Finance Advisory Committee

Revenue and Budget Update

October 8, 2026

Key Points

- The October Budget Update includes revised General Fund revenue and expenditure projections through FY 30.
- The projected cash balance is positive in each year after accounting for statutory funding formula growth.
- The lowest ending balance in the 3-year budget projection determines the dollars available for discretionary purposes.
- The lowest ending balance is $61 M in FY 28 and $52 M in FY 29.

Continuing the "Ongoing One-Times" Would Create A Shortfall
- These Spending Items Have Been Funded One-Time Between 3 and 6 Years

- October's Baseline excludes 1-time FY 27 spending based on last year's 3-Year Plan. The major "ongoing one-times" are as follows:

	$ in M
- State Employee Health Insurance Trust Fund subsidy	325
- School Facilities Division Building Renewal	183
- DES Child Care Subsidies	45
- DCS Congregate Care	37
Total	**590**

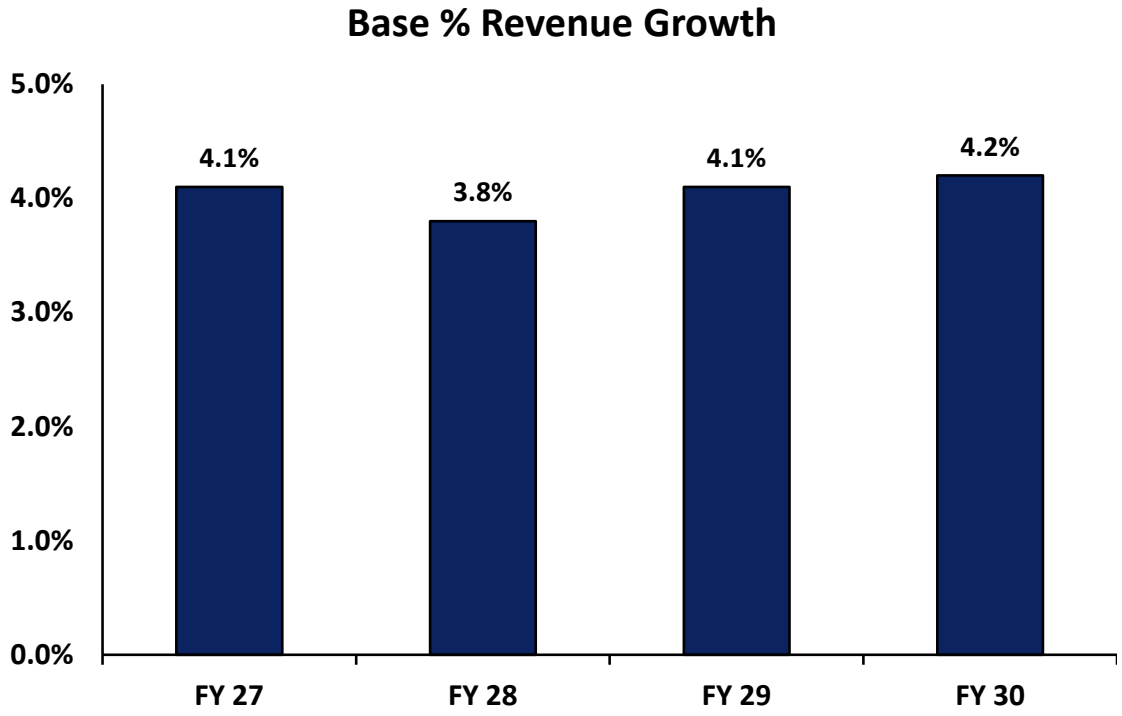
Forecasting State Revenues

4-Sector: Annual Revenue Growth is Near 4% thru FY 30

- Total Ongoing FY 28 General Fund Revenue is Projected to be $18.3 B

4-Sector Components

- Finance Advisory Committee
- UA model – base forecast
- UA model – more cautious
- JLBC Staff



Excludes balance forward, fund transfers, tax law changes and urban revenue sharing

