

## REVENUE FORECASTS

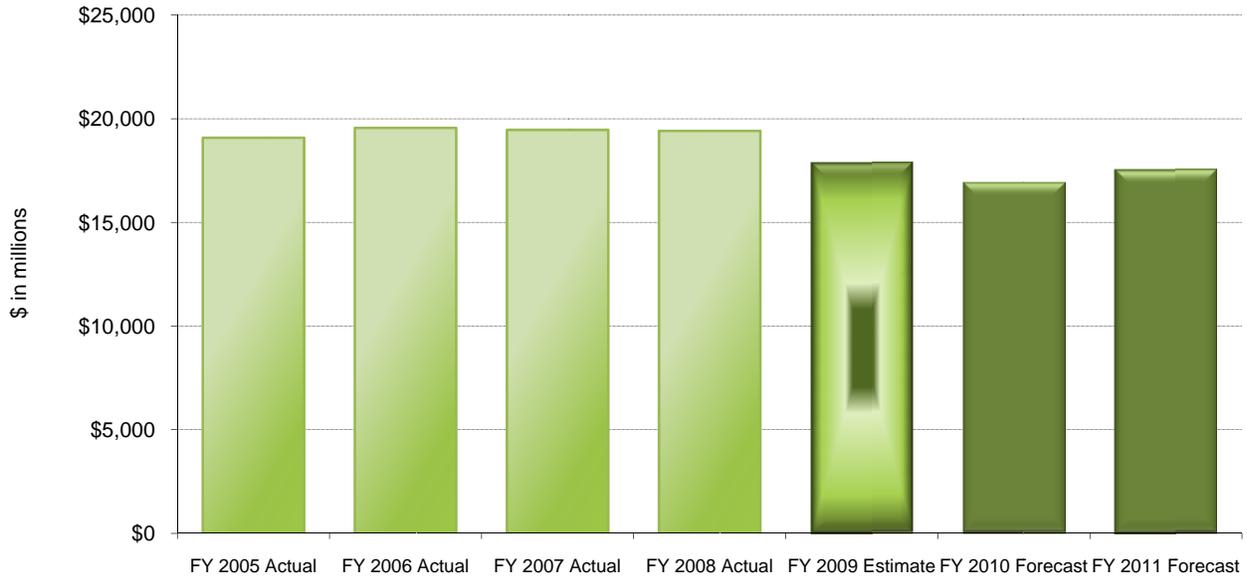
The LSC baseline forecasts for FY 2010 and FY 2011 assume the current statutory tax structure, including phase-in of the tax reform measures enacted in H.B. 66 of the 126th General Assembly, and tax changes enacted in the budget bill for the current biennium, H.B. 119 of the 127th General Assembly. The corporate franchise tax on nonfinancial corporations is phased out starting in FY 2010. Personal income tax rates receive their fifth and final H.B. 66 cut for tax year 2009. In FY 2010, the commercial activity tax (CAT) becomes fully phased in but as in the current biennium, revenues from the CAT are used during the next biennium to replace revenue reductions incurred by local governments as a result of the phase-out of the tangible personal property tax on general business. Various tax credits previously applied against the corporate franchise tax will reduce estimated baseline receipts from the CAT starting in FY 2009. Distributions of GRF tax revenues to the local government funds are assumed to follow the new formula established by H.B. 119. And credits under the personal income tax for military retirement pay, established by H.B. 372 of the 127th General Assembly, and for eligible historical preservation projects, established by H.B. 149 of the 126th General Assembly and amended by H.B. 554 of the 127th General Assembly, are also incorporated into the forecasts.

GRF tax revenue under current law is forecast to decrease by \$937.0 million (5.2%) in FY 2010. A substantial portion of this decrease is attributable to the phase-out of the corporate franchise tax on nonfinancial corporations and the final cut to personal income tax rates. The effects of the current recession on both these taxes and on the sales and use tax account for most of the rest of the expected reduction. An expected fall in receipts from the public utility excise tax is due to a continuation of recent declines in natural gas prices.

