



STATE OF ARKANSAS
**Department of Finance
and Administration**

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May 17, 2023

The Honorable Terry Rice, Co-Chair
The Honorable Jeff Wardlaw, Co-Chair
Arkansas Legislative Council
State Capitol
Little Rock, Arkansas 72201

Dear Senator Rice and Representative Wardlaw:

In accordance with Arkansas Code Annotated §10-3-1404 (a) (1), I am attaching tables summarizing the May 17, 2023 revision to the official general revenue forecast for Fiscal Years 2023, 2024, and 2025.

Summary of Net Available Revenues:

Current Year

- For FY 2023 Net Available revenues are expected to reach \$7,058.9 million, a decrease of \$418.5 million, or -5.6 percent from FY 2022 results. Year-to-date actual growth after ten months in the fiscal year has been -2.6 percent below year earlier levels, resulting in \$430.2 million above forecast at that point. Individual Income Tax collections have been better than expected with \$104.2 million over forecast combined with a benefit to Net Available of \$71.3 million fewer refunds. Sales and Use Tax collections have been above forecast with the combined effects of economic expansion and elevated inflation. Corporate Income tax collections are also above forecast in a third year of high growth after 28.4 percent annual growth in FY 2022 alone.
- The FY 2023 forecast is expected to fund the allocations "A" + "B" in the current Revenue Stabilization Law (RSA) and provide a surplus above RSA of \$1.035 billion.

Forecast

- For FY 2024 net available revenues are expected to reach \$6,625.4 million, a decrease of \$433.5 million or -6.1 percent below FY 2023.
- For FY 2025 net available revenues are expected to reach \$6,842.4 million, an increase of \$217.0 million or 3.3 percent above FY 2024.

Economic Forecast Assumptions

Economic models employed by the Department of Finance and Administration indicate continued deceleration in growth and inflation rates over the next two years. This pattern persists despite expected pause in interest rate hikes by the Federal Reserve. Transition to normalized interest rates after a decade of unusually low rates has exposed cracks in the financial system tied to banks, commercial real estate, subprime lending, and valuations in the high-growth tech sector. The Fed mandate to slow inflation and stabilize prices from unsustainable rates to an inflation policy target near 2.0 percent targets both inflation and real growth in the process. This so-called soft landing of the economy is rarely accomplished because of new volatility caused by any combination of consumer and business reaction, financial system failures, mispriced assets in major markets, or external commodity price shocks. The current inflation fight and rate adjustment path has not broken consumer confidence or business investment rates, in part from retained savings by households and business pricing power amid higher employment costs. At least one recession call has already passed as consumer spending offset other factors in GDP component fluctuations over the past year. But the same slow, below-average real GDP growth forecast remains in effect while inflation rates recede from 8.0 percent rates in 2022 to 4.5 in 2023 and projected 2.7 percent in 2024. Nominal GDP growth will decelerate with inflation but remain above 4.0 percent in 2024 and 2025.

At the consumer level, nominal dollar expenditure growth will decelerate from 9.1 percent growth in 2022 to 5.9 percent in 2023 and 3.9 percent in 2024 and 2025. Total wage income will also decelerate from 9.1 percent in 2022 to 6.4 percent in 2023 and approximately 4.4 percent in 2024 and 2025. Addressing wage inflation amid tight labor markets is a difficult task with uneven impact on sectors. It may also entail more patience and higher interest rates for longer.

The Arkansas economy remains resilient at both the consumer and business levels. State average unemployment rates remain low in part from high demand for workers and from labor force participation rates slowly rebounding. Annual benchmark revisions to payroll employment estimates for 2022 and early 2023 indicated a stronger state economy than previously indicated and used in the November 2022 revenue forecast. In addition, weekly statistics on new and existing claims for unemployment show no uptrend in claims in 2023. Corporate tax filings indicate good growth for both TY2022 earnings and forward-looking Estimated Payments. Corporate Tax collections have been a major contributor to revenue amounts above forecast YTD in FY2023. Looking ahead, a conservative forecast remains in place over the biennium for Corporate Income Tax collections because of its history of volatility.


The short-term outlook for the Arkansas economy indicates stable growth for total personal income by fiscal year from FY23 to FY25. Wage and Salary Income, a preferred measure of Payroll Withholding Tax collections is expected to decelerate from elevated gains in FY22 (8.9 percent) and FY23 (9.0 percent) to 4.5 percent in FY24 and 3.8 percent in FY25. This deceleration corresponds to lower employment growth over time and less wage inflation. Attempts to slow the national economy and fight inflation will temper job growth at the state level with greater impact on interest rate sensitive sectors. Recent job gains in Manufacturing are expected to turn negative in FY24 and FY25. High growth in Transportation Services is expected to fall to 0.5 percent by FY25. Collectively, Arkansas will experience slower growth over FY24 in the aftermath of historic gains that included effects of high inflation. Growth will slow to long-run trend averages by FY25 for income and inflation but remain at below-average job growth until borrowing costs are normalized to long-run policy targets of the Federal Reserve.

