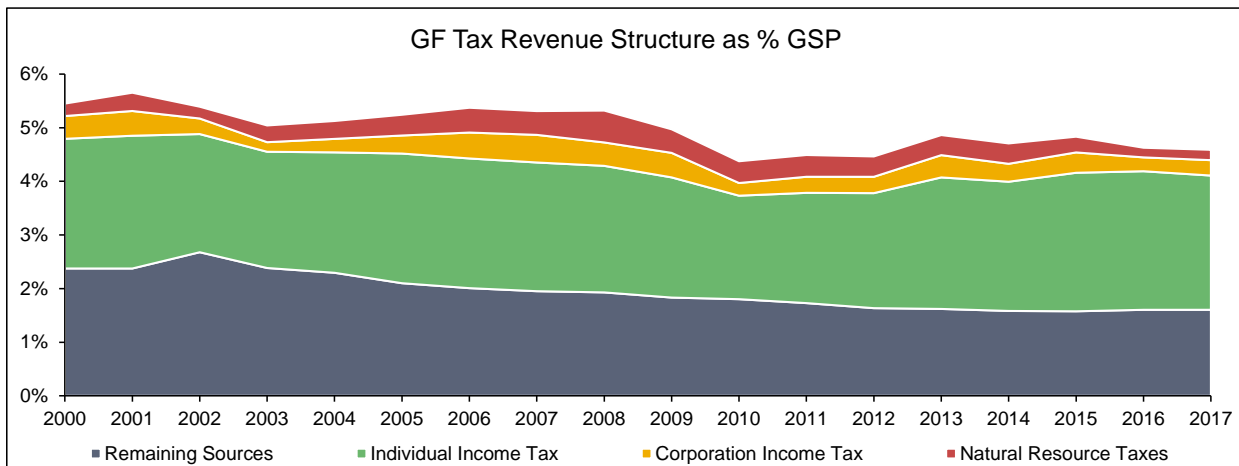


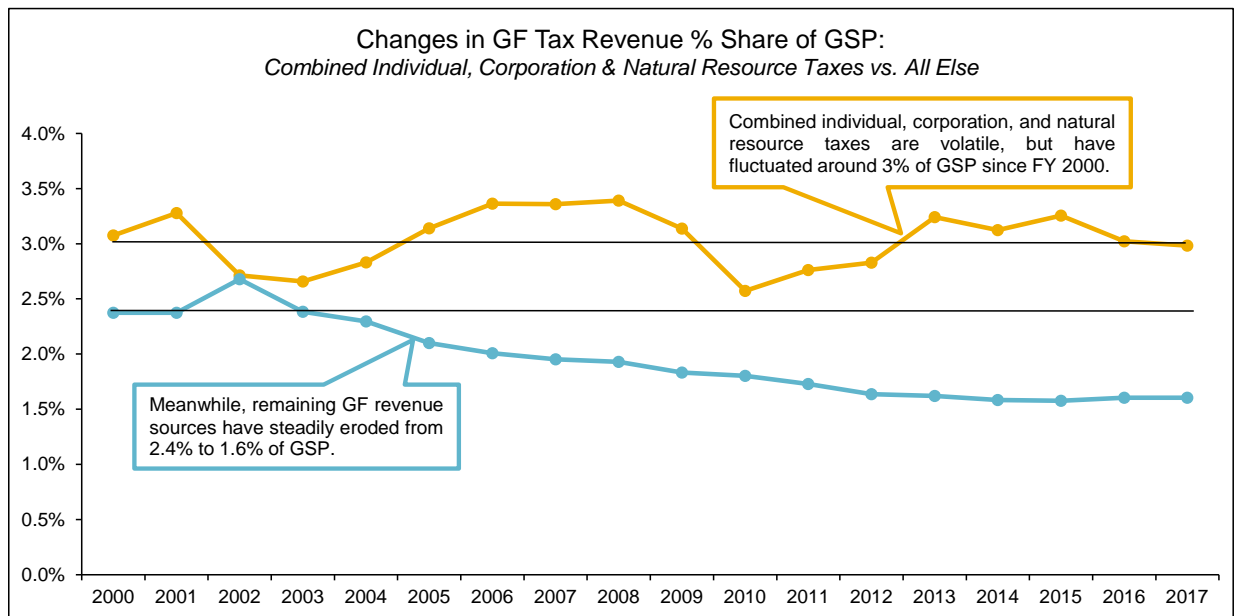
General Fund Revenue Trends

Total general fund revenue as a share of gross state product (GSP) has declined since FY 2000, as shown in the chart below. To better understand the underlying cause of the decline, key revenue sources—individual income tax, corporation income tax, and natural resource taxes—are shown separately.