GRF tax revenue under current law is forecast to increase by \$627.5 million (3.7%) in FY 2011. Economic recovery is expected to lead to a return to growth in revenues from both the sales and use tax and the personal income tax. Increases in those taxes more than offset the continued decline in collections of taxes on cigarettes and other tobacco products.

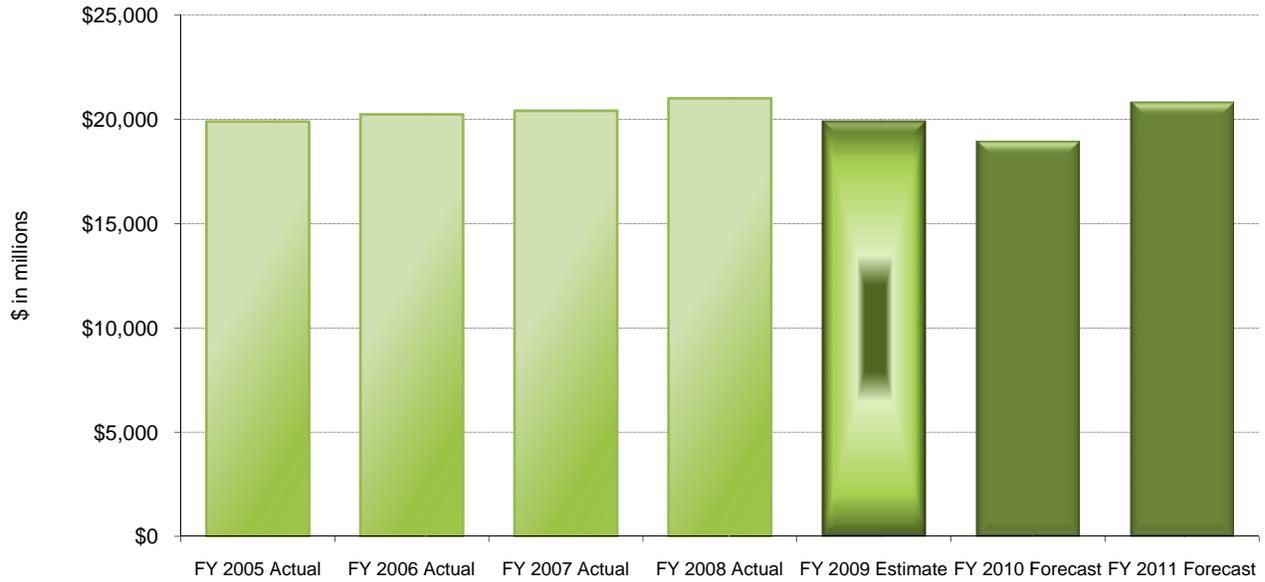
Compared with the FY 2008-FY 2009 biennium, GRF tax revenue for the FY 2010-FY 2011 biennium is forecast to be \$2,801.0 million (7.5%) lower. The following charts provide overviews of total GRF receipts and of GRF receipts from taxes and from state sources including earnings on investments, receipts from charges for licenses and fees, and other revenue.