See Appendix A and B

What Are the Factors Behind 4.1% Growth in FY 27?
- Year-to-Date General Fund Revenue is $81 M Above the Enacted Forecast

- Projected FY 27 Growth Rates in Main Revenue Categories
  - Sales Tax 3.9%
  - Individual Income Tax 4.8%
  - Corporate Income Tax 5.6%
  - Insurance Premium Tax 5.0%
  - All Other Revenues (1.2)%
- These individual category rates remain relatively stable through FY 30
  - By FY 29, individual income tax growth rises above 5% while Corporate Income Tax falls below 4%

Spending Adjustments

Baseline Spending Projections

- Baseline reflects changes to active statutory/other funding formulas.
  - ADE, Medicaid and the Community Colleges.
- Follows guidance of the enacted budget 3-year plan by reducing one-time spending from $952 M in FY 27 to $357 M in FY 28 spending
- As part of H.R. 1, states are penalized for SNAP (Food Stamps) error rates above 6% starting in FY 28.
  - FY 26 errors will determine the state's penalty in FY 28 and FY 29.
  - Preliminary 6-month FY 26 error rate is 7.9% which equates to a $180 M penalty
  - Baseline includes the $180 M, but makes no assumption about FY 27 error rates

FY 28 Baseline Spending Projected To Decrease By $(41) M

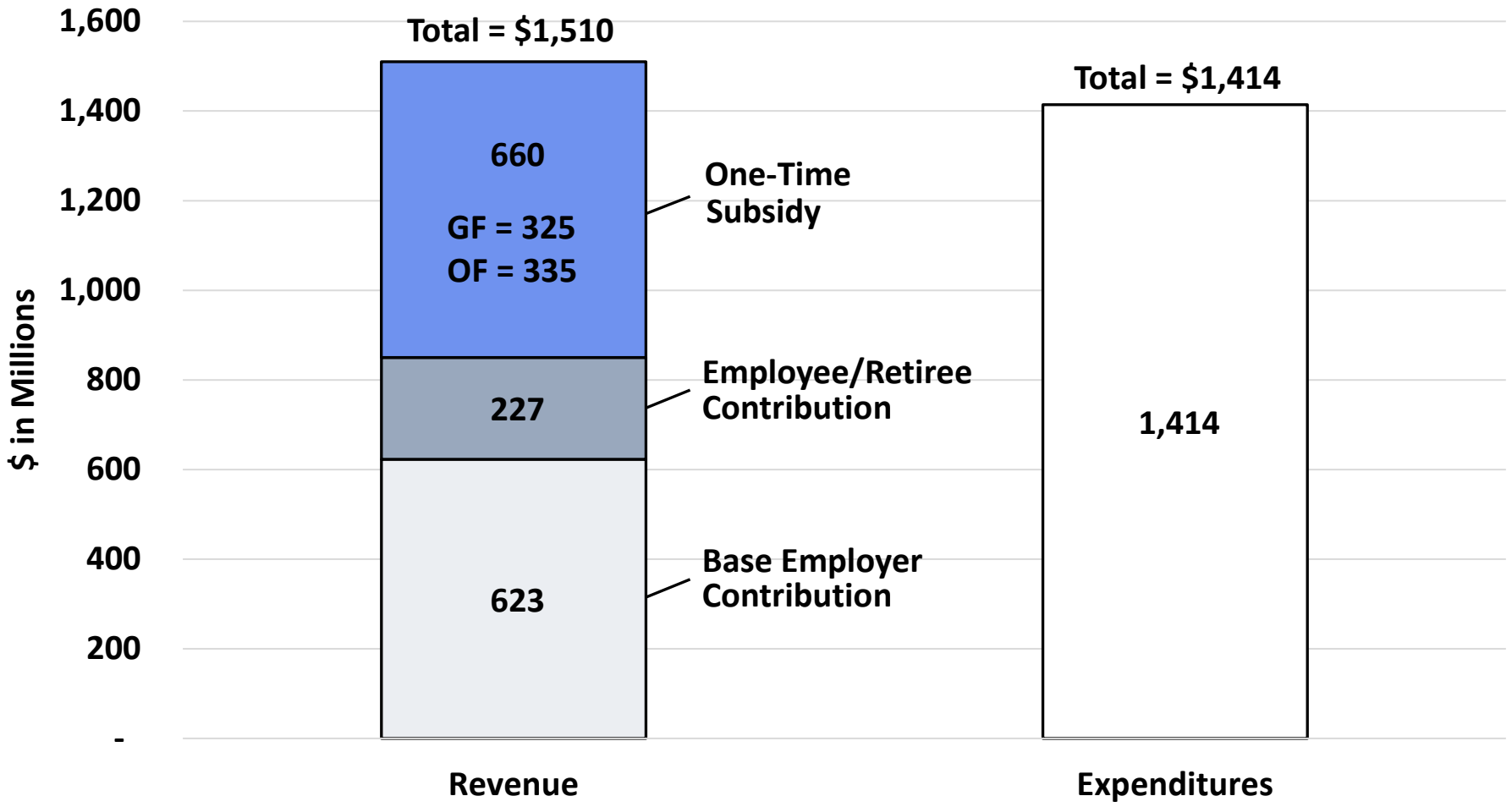
FY 28 Ongoing Spending Changes	
	$ in M
ADE – K-12 Formula	327
AHCCCS – Medicaid Formula	155
DES – Medicaid Formula	144
Other (Includes Unspent Approps)	(72)
Total	**554**

