

Revenue Forecasts

The LSC baseline forecasts for FY 2008 and FY 2009 assume the current statutory tax structure, including phase-in of the tax reform measures enacted in the budget bill for the current biennium, H.B. 66 of the 126th General Assembly. The corporate franchise tax on nonfinancial corporations is phased out over five years. Personal income tax rates adjust downward through tax year 2009. The new Commercial Activity Tax (CAT) continues to increase during the same period, but revenues from the CAT are used during the next biennium to replace the revenue reductions incurred by local governments as a result of phase-out of the tangible personal property tax on general business. CAT receipts in excess of obligations to local governments (for the phase-out of tangible personal property tax) will add to GRF revenues in the biennium. The sales and use tax remains at 5.5%.

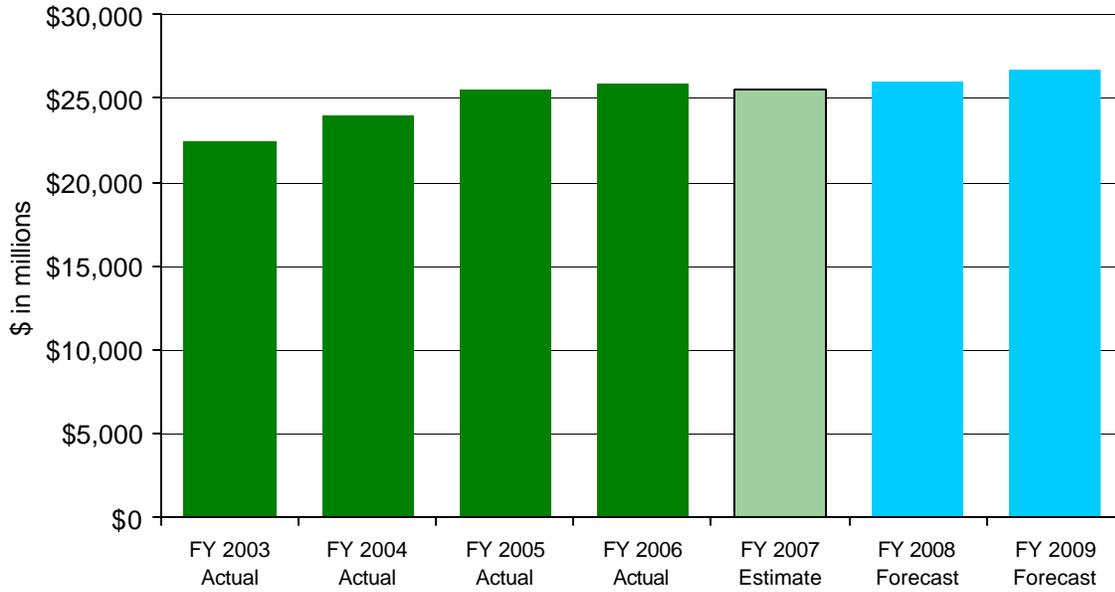
Tax revenue under statutory law is forecast to decrease by \$54.0 million (0.3%) in FY 2008. The phase-out of the corporate franchise tax and, to a much lesser extent, reduced collections of taxes on cigarettes and other tobacco products more than offset increases in nonauto sales and use tax revenues, and to a lesser extent in personal income tax revenues. Other tax changes are relatively small.

Tax revenue under statutory law is forecast to increase by \$102.0 million (0.5%) in FY 2009. Stronger growth of sales and use tax revenues and of personal income tax revenues more than offset the continued decline in corporate franchise tax revenues and in collections of taxes on cigarettes and other tobacco products.

Compared with the FY 2006-2007 biennium, GRF tax revenue for the FY 2008-2009 biennium is forecast to be \$252.8 million (0.7%) lower. Most of the difference is attributable to crediting part of the commercial activity tax revenue to the GRF in FY 2006 but not in FYs 2007-2009. Also, lower tax revenues from the corporate franchise tax and from taxes on cigarettes and other tobacco products are only partly offset by increases in sales and use tax revenues and in income tax collections.