**GRF Tax Revenues**  
(in millions)



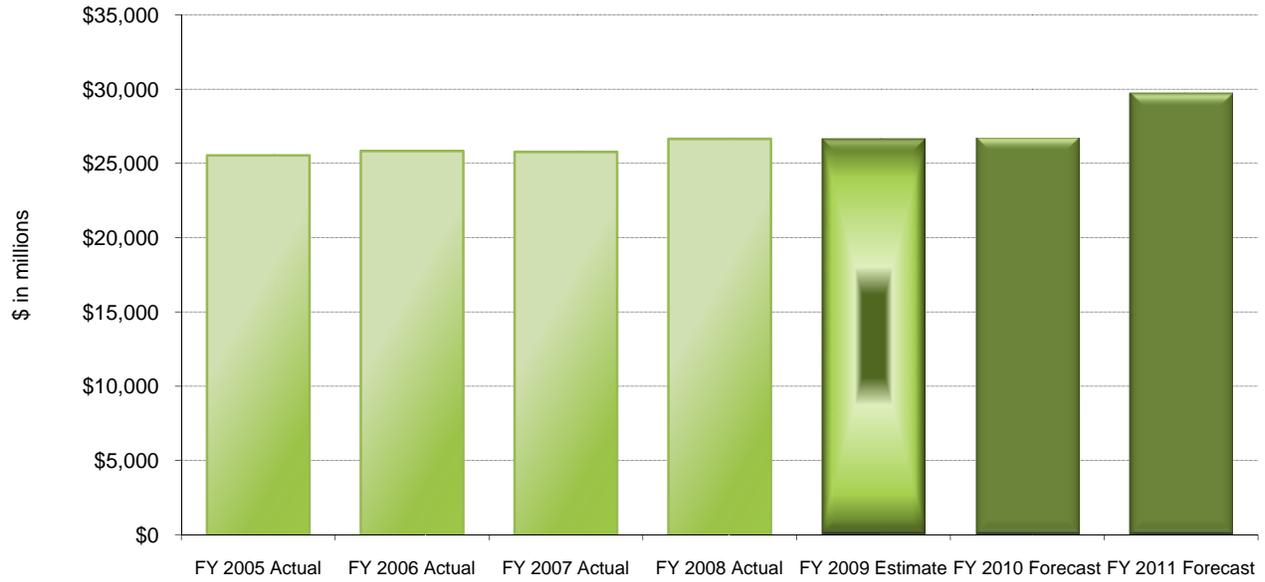
	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Estimate	FY 2010 Forecast	FY 2011 Forecast
Revenue	\$19,088.0	\$19,563.4	\$19,468.9	\$19,419.5	\$17,865.2	\$16,928.2	\$17,555.7
Growth	7.6%	2.5%	-0.5%	-0.3%	-8.0%	-5.2%	3.7%

**GRF State-Source Receipts**  
(in millions)



	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Estimate	FY 2010 Forecast	FY 2011 Forecast
Revenue	\$19,903.9	\$20,250.8	\$20,425.9	\$21,018.6	\$19,909.8	\$18,915.2	\$20,826.5
Growth	7.5%	1.7%	0.9%	2.9%	-5.3%	-5.0%	10.1%

**GRF Total Receipts**  
(in millions)



	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Estimate	FY 2010 Forecast	FY 2011 Forecast
Revenue	\$25,550.5	\$25,846.0	\$25,778.4	\$26,662.5	\$26,680.9	\$26,666.8	\$29,700.4
Growth	6.3%	1.2%	-0.3%	3.4%	0.1%	-0.1%	11.4%

