STATE OF ARKANSAS
Department of Finance and Administration

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April 2, 2020

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

Dear Senator Bledsoe and Representative Wardlaw:

In accordance with the provisions of Ark. Code, §10-3-1404, I am notifying you of a revision to the Official Revenue Forecast for FY 2021 effective on April 2, 2020.

The forecast revision now reflects $5,687.3 million in Net Available revenue for FY 2021. This indicates a forecast decrease of -$205.9 million from the prior release on January 31, 2020.

This revision is necessary because of economic recession predicted as a result of impact from business slowdown and negative labor market effects over much of FY 2021. These extraordinary impacts were not in the prior forecast used in budget recommendations for the fiscal session. The Governor's announced shifting of tax filing and payment deadlines to early FY 2021 partly offset the effects of economic recession.

A summary table of revised economic assumptions is included with this letter.

Sincerely,

Larry W. Walther
Secretary

LWW/jps

Official General Revenue Forecast
FY 2019 - 2021 Biennium

Millions of Dollars	Actual	FY 19 Increase	% CH	03/23/20 Estimate	FY 20 Increase	% CH	04/02/20 Estimate	FY 21 Increase	% CH
INDIVIDUAL INCOME	3,520.0	160.5	4.8	3,242.7	-277.3	-7.9	3,359.1	116.4	3.6
CORPORATE INCOME	570.2	163.5	40.2	434.0	-136.2	-23.9	449.4	15.4	3.5
SALES and USE TAX	2,465.0	47.5	2.0	2,514.6	49.6	2.0	2,569.4	54.9	2.2
ALCOHOLIC BEVERAGE	60.5	1.2	2.0	62.3	1.8	3.0	63.7	1.4	2.2
TOBACCO	212.0	-7.8	-3.6	205.0	-7.0	-3.3	198.7	-6.3	-3.1
INSURANCE	161.6	46.6	40.6	120.7	-40.8	-25.3	148.4	27.6	22.9
RACING	2.0	-0.1	-6.7	2.1	0.0	1.9	2.0	-0.1	-2.9
GAMING	69.7	5.2	8.1	37.1	-32.6	-46.8	31.2	-5.9	-15.9
SEVERANCE	10.2	0.2	2.5	7.4	-2.8	-27.2	5.6	-1.8	-24.3
CORPORATE FRANCHISE	8.0	0.0	0.0	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	2.6	0.0	0.0
MISCELLANEOUS	62.0	0.6	0.9	58.7	-3.4	-5.4	56.9	-1.8	-3.1
TOTAL GROSS	**7,143.9**	**417.3**	**6.2**	**6,695.2**	**-448.7**	**-6.3**	**6,895.0**	**199.8**	**3.0**
LESS: SCS/COF	220.2	11.8	5.7	207.6	-12.6	-5.7	213.7	6.1	2.9
INDIVIDUAL REFUNDS	507.5	14.1	2.9	586.3	78.8	15.5	455.0	-131.3	-22.4
CORP REFUNDS	62.7	19.9	46.5	55.3	-7.4	-11.8	63.1	7.8	14.1
CLAIMS RESERVE	0.0	0.0	0.0	10.0	10.0	100.0	10.0	0.0	0.0
ECON DEV INCENTIVE	11.4	-1.0	-8.4	23.4	12.0	106.1	23.4	0.0	0.0
RECYCLING TAX CREDIT	16.0	0.0	0.0	16.0	0.0	0.0	22.5	6.5	40.6
AMENDMENT 82 BOND	5.3	0.0	0.0	5.3	0.0	0.0	5.3	0.0	0.0
WATER/SWR BONDS	14.8	0.0	0.0	14.8	0.0	0.0	14.8	0.0	0.0
COLL SVNGS BONDS	23.2	0.0	-0.2	24.0	0.8	3.6	24.0	0.0	0.0
MLA CITY/CO TOURIST	0.9	0.0	0.0	0.9	0.0	0.2	0.9	0.0	0.0
EDUC EXCEL TRUST	331.2	10.9	3.4	337.7	6.5	2.0	344.5	6.8	2.0
DESEGREGATION	0.0	-65.8	-100.0	0.0	0.0	0.0	0.0	0.0	0.0
EDUCATIONAL ADQCY	29.3	1.0	3.4	29.9	0.6	2.1	30.5	0.6	2.0
NET AVAILABLE	**5,921.4**	**426.5**	**7.8**	**5,384.0**	**-537.4**	**-9.1**	**5,687.3**	**303.3**	**5.6**
LESS: SURPLUS	295.4	295.4							
NET AVAILABLE DISTRIBUTION	**5,626.0**	**131.1**	**2.4**	**5,384.0**	**-242.0**	**-4.3**	**5,687.3**	**303.3**	**5.6**

