
FY 2023-25 CONSENSUS REVENUE FORECAST

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Outline

- Consensus Forecast Process
- Overview of General Fund Forecast
- General Fund Revenue By Source
- Current Year Forecast Revision
- Biennium Outlook
- Transportation Revenue Forecast

Consensus Revenue Forecast Process

- Fiscal Research and the Office of State Budget and Management develop independent forecasts
- Prior to release of Governor's biennial budget (in odd-numbered years), the Consensus Forecast group meets to develop a consensus revenue forecast for the upcoming biennium.
- Forecast General Fund and Transportation Funds revenues

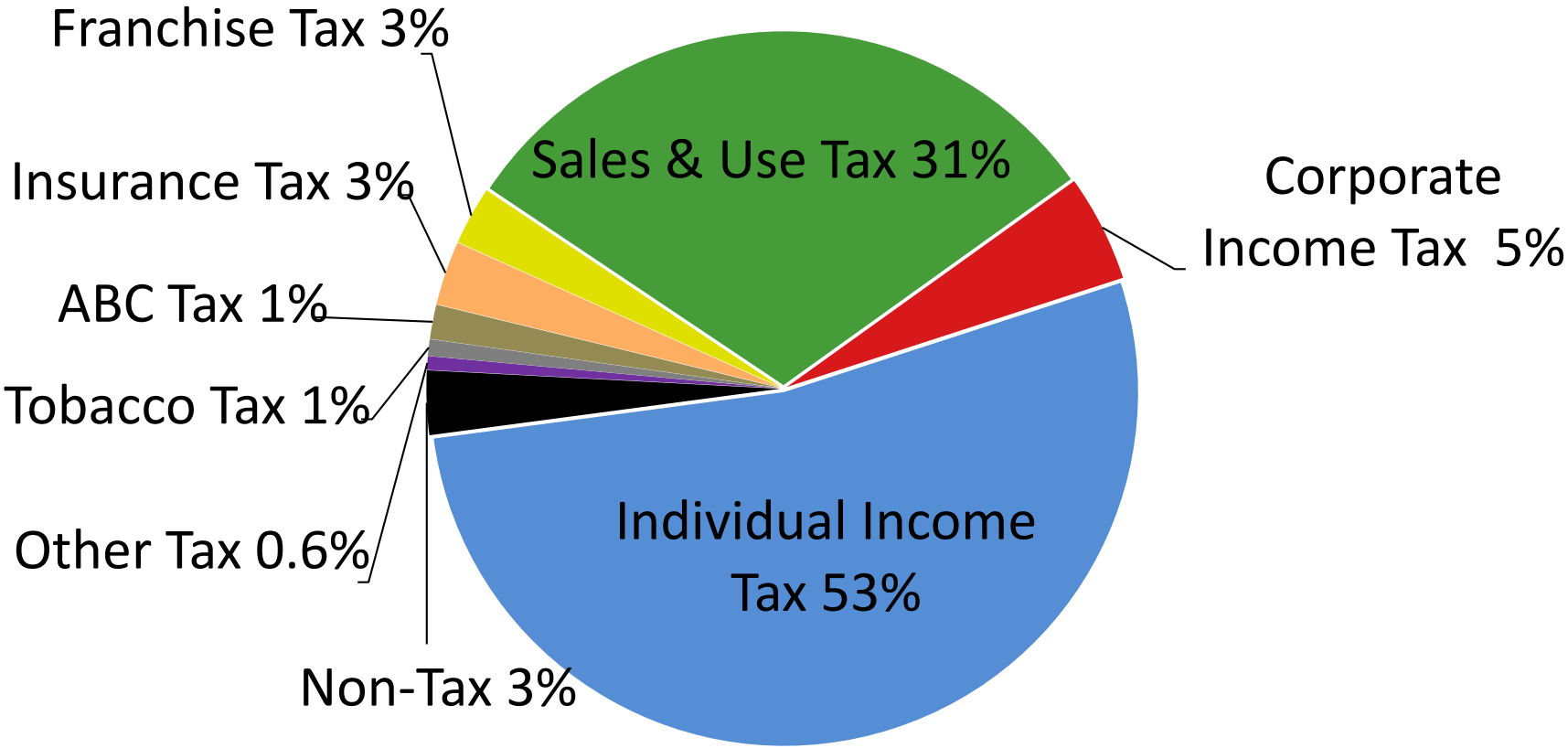
Forecast Revisions – Long Session

- In early May of odd-numbered years, after April receipts have been recorded, the legislature and/or the Governor can request a revised consensus forecast
- General Fund forecast is often revised due to April “surprise” from individual and corporate income tax payments
- An additional revision to the General Fund forecast after June’s collections may be requested
- Any revenue changes enacted during the Long Session are incorporated into a “session-adjusted” forecast.