The risk set is now more balanced between the alternative pessimistic and optimistic cases. The pessimistic case with a 25% probability involves below-average real GDP growth at 1.0 percent in 2023 and 0.8 percent in 2025. Consumer spending rises 1.5 percent in 2023, 0.7 percent in 2024, and recovers to 1.6 percent in 2025. Business fixed investment growth and housing starts are expected to bottom out in 2024. The pessimistic case also assumes higher energy prices due to deterioration in the Russia-Ukraine conflict. The optimistic case with a 20% probability is characterized by stronger growth of consumer spending and cessation of fighting in the Russia-Ukraine conflict. The Department will act expeditiously to adjust the forecast and budgets if conditions warrant.

The department utilizes more stable and conservative forecast sources and models among national forecast contractors to maintain a conservative input process. Revenue sources are evaluated separately to capture collection issues for each contributing revenue line. We have provided a conservative revenue forecast recognizing the growth opportunities and the risk profile.

I have attempted to provide this information in a format that facilitates your work. A narrative summary of the revenue forecasts and tables for quick reference are included with this letter.

Sincerely,


for
Larry W. Walther
Secretary

LWW/jps
Attachments (3)

STATE AND NATIONAL ECONOMIC AND REVENUE FORECASTS

The following sections summarize the economic outlook for the nation and Arkansas for the next two years with comments updating current year (FY 2023) conditions. The Official Revenue Forecast for the 2023-2025 Biennium is included.

The revenue forecasts are conditionally based on the expected economic conditions in the state and nation as of April 2023. The U.S. and state economic forecasts were compiled from simulations representing structural economic modeling systems at S&P Global Market Intelligence. The Office of Economic Analysis and Tax Research, DFA, prepared the general revenue forecast.

Economic and Revenue Estimates for Fiscal Year 2023

- **FY 2023 U.S. Gross Domestic Product (Real Output).** This summary is based on the April 2023 baseline forecast of S&P Global Market Intelligence. During FY 2023, the United States economy is expected to produce final goods and services valued in inflation-adjusted dollars at \$20,194 billion, for an annual increase of \$319 billion or 1.6 percent. Two general measures of inflation indicate high near-term price gains during the year, stemming from core inflation in goods and services. These consist of the Consumer Price Index (CPI) and the GDP price deflator, a measure of overall price inflation spanning consumers, businesses, and government. The Consumer Price Index is expected to increase 6.4 percent and the GDP price deflator is expected to rise by 5.6 percent.
- **U.S. gross domestic product in current dollars** is estimated at \$26,266 billion, an increase of \$1,794 billion or 7.3 percent.
- **Average annual U.S. oil prices** are estimated at \$87 per barrel (domestic crude price to refineries) in FY 2023 from the April U.S. energy forecast. Energy prices have moderated in response to rising interest rates to combat elevated overall inflation.
- **FY 2023 Arkansas total personal income** (the sum of wages and salaries, proprietor's income, rent, dividends, interest, and transfer payments) is estimated at \$162.9 billion (current dollars), an increase of \$10.4 billion or 6.8 percent from FY 2022. Growth in total income reflects elevated inflation, high growth in payroll earnings, and moderation in government transfer payments to individuals.
- **FY 2023 Arkansas wage and salary disbursements** are estimated at \$76.2 billion, an increase of \$6.3 billion or 9.0 percent.
- **FY 2023 Arkansas payroll employment** is expected to reach a level of 1.351 million jobs, an increase of approximately 40,400 jobs or 3.1 percent. This includes gains early in the fiscal year from U.S. Department of Labor benchmark revisions and expected slowing from attempts to fight inflation with interest rate hikes by the Federal Reserve. Private sector job change is expected to be 3.5 percent above the prior year.

FY 2023 Gross General Revenues

Gross general revenues are estimated at \$8,704.6 million, a decrease from FY 2022 of \$68.5 million, or -0.8 percent.

Pursuant to Arkansas Code §19-5-202, the total fee deducted from general revenue for funding of the State Central Services Fund and Constitutional Officers Fund for FY 2023 was set at 3.1 percent.

In addition to the usual deductions from gross general revenues, such as the Constitutional Officers Fund, the State Central Services Fund, and refunds of individual and corporate income taxes, the following trust fund is noted:

- **Act 1315 (1999) Educational Excellence Trust Fund.** Act 1315 (1999) established a benchmark of 14.14 percent which is applied against actual sales and use tax collections of the previous fiscal year. Under this formula, \$432.3 million has been determined to be distributed (net) in FY 2023.

FY 2023 Net Available General Revenues

Net available revenues are estimated at \$7,058.9 million, a decrease of \$418.5 million or -5.6 percent from FY 2022.

FY 2023 revenues are expected to fund the allocations “A” + “B” in the approved Revenue Stabilization Law and a surplus of \$1.035 billion is indicated.