<b>FY 2009 GRF Revenue Estimates</b>						
<b>Millions of Dollars</b>						
	<b>Original July 2008</b>	<b>OBM Feb 2009</b>	<b>Change</b>	<b>LSC Feb 2009</b>	<b>Change</b>	<b>LSC Minus OBM</b>
<b>TAX REVENUE</b>						
Auto Sales	960.0	875.0	(85.0)	866.0	(94.0)	(9.0)
Nonauto Sales & Use	6,832.2	6,577.1	(255.0)	6,416.4	(415.8)	(160.8)
<b>Total Sales &amp; Use Taxes</b>	<b>7,792.2</b>	<b>7,452.1</b>	<b>(340.0)</b>	<b>7,282.4</b>	<b>(509.8)</b>	<b>(169.8)</b>
Personal Income	9,096.1	8,257.5	(838.6)	8,243.9	(852.2)	(13.6)
Corporate Franchise	470.1	495.0	24.9	488.0	17.9	(7.0)
Public Utility	168.0	177.3	9.3	171.1	3.1	(6.2)
Kilowatt Hour Excise	128.9	132.8	4.0	137.5	8.6	4.6
Foreign Insurance	271.0	264.8	(6.2)	267.5	(3.5)	2.7
Domestic Insurance	172.5	167.7	(4.8)	180.5	8.0	12.8
Business & Property	20.0	20.0	0.0	20.9	0.9	0.9
Cigarette	941.7	917.0	(24.7)	914.4	(27.3)	(2.6)
Alcoholic Beverage	58.5	58.5	0.0	56.9	(1.6)	(1.6)
Liquor Gallonage	36.7	36.7	0.0	35.9	(0.8)	(0.8)
Estate	70.0	65.0	(5.0)	66.2	(3.8)	1.2
<b>Total Tax Revenue</b>	<b>19,225.6</b>	<b>18,044.6</b>	<b>(1,181.0)</b>	<b>17,865.2</b>	<b>(1,360.4)</b>	<b>(179.4)</b>
<b>NONTAX STATE-SOURCE REVENUE</b>						
Earnings on Investments	140.0	160.0	20.0	151.4	11.4	(8.6)
Licenses and Fees	71.0	63.0	(8.0)	70.8	(0.2)	7.8
Other Revenue	161.6	261.3	(99.7)	261.3	(99.7)	0.0
<b>Total Nontax State-Source Revenue</b>	<b>372.6</b>	<b>484.3</b>	<b>(87.7)</b>	<b>483.5</b>	<b>(88.5)</b>	<b>(0.8)</b>
<b>TRANSFERS</b>						
Liquor Transfers	135.0	144.0	9.0	144.0	9.0	0.0
Transfers In	119.0	796.4	677.4	796.4	677.4	0.0
Transfers In - Temporary	267.6	620.7	353.1	620.7	353.1	0.0
<b>Total Transfers In</b>	<b>521.6</b>	<b>1,561.1</b>	<b>1,039.5</b>	<b>1,561.1</b>	<b>1,039.5</b>	<b>0.0</b>
<b>TOTAL GRF Before Federal Grants</b>	<b>20,167.6</b>	<b>20,090.0</b>	<b>(77.6)</b>	<b>19,909.8</b>	<b>(257.8)</b>	<b>(180.2)</b>
Federal Grants	5,829.1	6,764.6	935.5	6,771.1	942.0	6.5
<b>TOTAL GRF SOURCES</b>	<b>25,996.7</b>	<b>26,854.6</b>	<b>857.9</b>	<b>26,680.9</b>	<b>684.2</b>	<b>(173.7)</b>

FY 2010 GRF Revenue Forecasts						
Millions of Dollars						
	OBM	LSC	LSC Minus		Growth from FY 2009	
			OBM	Percent	OBM	LSC
<b>TAX REVENUE</b>						
Auto Sales	889.2	859.2	(30.0)	-3.4%	1.6%	-0.8%
Nonauto Sales & Use	6,238.2	6,296.6	58.4	0.9%	-5.2%	-1.9%
Total Sales & Use Taxes	7,127.4	7,155.8	28.4	0.4%	-4.4%	-1.7%
Personal Income	7,994.8	7,790.6	(204.2)	-2.6%	-3.2%	-5.5%
Corporate Franchise	163.0	139.0	(24.0)	-14.7%	-67.1%	-71.5%
Public Utility	173.8	142.1	(31.7)	-18.2%	-2.0%	-17.0%
Kilowatt Hour Excise	161.4	147.6	(13.8)	-8.5%	21.4%	7.4%
Foreign Insurance	270.1	303.0	32.9	12.2%	2.0%	13.3%
Domestic Insurance	155.1	187.0	31.9	20.6%	-7.5%	3.6%
Business & Property	20.5	19.7	(0.8)	-3.9%	2.5%	-5.7%
Cigarette	850.0	881.2	31.2	3.7%	-7.3%	-3.6%
Alcoholic Beverage	59.0	57.1	(1.9)	-3.2%	0.9%	0.4%
Liquor Gallonage	38.0	36.8	(1.2)	-3.2%	3.5%	2.5%
Estate	61.5	68.2	6.7	10.9%	-5.4%	3.0%
<b>Total Tax Revenue</b>	<b>17,074.6</b>	<b>16,928.2</b>	<b>(146.4)</b>	<b>-0.9%</b>	<b>-5.4%</b>	<b>-5.2%</b>
<b>NONTAX STATE-SOURCE REVENUE</b>						
Earnings on Investments	155.0	88.4	(66.6)	-43.0%	-3.1%	-41.6%
Licenses and Fees	61.8	69.8	8.0	12.9%	-1.9%	-1.4%
Other Revenue	428.0	428.0	0.0	0.0%	63.8%	63.8%
<b>Total Nontax State-Source Revenue</b>	<b>644.8</b>	<b>586.2</b>	<b>(58.6)</b>	<b>-9.1%</b>	<b>33.1%</b>	<b>21.2%</b>
<b>TRANSFERS</b>						
Liquor Transfers	143.0	143.0	0.0	0.0%	-0.7%	-0.7%
Transfers In	346.4	346.4	0.0	0.0%	-56.5%	-56.5%
Transfers In - Temporary	911.4	911.4	0.0	0.0%	46.8%	46.8%
<b>Total Transfers In</b>	<b>1,400.8</b>	<b>1,400.8</b>	<b>0.0</b>	<b>0.0%</b>	<b>-10.3%</b>	<b>-10.3%</b>
<b>TOTAL GRF Before Federal Grants</b>	<b>19,120.2</b>	<b>18,915.2</b>	<b>(205.0)</b>	<b>-1.1%</b>	<b>-4.8%</b>	<b>-5.0%</b>
Federal Grants	7,773.5	7,751.6	(21.9)	-0.3%	14.9%	14.5%
<b>TOTAL GRF SOURCES</b>	<b>26,893.7</b>	<b>26,666.8</b>	<b>(226.9)</b>	<b>-0.8%</b>	<b>0.1%</b>	<b>-0.1%</b>