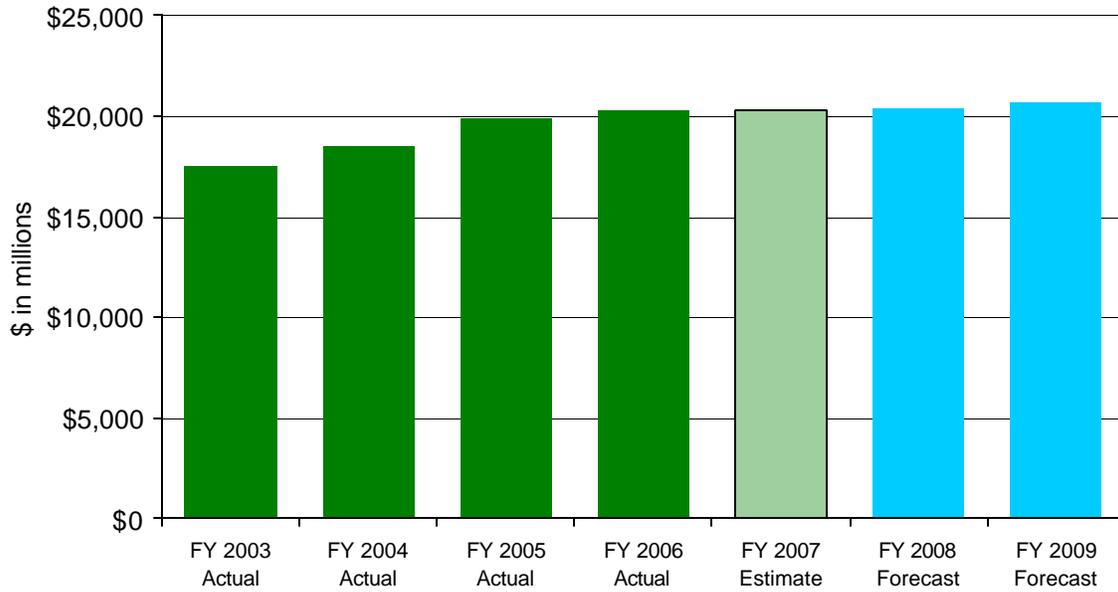
The following charts provide overviews of total GRF receipts and of GRF receipts from taxes and from state sources including earnings on investments, receipts from charges for licenses and fees, and other revenue.

GRF Total Receipts
(in millions)



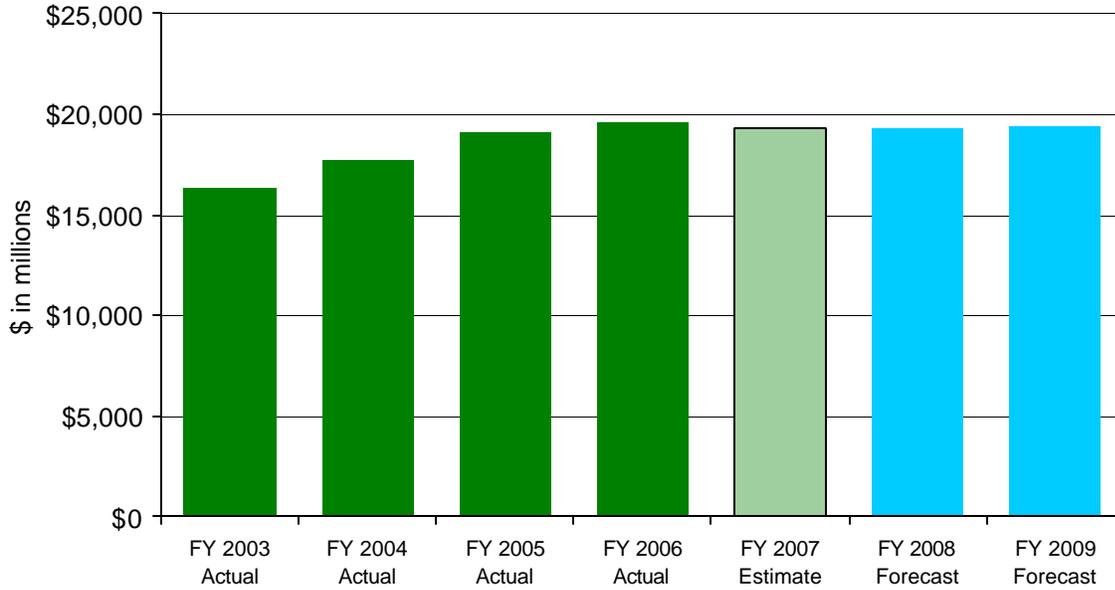
	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Estimate	FY 2008 Forecast	FY 2009 Forecast
Revenue	\$22,449.6	\$24,030.8	\$25,550.5	\$25,846.0	\$25,581.9	\$25,999.3	\$26,717.7
Growth	4.6%	7.0%	6.3%	1.2%	-1.0%	1.6%	2.8%