FY 2023 Selected Special Revenues:

- **FY 2023 Educational Adequacy Fund:** Act 107 of the Second Extraordinary Session of 2003 increased the state sales and use tax rate from 5.125% to 6.0%, effective March 1, 2004. Effective July 1, 2004, a new sales tax on selected services went into effect in addition to an increase in vending machine decal fees. Act 94 increased the minimum corporate franchise tax and the tax rate, effective for calendar years beginning January 1, 2004. Effective with FY 2008, a portion of the six-cent per gallon dyed diesel tax is also deposited to the Educational Adequacy Fund to partially offset the revenue loss from exempting dyed diesel from sales tax.

The additional revenues are deposited as special revenues to the Educational Adequacy Fund to be used to fulfill the financial obligations of the state to provide an adequate educational system. Estimate for FY 2023: \$702.8 million.

- **FY 2023 WorkForce 2000 (Special Corporate Income Taxes).** Act 1315 (1999) established a benchmark of 6.78 percent which will be applied against net corporate income tax collections in the previous fiscal year. Under this formula, it has been determined that \$54.3 million will be distributed in FY 2023.

Economic and Revenue Estimates for Fiscal Year 2024

- **FY 2024 U.S. Gross Domestic Product (Real Output).** This summary is based on the April 2023 baseline forecast of S&P Global Market Intelligence. During FY 2024, the United States economy is expected to produce final goods and services valued in inflation-adjusted dollars at \$20,422 billion, an increase of \$228 billion or 1.1 percent. Two general measures of inflation indicate additional price pressures during the year. The Consumer Price Index is expected to increase 3.4 percent and the GDP price deflator is expected to rise by 3.2 percent.
- **U.S. gross domestic product in current dollars** is estimated at \$27,409 billion, an increase of \$1,142 billion or 4.3 percent over FY 2023.
- **Average annual U.S. oil prices** are estimated at \$85 per barrel (domestic crude price to refineries) in FY 2024. Price pressure is expected to reflect supply constraints mixed with demand weakness in a slow-growth global economy. Weekly and monthly price swings could vary widely around the annual averages.
- **FY 2024 Arkansas total personal income** is estimated at \$169.7 billion (current dollars), an increase of \$6.9 billion or 4.2 percent over FY 2023. This nominal growth results from inflation of 3.2 percent mixed with elevated employment growth and payroll income. Personal transfer payments will add to personal income with 7.5 percent growth FY 2024.
- **FY 2024 Arkansas wage and salary disbursements** are estimated at \$79.6 billion, an increase of \$3.4 billion or 4.5 percent. Total disbursements reflect the combined effects of net job growth, longer average work weeks, and any gains in wage rates, bonuses, or level of overtime pay rates.
- **FY 2024 Arkansas payroll employment** is expected to reach a level of 1.352 million jobs, an increase of approximately 400 jobs or a fractional percentage gain. Private sector jobs are expected to contract by -0.6 percent in FY 2024. There are currently no indications of slowdown in the labor market in monthly reports or weekly unemployment claims data. Arkansas could bypass the national recession and limit negative impacts in the labor market in a short and shallow episode of national contraction or minimal growth.

FY 2024 Gross General Revenues

Gross general revenues are estimated at \$8,135.6 million, a decrease from FY 2023 of \$569.0 million, or -6.5 percent.

The total fee deducted from general revenue for funding of the State Central Services Fund and Constitutional Officers Fund for FY 2024 is assumed to remain at 3.1 percent.

In addition to the usual deductions from gross general revenues, such as the Constitutional Officers Fund, the State Central Services Fund, and refunds of individual and corporate income taxes, the following trust fund is noted:

- **Act 1315 (1999) Educational Excellence Trust Fund.** Act 1315 (1999) established a benchmark of 14.14 percent which is applied against actual sales and use tax collections of the previous fiscal year. \$463.7 million is estimated to be distributed (net) in FY 2024.

FY 2024 Net Available General Revenues

Net available revenues are estimated at \$6,625.4 million, a decrease of \$433.5 million or -6.1 percent compared to FY 2023.

FY 2024 Selected Special Revenues:

- **FY 2024 Educational Adequacy Fund:** Act 107 of the Second Extraordinary Session of 2003 increased the state sales and use tax rate from 5.125% to 6.0%, effective March 1, 2004. Effective July 1, 2004, a new sales tax on selected services went into effect in addition to an increase in vending machine decal fees. Act 94 increased the minimum corporate franchise tax and the tax rate, effective for calendar years beginning January 1, 2004. Effective with FY 2008, a portion of the six-cent per gallon dyed diesel tax is also deposited to the Educational Adequacy Fund to partially offset the revenue loss from exempting dyed diesel from sales tax.

The additional revenues are deposited as special revenues to the Educational Adequacy Fund to be used to fulfill the financial obligations of the state to provide an adequate educational system. Estimate for FY 2024: \$704.7 million.

- **FY 2024 WorkForce 2000 (Special Corporate Income Taxes).** Act 1315 (1999) established a benchmark of 6.78 percent which will be applied against net corporate income tax collections in the previous fiscal year. \$51.4 million is estimated to be distributed in FY 2024.