Forecast Revisions – Short Session

- In even-numbered years, there is a revision to both forecasts for the second year of the biennium. The revised forecasts usually take place in early May after April's receipts are tabulated.
- Depending on the budget process, additional revisions to the General Fund forecast may be requested

State General Fund Revenue by Source



Actual FY 2021-22 Revenue: \$33.2 Billion

General Fund Forecast Summary

February 2023 Consensus Revenue Forecast

Fiscal Year	Revenue (\$s in millions)	Year/Year Change (\$s in millions)	Year/Year % Change
2022-23*	\$33,760.2	+\$551.5	+1.7%
2023-24	\$33,706.4	-\$53.8	-0.2%
2024-25	\$33,648.3	-\$58.1	-0.2%

* Current year forecast is \$3,250.3 million above certified revenue (over collections).

Current Fiscal Year Forecast

Source	FY 2022-23 Revised	Change from Certified	% Change from Certified
Individual Income	\$16,747.9	\$1,277.0	8.3%
Sales and Use	\$10,787.3	\$603.9	5.9%
Corporate Income & Franchise	\$2,534.7	\$688.3	37.3%
All Other Taxes	\$2,123.2	\$64.1	3.1%
Total Tax Revenue	\$32,193.1	\$2,633.3	8.9%
Total Non-Tax Revenue	\$1,567.1	\$617.0	64.9%
Total General Fund Revenue	\$33,760.2	\$3,250.3	10.7%

Reasons for Forecast Revisions

- Changes to the Economic Outlook
 - Year-to-Date Collections
 - Expected Changes to Timing of Collections
 - Impact of Statutory Changes
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- Changes to the current fiscal year forecast may change the revenue base and flow through to the next year.