FY 2011 GRF Revenue Forecasts						
Millions of Dollars						
	OBM	LSC	LSC Minus		Growth from FY 2010	
			OBM	Percent	OBM	LSC
<b>TAX REVENUE</b>						
Auto Sales	925.5	939.4	13.9	1.5%	4.1%	9.3%
Nonauto Sales & Use	6,443.6	6,472.9	29.5	0.5%	3.3%	2.8%
Total Sales & Use Taxes	7,369.1	7,412.3	43.4	0.6%	3.4%	3.6%
Personal Income	7,755.6	8,190.6	435.0	5.6%	-3.0%	5.1%
Corporate Franchise	169.7	136.0	(33.7)	-19.9%	4.1%	-2.2%
Public Utility	167.6	150.1	(17.5)	-10.5%	-3.6%	5.6%
Kilowatt Hour Excise	165.2	142.3	(22.9)	-13.8%	2.4%	-3.5%
Foreign Insurance	278.6	314.0	35.4	12.7%	3.1%	3.6%
Domestic Insurance	171.6	192.0	20.4	11.9%	10.6%	2.7%
Business & Property	21.0	19.0	(2.0)	-9.5%	2.4%	-3.6%
Cigarette	796.4	849.5	53.1	6.7%	-6.3%	-3.6%
Alcoholic Beverage	59.5	57.4	(2.1)	-3.5%	0.8%	0.5%
Liquor Gallonage	39.0	37.6	(1.4)	-3.6%	2.6%	2.2%
Estate	60.5	54.8	(5.7)	-9.4%	-1.6%	-19.6%
<b>Total Tax Revenue</b>	<b>17,053.8</b>	<b>17,555.7</b>	<b>501.9</b>	<b>2.9%</b>	<b>-0.1%</b>	<b>3.7%</b>
<b>NONTAX STATE-SOURCE REVENUE</b>						
Earnings on Investments	155.0	135.2	(19.8)	-12.8%	0.0%	52.9%
Licenses and Fees	62.0	71.9	9.9	16.0%	0.3%	3.0%
Other Revenue	313.0	313.0	0.0	0.0%	-26.9%	-26.9%
<b>Total Nontax State-Source Revenue</b>	<b>530.0</b>	<b>520.1</b>	<b>(9.9)</b>	<b>-1.9%</b>	<b>-17.8%</b>	<b>-11.3%</b>
<b>TRANSFERS</b>						
Liquor Transfers	136.3	136.3	0.0	0.0%	-4.7%	-4.7%
Transfers In	1,672.2	1,672.2	0.0	0.0%	382.7%	382.7%
Transfers In - Temporary	942.2	942.2	0.0	0.0%	3.4%	3.4%
<b>Total Transfers In</b>	<b>2,750.7</b>	<b>2,750.7</b>	<b>0.0</b>	<b>0.0%</b>	<b>96.4%</b>	<b>96.4%</b>
<b>TOTAL GRF Before Federal Grants</b>	<b>20,334.5</b>	<b>20,826.5</b>	<b>492.0</b>	<b>2.4%</b>	<b>6.4%</b>	<b>10.1%</b>
Federal Grants	8,894.8	8,873.9	(20.9)	-0.2%	14.4%	14.5%
<b>TOTAL GRF SOURCES</b>	<b>29,229.3</b>	<b>29,700.4</b>	<b>471.1</b>	<b>1.6%</b>	<b>8.7%</b>	<b>11.4%</b>