Economic and Revenue Estimates for Fiscal Year 2025

- **FY 2025 U.S. Gross Domestic Product (Real Output).** During FY 2025, the United States economy is expected to produce final goods and services valued at \$20,791 billion in inflation-adjusted dollars, an increase of \$370 billion or 1.8 percent. The two inflation measures of consumer price index (CPI) and GDP price deflator are expected to decelerate toward target levels. The consumer price index (CPI) is expected to increase 2.4 percent and the GDP price deflator is expected to increase 2.4 percent in FY 2025.

- **U.S. gross domestic product in current dollars** is estimated at \$28,580 billion for FY 2025, an increase of \$1,172 billion or 4.3 percent.
- **Average annual U.S. oil prices** are estimated at \$84 per barrel (domestic crude price to refineries) in FY 2025. Oil prices and domestic energy demand are expected to remain stable amid gradual recovery from inflation-fighting policy moves in prior years. Weekly and monthly price swings could vary widely around the annual averages.
- **FY 2025 Arkansas total personal income** will reach \$177.0 billion (current dollars), an increase of \$7.3 billion or 4.3 percent over FY 2024. Total income is expected to expand moderately in a mixed job market and recovering national economy.
- **FY 2025 Arkansas wage and salary disbursements** are estimated at \$82.6 billion, an increase of \$3.0 billion or 3.8 percent.
- **FY 2025 Arkansas payroll employment** is expected to reach a level of 1.347 million jobs, a decrease of approximately 5,000 jobs or -0.4 percent. Private sector job growth is expected to be -0.6 percent in FY 2025.

FY 2025 Gross General Revenues

The forecast for gross general revenues in FY 2025 is \$8,325.5 million, an increase of \$189.9 million or 2.3 percent from FY 2024.

The total fee deducted from general revenue for funding of the State Central Services Fund and Constitutional Officers Fund for FY 2025 is assumed to remain at 3.1 percent.

In addition to the usual deductions from gross general revenues, such as the Constitutional Officers Fund, the State Central Services Fund, and refunds of individual and corporate income taxes, the following trust fund is noted:

- **Act 1315 (1999) Educational Excellence Trust Fund.** Act 1315 (1999) established a benchmark of 14.14 percent which is applied against actual sales and use tax collections of the previous fiscal year. Under this formula, an estimated \$466.6 million may be distributed (net) in FY 2025.

FY 2025 Net Available General Revenues

For FY 2025, Net Available general revenues are estimated at \$6,842.4 million, an increase of \$217.0 million or 3.3 percent from FY 2024.

FY 2025 Selected Special Revenues:

- **FY 2025 Educational Adequacy Fund:** Act 107 of the Second Extraordinary Session of 2003 increased the state sales and use tax rate from 5.125% to 6.0%, effective March 1, 2004. Effective July 1, 2004, a new sales tax on selected services went into effect in addition to an increase in vending machine decal fees. Act 94 increased the minimum corporate franchise tax and the tax rate, effective for calendar years beginning January 1, 2004. Effective with FY 2008, a portion of the six-cent per gallon dyed diesel tax is also deposited to the Educational Adequacy Fund to partially offset the revenue loss from exempting dyed diesel from sales tax.

The additional revenues are deposited as special revenues to the Educational Adequacy Fund to be used to fulfill the financial obligations of the state to provide an adequate educational system. Estimate for FY 2025: \$714.6 million.

- **FY 2025 WorkForce 2000 (Special Corporate Income Taxes).** Act 1315 (1999) established a benchmark of 6.78 percent which will be applied against net corporate income tax collections in the previous fiscal year. \$32.8 million is estimated to be distributed in FY 2025.

**Office of the Secretary and
Economic Analysis and Tax Research,
Department of Finance and Administration
May 17, 2023**