Total Spending Changes	**$(41) M**
Total Spending	**$18.39 B**
% Change	**(0.2)%**

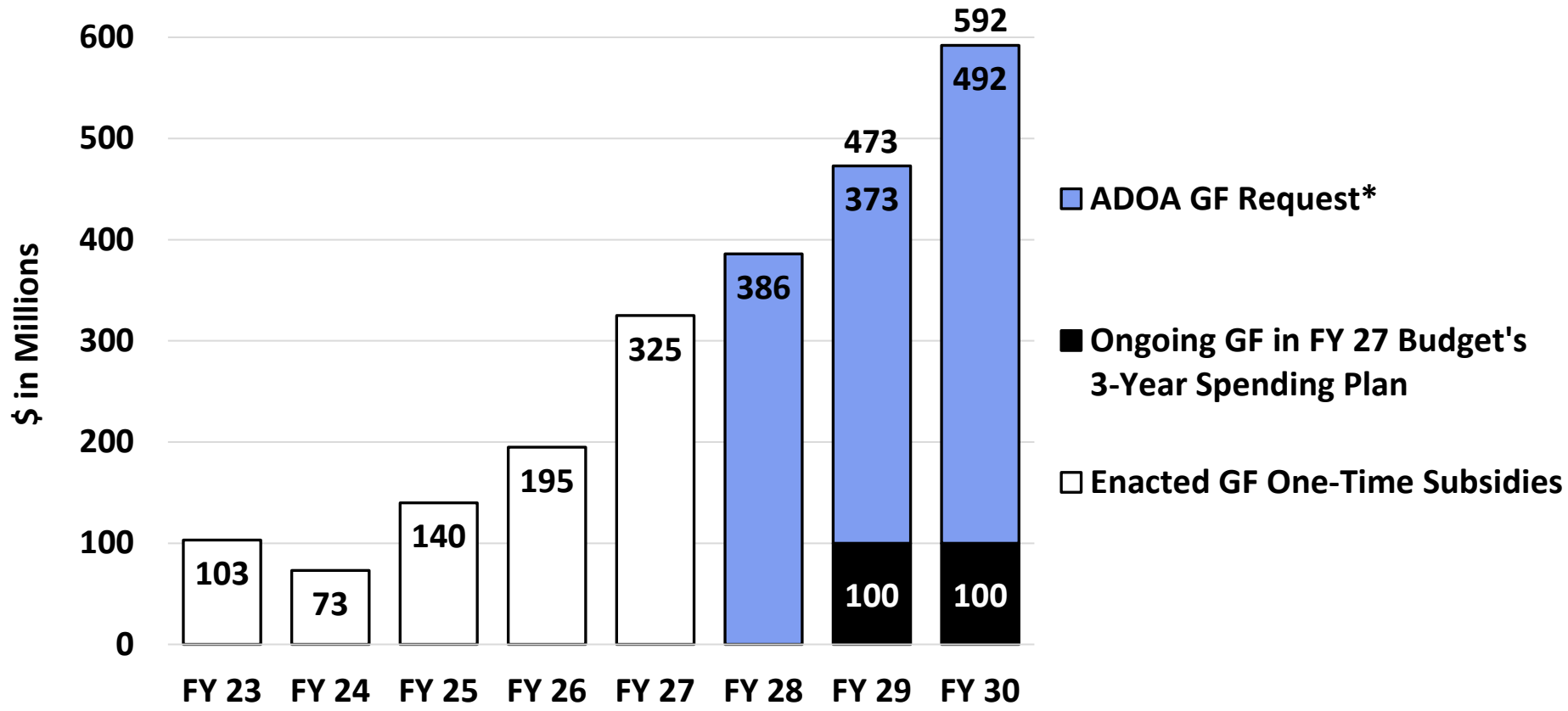
FY 28 One-Time Spending Changes	
	$ in M
Transportation Projects	95
DES SNAP Benefit Match	66
Restore 2.5% Lump Sum Reduction	24
State Employee Health Insurance	(325)
K-12 Building Renewal Grants	(183)
DES Childcare Funding	(45)
DES Congregate Care Funding	(37)
Other Agency Spending	(190)
Total	**(595)**