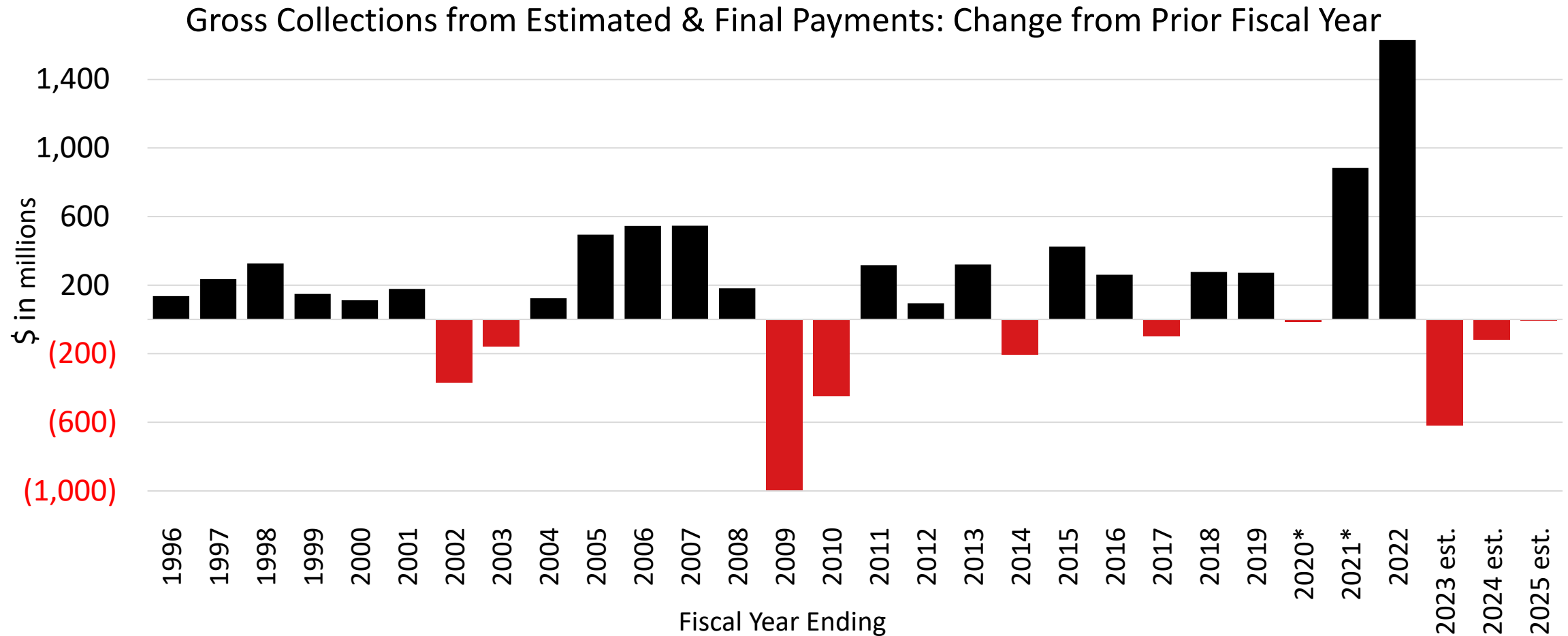
Changes to Economic Outlook



FY 2022-23 Year to Date Collections Through January

Source	FY 2022-23 YTD Jan	% Difference from Target	% Change from Prior Year
Individual Income	\$9,301.9	12.2%	4.2%
Sales and Use	\$6,715.8	6.8%	8.7%
Corporate Income & Franchise	\$1,138.4	74.4%	14.9%
All Other Taxes	\$881.2	-4.7%	6.7%
Total Tax Revenue	\$18,037.3	11.6%	6.6%
Total Non-Tax Revenue	\$617.3	46.3%	51.1%
Total General Fund Revenue	\$18,654.6	12.5%	7.7%

Individual Income Tax Volatility



*Figures for FY 2019-20 and FY 2020-21 have been adjusted to account for estimated shift due to deadline extensions

Major Tax Changes – Tax Year 2022

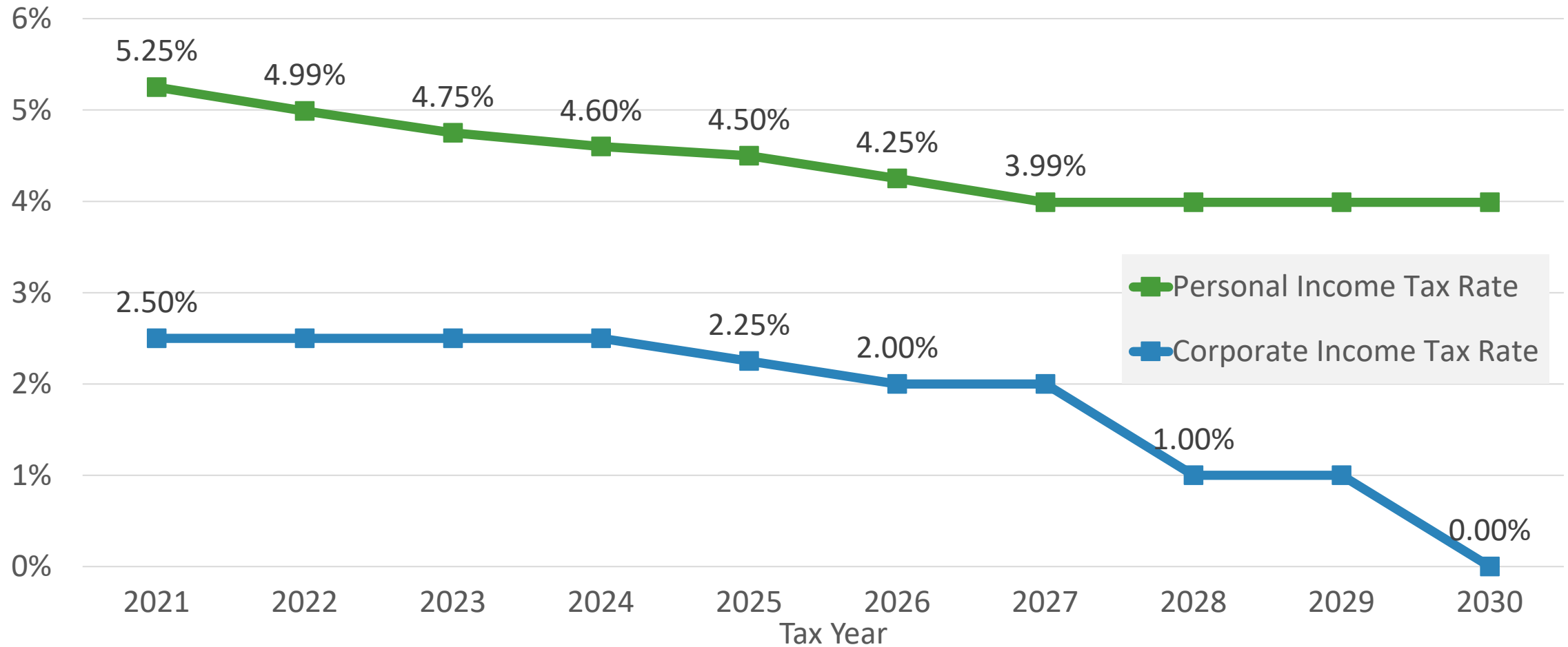
□ Personal Income Tax

- Increase standard deduction, child deduction, and medical deduction beginning in tax year
- Allow pass-through businesses to pay tax at entity level