**Official General Revenue Forecast
FY 2022 - 2023**

| Millions of Dollars | FY 22 | | Yr/Yr | 05/17/23 | FY 23 | |
|-----------------------------------|----------------|--------------|-------------|----------------|---------------|-------------|
| | Actual | Increase | % CH | Estimate | Increase | % CH |
| Individual Income | 4,171.5 | 202.3 | 5.1 | 3,873.5 | -298.0 | -7.1 |
| Corporate Income | 837.2 | 185.2 | 28.4 | 790.7 | -46.5 | -5.5 |
| Sales and Use Tax | 3,154.7 | 270.9 | 9.4 | 3,384.3 | 229.6 | 7.3 |
| Alcohol | 75.1 | 6.3 | 9.1 | 76.5 | 1.4 | 1.9 |
| Tobacco | 215.5 | -9.0 | -4.0 | 205.0 | -10.5 | -4.9 |
| Insurance | 175.3 | -16.5 | -8.6 | 224.5 | 49.2 | 28.1 |
| Racing | 1.8 | 0.2 | 9.9 | 1.6 | -0.2 | -10.7 |
| Gaming | 46.0 | 7.2 | 18.5 | 53.8 | 7.8 | 16.9 |
| Severance | 13.6 | 6.4 | 88.7 | 13.2 | -0.4 | -3.2 |
| Franchise | 8.0 | 0.0 | 0.0 | 8.0 | 0.0 | 0.0 |
| Real Estate Transfer | 2.6 | 0.0 | 0.0 | 2.6 | 0.0 | -0.3 |
| Miscellaneous | 71.8 | -0.8 | -1.1 | 70.9 | -0.9 | -1.3 |
| Total Gross | 8,773.1 | 652.1 | 8.0 | 8,704.6 | -68.5 | -0.8 |
| LESS: SCS / COF | 271.6 | 21.5 | 8.6 | 269.8 | -1.8 | -0.7 |
| Individual Refunds | 453.6 | -48.5 | -9.7 | 731.3 | 277.7 | 61.2 |
| Corporate Refunds | 52.4 | -12.9 | -19.7 | 63.8 | 11.4 | 21.8 |
| Claims Reserve | 0.0 | 0.0 | 0.0 | 10.0 | 10.0 | 0.0 |
| Econ Develop Incentive | 17.5 | 4.3 | 32.4 | 23.4 | 5.9 | 34.0 |
| Recycling Tax Credit | 16.0 | 0.0 | 0.0 | 16.0 | 0.0 | 0.0 |
| Wood Energy Products Credit | 0.0 | 0.0 | 0.0 | 4.0 | 4.0 | n/a |
| Amendment 82 Bonds | 5.3 | 0.0 | 0.0 | 5.3 | 0.0 | 0.2 |
| Water / Sewer Bonds | 14.8 | 0.0 | 0.0 | 14.8 | 0.0 | 0.0 |
| College Savings Bonds | 20.4 | -2.8 | -11.9 | 18.3 | -2.1 | -10.5 |
| City / County Tourist | 0.9 | 0.0 | 0.0 | 0.9 | 0.0 | 1.4 |
| Educational Excellence | 395.1 | 46.6 | 13.4 | 432.3 | 37.2 | 9.4 |
| Educational Adequacy | 34.9 | 4.1 | 13.4 | 38.2 | 3.3 | 9.4 |
| Highway Casino Transfer | 13.2 | 7.6 | 135.0 | 17.6 | 4.4 | 33.8 |
| Total Deductions | 1,295.7 | 20.0 | 1.6 | 1,645.7 | 350.0 | 27.0 |
| Net Available | 7,477.4 | 632.1 | 9.2 | 7,058.9 | -418.5 | -5.6 |
| LESS: Surplus | 1,628.2 | 682.5 | | 1,034.6 | -593.6 | |
| Net Available Distribution | 5,849.2 | -50.4 | -0.9 | 6,024.3 | 175.1 | 3.0 |

**Official General Revenue Forecast
FY 2024 - 2025**

| Millions of Dollars | 05/17/23 Estimate | FY 24 Increase | Yr/Yr % CH | 05/17/23 Estimate | FY 25 Increase | Yr/Yr % CH |
|-----------------------------------|----------------------|-------------------|---------------|----------------------|-------------------|---------------|
| Individual Income | 3,586.8 | -286.7 | -7.4 | 3,703.4 | 116.6 | 3.3 |
| Corporate Income | 519.2 | -271.5 | -34.3 | 507.0 | -12.2 | -2.3 |
| Sales and Use Tax | 3,405.1 | 20.8 | 0.6 | 3,455.7 | 50.6 | 1.5 |
| Alcohol | 80.9 | 4.4 | 5.8 | 84.0 | 3.1 | 3.8 |
| Tobacco | 198.2 | -6.8 | -3.3 | 192.1 | -6.1 | -3.1 |
| Insurance | 193.3 | -31.2 | -13.9 | 227.5 | 34.2 | 17.7 |
| Racing | 1.5 | -0.1 | -6.3 | 1.5 | 0.0 | 0.0 |
| Gaming | 57.7 | 3.9 | 7.2 | 60.1 | 2.4 | 4.2 |
| Severance | 11.8 | -1.4 | -10.6 | 11.8 | 0.0 | 0.0 |
| Franchise | 8.0 | 0.0 | 0.0 | 8.0 | 0.0 | 0.0 |
| Real Estate Transfer | 2.6 | 0.0 | 0.0 | 2.6 | 0.0 | 0.0 |
| Miscellaneous | 70.5 | -0.4 | -0.6 | 71.8 | 1.3 | 1.8 |
| Total Gross | 8,135.6 | -569.0 | -6.5 | 8,325.5 | 189.9 | 2.3 |
| LESS: SCS / COF | 252.2 | -17.6 | -6.5 | 258.1 | 5.9 | 2.3 |
| Individual Refunds | 558.5 | -172.8 | -23.6 | 522.3 | -36.2 | -6.5 |
| Corporate Refunds | 72.7 | 8.9 | 13.9 | 70.5 | -2.2 | -3.0 |
| Claims Reserve | 10.0 | 0.0 | 0.0 | 10.0 | 0.0 | 0.0 |
| Econ Develop Incentive | 23.4 | 0.0 | 0.0 | 23.4 | 0.0 | 0.0 |
| Recycling Tax Credit | 16.0 | 0.0 | 0.0 | 16.0 | 0.0 | 0.0 |
| Wood Energy Products Credit | 4.0 | 0.0 | 0.0 | 4.0 | 0.0 | 0.0 |
| Amendment 82 Bonds | 5.3 | 0.0 | 0.0 | 5.3 | 0.0 | 0.0 |
| Water / Sewer Bonds | 14.8 | 0.0 | 0.0 | 14.8 | 0.0 | 0.0 |
| College Savings Bonds | 23.0 | 4.7 | 25.7 | 23.0 | 0.0 | 0.0 |
| City / County Tourist | 0.9 | 0.0 | 0.0 | 0.9 | 0.0 | 0.0 |
| Educational Excellence | 463.7 | 31.4 | 7.3 | 466.6 | 2.9 | 0.6 |
| Educational Adequacy | 41.0 | 2.8 | 7.3 | 41.2 | 0.2 | 0.5 |
| Highway Casino Transfer | 24.7 | 7.1 | 40.3 | 27.0 | 2.3 | 9.3 |
| Total Deductions | 1,510.2 | -135.5 | -8.2 | 1,483.1 | -27.1 | -1.8 |
| Net Available | 6,625.4 | -433.5 | -6.1 | 6,842.4 | 217.0 | 3.3 |
| LESS: Surplus | 423.3 | -611.3 | | | | |
| Net Available Distribution | 6,202.1 | 177.8 | 3.0 | 6,842.4 | 640.3 | 10.3 |