The State Has a $1.4 B Employee Health Plan

- Over 40% of the Revenue is One-Time



The History of the General Fund 1-Time Employee Health Subsidy



* ADOA made its request in Total Fund dollars and JLBC computed the General Fund share.

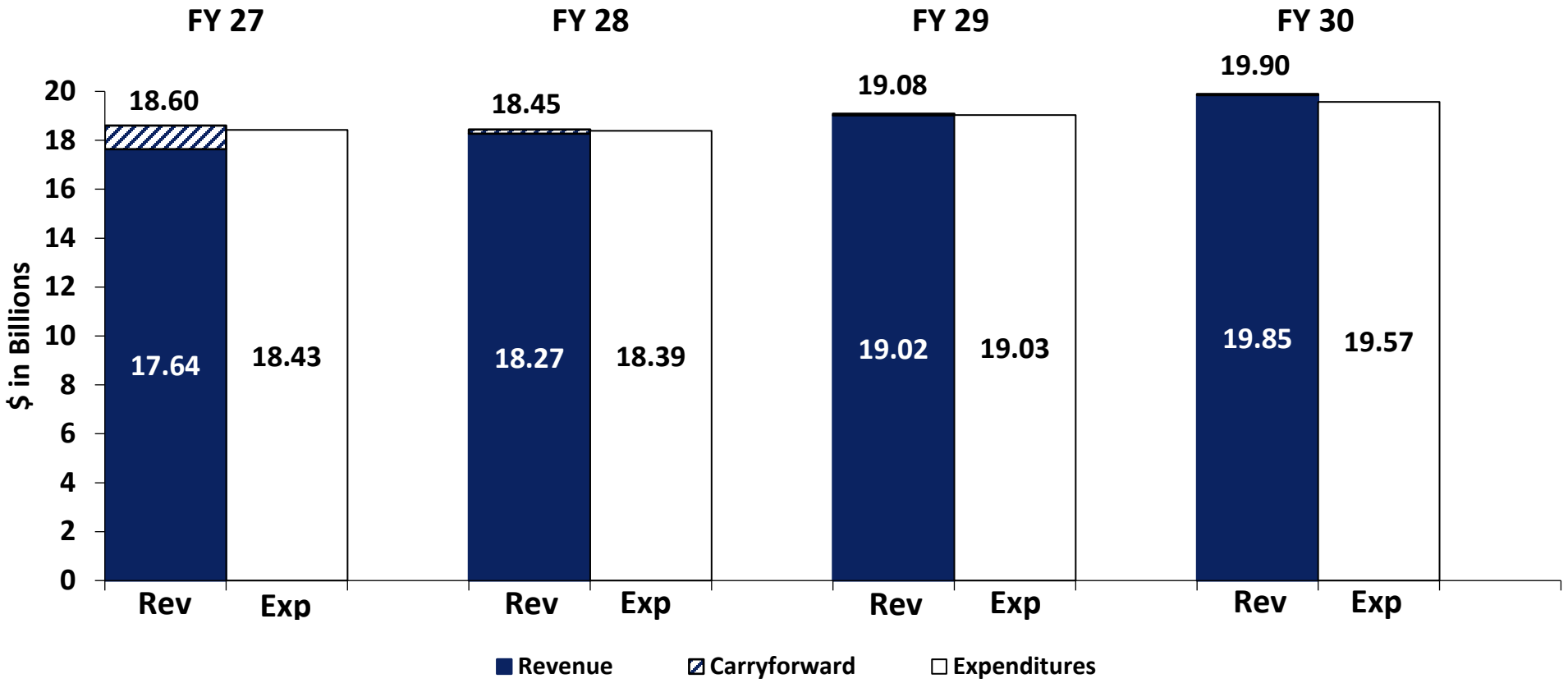
Projected Ending Balances

Excludes $1.6 B in Budget Stabilization Fund

More Information in Appendix C

Projected Balances Smaller than Last Year

- Near $175 M in FY 27 and $50 M to $60 M in FY 28 and FY 29.



Cash Balance	$173 M	$61 M	$52 M	$329 M

How Would a Stress Test Affect the October FAC Estimates

- A stress test is a technique used by states to evaluate recession scenarios relative to reserves.
- Relative to a $61 M FY 28 balance, we have already outlined $590 M of potential “ongoing one-time” issues.
- To test the impact of a mild slowdown, we projected 2% growth in both FY 27 and FY 28.
  - Reduces FY 28 revenue by $(1.1) B compared to October forecast
- In contrast, the Budget Stabilization Fund balance is $1.6 B.