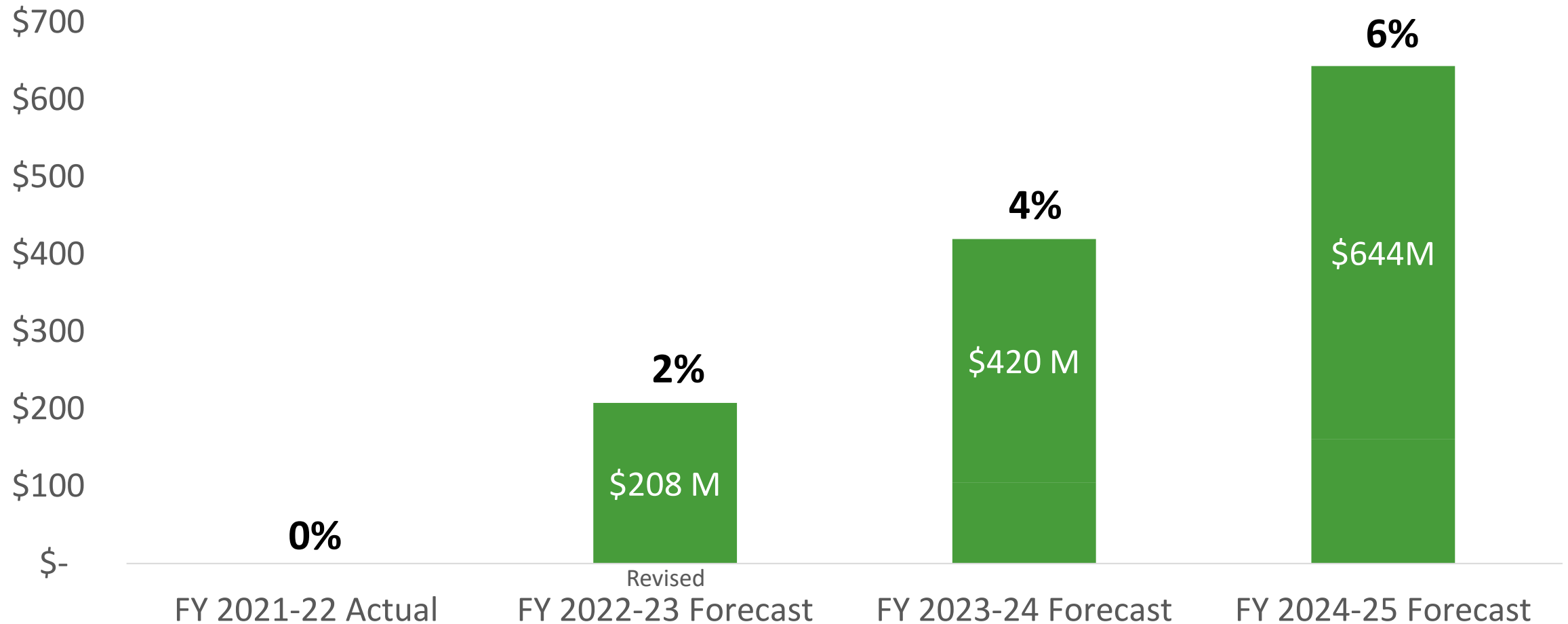
□ Franchise Tax

- Eliminate two property bases, keeping only the net worth base

Declining Income Tax Rates



Increasing Transfer of Sales Tax Revenue Out of GF



Current Fiscal Year Forecast

Source	FY 2022-23 Revised	Change from Prior Year	% Change from Prior Year
Individual Income	\$16,747.9	-\$819.7	-4.7%
Sales and Use	\$10,787.3	\$586.6	5.8%
Corporate Income & Franchise	\$2,534.7	\$20.6	0.8%
All Other Taxes	\$2,123.2	\$170.6	8.7%
Total Tax Revenue	\$32,193.1	-\$41.9	-0.1%
Total Non-Tax Revenue	\$1,567.1	\$593.4	60.9%
Total General Fund Revenue	\$33,760.2	\$551.5	1.7%