**Economic Assumptions and the
Official General Revenue Forecast
FY 2022 - 2023**

| Millions of Dollars | FY 22 | | Yr/Yr | 05/17/23 | FY 23 | |
|-----------------------------------|----------------|--------------|--------------|----------------|---------------|-------------|
| | Actual | Increase | % CH | Estimate | Increase | % CH |
| Individual Income Tax | 4,171.5 | 202.3 | 5.1 | 3,873.5 | -298.0 | -7.1 |
| <u>Individual Refunds</u> | <u>453.6</u> | <u>-48.5</u> | <u>-9.7</u> | <u>731.3</u> | <u>277.7</u> | <u>61.2</u> |
| Net Individual Income | 3,717.9 | 250.7 | 7.2 | 3,142.2 | -575.7 | -15.5 |
| Corporate Income Tax | 837.2 | 185.2 | 28.4 | 790.7 | -46.5 | -5.5 |
| <u>Corporate Refunds</u> | <u>52.4</u> | <u>-12.9</u> | <u>-19.7</u> | <u>63.8</u> | <u>11.4</u> | <u>21.8</u> |
| Net Corporate Income | 784.8 | 198.1 | 33.8 | 726.9 | -57.9 | -7.4 |
| Sales and Use Tax | 3,154.7 | 270.9 | 9.4 | 3,384.3 | 229.6 | 7.3 |
| Net Economic Tax Revenue | 7,657.4 | 719.8 | 10.4 | 7,253.4 | -404.0 | -5.3 |
| Other Tax Revenue | 609.8 | -6.3 | -1.0 | 656.1 | 46.3 | 7.6 |
| Gross General Revenues | 8,773.1 | 652.1 | 8.0 | 8,704.6 | -68.5 | -0.8 |
| LESS: SCS / COF | 271.6 | 21.5 | 8.6 | 269.8 | -1.8 | -0.7 |
| Individual Refunds | 453.6 | -48.5 | -9.7 | 731.3 | 277.7 | 61.2 |
| Corporate Refunds | 52.4 | -12.9 | -19.7 | 63.8 | 11.4 | 21.8 |
| Claims Reserve | 0.0 | 0.0 | 0.0 | 10.0 | 10.0 | 0.0 |
| Econ Develop Incentive | 17.5 | 4.3 | 32.4 | 23.4 | 5.9 | 34.0 |
| Recycling Tax Credit | 16.0 | 0.0 | 0.0 | 16.0 | 0.0 | 0.0 |
| Wood Energy Products Credit | 0.0 | 0.0 | 0.0 | 4.0 | 4.0 | 0.0 |
| Amendment 82 Bonds | 5.3 | 0.0 | 0.0 | 5.3 | 0.0 | 0.2 |
| Water / Sewer Bonds | 14.8 | 0.0 | 0.0 | 14.8 | 0.0 | 0.0 |
| College Savings Bonds | 20.4 | -2.8 | -11.9 | 18.3 | -2.1 | -10.5 |
| City / County Tourist | 0.9 | 0.0 | 0.0 | 0.9 | 0.0 | 1.4 |
| Educational Excellence | 395.1 | 46.6 | 13.4 | 432.3 | 37.2 | 9.4 |
| Educational Adequacy | 34.9 | 4.1 | 13.4 | 38.2 | 3.3 | 9.4 |
| Highway Casino Transfer | 13.2 | 7.6 | 135.0 | 17.6 | 4.4 | 33.8 |
| Total Deductions | 1,295.7 | 20.0 | 1.5 | 1,645.7 | 350.0 | 21.3 |
| Net Available | 7,477.4 | 632.1 | 9.2 | 7,058.9 | -418.5 | -5.6 |
| LESS: Surplus | 1,628.2 | 682.5 | | 1,034.6 | | |
| Net Available Distribution | 5,849.2 | -50.4 | -0.9 | 6,024.3 | 175.1 | 3.0 |