As depicted in the chart above, the primary source of decline seems to be due to the “Remaining Sources” category. The chart below groups individual, corporation and natural resource tax revenue as a share of GSP, and compares it with remaining sources of general fund revenue as a share of GSP. While combined individual, corporation, and natural resource taxes are certainly volatile, the amount has fluctuated around 3% of GSP since FY 2000. The decline on overall revenue as a share of GSP appears to be due to the decline in the remaining sources of general fund revenue.

An approximation of the revenue impact attributable to the erosion of remaining sources from 2.4% to 1.6% of GSP can be generated by multiplying annual GSP by the difference between 2.4% and the actual share collected. Under this calculation, the difference in FY 2017 was \$371 million and the cumulative total since FY 2000 is over \$3.3 billion.



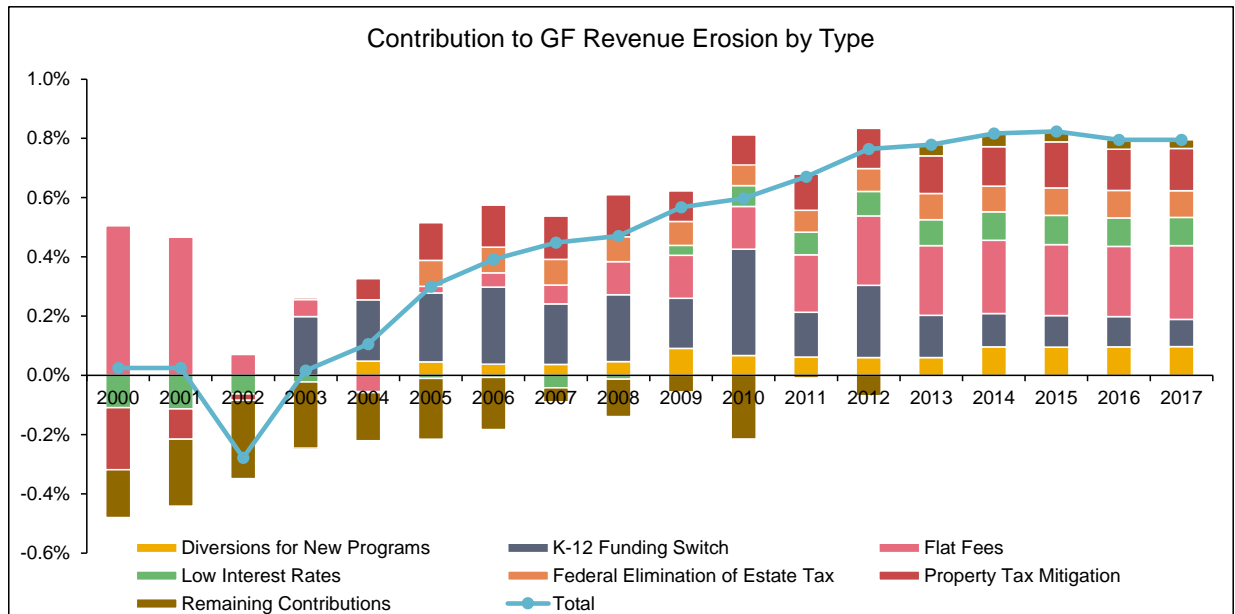
The following table summarizes the primary sources responsible for the overall decline in general fund revenue as a share of GSP. For most sources, an estimate of recent years' revenue impact is calculated based on an average share of GSP; however, for sources diverted to other funds, actual impacts are known.

