

Revenue Forecasts

Fiscal year 2005 baseline GRF tax revenues are projected to be \$540.8 million (2.9%) greater than the February LSC estimates. Estimated revenue from the personal income tax was revised upward by \$436.0 million and revenue from the corporate franchise tax was revised upward by \$131.8 million. Revenue from the nonauto sales tax was revised upward by \$11.5 million and revenue from the auto sales tax was revised downward by \$35.3 million. Additionally, the estimate of earnings on investments was revised upward by \$10.6 million and estimated revenue from licenses and fees was revised upward by \$12.1 million. Estimated FY 2005 tax revenue growth is 7.0% in the revised estimates compared to 4.0% in the initial estimates.

The revised LSC forecasts of baseline GRF tax revenues are above the February forecasts by \$369.7 million (2.1%) for FY 2006 and \$319.2 million (1.7%) for FY 2007. The revisions in the revenue forecasts reflect both the FY 2005 revenue collections since February and revisions in the underlying economic forecast. The higher than initially estimated growth for FY 2005 creates a higher base from which FY 2006 and FY 2007 revenues can grow. Although both economic growth and revenue growth are projected to be slower than was thought in February, the slower growth from a higher base yields higher revenue.

The LSC forecasts of baseline GRF tax revenues are below the revised OBM forecasts by \$94.9 million (0.5%) in FY 2006 and \$245.6 million (1.3%) in FY 2007. The major differences are in three of the "major" taxes. The OBM forecasts of revenue from the personal income tax are \$138.4 million higher in FY 2006 and \$141.5 million higher in FY 2007 and the OBM forecasts of corporate franchise tax revenue are \$66.9 million higher in FY 2006 and \$152.3 million higher in FY 2007. LSC forecasts of sales tax revenue are \$93.9 million higher in FY 2006 and \$23.4 million higher in FY 2007.

Table 1 presents a comparison of the LSC revised estimates and forecasts of baseline GRF revenue with the revised OBM estimates and forecasts. Table 2 is a comparison of the initial and revised LSC estimates and forecasts. Table 3 presents a comparison of revenue growth rates based on the revised LSC and OBM estimates and forecasts.

Table 1: Comparison of Revised OBM with Revised LSC

	FY 2005 Estimate			FY 2006 Forecast			FY 2007 Forecast		
	OBM Revised	LSC Revised	OBM - LSC	OBM Revised	LSC Revised	OBM - LSC	OBM Revised	LSC Revised	OBM - LSC
TAX REVENUE									
Auto Sales	\$1,055.5	\$1,060.0	-\$4.5	\$871.0	\$900.0	-\$29.0	\$880.0	\$898.2	-\$18.2
Nonauto Sales & Use	\$6,750.0	\$6,761.5	-\$11.5	\$5,865.0	\$5,929.9	-\$64.9	\$6,150.0	\$6,155.2	-\$5.2
Total Sales & Use Taxes	\$7,805.5	\$7,821.5	-\$16.0	\$6,736.0	\$6,829.9	-\$93.9	\$7,030.0	\$7,053.4	-\$23.4
Personal Income	\$8,600.0	\$8,555.1	\$44.9	\$8,790.0	\$8,651.6	\$138.4	\$9,210.0	\$9,068.5	\$141.5
Corporate Franchise	\$1,054.0	\$1,020.0	\$34.0	\$1,115.9	\$1,049.0	\$66.9	\$1,228.6	\$1,076.3	\$152.3
Public Utility	\$104.0	\$104.0	\$0.0	\$150.0	\$156.0	-\$6.0	\$150.0	\$154.0	-\$4.0
Kilowatt-Hour Excise	\$337.0	\$340.0	-\$3.0	\$325.0	\$331.0	-\$6.0	\$329.2	\$336.0	-\$6.8
Total Major Taxes	\$17,900.5	\$17,840.6	\$59.9	\$17,116.9	\$17,017.5	\$99.4	\$17,947.8	\$17,688.2	\$259.6
Foreign Insurance	\$239.0	\$239.0	\$0.0	\$245.0	\$242.0	\$3.0	\$252.3	\$254.0	-\$1.7
Domestic Insurance	\$170.0	\$172.0	-\$2.0	\$174.3	\$175.0	-\$0.7	\$179.5	\$183.0	-\$3.5
Business & Property (DIT)	\$26.4	\$30.0	-\$3.6	\$26.4	\$30.1	-\$3.7	\$27.0	\$30.4	-\$3.4
Cigarette	\$551.0	\$551.0	\$0.0	\$540.0	\$543.0	-\$3.0	\$529.2	\$536.5	-\$7.3
Alcoholic Beverage	\$57.0	\$57.0	\$0.0	\$57.5	\$57.5	\$0.0	\$58.0	\$57.8	\$0.2
Liquor Gallonage	\$32.0	\$32.0	\$0.0	\$32.6	\$32.5	\$0.1	\$33.3	\$33.0	\$0.3
Estate	\$62.0	\$63.1	-\$1.1	\$64.2	\$64.4	-\$0.2	\$66.4	\$65.0	\$1.4
Total Other Taxes	\$1,137.4	\$1,144.1	-\$6.7	\$1,140.0	\$1,144.5	-\$4.5	\$1,145.7	\$1,159.7	-\$14.0
Total Tax Revenue	\$19,037.9	\$18,984.7	\$53.2	\$18,256.9	\$18,162.0	\$94.9	\$19,093.5	\$18,847.9	\$245.6
NONTAX STATE-SOURCE REVENUE									
Earnings on Investments	\$30.0	\$29.5	\$0.5	\$40.0	\$43.2	-\$3.2	\$55.0	\$46.3	\$8.7
Licenses and Fees	\$69.4	\$72.1	-\$2.7	\$57.7	\$62.6	-\$4.9	\$57.7	\$64.6	-\$6.9
Other Revenue	\$152.1	\$157.0	-\$4.9	\$136.7	\$149.0	-\$12.3	\$136.6	\$149.0	-\$12.4
Nontax State-Source Revenue	\$251.5	\$258.6	-\$7.1	\$234.4	\$254.8	-\$20.4	\$249.3	\$259.9	-\$10.6
TRANSFERS									
Liquor Transfers	\$112.0	\$117.0	-\$5.0	\$107.0	\$113.0	-\$6.0	\$101.0	\$110.0	-\$9.0
Budget Stabilization	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Other Transfers In	\$433.1	\$436.4	-\$3.3	\$101.3	\$111.3	-\$10.0	\$88.0	\$98.0	-\$10.0
Total Transfers In	\$545.1	\$553.4	-\$8.3	\$208.3	\$224.3	-\$16.0	\$189.0	\$208.0	-\$19.0
TOTAL GRF before Federal Grants	\$19,834.5	\$19,796.7	\$37.8	\$18,699.6	\$18,641.1	\$58.5	\$19,531.8	\$19,315.8	\$216.0

