



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

Economic Analysis and Tax Research

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MEMORANDUM

TO: Larry Walther, Secretary
Paul Louthian, Deputy Director

FROM: John Shelnett, Economic Analysis & Tax Research ^{JS}

SUBJECT: **General Revenue Report for June and FY 2021 Summary**

DATE: July 2, 2021 Copy: Governor's Office

FISCAL YEAR 2021 REVENUE SUMMARY

The Official General Revenue Forecast was revised up by \$212.3 million to a level of \$5.899 billion in Net Available revenue on June 30, 2021.

Results from collections and distributions for FY 2021 reached \$6.845 billion or \$945.7 million above the forecast of June 30, 2021, and \$945.7 million in excess of full funding level for the Revenue Stabilization Act representing a surplus as defined by that budget control and allocation process.

The following results are compared to the Official forecast issued on April 2, 2020 for conformity with prior reports.

Fiscal Year 2021 Net Available General Revenues and Factors for Growth: Fiscal year 2021 net available general revenue collections total \$6,845.3 million. This amount is \$1,091.9 million or 19.0 percent above prior year results and \$1,158.0 million or 20.4 percent above forecast.

The fiscal year ended above forecast in all major categories of collections and above year ago levels. This broad-based gain represents a variety of contributing factors for final collection results. Individual income tax liability in tax years 2019 and 2020 exceeded expectations with payments from the two tax years falling partially in FY 2021 due to filing date extensions. Payroll Withholding tax exceeded expectations amid faster rebound in the state economy. Sales tax exceeded expectations from the combined factors of economic rebound, stimulus transfers, and base growth in online marketplace sales. Corporate Income tax collections exceeded forecast in this volatile category.

Fiscal Year 2021 Gross General Revenues: Fiscal year 2021 gross collections total \$8,121.0 million, representing an increase of \$1,153.3 million or 16.6 percent above last year. Gross general revenues were \$1,226.0 million or 17.8 percent above forecast.

Fiscal Year 2021 Individual Income Taxes: Fiscal year 2021 individual income tax collections total \$3,969.2 million, \$550.6 million or 16.1 percent above FY 2020 collections and \$610.1 million or 18.2 percent above forecast.

Fiscal Year 2021 individual income tax refunds total \$502.1 million, \$1.6 million or -0.3 percent below last year and \$47.1 million or 10.3 percent above forecast. Amounts above forecast in refund categories subtract from net general revenue results.

Fiscal Year 2021 Sales and Use Collections: Fiscal year 2021 Sales and Use tax collections total \$2,883.8 million, an increase of \$340.1 million or 13.4 percent over FY 2020 and \$314.4 million or 12.2 percent above forecast.

Fiscal Year 2021 Corporate Income Taxes: Fiscal year corporate collections total \$651.9 million, an increase of \$169.8 million or 35.2 percent above FY 2020. Collections came in \$202.5 million or 45.1 percent above forecast.

Fiscal Year 2021 Corporate income tax refunds total \$65.3 million, \$16.0 million or 32.4 percent above last year and \$2.2 million above the general revenue forecast.

JUNE REVENUE SUMMARY

June Net Available General Revenues total \$740.6 million, \$150.9 million or 25.6 percent above last year. Net available general revenues were \$178.0 million or 31.6 percent above forecast for the month.

Revenues in June were above forecast and year ago levels in all major categories of collections. Revenues exceeded forecast and year ago in Sales Tax with Motor Vehicle Sales Tax up 17.3 percent. Individual and Corporate Income collections also exceeded forecast with gains in Estimated Payments from both categories.

Among smaller revenue sources, Tobacco matched forecast at \$18.3 million. Results in Gaming were above forecast by \$4.3 million.

June Gross General Revenues: June collections total \$867.7 million, an increase of \$171.7 million or 24.7 percent above last year and \$187.2 million or 27.5 percent above the monthly forecast.

June Individual Income Tax collections total \$328.8 million. Collections increased by \$26.5 million, or 8.8 percent, compared to last year. Monthly collections were above forecast by \$71.0 million or 27.5 percent. Withholding tax from payrolls were unchanged from year ago levels due to payroll timing effects accounted for in the monthly forecast series, but above forecast from other factors by 17.5 percent.

June Individual Income Tax Refunds total \$42.0 million. This amount is \$12.4 million or 41.7 percent above year ago refunds and \$18.3 million above the monthly forecast. Refund claim patterns have been altered by the income tax filing due date shift to May 17, 2021.

June Sales and Use Collections: June collections total \$256.8 million, an increase of \$29.4 million or 12.9 percent above last year. Collections were above forecast by \$18.8 million or 7.9 percent. The motor vehicle portion of Sales Tax was up 17.3 percent from year ago levels.

June Corporate Income Tax collections total \$115.0 million, an increase of \$51.7 million or 81.7 percent from year earlier levels, and \$44.9 million or 64.1 percent above forecast.

June Corporate Income Tax Refunds total \$0.7 million. This amount is \$0.2 million below refund levels a year ago.

June Tobacco Tax collections, a small component of general revenue, total \$18.3 million or 7.3 percent below year earlier levels. Monthly changes in tobacco tax collections can be attributed to uneven patterns of stamp sales to wholesale purchasers.

SPECIAL REVENUES OF NOTE

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.