Upcoming Biennium Economic Outlook: “Slowcession”



Upcoming Biennium Forecast

Source	FY 2023-24 Forecast	Y/Y % Change	FY 2024-25 Forecast	Y/Y % Change
Individual Income	\$16,610.1	-0.8%	\$16,818.0	1.3%
Sales and Use	\$10,664.6	-1.1%	\$10,690.7	0.2%
Corporate Income & Franchise	\$2,407.2	-5.0%	\$2,372.1	-1.5%
All Other Taxes	\$2,265.0	6.7%	\$2,292.0	1.2%
Total Tax Revenue	\$31,946.9	-0.8%	\$32,172.8	0.7%
Total Non-Tax Revenue	\$1,759.5	12.3%	\$1,475.5	-16.1%
Total General Fund Revenue	\$33,706.4	-0.2%	\$33,648.3	-0.2%

General Fund Summary

- The revised GF forecast for the current fiscal year (FY 2022-23) expects \$3.25 billion in over collections relative to certified revenue.
- Next fiscal year, revenue is expected to decline by 0.2%, due to slow economic growth and tax cuts.
- In the last year of the biennium, revenue is expected to be 0.3% lower than the current fiscal year (-0.2% growth year-over-year).
- High probability of “April Surprise” – which may be negative or positive
 - Revised forecast expected in May

TRANSPORTATION CONSENSUS REVENUE FORECAST

Nick Clerkin

Fiscal Research Division

Revised Transportation Revenue Forecast

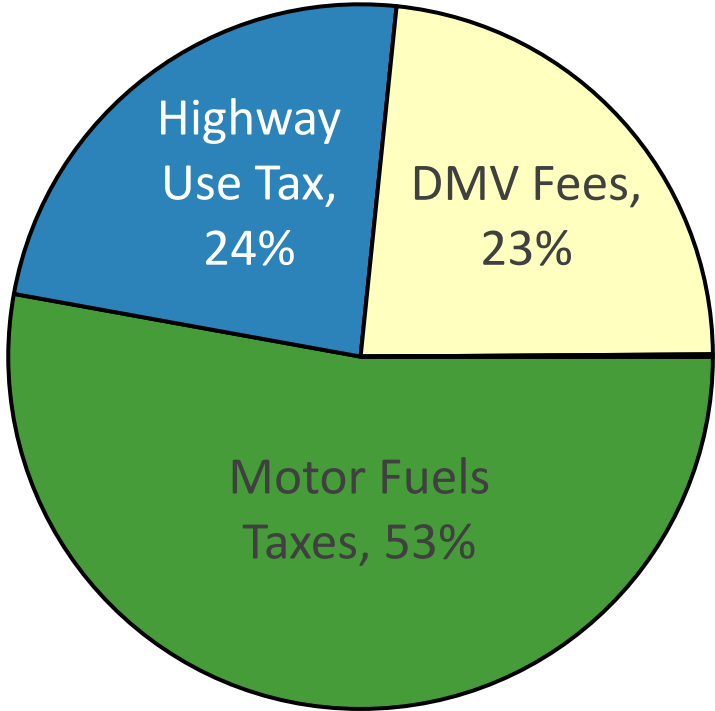
(\$ in millions)

February 2023 Transportation Revenue Forecast			
Category	FY 2022-23	FY 2023-24	FY 2024-25
Highway Fund Revenue	\$2,973.2	\$2,962.6	\$3,199.1
Highway Trust Fund Revenue	\$1,818.1	\$2,197.0	\$2,442.1
Total Transportation Revenue	\$4,791.3	\$5,159.6	\$5,641.2
Total Change from Budgeted (Overcollections)	\$17.6		
<i>% Change from Budgeted</i>	<i>0.4%</i>		
Total Increase Year-over-Year		\$368.3	\$481.6
<i>% Increase Year-over-Year</i>		<i>7.7%</i>	<i>9.3%</i>