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Appendix A: October 4-Sector Revenue Forecast

	2027	2028	2029	2030
Sales Tax				
JLBC Forecast	4.6%	4.0%	4.2%	4.4%
UA – Low	2.8%	2.6%	3.3%	3.1%
UA – Base	4.0%	3.9%	4.0%	3.7%
FAC	4.1%	3.9%	4.4%	4.3%
Average:	**3.9%**	**3.6%**	**4.0%**	**3.9%**
Individual Income Tax				
JLBC Forecast	4.7%	4.8%	5.0%	5.2%
UA – Low	4.4%	4.5%	5.3%	5.0%
UA – Base	5.9%	5.8%	5.8%	5.8%
FAC	4.2%	3.9%	4.8%	5.3%
Average:	**4.8%**	**4.8%**	**5.2%**	**5.3%**
Corporate Income Tax				
JLBC Forecast	5.5%	3.2%	3.5%	4.0%
UA – Low	4.1%	1.3%	2.9%	2.5%
UA – Base	9.0%	3.0%	3.2%	3.8%
FAC	4.0%	2.8%	4.1%	5.1%
Average:	**5.6%**	**2.6%**	**3.4%**	**3.9%**

JLBC Weighted Average	**4.7%**	**4.2%**	**4.4%**	**4.7%**
UA Low Weighted Average	**3.5%**	**3.1%**	**4.0%**	**3.7%**
UA Base Weighted Average	**5.3%**	**4.5%**	**4.6%**	**4.5%**
FAC Consensus Weighted Average	**4.1%**	**3.8%**	**4.5%**	**4.8%**
"Big-4" Weighted Average	**4.4%**	**3.9%**	**4.4%**	**4.4%**
Consensus Weighted Average *	**4.1%**	**3.8%**	**4.1%**	**4.2%**

* Represents ongoing revenue adjusted for small revenue categories.