Prepared by Economic Analysis and Tax Research, DFA

U.S. ECONOMIC ASSUMPTIONS	FY 2019			FY 2020			FY 2021		
	Actual	Chg.	% Chg.	Estimate	Chg.	% Chg.	Estimate	Chg.	% Chg.
U.S. GDP Nominal (Billion $)	21,022	971	4.8%	21,503	481	2.3%	21,612	108	0.5%
U.S. GDP Real (Billions 2012 $ Chain-Wt)	18,866	485	2.6%	19,017	151	0.8%	18,956	-60	-0.3%
U.S. GDP Inflation (Chain-Wt, 2012=100)	111.4	2.3	2.1%	113.1	1.7	1.5%	114.0	0.9	0.8%
U.S. CPI Price Index (1982-84=100)	253.3	5.2	2.1%	256.9	3.6	1.4%	260.3	3.4	1.3%
OIL - Avg. Dom. Crude to Refinery ($ per Bbl)	64	4	6.2%	43	-21	-33%	26	-16	-38%
U.S. Unemployment Rate (%)	3.8	-0.3	-8.4%	4.5	0.8	21%	7.9	3.4	74%
U.S. Private Payroll Employment (Millions)	127.4	2.1	1.7%	127.7	0.3	0.2%	121.4	-6.3	-5.0%
U.S. Personal Income (Billion $)	18,231	874	5.0%	18,799	568	3.1%	18,894	95	0.5%
U.S. Wage & Salary Income (Billion $)	9,104	414	4.8%	9,333	229	2.5%	9,206	-128	-1.4%
U.S. Consumer Expenditures (Billion $)	14,276	626	4.6%	14,570	294	2.1%	14,625	55	0.4%
U.S. Light Vehicle Sales (Million units)	17.07	-0.2	-1.0%	16.20	-0.9	-5.1%	15.55	-0.6	-4.0%
U.S. Housing Starts (Million units)	1.22	0.0	-2.6%	1.36	0.1	11.5%	1.22	-0.1	-10.4%
Federal Funds Rate (%)	2.24	0.9	61%	1.29	-0.9	-42%	0.12	-1.2	-91%
3-Month Treasury Bill Rate (%)	2.26	0.9	60%	1.26	-1.0	-44%	0.20	-1.1	-84%
10-Year Treasury Note Yield (%)	2.74	0.2	6.3%	1.57	-1	-43%	1.34	-0.2	-14%

ARKANSAS ECONOMIC ASSUMPTIONS	FY 2019			FY 2020			FY 2021		
	Actual	Chg.	% Chg.	Estimate	Chg.	% Chg.	Estimate	Chg.	% Chg.
AR. Non-Farm Personal Inc. (Million $)	132,263	6054	4.8%	137,205	4941	3.7%	137,939	734	0.5%
AR. Wage & Salary Disburse (Million $)	58,977	2215	3.9%	61,156	2179	3.7%	60,578	-578	-0.9%
AR. Per Capita Income ($)	44,077	1773	4.2%	45,740	1663	3.8%	45,807	67	0.1%
AR. GDP Nominal (Million $)	130,678	5041	4.0%	133,552	2874	2.2%	133,410	-141	-0.1%
AR. Employment Total Payroll (Thous.)	1,273.9	17.2	1.4%	1,269.2	-4.7	-0.4%	1,223.9	-45.3	-3.6%
AR. Employment Private Sector (Thous.)	1,062.0	17.4	1.7%	1,057.2	-4.8	-0.5%	1,010.6	-46.6	-4.4%
AR. Employment Manufacturing (Thous.)	162.1	3.0	1.9%	161.2	-0.9	-0.6%	153.0	-8.2	-5.1%
AR. New Car/Light Truck reg. (Thous.)	127	-2.3	-1.7%	125.2	-2.2	-1.7%	119.3	-5.9	-4.7%
AR. Retail Sales (Million $)	45,222	1011	2.3%	45,568	346	0.8%	44,150	-1417	-3.1%
AR. Wage Inc., Accommod. & Food Serv.	2,068	99.4	5.0%	1,978	-90.6	-4.4%	1,936	-42.3	-2.1%
AR. Employment, Accommod. & Food Serv.	108.0	1.9	1.7%	102.1	-5.9	-5.5%	97.0	-5.1	-5.0%
AR. Wage Income, Retail Sector (Million $)	4,009	19.6	0.5%	3,984	-25.0	-0.6%	3,611	-373.2	-9.4%
AR. Employment, Retail Sector (Thous.)	137.7	-2.2	-1.5%	133.2	-4.5	-3.3%	118.2	-15.0	-11.2%

U.S. Summary: IHS Markit, March 2020
Arkansas Forecast: IHS Markit, March 2020