| ECONOMIC ASSUMPTIONS | FY2022 | | | FY2023 | | |
|---|-----------|----------|--------|-----------|----------|--------|
| U.S. GDP Nominal (Billion \$) | 24,472.1 | 2,365.1 | 10.7% | 26,266.3 | 1,794.2 | 7.3% |
| U.S. GDP Real (Billions 2012\$ Chain-Weight) | 19,874.5 | 767.4 | 4.0% | 20,193.9 | 319.4 | 1.6% |
| U.S. GDP Deflator (Chain-Wt, 2012=100) | 123.2 | 7.5 | 6.5% | 130.1 | 6.9 | 5.6% |
| U.S. CPI Price Index (1982-84=100) | 282.0 | 18.8 | 7.1% | 300.0 | 18.0 | 6.4% |
| OIL - Avg. Dom. Crude to Refinery (\$ per bbl.) | 88.9 | 36.5 | 69.7% | 87.0 | -1.9 | -2.1% |
| AR. Net General Revenue (Million \$) | 8,267.2 | 713.4 | 9.4% | 7,909.5 | -357.7 | -4.3% |
| AR. Net GR % of Total Personal Income | 5.4% | 0.3% | 6.6% | 4.9% | -0.6% | -10.4% |
| AR. Total Personal Income (Million \$) | 152,502.0 | 4,021.6 | 2.7% | 162,853.5 | 10,351.5 | 6.8% |
| AR. Wage & Salary Disbursements (Million \$) | 69,858.1 | 5,701.9 | 8.9% | 76,158.0 | 6,299.9 | 9.0% |
| AR. Personal Transfer Payments (Million \$) | 37,283.5 | -4,564.6 | -10.9% | 38,278.7 | 995.2 | 2.7% |
| AR. Per Capita Income (\$) | 50,184.0 | 1,057.0 | 2.2% | 53,274.0 | 3,090.0 | 6.2% |
| AR. GDP Nominal (Million \$) | 157,434.6 | 16,355.2 | 11.6% | 170,574.9 | 13,140.3 | 8.3% |
| AR. Employment Total Payroll (Thousands) | 1,311.2 | 48.8 | 3.9% | 1,351.6 | 40.4 | 3.1% |
| AR. Employment Private Sector (Thousands) | 1,104.1 | 48.6 | 4.6% | 1,143.1 | 39.0 | 3.5% |
| AR. Employment Manufacturing (Thousands) | 159.7 | 4.6 | 3.0% | 163.9 | 4.2 | 2.6% |
| AR. New Car/Light Truck registrations (Thous.) | 106.8 | -28.1 | -20.8% | 82.2 | -24.6 | -23.0% |
| AR. Retail Sales (Million \$) | 52,877.8 | 6,593.7 | 14.2% | 57,107.1 | 4,229.3 | 8.0% |