Sources of GF Revenue Erosion & Estimate of Recent Years' Impact				
(\$ Millions)				
Revenue Source	FY 2015	FY 2016	FY 2017	Possible Reason for Decline
Property Tax	\$70.8	\$63.9	\$66.5	Legislative & executive policy decisions
Vehicle Taxes & Fees	75.7	74.9	77.5	Permanant registration, consumer behavior
Insurance Tax*	24.5	22.5	17.8	Revenue diverted by voter initiative
Video Gambling Tax	22.1	22.0	24.1	Smoking ban, consumer behavior
Other Business Taxes	12.4	13.7	15.4	Flat fee structures, consumer behavior
Interest Earnings	44.9	44.1	44.5	Low short-term interest rates
Other Consumption Taxes	21.1	20.0	23.4	Flat fee structures, consumer behavior
Tobacco Settlement*	14.4	15.0	14.9	Revenue diverted to state special revenue accounts
Common School Interest and Income*	48.3	47.0	43.1	Revenue diverted to Guarantee Fund
Estate Tax	15.0	15.0	15.0	Federal tax law change
Remaining Sources	25.6	26.7	28.9	Flat fee structures, consumer behavior
Total	\$374.8	\$364.8	\$371.1	

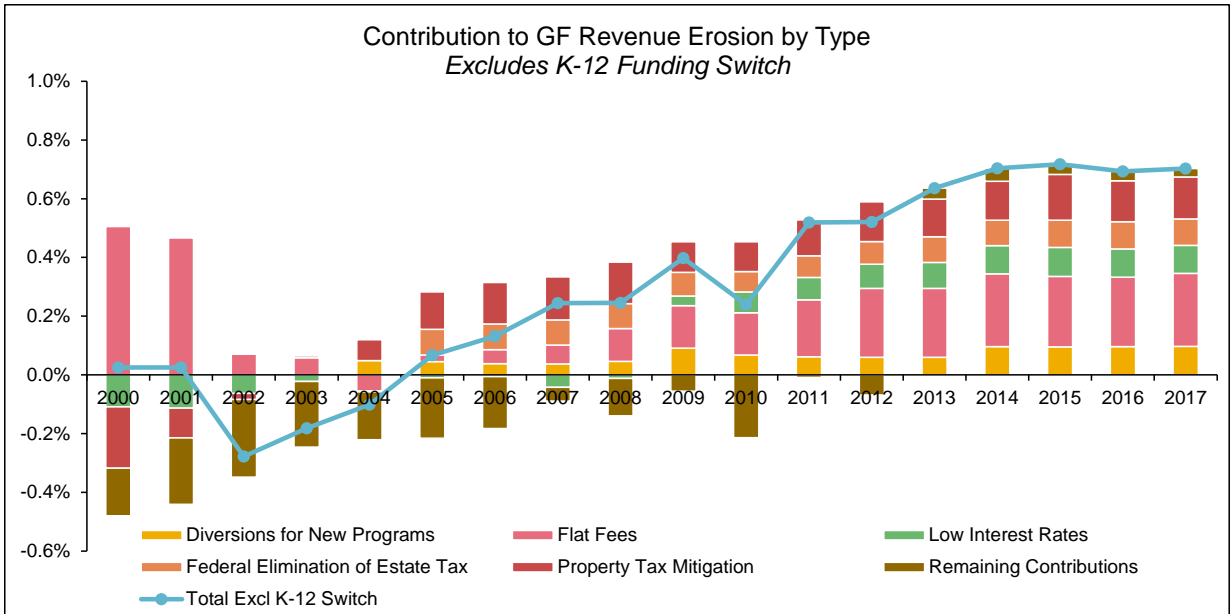
*Insurance tax, tobacco settlement revenue, and common school interest and income actual amounts are known, as these revenue sources were diverted to other funds.

Contribution to Revenue Erosion

The chart below provides a different perspective on the general fund revenue erosion of the previous page, and shows the contribution by type to the overall erosion.



The K-12 funding switch, in which the Common Schools Interest & Income revenue source was diverted to the Guarantee Fund, ultimately had a zero net impact on the general fund. As a result, it is reasonable to exclude the K-12 funding switch as a contributor to general fund revenue erosion. The next chart excludes the K-12 funding switch.



The next chart shows the revenue erosion as an amount rather than a percentage of GSP, and categorizes the erosion in roughly two ways: due to legislative policy choices and other changes outside the legislative purview. In recent years, nearly half of the revenue erosion is due to factors the legislature cannot control, such as consumer behavior and short-term interest rates. However, over half of the erosion —averaging \$180 million in the past three years—is due to factors the legislature can control, such as non-inflation-adjusted fee structures and property tax mitigation.

