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Board of Economic Advisors General Fund Revenue Forecast FY 2015-16 and FY 2016-17 November 10, 2015

The preliminary outlook for the state's FY 2016-17 General Fund revenue forecasts continued, steady growth. Chairman Chad Walldorf stated "Our state's economy continues to fire on all cylinders. As a result of strong employment growth and increased consumer spending, the State General Fund continues to benefit from higher income and sales tax collections."

For the current fiscal year, the Board of Economic Advisors (BEA) increased the FY 2015-16 estimate by \$189.7 million for a total expected revenue increase of \$343.1 million. The increase in this estimate is due to higher than expected revenue collections at the end of last fiscal year that have continued through the first four months of the current fiscal year. Through February 2015, revenue grew steadily at an annual rate of 2.1 percent. In the last four months of the fiscal year, revenue growth increased sharply resulting in an overall 6.0 percent annual growth rate. This created a \$131.4 million surplus in FY 2014-15 over revised projections. Total General Fund revenues for FY 2015-16 are now estimated at \$7,856.2 million which represents a growth rate of 4.6 percent over final FY 2014-15 revenues.

For FY 2016-17, the BEA issued a preliminary General Fund revenue estimate of \$8,235.8 million which represents an expected growth of 4.8 percent. This total reflects revenue growth over FY 2015-16 to be \$379.6 million. This estimate is largely based on continued personal income and employment growth, key economic factors that account for 85 percent of total General Fund revenue.

Prior to making its forecast, the BEA met with a panel of regional economists to develop a consensus expectation on key economic factors. As a result of these discussions, the BEA projects personal income and employment growth for the current fiscal year (FY 2015-16) to be 5.25 percent and 2.0 percent, respectively. For the next fiscal year (FY 2016-17), the BEA expects the increase in personal income growth to decrease slightly to 4.9 percent and employment growth to remain relatively consistent at 1.9 percent.

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