Appendix B: 4-Sector Forecast FY 26 - FY 28

FORECAST REVENUE GROWTH

($ in Thousands)

	PREL. ACTUAL FY 2026	% CHANGE PRIOR YR	FORECAST FY 2027	% CHANGE PRIOR YR	$ CHANGE PRIOR YR	FORECAST FY 2028	% CHANGE PRIOR YR	$ CHANGE PRIOR YR
Sales and Use	8,465,348.4	3.8%	8,792,322.5	3.9%	326,974.1	9,109,728.2	3.6%	317,405.7
Income - Individual	5,734,747.3	4.6%	6,010,588.7	4.8%	275,841.3	6,296,740.2	4.8%	286,151.6
- Corporate	1,884,339.7	7.6%	1,990,710.7	5.6%	106,371.0	2,042,321.4	2.6%	51,610.7
Property	40,925.0	16.5%	42,662.0	4.2%	1,737.0	44,464.5	4.2%	1,802.5
Luxury - Tobacco	16,255.5	0.1%	15,280.1	-6.0%	(975.3)	14,668.9	-4.0%	(611.2)
- Liquor	47,512.2	-2.3%	48,188.0	1.4%	675.8	48,846.7	1.4%	658.7
Insurance Premium	944,690.8	2.3%	991,925.4	5.0%	47,234.5	1,036,562.0	4.5%	44,636.6
Other Taxes	36,884.1	94.1%	29,013.5	-21.3%	(7,870.6)	30,069.2	3.6%	1,055.7
Subtotal - Taxes	17,170,703.0	4.5%	17,920,690.8	4.4%	749,987.8	18,623,401.2	3.9%	702,710.4
Other Non-Tax Revenues:								
Lottery	171,343.3	-21.1%	188,059.8	9.8%	16,716.6	195,529.0	4.0%	7,469.2
Gaming Revenue	53,389.2	34.4%	66,426.4	24.4%	13,037.2	82,047.4	23.5%	15,621.0
Licenses, Fees and Permits	54,536.4	-1.7%	56,499.8	3.6%	1,963.4	58,597.3	3.7%	2,097.5
Interest	220,450.9	-23.2%	200,000.0	-9.3%	(20,450.9)	180,000.0	-10.0%	(20,000.0)
Sales and Services	29,699.5	4.3%	30,858.4	3.9%	1,158.9	32,047.9	3.9%	1,189.5
Other Miscellaneous	329,811.7	-9.3%	334,758.9	1.5%	4,947.2	341,454.1	2.0%	6,695.2
Transfers and Reimbursements	72,869.3	-34.5%	48,065.7	-34.0%	(24,803.6)	49,503.0	3.0%	1,437.3
Medicaid Hospital Revenue	93,320.8	-0.2%	93,169.8	-0.2%	(151.0)	93,112.9	-0.1%	(56.9)
Subtotal - Other Non-Tax	1,025,420.9	-14.3%	1,017,838.8	-0.7%	(7,582.1)	1,032,291.6	1.4%	14,452.8
Base Revenue	**18,196,123.9**	**3.2%**	**18,938,529.6**	**4.1%**	**742,405.7**	**19,655,692.8**	**3.8%**	**717,163.2**
2026 Reg. Session - Repeal of Tax Credits	0.0	N/A	19,500.0	N/A	19,500.0	19,500.0	0.0%	0.0
Urban Revenue Sharing (URS)	(1,186,305.8)	N/A	(1,302,029.6)	N/A	(115,723.8)	(1,371,435.7)	N/A	(69,406.1)
Net Revenue w/ URS	**17,009,818.1**	**4.0%**	**17,656,000.0**	**3.8%**	**646,181.9**	**18,303,757.1**	**3.7%**	**647,757.1**
Other Financing Sources:								
Fund Transfers	155,900.0	411.3%	11,400.0	-92.7%	(144,500.0)	600.0	-94.7%	(10,800.0)
One-Time Income Tax Rebate	(6.2)	N/A	0.0	N/A	6.2	0.0	N/A	0.0
Public Infrastructure TPT Distribution	0.0	N/A	(50,000.0)	N/A	(50,000.0)	(50,000.0)	N/A	0.0
Data Center TPT - 3-Year Moratorium	0.0	N/A	12,000.0	N/A	12,000.0	19,000.0	58.3%	7,000.0
Vacant Property Sales Revenue	0.0	N/A	10,000.0	N/A	10,000.0	0.0	-100.0%	(10,000.0)
Other One-Time Revenue Adjustments	14,574.4	-79.5%	0.0	-100.0%	(14,574.4)	0.0	N/A	0.0
Subtotal - One-Time Financing Sources	170,468.2	67.6%	(16,600.0)	N/A	(187,068.2)	(30,400.0)	N/A	(13,800.0)
Subtotal - Revenues	**17,180,286.3**	**4.4%**	**17,639,400.0**	**2.7%**	**459,113.7**	**18,273,357.1**	**3.6%**	**633,957.1**
Balance Forward	1,367,290.0	42.0%	959,673.0	-29.8%	(407,617.0)	172,840.8	-82.0%	(786,832.2)
Total - Resources	**18,547,576.3**	**6.5%**	**18,599,073.0**	**0.3%**	**51,496.7**	**18,446,197.9**	**-0.8%**	**(152,875.1)**

