Carried Into the Following Year



Cash Balance \$(650) M

\$ (676) M

\$ (343) M

\$ (143) M

Compared to January, Medicaid spending is \$67 M and \$86 M higher in FY 26 & 27, respectively, due to lower federal match.

STAFF OF THE JOINT LEGISLATIVE BUDGET COMMITTEE

Director.....	Richard Stavneak
Deputy Directors.....	Jack Brown
.....	Patrick Moran
Chief Economist.....	Hans Olofsson
Assistant Directors.....	Morgan Dorcheus
.....	Micaela Larkin Andrews
Principal Fiscal Analyst.....	Geoffrey Paulsen
Senior Fiscal Analysts.....	Jordan Johnston
.....	Maggie Rocker
Senior Economist.....	Ben Newcomb
Fiscal Analysts.....	Nate Belcher
.....	Chandler Coiner
.....	James Martinez-Burney
.....	Cameron Mortensen
.....	Gordon Robertson
.....	Mitch Wenzel
Assistant Fiscal Analysts.....	Destin Moss
.....	Ethan Scheider
Senior Administrative Assistant / JLBC Clerk.....	Kristy Paddack
Administrative Assistant / JCCR Clerk.....	Jennifer Burns

Appendix A: April Revenue Forecast

	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>
Sales Tax				
JLBC Forecast	3.2%	3.9%	4.6%	4.8%
UA – Low	1.8%	2.4%	3.5%	3.9%
UA – Base	2.8%	3.8%	4.8%	4.8%
FAC	3.5%	3.1%	4.4%	4.9%
Average:	2.8%	3.3%	4.3%	4.6%
Individual Income Tax with Deferral				
JLBC Forecast	(7.2)%	5.9%	5.6%	5.7%
UA – Low	(14.9)%	5.5%	5.4%	5.4%
UA – Base	(13.3)%	7.1%	6.0%	5.8%
FAC	(12.1)%	5.0%	5.3%	5.8%
Average:	(11.9)%	5.9%	5.6%	5.7%
Corporate Income Tax				
JLBC Forecast	(8.3)%	0.8%	4.0%	4.5%
UA – Low	(13.6)%	1.5%	1.8%	2.1%
UA – Base	(11.2)%	2.5%	2.2%	2.7%
FAC	(3.5)%	(2.7)%	5.7%	9.2%
Average:	(9.1)%	0.5%	3.5%	4.7%

JLBC Weighted Average ^{1/}	(1.9)%	4.2%	4.9%	5.1%
UA Low Weighted Average	(6.0)%	3.3%	3.9%	4.2%
UA Base Weighted Average	(4.6)%	4.7%	4.9%	4.9%
FAC Consensus Weighted Average	(2.9)%	3.0%	4.9%	5.7%
“Big-4” Weighted Average	(3.9)%	3.8%	4.7%	5.0%
Consensus Weighted Average ^{2/}	(4.1)% ^{3/}	2.7%	3.9%	4.6%

^{1/} After including the forecast for small revenue categories, the FY 2024 JLBC projected growth rate of (1.9)% becomes (2.3)%.

^{2/} Represents ongoing revenue adjusted for small revenue categories.

^{3/} April revenue forecast for FY 2024 is solely based on the JLBC Staff sector forecast of (2.3)%

Appendix B: FY 23 – FY 25 April Forecast

FORECAST REVENUE GROWTH

(\$ in Thousands)