FY 2010 - FY 2011 Biennium GRF Forecasts						
Millions of Dollars						
	OBM	LSC	LSC Minus		Growth Over	
			OBM	Percent	FY 2008-FY 2009 OBM	LSC
<b>TAX REVENUE</b>						
Auto Sales	1,814.7	1,798.6	(16.1)	-0.9%	-0.2%	-0.6%
Nonauto Sales & Use	12,681.8	12,769.5	87.7	0.7%	-4.3%	-2.4%
Total Sales & Use Taxes	14,496.5	14,568.1	71.6	0.5%	-3.8%	-2.2%
Personal Income	15,750.4	15,981.2	230.8	1.5%	-9.3%	-7.9%
Corporate Franchise	332.7	275.0	(57.7)	-17.3%	-73.4%	-77.8%
Public Utility	341.4	292.2	(49.2)	-14.4%	1.9%	-11.1%
Kilowatt Hour Excise	326.6	289.9	(36.7)	-11.2%	-10.3%	-21.3%
Foreign Insurance	548.7	617.0	68.3	12.4%	3.1%	15.4%
Domestic Insurance	326.7	379.0	52.3	16.0%	1.4%	13.1%
Business & Property	41.5	38.7	(2.8)	-6.7%	-1.8%	-10.3%
Cigarette	1,646.4	1,730.7	84.3	5.1%	-11.9%	-7.2%
Alcoholic Beverage	118.5	114.5	(4.0)	-3.4%	2.8%	0.7%
Liquor Gallonage	77.0	74.4	(2.6)	-3.4%	7.5%	5.0%
Estate	122.0	123.0	1.0	0.8%	-3.4%	-3.6%
<b>Total Tax Revenue</b>	<b>34,128.4</b>	<b>34,483.7</b>	<b>355.3</b>	<b>1.0%</b>	<b>-8.9%</b>	<b>-7.5%</b>
<b>NONTAX STATE-SOURCE REVENUE</b>						
Earnings on Investments	310.0	223.6	(86.4)	-27.9%	-5.9%	-30.3%
Licenses and Fees	123.8	141.7	17.9	14.5%	-5.3%	2.3%
Other Revenue	741.0	741.0	0.0	0.0%	90.9%	90.9%
<b>Total Nontax State-Source Revenue</b>	<b>1,174.8</b>	<b>1,106.3</b>	<b>(68.5)</b>	<b>-5.8%</b>	<b>38.5%</b>	<b>30.5%</b>
<b>TRANSFERS</b>						
Liquor Transfers	279.3	279.3	0.0	0.0%	-12.3%	-12.3%
Transfers In	2,018.6	2,018.6	0.0	0.0%	45.8%	45.8%
Transfers In - Temporary	1,853.6	1,853.6	0.0	0.0%	69.5%	69.5%
<b>Total Transfers In</b>	<b>4,151.5</b>	<b>4,151.5</b>	<b>0.0</b>	<b>0.0%</b>	<b>48.5%</b>	<b>48.5%</b>
<b>TOTAL GRF Before Federal Grants</b>	<b>39,454.7</b>	<b>39,741.7</b>	<b>287.0</b>	<b>0.7%</b>	<b>-4.0%</b>	<b>-2.9%</b>
Federal Grants	16,668.3	16,625.5	(42.8)	-0.3%	34.3%	33.9%
<b>TOTAL GRF SOURCES</b>	<b>56,123.0</b>	<b>56,367.2</b>	<b>244.2</b>	<b>0.4%</b>	<b>4.9%</b>	<b>5.7%</b>