Transportation Revenue Sources Are Changing

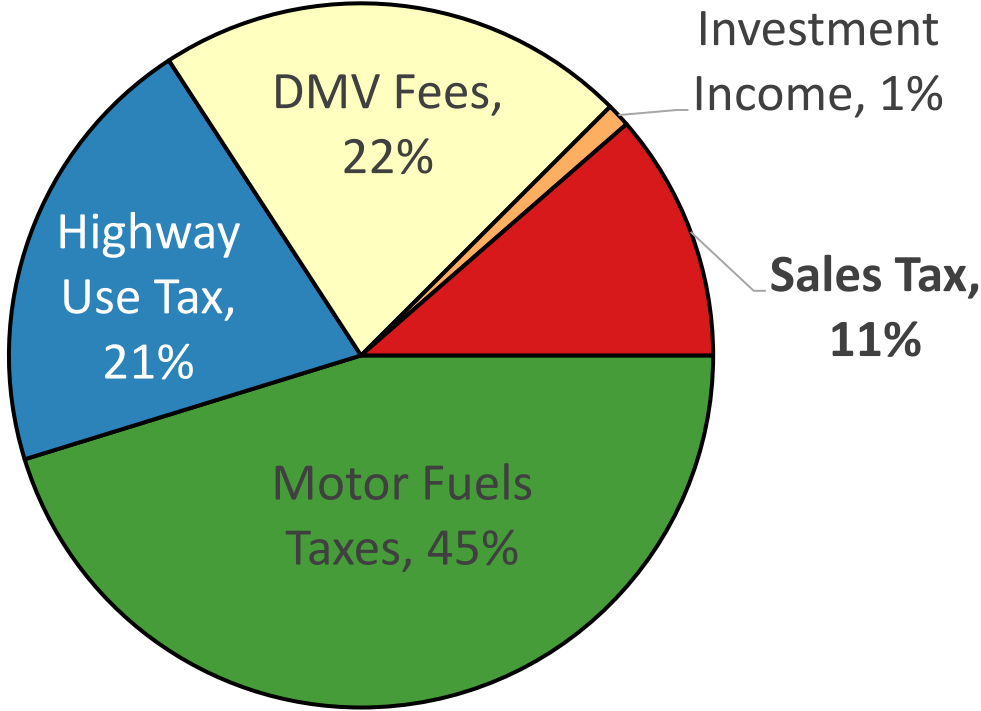
FY 2021-22 Actuals

\$4.3 billion



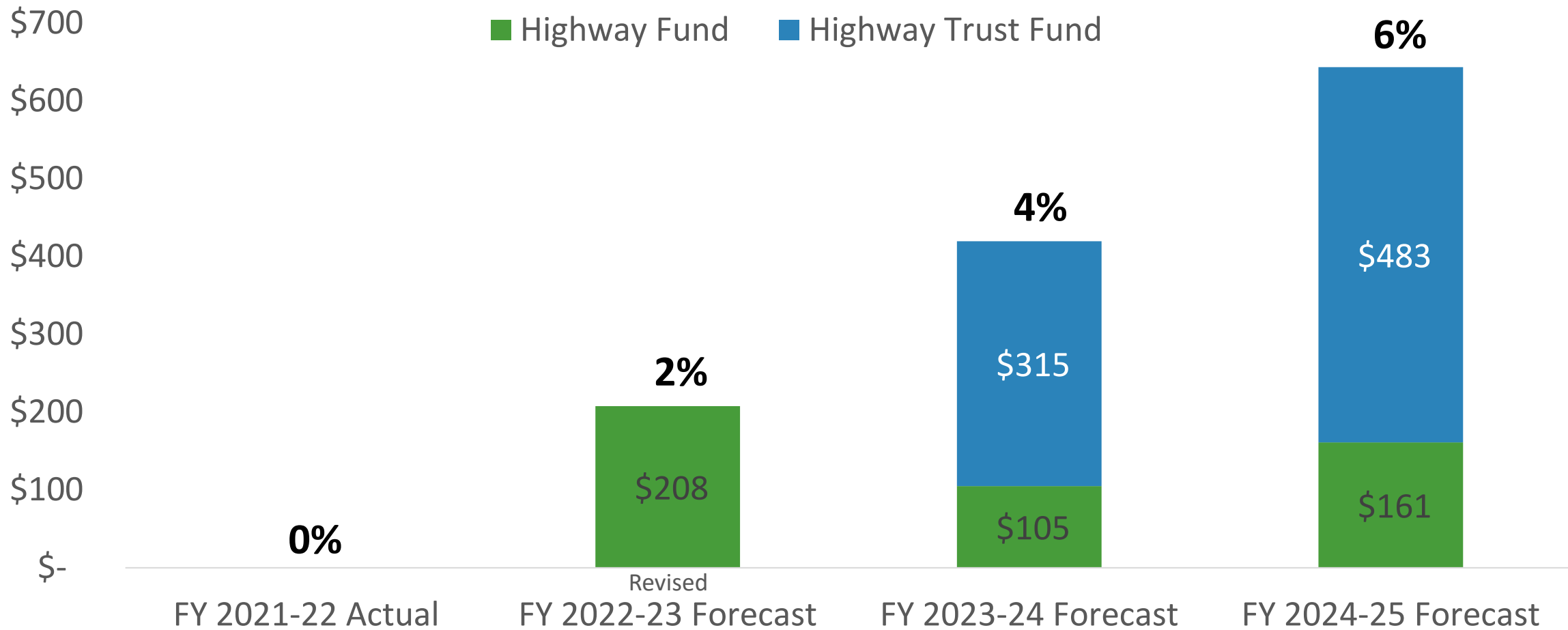