Appendix B: 4-Sector Forecast FY 29 - FY 30

FORECAST REVENUE GROWTH

($ in Thousands)

	FORECAST FY 2029	% CHANGE PRIOR YR	$ CHANGE PRIOR YR	FORECAST FY 2030	% CHANGE PRIOR YR	$ CHANGE PRIOR YR
Sales and Use	9,471,678.8	4.0%	361,950.6	9,840,670.4	3.9%	368,991.6
Income - Individual	6,625,560.5	5.2%	328,820.3	6,977,932.1	5.3%	352,371.6
- Corporate	2,112,319.6	3.4%	69,998.2	2,193,750.0	3.9%	81,430.4
Property	46,255.1	4.0%	1,790.6	48,099.5	4.0%	1,844.4
Luxury - Tobacco	14,375.6	-2.0%	(293.4)	14,375.6	0.0%	0.0
- Liquor	50,150.1	2.7%	1,303.4	51,960.9	3.6%	1,810.7
Insurance Premium	1,080,097.6	4.2%	43,535.6	1,123,301.5	4.0%	43,203.9
Other Taxes	31,099.9	3.4%	1,030.6	32,151.9	3.4%	1,052.0
Subtotal - Taxes	19,431,537.2	4.3%	808,135.9	20,282,241.8	4.4%	850,704.6
Other Non-Tax Revenues:						
Lottery	206,040.5	5.4%	10,511.5	217,684.1	5.7%	11,643.6
Gaming Revenue	86,149.7	5.0%	4,102.4	90,457.2	5.0%	4,307.5
Licenses, Fees and Permits	58,597.3	0.0%	0.0	60,999.8	4.1%	2,402.5
Interest	160,000.0	-11.1%	(20,000.0)	140,000.0	-12.5%	(20,000.0)
Sales and Services	33,339.6	4.0%	1,291.7	34,705.1	4.1%	1,365.4
Other Miscellaneous	348,283.1	2.0%	6,829.1	355,248.8	2.0%	6,965.7
Transfers and Reimbursements	50,990.6	3.0%	1,487.6	52,530.3	3.0%	1,539.7
Medicaid Hospital Revenue	93,112.9	0.0%	0.0	93,112.9	0.0%	0.0
Subtotal - Other Non-Tax	1,036,513.8	0.4%	4,222.3	1,044,738.1	0.8%	8,224.3
Base Revenue	**20,468,051.0**	**4.1%**	**812,358.2**	**21,326,979.9**	**4.2%**	**858,928.9**
2026 Reg. Session - Repeal of Tax Credits	19,500.0	0.0%	0.0	19,500.0	0.0%	0.0
Urban Revenue Sharing (URS)	(1,440,233.9)	N/A	(68,798.2)	(1,501,031.1)	N/A	(60,797.2)
Net Revenue w/ URS	**19,047,317.1**	**4.1%**	**743,560.0**	**19,845,448.8**	**4.2%**	**798,131.7**
Other Financing Sources:						
Fund Transfers	0.0	-100.0%	(600.0)	0.0	N/A	0.0
One-Time Income Tax Rebate	0.0	N/A	0.0	0.0	N/A	0.0
Public Infrastructure TPT Distribution	(50,000.0)	N/A	0.0	0.0	N/A	50,000.0
Data Center TPT - 3-Year Moratorium	26,000.0	36.8%	7,000.0	0.0	-100.0%	(26,000.0)
Vacant Property Sales Revenue	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	(24,000.0)	N/A	6,400.0	0.0	N/A	24,000.0
Subtotal - Revenues	**19,023,317.1**	**4.1%**	**749,960.0**	**19,845,448.8**	**4.3%**	**822,131.7**
Balance Forward	60,899.7	-64.8%	(111,941.1)	52,117.3	-14.4%	(8,782.4)
Total - Resources	**19,084,216.8**	**3.5%**	**638,018.9**	**19,897,566.1**	**4.3%**	**813,349.3**