	ACTUAL FY 2023	% CHANGE PRIOR YR	FORECAST FY 2024	% CHANGE PRIOR YR	\$ CHANGE PRIOR YR	FORECAST FY 2025	% CHANGE PRIOR YR	\$ CHANGE PRIOR YR
Sales and Use	7,677,789.3	6.5%	7,923,478.6	3.2%	245,689.3	8,185,641.9	3.3%	262,163.3
Income - Individual	5,239,552.9	-30.4%	4,861,368.2	-7.2%	(378,184.7)	5,147,012.6	5.9%	285,644.4
- Corporate	1,806,311.4	55.3%	1,656,387.5	-8.3%	(149,923.8)	1,665,266.6	0.5%	8,879.1
Property	22,208.0	-17.1%	21,892.8	-1.4%	(315.2)	21,455.0	-2.0%	(437.9)
Luxury - Tobacco	18,686.8	-10.5%	18,862.2	0.9%	175.4	18,673.6	-1.0%	(188.6)
- Liquor	45,379.8	4.1%	47,305.1	4.2%	1,925.3	49,954.2	5.6%	2,649.1
Insurance Premium	761,342.0	7.6%	780,375.5	2.5%	19,033.5	813,931.7	4.3%	33,556.1
Other Taxes	18,354.0	12.6%	18,226.7	-0.7%	(127.3)	19,557.3	7.3%	1,330.6
Subtotal - Taxes	15,589,624.2	-6.7%	15,327,896.7	-1.7%	(261,727.5)	15,921,492.8	3.9%	593,596.1
Other Non-Tax Revenues:								
Lottery	175,812.0	-4.3%	222,285.2	26.4%	46,473.2	234,637.8	5.6%	12,352.6
Gaming Revenue	49,377.2	373.1%	36,590.0	-25.9%	(12,787.2)	39,157.0	7.0%	2,567.0
Licenses, Fees and Permits	42,181.8	3.9%	48,341.4	14.6%	6,159.7	50,371.8	4.2%	2,030.3
Interest	366,763.2	690.7%	325,000.0	-11.4%	(41,763.2)	240,000.0	-26.2%	(85,000.0)
Sales and Services	33,156.3	9.2%	33,482.0	1.0%	325.8	34,821.3	4.0%	1,339.3
Other Miscellaneous	178,644.0	14.7%	180,992.3	1.3%	2,348.2	188,232.0	4.0%	7,239.7
Transfers and Reimbursements	275,596.9	64.7%	166,909.0	-39.4%	(108,687.8)	80,301.0	-51.9%	(86,608.0)
Disproportionate Share Revenue	98,139.0	11.7%	75,853.5	-22.7%	(22,285.5)	74,162.9	-2.2%	(1,690.6)
Subtotal - Other Non-Tax	1,219,670.3	68.8%	1,089,453.5	-10.7%	(130,216.8)	941,683.8	-13.6%	(147,769.7)
Net Ongoing Revenue	16,809,294.5	-3.6%	16,417,350.2	-2.3%	(391,944.3)	16,863,176.6	2.7%	445,826.4
Urban Revenue Sharing (URS)	(1,106,958.7)	N/A	(1,564,819.8)	N/A	(457,861.1)	(1,268,255.6)	N/A	296,564.2
Net Ongoing Revenue w/ URS	15,702,335.8	-5.9%	14,852,530.4	-5.4%	(849,805.4)	15,594,921.0	5.0%	742,390.6
One-Time Financing Sources:								
Attorney General Settlement	75,462.1	N/A	0.0	-100.0%	(75,462.1)	0.0	N/A	0.0
TPT Diversions	(2,287,489.6)	N/A	0.0	N/A	2,287,489.6	0.0	N/A	0.0
One-Time Income Tax Rebate	0.0	N/A	(274,000.0)	N/A	(274,000.0)	0.0	N/A	274,000.0
Subtotal - One-Time Financing Sources	(2,212,027.5)	N/A	(274,000.0)	N/A	1,938,027.5	0.0	N/A	274,000.0
Subtotal - Revenues	13,490,308.3	-19.2%	14,578,530.4	8.1%	1,088,222.1	15,594,921.0	7.0%	1,016,390.6
Balance Forward	4,709,446.0	426.4%	2,527,233.0	-46.3%	(2,182,213.0)	0.0	-100.0%	(2,527,233.0)
Total - Resources	18,199,754.3	3.4%	17,105,763.4	-6.0%	(1,093,990.9)	15,594,921.0	-8.8%	(1,510,842.4)