FY 2024-25 Forecast

\$5.6 billion



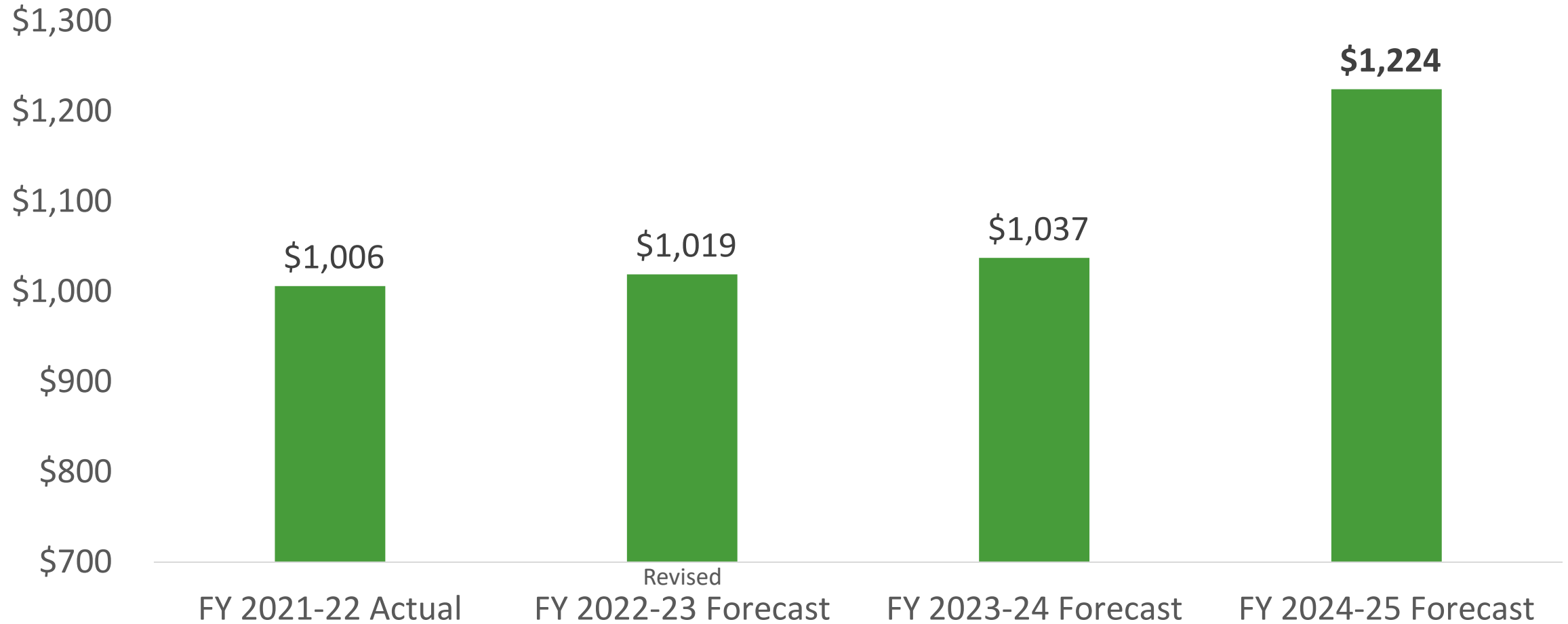
Sales Tax Transfer

(\$ in millions) (% of total sales tax revenue in **bold**)