GRF State-Source Receipts
(in millions)



	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Estimate	FY 2008 Forecast	FY 2009 Forecast
Revenue	\$17,477.1	\$18,514.4	\$19,903.9	\$20,250.8	\$20,251.9	\$20,399.3	\$20,707.7
Growth	2.2%	5.9%	7.5%	1.7%	0.0%	0.7%	1.5%

GRF Tax Revenues
(in millions)



	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Estimate	FY 2008 Forecast	FY 2009 Forecast
Revenue	\$16,317.9	\$17,737.5	\$19,088.0	\$19,563.4	\$19,316.6	\$19,262.6	\$19,364.6
Growth	5.5%	8.7%	7.6%	2.5%	-1.3%	-0.3%	0.5%

FY 2007 Revenue Estimates

Millions of Dollars

GRF*	Original July 2006	OBM Mar 2007	change	LSC Mar 2007	change	LSC minus OBM
TAX REVENUE						
Auto Sales	920.0	920.0	0.0	904.9	(15.1)	(15.1)
Nonauto Sales & Use	6,690.0	6,550.0	(140.0)	6,513.1	(176.9)	(36.9)
Total Sales & Use Taxes	7,610.0	7,470.0	(140.0)	7,418.0	(192.0)	(52.0)
Personal Income	8,650.0	8,790.0	140.0	8,788.5	138.5	(1.5)
Corporate Franchise	895.0	1,055.0	160.0	1,018.7	123.7	(36.3)
Public Utility	176.2	170.0	(6.2)	170.5	(5.7)	0.5
Kilowatt Hour Excise	330.0	330.0	(0.0)	320.5	(9.5)	(9.5)
Foreign Insurance	255.7	255.3	(0.4)	250.0	(5.7)	(5.3)
Domestic Insurance	173.6	174.7	1.1	170.0	(3.6)	(4.7)
Business & Property	19.0	19.0	0.0	17.7	(1.3)	(1.3)
Cigarette	1,020.0	1,020.0	0.0	1,015.0	(5.0)	(5.0)
Alcoholic Beverage	57.4	57.5	0.1	57.3	(0.1)	(0.2)
Liquor Gallonage	34.3	34.3	0.0	34.5	0.2	0.2
Estate	52.1	56.5	4.4	55.9	3.8	(0.6)
Total Tax Revenue	19,273.3	19,432.3	159.0	19,316.6	43.3	(115.7)
NONTAX STATE-SOURCE REVENUE						
Earnings on Investments	140.0	163.0	23.0	164.0	24.0	1.0
Licenses and Fees	71.0	71.0	0.0	76.3	5.3	5.3
Other Revenue	161.6	153.6	(8.0)	153.6	(8.0)	0.0
Nontax State-Source Revenue	372.6	387.6	15.0	393.9	21.3	6.3
TRANSFERS						
Liquor Transfers	135.0	135.0	0.0	135.0	0.0	0.0
Transfers In	119.0	119.0	0.0	119.0	0.0	0.0
Transfers In - Temporary	267.6	287.4	19.8	287.4	19.8	0.0
Total Transfers In	521.6	541.4	19.8	541.4	19.8	0.0
TOTAL GRF before Federal Grants	20,167.6	20,361.3	193.7	20,251.9	84.3	(109.4)
Federal Grants	5,829.1	5,357.0	(472.1)	5,330.0	(499.1)	(27.0)
TOTAL GRF SOURCES	25,996.7	25,718.3	(278.4)	25,581.9	(414.8)	(136.4)

*Revenues to local government funds at "freeze" rates.