Table 2: Comparison of Revised LSC with Initial LSC

	FY 2005 Estimate			FY 2006 Forecast			FY 2007 Forecast		
	LSC Revised	LSC Initial	Change	LSC Revised	LSC Initial	Change	LSC Revised	LSC Initial	Change
TAX REVENUE									
Auto Sales	\$1,060.0	\$1,095.3	-\$35.3	\$900.0	\$940.0	-\$40.0	\$898.2	\$938.1	-\$39.9
Nonauto Sales & Use	\$6,761.5	\$6,750.0	\$11.5	\$5,929.9	\$5,920.0	\$9.9	\$6,155.2	\$6,147.9	\$7.3
Total Sales & Use Taxes	\$7,821.5	\$7,845.3	-\$23.8	\$6,829.9	\$6,860.0	-\$30.1	\$7,053.4	\$7,086.0	-\$32.6
Personal Income	\$8,555.1	\$8,119.1	\$436.0	\$8,651.6	\$8,379.5	\$272.1	\$9,068.5	\$8,842.8	\$225.7
Corporate Franchise	\$1,020.0	\$888.2	\$131.8	\$1,049.0	\$933.5	\$115.5	\$1,076.3	\$958.0	\$118.3
Public Utility	\$104.0	\$123.0	-\$19.0	\$156.0	\$160.0	-\$4.0	\$154.0	\$158.0	-\$4.0
Kilowatt-Hour Excise	\$340.0	\$342.0	-\$2.0	\$331.0	\$334.0	-\$3.0	\$336.0	\$341.0	-\$5.0
Total Major Taxes	\$17,840.6	\$17,317.6	\$523.0	\$17,017.5	\$16,667.0	\$350.5	\$17,688.2	\$17,385.8	\$302.4
Foreign Insurance	\$239.0	\$232.1	\$6.9	\$242.0	\$233.8	\$8.2	\$254.0	\$245.5	\$8.5
Domestic Insurance	\$172.0	\$168.4	\$3.6	\$175.0	\$170.9	\$4.1	\$183.0	\$179.0	\$4.0
Business & Property (DIT)	\$30.0	\$30.0	\$0.0	\$30.1	\$30.1	\$0.0	\$30.4	\$30.4	\$0.0
Cigarette	\$551.0	\$551.0	\$0.0	\$543.0	\$543.0	\$0.0	\$536.5	\$536.5	\$0.0
Alcoholic Beverage	\$57.0	\$57.0	\$0.0	\$57.5	\$57.5	\$0.0	\$57.8	\$57.8	\$0.0
Liquor Gallonage	\$32.0	\$31.7	\$0.3	\$32.5	\$32.1	\$0.4	\$33.0	\$32.6	\$0.4
Estate	\$63.1	\$56.1	\$7.0	\$64.4	\$57.9	\$6.5	\$65.0	\$61.1	\$3.9
Total Other Taxes	\$1,144.1	\$1,126.3	\$17.8	\$1,144.5	\$1,125.3	\$19.2	\$1,159.7	\$1,142.9	\$16.8
Total Tax Revenue	\$18,984.7	\$18,443.9	\$540.8	\$18,162.0	\$17,792.3	\$369.7	\$18,847.9	\$18,528.7	\$319.2
NONTAX STATE-SOURCE REVENUE									
Earnings on Investments	\$29.5	\$18.9	\$10.6	\$43.2	\$21.6	\$21.6	\$46.3	\$23.8	\$22.5
Licenses and Fees	\$72.1	\$60.0	\$12.1	\$62.6	\$61.9	\$0.7	\$64.6	\$64.0	\$0.6
Other Revenue	\$157.0	\$157.0	\$0.0	\$149.0	\$149.0	\$0.0	\$149.0	\$149.0	\$0.0
Nontax State-Source Revenue	\$258.6	\$235.9	\$22.7	\$254.8	\$232.5	\$22.3	\$259.9	\$236.8	\$23.1
TRANSFERS									
Liquor Transfers	\$117.0	\$117.0	\$0.0	\$113.0	\$113.0	\$0.0	\$110.0	\$110.0	\$0.0
Budget Stabilization	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Other Transfers In	\$436.4	\$436.4	\$0.0	\$111.3	\$111.3	\$0.0	\$98.0	\$98.0	\$0.0
Total Transfers In	\$553.4	\$553.4	\$0.0	\$224.3	\$224.3	\$0.0	\$208.0	\$208.0	\$0.0
TOTAL GRF before Federal Grants	\$19,796.7	\$19,233.2	\$563.5	\$18,641.1	\$18,249.1	\$392.0	\$19,315.8	\$18,973.5	\$342.3