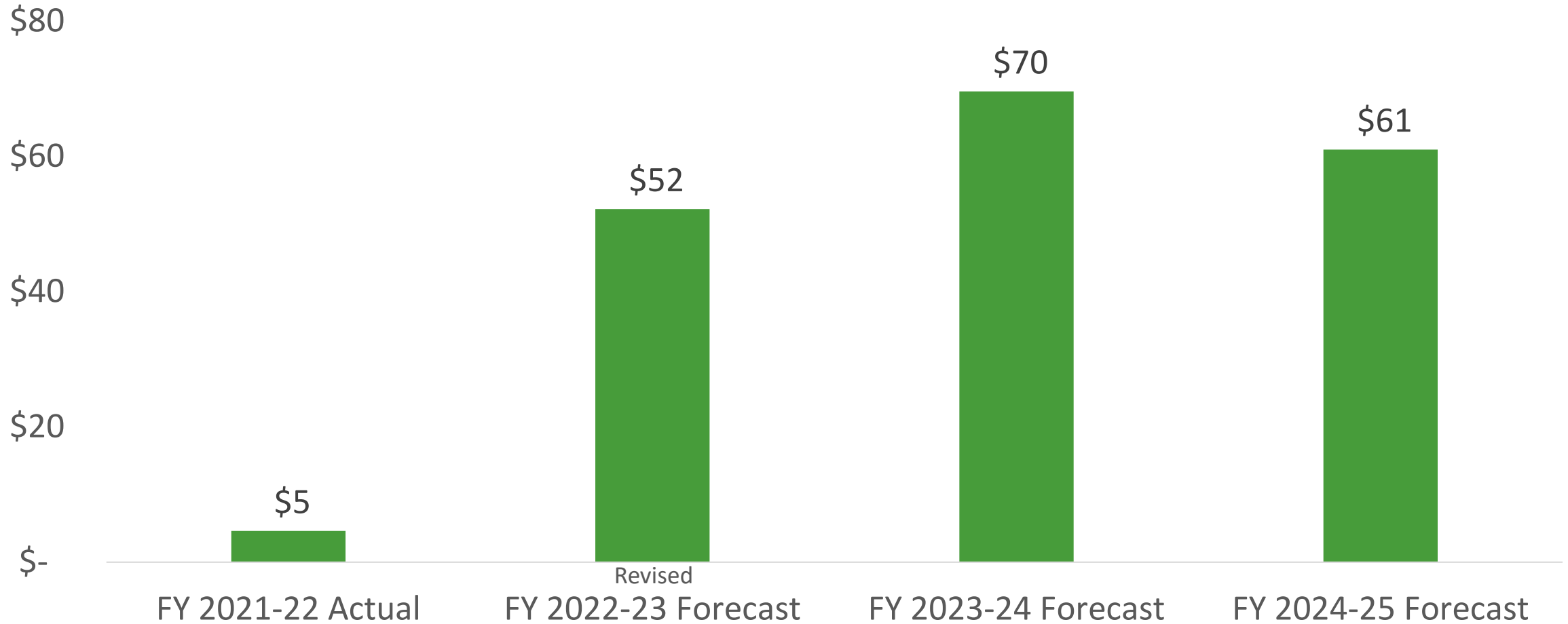
DMV Fees

(\$ in millions)



Investment Income

(\$ in millions)



Motor Fuels Tax Rate

Calendar Year	Type	Motor Fuel Tax Rate (cents)	Change (cents)
2022	Actual	38.5	
2023	Actual	40.5	2.0
2024	Forecast	40.4	-0.1
2025	Forecast	40.5	0.1

- **2023:** Spike in energy prices lead to large rate increase
- **2024:** Modest projected fall in CPI-Energy drives rate down slightly
- **2025:** Flattening CPI-Energy and population growth leads to increased rate in 2025

Motor Fuels Tax and Highway Use Tax

(\$ in millions)

Tax	FY 2021-22 Actual	FY 2022-23 Forecast	FY 2023-24 Forecast	FY 2024-25 Forecast
<u>Motor Fuels Tax</u>	<u>\$2,164.5</u>	<u>\$2,284.6</u>	<u>\$2,374.5</u>	<u>\$2,388.8</u>
<i>Change, \$</i>		<i>\$120.1</i>	<i>\$89.9</i>	<i>\$14.3</i>
<i>Change, %</i>		<i>5.5%</i>	<i>3.9%</i>	<i>0.6%</i>
<u>Highway Use Tax</u>	<u>\$1,028.5</u>	<u>\$1,090.8</u>	<u>\$1,112.4</u>	<u>\$1,160.8</u>
<i>Change, \$</i>		<i>\$62.3</i>	<i>\$21.6</i>	<i>\$48.4</i>
<i>Change, %</i>		<i>6.1%</i>	<i>2.0%</i>	<i>4.4%</i>

Year-over-Year Increases Summary

(\$ in millions)