FY 2008 Revenue Forecasts
 Millions of Dollars
GRF*

	OBM	LSC	difference	percent	Growth from FY 2007	
					OBM	LSC
TAX REVENUE						
Auto Sales	929.1	903.4	(25.7)	-2.8%	1.0%	-0.2%
Nonauto Sales & Use	6,678.3	6,652.7	(25.6)	-0.4%	2.0%	2.1%
Total Sales & Use Taxes	7,607.4	7,556.1	(51.3)	-0.7%	1.8%	1.9%
Personal Income	8,851.4	8,830.6	(20.8)	-0.2%	0.7%	0.5%
Corporate Franchise	773.4	766.8	(6.6)	-0.9%	-26.7%	-24.7%
Public Utility	172.3	183.3	11.0	6.4%	1.4%	7.5%
Kilowatt Hour Excise	343.0	333.5	(9.5)	-2.8%	3.9%	4.1%
Foreign Insurance	260.6	257.4	(3.2)	-1.2%	2.1%	3.0%
Domestic Insurance	178.4	175.0	(3.4)	-1.9%	2.1%	2.9%
Business & Property	19.5	16.9	(2.6)	-13.3%	2.6%	-4.5%
Cigarette	1,000.0	996.0	(4.0)	-0.4%	-2.0%	-1.9%
Alcoholic Beverage	58.0	57.0	(1.0)	-1.7%	0.8%	-0.5%
Liquor Gallonage	35.5	35.8	0.3	0.8%	3.5%	3.8%
Estate	57.8	54.2	(3.6)	-6.2%	2.3%	-3.0%
Total Tax Revenue	19,357.3	19,262.6	(94.7)	-0.5%	-0.4%	-0.3%
NONTAX STATE-SOURCE REVENUE						
Earnings on Investments	142.8	134.6	(8.2)	-5.7%	-12.4%	-17.9%
Licenses and Fees	71.0	78.0	7.0	9.9%	0.0%	2.2%
Other Revenue	103.6	103.6	0.0	0.0%	-32.6%	-32.6%
Nontax State-Source Revenue	317.4	316.2	(1.2)	-0.4%	-18.1%	-19.7%
TRANSFERS						
Liquor Transfers	147.0	147.0	0.0	0.0%	8.9%	8.9%
Transfers In	206.7	206.7	0.0	0.0%	73.7%	73.7%
Transfers In - Temporary	466.8	466.8	0.0	0.0%	62.4%	62.4%
Total Transfers In	820.5	820.5	0.0	0.0%	51.6%	51.6%
TOTAL GRF before Federal Grants	20,495.2	20,399.3	(95.9)	-0.5%	0.7%	0.7%
Federal Grants	5,604.6	5,600.0	(4.6)	-0.1%	4.6%	5.1%
TOTAL GRF SOURCES	26,099.8	25,999.3	(100.5)	-0.4%	1.5%	1.6%

*Share of revenues to local government funds assumed at statutory rates.

FY 2009 Revenue Forecasts

Millions of Dollars

GRF*

	OBM	LSC	difference	percent	Growth from FY 2008	
					OBM	LSC
TAX REVENUE						
Auto Sales	948.1	914.0	(34.1)	-3.6%	2.0%	1.2%
Nonauto Sales & Use	6,892.5	6,910.8	18.4	0.3%	3.2%	3.9%
Total Sales & Use Taxes	7,840.6	7,824.8	(15.8)	-0.2%	3.1%	3.6%
Personal Income	8,967.7	8,932.2	(35.5)	-0.4%	1.3%	1.2%
Corporate Franchise	473.5	488.0	14.5	3.1%	-38.8%	-36.4%
Public Utility	172.3	186.3	14.0	8.1%	0.0%	1.6%
Kilowatt Hour Excise	347.0	339.9	(7.1)	-2.0%	1.2%	1.9%
Foreign Insurance	266.6	269.1	2.5	0.9%	2.3%	4.5%
Domestic Insurance	182.5	182.8	0.3	0.2%	2.3%	4.5%
Business & Property	20.0	16.6	(3.4)	-17.0%	2.6%	-1.8%
Cigarette	980.0	978.3	(1.7)	-0.2%	-2.0%	-1.8%
Alcoholic Beverage	58.5	57.0	(1.5)	-2.6%	0.9%	0.0%
Liquor Gallonage	36.7	37.0	0.3	0.8%	3.4%	3.4%
Estate	58.3	52.6	(5.7)	-9.8%	0.9%	-3.0%
Total Tax Revenue	19,403.7	19,364.6	(39.1)	-0.2%	0.2%	0.5%
NONTAX STATE-SOURCE REVENUE						
Earnings on Investments	146.2	135.3	(10.9)	-7.5%	2.4%	0.5%
Licenses and Fees	71.0	80.1	9.1	12.8%	0.0%	2.7%
Other Revenue	103.6	103.6	0.0	0.0%	0.0%	0.0%
Nontax State-Source Revenue	320.8	319.0	(1.8)	-0.6%	1.1%	0.9%
TRANSFERS						
Liquor Transfers	141.0	141.0	0.0	0.0%	-4.1%	-4.1%
Transfers In	298.0	298.0	0.0	0.0%	44.2%	44.2%
Transfers In - Temporary	585.1	585.1	0.0	0.0%	25.3%	25.3%
Total Transfers In	1,024.1	1,024.1	0.0	0.0%	24.8%	24.8%
TOTAL GRF before Federal Grants	20,748.6	20,707.7	(40.9)	-0.2%	1.2%	1.5%
Federal Grants	6,030.7	6,010.0	(20.7)	-0.3%	7.6%	7.3%
TOTAL GRF SOURCES	26,779.3	26,717.7	(61.6)	-0.2%	2.6%	2.8%