Table 3: Comparison of Estimated and Forecasted Growth Rates

	----- LSC -----			----- OBM -----		
	FY 2005	FY 2006	FY 2007	FY 2005	FY 2006	FY 2007
TAX REVENUE						
Auto Sales	-5.6%	-15.1%	-0.2%	-6.0%	-17.5%	1.0%
Nonauto Sales & Use	5.5%	-12.3%	3.8%	5.3%	-13.1%	4.9%
Total Sales & Use Taxes	3.9%	-12.7%	3.3%	3.7%	-13.7%	4.4%
Personal Income	11.1%	1.1%	4.8%	11.7%	2.2%	4.8%
Corporate Franchise	26.1%	2.8%	2.6%	30.3%	5.9%	10.1%
Public Utility	-54.1%	50.0%	-1.3%	-54.1%	44.2%	0.0%
Kilowatt-Hour Excise	0.3%	-2.6%	1.5%	-0.6%	-3.6%	1.3%
Total Major Taxes	7.5%	-4.6%	3.9%	7.8%	-4.4%	4.9%
Foreign Insurance	3.7%	1.3%	5.0%	3.7%	2.5%	3.0%
Domestic Insurance	3.7%	1.7%	4.6%	2.5%	2.5%	3.0%
Business & Property (DIT)	0.4%	0.3%	1.0%	-11.7%	0.0%	2.3%
Cigarette	-1.2%	-1.5%	-1.2%	-1.2%	-2.0%	-2.0%
Alcoholic Beverage	1.0%	0.9%	0.5%	1.0%	0.9%	0.9%
Liquor Gallonage	3.7%	1.6%	1.5%	3.7%	1.9%	2.1%
Estate	-1.8%	2.1%	0.9%	-3.5%	3.5%	3.4%
Total Other Taxes	0.8%	0.0%	1.3%	0.2%	0.2%	0.5%
Total Tax Revenue	7.0%	-4.3%	3.8%	7.3%	-4.1%	4.6%
NONTAX STATE-SOURCE REVENUE						
Earnings on Investments	64.2%	46.4%	7.2%	67.0%	33.3%	37.5%
Licenses and Fees	43.8%	-13.2%	3.2%	38.4%	-16.9%	0.0%
Other Revenue	-16.5%	-5.1%	0.0%	-19.1%	-10.1%	-0.1%
Nontax State-Source Revenue	1.0%	-1.5%	2.0%	-1.8%	-6.8%	6.4%
TRANSFERS						
Liquor Transfers	-0.8%	-3.4%	-2.7%	-5.1%	-4.5%	-5.6%
Budget Stabilization	na	na	na	na	na	na
Other Transfers In	8.3%	-74.5%	-11.9%	7.5%	-76.6%	-13.1%
Total Transfers In	6.2%	-59.5%	-7.3%	4.7%	-61.8%	-9.3%
TOTAL GRF before Federal Grants	6.9%	-5.8%	3.6%	7.1%	-5.7%	4.5%