Appendix C: General Fund Balance Sheet

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

	FY 2027 October FAC	FY 2028 October FAC	FY 2029 October FAC	FY 2030 October FAC
REVENUES				
Ongoing Revenues	$18,938,529,600	$19,655,692,800	$20,468,051,000	$21,326,979,900
2026 Session - Repeal of Tax Credits	19,500,000	19,500,000	19,500,000	19,500,000
Urban Revenue Sharing	(1,302,029,600)	(1,371,435,700)	(1,440,233,900)	(1,501,031,100)
Subtotal - Ongoing Revenues	$17,656,000,000	$18,303,757,100	$19,047,317,100	$19,845,448,800
One-Time Revenues				
Balance Forward	959,673,000	172,840,800	60,899,700	52,117,300
Public Infrastructure TPT Distribution	(50,000,000)	(50,000,000)	(50,000,000)	
Data Center TPT - 3 Year Moratorium	12,000,000	19,000,000	26,000,000	
Vacant Property Sales Revenue	10,000,000			
Fund Transfers	11,400,000	600,000		
Subtotal - One-Time Revenues	$943,073,000	$142,440,800	$36,899,700	$52,117,300
Total Revenues	$18,599,073,000	$18,446,197,900	$19,084,216,800	$19,897,566,100
EXPENDITURES				
Ongoing Operating Appropriations	$17,414,207,500	$18,108,448,200	$18,810,725,200	$19,546,093,700
Administrative Adjustments	277,817,600	136,983,800	141,247,500	141,247,500
Revertments	(217,865,200)	(217,347,600)	(224,112,700)	(224,112,700)
Subtotal - Ongoing Expenditures	$17,474,159,900	$18,028,084,400	$18,727,860,000	$19,463,228,500
One-Time Expenditures				
Capital Outlay	$10,000,000		$25,000,000	
Transportation Funding	30,000,000	125,000,000		
Prior Year Ex-Appropriations	(37,750,200)			
One-Time Operating Spending	973,661,200	166,168,300	189,197,500	82,879,700
SNAP Error Rate Benefit Match		66,045,500	90,042,000	22,675,600
FY 27 One-Time 2.5% Lump Sum Reduction	(23,838,700)			
Subtotal - One-Time Expenditures	$952,072,300	$357,213,800	$304,239,500	$105,555,300
Total Expenditures	$18,426,232,200	$18,385,298,200	$19,032,099,500	$19,568,783,800
Ending Balance	$172,840,800	$60,899,700	$52,117,300	$328,782,300