*Share of revenues to local government funds assumed at statutory rates.

FY 2008-2009 Biennium Forecasts
 Millions of Dollars
GRF*

	OBM	LSC	difference	percent	Growth over FY 2006-2007	
					OBM	LSC
TAX REVENUE						
Auto Sales	1,877.2	1,817.4	(59.8)	-3.2%	1.1%	-1.3%
Nonauto Sales & Use	13,570.8	13,563.5	(7.3)	-0.1%	4.5%	4.8%
Total Sales & Use Taxes	15,448.0	15,380.9	(67.1)	-0.4%	4.1%	4.0%
Personal Income	17,819.1	17,762.8	(56.3)	-0.3%	1.4%	1.1%
Corporate Franchise	1,246.9	1,254.8	7.9	0.6%	-40.9%	-39.5%
Public Utility	344.6	369.6	25.0	7.3%	-0.5%	6.6%
Kilowatt Hour Excise	690.0	673.4	(16.6)	-2.4%	5.3%	4.3%
Foreign Insurance	527.2	526.5	(0.7)	-0.1%	4.6%	5.6%
Domestic Insurance	360.9	357.8	(3.1)	-0.9%	4.6%	5.1%
Business & Property	39.5	33.5	(6.0)	-15.2%	3.7%	-8.9%
Cigarette	1,980.0	1,974.3	(5.7)	-0.3%	-5.9%	-5.9%
Alcoholic Beverage	116.5	114.0	(2.5)	-2.1%	1.2%	-0.7%
Liquor Gallonage	72.2	72.8	0.6	0.8%	6.7%	7.3%
Estate	116.1	106.8	(9.3)	-8.0%	5.0%	-2.9%
Total Tax Revenue	38,761.0	38,627.2	(133.8)	-0.3%	-0.6%	-0.7%
NONTAX STATE-SOURCE REVENUE						
Earnings on Investments	289.0	269.9	(19.1)	-6.6%	6.9%	-0.5%
Licenses and Fees	142.0	158.1	16.1	11.3%	-2.0%	5.3%
Other Revenue	207.2	207.2	0.0	0.0%	-39.9%	-39.9%
Nontax State-Source Revenue	638.2	635.2	(3.0)	-0.5%	-16.0%	-17.1%
TRANSFERS						
Liquor Transfers	288.0	288.0	0.0	0.0%	5.5%	5.5%
Transfers In	504.7	504.7	0.0	0.0%	78.2%	78.2%
Transfers In - Temporary	1,051.9	1,051.9	0.0	0.0%	250.3%	250.3%
Total Transfers In	1,844.6	1,844.6	0.0	0.0%	115.3%	115.3%
TOTAL GRF before Federal Grants	41,243.8	41,107.0	(136.8)	-0.3%	1.6%	1.5%
Federal Grants	11,635.3	11,610.0	(25.3)	-0.2%	6.2%	6.3%
TOTAL GRF SOURCES	52,879.1	52,717.0	(162.1)	-0.3%	2.5%	2.5%

*Revenues to local government funds at "freeze" rates in FY 2006-2007 and assumed at statutory rates in FY 2008-2009.