**Economic Assumptions and the
Official General Revenue Forecast
FY 2024 - 2025**

| Millions of Dollars | 05/17/23 | FY 24 | Yr/Yr | 05/17/23 | FY 25 | Yr/Yr |
|---|----------------|---------------|--------------|----------------|--------------|-------------|
| | Estimate | Increase | % CH | Estimate | Increase | % CH |
| Individual Income Tax | 3,586.8 | -286.7 | -7.4 | 3,703.4 | 116.6 | 3.3 |
| <u>Individual Refunds</u> | <u>558.5</u> | <u>-172.8</u> | <u>-23.6</u> | <u>522.3</u> | <u>-36.2</u> | <u>-6.5</u> |
| Net Individual Income | 3,028.3 | -113.9 | -3.6 | 3,181.1 | 152.8 | 5.0 |
| Corporate Income Tax | 519.2 | -271.5 | -34.3 | 507.0 | -12.2 | -2.3 |
| <u>Corporate Refunds</u> | <u>72.7</u> | <u>8.9</u> | <u>13.9</u> | <u>70.5</u> | <u>-2.2</u> | <u>-3.0</u> |
| Net Corporate Income | 446.5 | -280.4 | -38.6 | 436.5 | -10.0 | -2.2 |
| Sales and Use Tax | 3,405.1 | 20.8 | 0.6 | 3,455.7 | 50.6 | 1.5 |
| Net Economic Tax Revenue | 6,879.9 | -373.5 | -5.1 | 7,073.3 | 193.4 | 2.8 |
| Other Tax Revenue | 624.5 | -31.6 | -4.8 | 659.4 | 34.9 | 5.6 |
| Gross General Revenues | 8,135.6 | -569.0 | -6.5 | 8,325.5 | 189.9 | 2.3 |
| LESS: SCS / COF | 252.2 | -17.6 | -6.5 | 258.1 | 5.9 | 2.3 |
| Individual Refunds | 558.5 | -172.8 | -23.6 | 522.3 | -36.2 | -6.5 |
| Corporate Refunds | 72.7 | 8.9 | 13.9 | 70.5 | -2.2 | -3.0 |
| Claims Reserve | 10.0 | 0.0 | 0.0 | 10.0 | 0.0 | 0.0 |
| Econ Develop Incentive | 23.4 | 0.0 | 0.0 | 23.4 | 0.0 | 0.0 |
| Recycling Tax Credit | 16.0 | 0.0 | 0.0 | 16.0 | 0.0 | 0.0 |
| Wood Energy Products Credit | 4.0 | 0.0 | 0.0 | 4.0 | 0.0 | 0.0 |
| Amendment 82 Bonds | 5.3 | 0.0 | 0.0 | 5.3 | 0.0 | 0.0 |
| Water / Sewer Bonds | 14.8 | 0.0 | 0.0 | 14.8 | 0.0 | 0.0 |
| College Savings Bonds | 23.0 | 4.7 | 25.7 | 23.0 | 0.0 | 0.0 |
| City / County Tourist | 0.9 | 0.0 | 0.0 | 0.9 | 0.0 | 0.0 |
| Educational Excellence | 463.7 | 31.4 | 7.3 | 466.6 | 2.9 | 0.6 |
| Educational Adequacy | 41.0 | 2.8 | 7.3 | 41.2 | 0.2 | 0.5 |
| Highway Casino Transfer | 24.7 | 7.1 | 40.3 | 27.0 | 2.3 | 9.3 |
| Total Deductions | 1,510.2 | -135.5 | -9.0 | 1,483.1 | -27.1 | -1.8 |
| Net Available | 6,625.4 | -433.5 | -6.1 | 6,842.4 | 217.0 | 3.3 |
| LESS: Surplus | 423.3 | | | | | |
| Net Available Distribution | 6,202.1 | 177.8 | 3.0 | 6,842.4 | 640.3 | 10.3 |
| ECONOMIC ASSUMPTIONS | FY2024 | | | FY2025 | | |
| U.S. GDP Nominal (Billion \$) | 27,408.5 | 1,142.2 | 4.3% | 28,580.0 | 1,171.5 | 4.3% |
| U.S. GDP Real (Billions 2012\$ Chain-Weight) | 20,421.7 | 227.8 | 1.1% | 20,791.2 | 369.5 | 1.8% |
| U.S. GDP Deflator (Chain-Wt, 2012=100) | 134.2 | 4.1 | 3.2% | 137.5 | 3.3 | 2.4% |
| U.S. CPI Price Index (1982-84=100) | 310.3 | 10.3 | 3.4% | 317.7 | 7.4 | 2.4% |
| OIL - Avg. Dom. Crude to Refinery (\$ per bbl.) | 85.3 | -1.7 | -1.9% | 84.4 | -1.0 | -1.1% |
| AR. Net General Revenue (Million \$) | 7,504.4 | -405.1 | -5.1% | 7,732.7 | 228.3 | 3.0% |
| AR. Net GR % of Total Personal Income | 4.4% | -0.4% | -9.0% | 4.4% | -0.1% | -1.2% |
| AR. Total Personal Income (Million \$) | 169,705.0 | 6,851.5 | 4.2% | 177,033.5 | 7,328.5 | 4.3% |
| AR. Wage & Salary Disbursements (Million \$) | 79,597.6 | 3,439.6 | 4.5% | 82,611.7 | 3,014.1 | 3.8% |
| AR. Personal Transfer Payments (Million \$) | 41,139.2 | 2,860.5 | 7.5% | 43,770.8 | 2,631.6 | 6.4% |
| AR. Per Capita Income (\$) | 55,243.0 | 1,969.0 | 3.7% | 57,380.0 | 2,137.0 | 3.9% |
| AR. GDP Nominal (Million \$) | 177,895.2 | 7,320.3 | 4.3% | 184,895.9 | 7,000.7 | 3.9% |
| AR. Employment Total Payroll (Thousands) | 1,352.0 | 0.4 | 0.0% | 1,347.0 | -5.0 | -0.4% |
| AR. Employment Private Sector (Thousands) | 1,142.5 | -0.6 | -0.1% | 1,135.9 | -6.6 | -0.6% |
| AR. Employment Manufacturing (Thousands) | 160.6 | -3.3 | -2.0% | 155.3 | -5.3 | -3.3% |
| AR. New Car/Light Truck registrations (Thous.) | 92.4 | 10.2 | 12.4% | 107.7 | 15.3 | 16.6% |
| AR. Retail Sales (Million \$) | 56,766.7 | -340.4 | -0.6% | 57,263.2 | 496.5 | 0.9% |