Appendix B: FY 26 – FY 27 April Forecast

FORECAST REVENUE GROWTH						
(\$ in Thousands)						
	FORECAST FY 2026	% CHANGE PRIOR YR	\$ CHANGE PRIOR YR	FORECAST FY 2027	% CHANGE PRIOR YR	\$ CHANGE PRIOR YR
Sales and Use	8,540,521.3	4.3%	354,879.5	8,933,772.9	4.6%	393,251.5
Income - Individual	5,434,526.2	5.6%	287,513.6	5,742,845.3	5.7%	308,319.0
- Corporate	1,721,859.4	3.4%	56,592.8	1,801,182.2	4.6%	79,322.8
Property	21,025.9	-2.0%	(429.1)	20,605.3	-2.0%	(420.5)
Luxury - Tobacco	18,486.9	-1.0%	(186.7)	18,302.0	-1.0%	(184.9)
- Liquor	52,751.7	5.6%	2,797.4	55,705.8	5.6%	2,954.1
Insurance Premium	848,116.8	4.2%	34,185.1	882,889.6	4.1%	34,772.8
Other Taxes	20,926.3	7.0%	1,369.0	22,391.1	7.0%	1,464.8
Subtotal - Taxes	16,658,214.5	4.6%	736,721.7	17,477,694.2	4.9%	819,479.7
Other Non-Tax Revenues:						
Lottery	250,185.7	6.6%	15,547.9	266,504.7	6.5%	16,319.0
Gaming Revenue	41,010.9	4.7%	1,853.9	42,955.0	4.7%	1,944.1
Licenses, Fees and Permits	52,487.4	4.2%	2,115.6	54,691.9	4.2%	2,204.5
Interest	135,000.0	-43.8%	(105,000.0)	87,000.0	-35.6%	(48,000.0)
Sales and Services	36,214.2	4.0%	1,392.9	37,662.7	4.0%	1,448.6
Other Miscellaneous	195,761.3	4.0%	7,529.3	203,591.7	4.0%	7,830.5
Transfers and Reimbursements	80,859.5	0.7%	558.5	81,437.6	0.7%	578.1
Disproportionate Share Revenue	74,428.5	0.4%	265.6	74,452.7	0.0%	24.2
Subtotal - Other Non-Tax	865,947.4	-8.0%	(75,736.3)	848,296.2	-2.0%	(17,651.2)
Net Ongoing Revenue	17,524,161.9	3.9%	660,985.3	18,325,990.4	4.6%	801,828.5
Urban Revenue Sharing (URS)	(1,173,196.0)	N/A	95,059.5	(1,226,210.3)	N/A	(53,014.2)
Net Ongoing Revenue w/ URS	16,350,965.9	4.8%	756,044.8	17,099,780.1	4.6%	748,814.3
One-Time Financing Sources:						
Attorney General Settlement	0.0	N/A	0.0	0.0	N/A	0.0
TPT Diversions	0.0	N/A	0.0	0.0	N/A	0.0
One-Time Income Tax Rebate	0.0	N/A	0.0	0.0	N/A	0.0
Subtotal - One-Time Financing Sources	0.0	N/A	0.0	0.0	N/A	0.0
Subtotal - Revenues	16,350,965.9	4.8%	756,044.8	17,099,780.1	4.6%	748,814.3
Balance Forward	0.0	N/A	0.0	0.0	N/A	0.0
Total - Resources	16,350,965.9	4.8%	756,044.8	17,099,780.1	4.6%	748,814.3

Appendix C: General Fund Balance Sheet

STATEMENT OF GENERAL FUND REVENUES AND EXPENDITURES WITH ONE-TIME FINANCING SOURCES

	FY 2024 April FAC	FY 2025 April FAC	FY 2026 April FAC	FY 2027 April FAC
REVENUES				
Ongoing Revenues	\$16,417,350,200	\$16,863,176,600	\$17,524,161,900	\$18,325,990,400
Urban Revenue Sharing	(1,564,819,800)	(1,268,255,600)	(1,173,196,000)	(1,226,210,300)
Net Ongoing Revenues	\$14,852,530,400	\$15,594,921,000	\$16,350,965,900	\$17,099,780,100
One-Time Revenues				
Balance Forward	2,527,233,000			
One-Time Income Tax Rebate	(274,000,000)			
Subtotal One-Time Revenues	\$2,253,233,000	\$0	\$0	\$0
Total Revenues	\$17,105,763,400	\$15,594,921,000	\$16,350,965,900	\$17,099,780,100
EXPENDITURES				
Ongoing Operating Appropriations	\$15,002,625,400	\$15,725,501,000	\$16,555,743,500	\$16,999,039,900
FY 2024 Supplementals/Ex-Appropriations	(108,392,200)			
Administrative Adjustments	125,000,000	130,000,000	145,000,000	160,000,000
Revertments	(145,000,000)	(155,000,000)	(180,000,000)	(200,000,000)
Subtotal Ongoing Expenditures	\$14,874,233,200	\$15,700,501,000	\$16,520,743,500	\$16,959,039,900
One-Time Expenditures				
Capital Outlay	187,946,500	29,832,100	23,700,000	
Transportation Funding	620,209,600			
Operating One-Time Spending	1,884,608,800	208,057,400	149,231,000	284,034,700
Water Supply Funding	189,200,000	333,000,000		
Subtotal One-Time Expenditures	\$2,881,964,900	\$570,889,500	\$172,931,000	\$284,034,700
Total Expenditures	\$17,756,198,100	\$16,271,390,500	\$16,693,674,500	\$17,243,074,600
Ending Balance ^{1/}	(\$650,434,700)	(\$676,469,500)	(\$342,708,600)	(\$143,294,500)

^{1/} The displayed ending balance shortfalls are presumed to be resolved prior to the end of the fiscal year.