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. In June 2021, \$55.3 million was collected and deposited to the fund. After deductions, the net amount is \$53.7 million. The monthly collection is equivalent to a 11.2 percent increase from prior year collections. Fiscal year net collections total \$597.5 million, compared to \$528.1 million last year. This represents a 13.1 percent fiscal year increase from prior year collections.

C: /FISCNOT/June FY 2021
Attachment (2)

June 2021 Year-to-Date General Revenue Report
Economic Analysis and Tax Research, DFA

Forecast Date: 04/02/20

Millions of \$

	Actual June FY20	Forecast June FY21	Actual June FY21	<u>Change from Forecast</u>		<u>Change from Last Year</u>	
				Dollar Difference	Percent Difference	Dollar Difference	Percent Difference
Individual Income	3,418.6	3,359.1	3,969.2	610.1	18.2	550.6	16.1
Corporate Income	482.1	449.4	651.9	202.5	45.1	169.8	35.2
Sales & Use	2,543.7	2,569.4	2,883.8	314.4	12.2	340.1	13.4
Alcohol	60.8	63.7	68.8	5.1	8.1	8.0	13.1
Tobacco	220.4	198.7	224.5	25.8	13.0	4.2	1.9
Insurance	125.0	148.4	191.8	43.4	29.2	66.8	53.4
Racing	1.7	2.0	1.6	-0.4	-18.5	0.0	-2.0
Gaming	32.4	31.2	38.8	7.6	24.4	6.4	19.8
Severance	7.5	5.6	7.2	1.6	29.0	-0.2	-3.2
Franchise	8.0	8.0	8.0	0.0	0.0	0.0	0.0
Real Estate Transfer	2.6	2.6	2.6	0.0	0.3	0.0	0.0
Miscellaneous	65.0	56.9	72.7	15.8	27.7	7.7	11.8
Total Gross	6,967.7	6,895.0	8,121.0	1,226.0	17.8	1,153.3	16.6
LESS: (SCSF/COF) ¹	215.7	213.7	250.1	36.4	17.0	34.4	16.0
Individual Income Refunds	503.6	455.0	502.1	47.1	10.3	-1.6	-0.3
Corporate Income Refunds	49.3	63.1	65.3	2.2	3.4	16.0	32.4
Claims	0.0	10.0	0.0	-10.0	-100.0	0.0	0.0
Econ Development Incentive	17.9	23.4	13.2	-10.2	-43.6	-4.7	-26.4
Amendment 82 Bonds	5.3	5.3	5.3	0.0	-0.2	0.0	-0.1
Recycling Tax Credit	16.0	22.5	16.0	-6.5	-28.9	0.0	0.0
Water / Sewer Bonds	14.8	14.8	14.8	0.0	0.0	0.0	0.0
College Savings Bonds	23.2	24.0	23.2	-0.8	-3.3	0.0	0.0
City & County Tourist	0.9	0.9	0.9	0.0	-1.3	0.0	0.0
Educational Excellence	337.7	344.5	348.5	4.0	1.2	10.8	3.2
Educational Adequacy	29.9	30.5	30.8	0.3	1.0	1.0	3.2
Highway Casino Transfer	0.0	0.0	5.6	5.6	0.0	5.6	0.0
Total Deductions	1,214.3	1,207.7	1,275.7	68.0	5.6	61.4	5.1
Net Available	5,753.4	5,687.3	6,845.3	1,158.0	20.4	1,091.9	19.0
LESS: Surplus	3.2	0.0	945.7				
Net AVAILABLE Distribution	5,750.2	5,687.3	5,899.6	212.3	3.7	149.4	2.6

Revenue Forecast Summary for the Month

June Year-to-Date Gross: \$ 1226.0 Million OR 17.8% Above Forecast
June Year-to-Date Net Available: \$ 1158.0 Million OR 20.4% Above Forecast

¹ State Central Services Fund and Constitutional Officers Fund.

June 2021 General Revenue Report
Economic Analysis and Tax Research, DFA

Forecast Date: 04/02/20

Millions of \$

	Actual June FY20	Forecast June FY21	Actual June FY21	Change from Forecast		Change from Last Year	
				Dollar Difference	Percent Difference	Dollar Difference	Percent Difference
Individual Income	302.2	257.8	328.8	71.0	27.5	26.5	8.8
Corporate Income	63.3	70.1	115.0	44.9	64.1	51.7	81.7
Sales & Use	227.4	238.0	256.8	18.8	7.9	29.4	12.9
Alcohol	6.1	6.4	7.6	1.2	19.1	1.5	24.3
Tobacco	19.7	18.3	18.3	0.0	-0.1	-1.4	-7.3
Insurance	63.5	81.9	124.7	42.8	52.3	61.2	96.3
Racing	0.1	0.1	0.1	0.0	-7.7	0.0	49.0
Gaming	1.2	0.0	4.3	4.3	0.0	3.1	249.4
Severance	0.2	0.2	0.8	0.6	312.3	0.6	291.8
Franchise	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Real Estate Transfer	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Miscellaneous	12.2	7.7	11.2	3.5	45.8	-0.9	-7.6
Total Gross	696.0	680.5	867.7	187.2	27.5	171.7	24.7
LESS: (SCSF/COF) ¹	21.3	21.1	25.3	4.2	19.7	4.0	18.7
Individual Income Refunds	29.7	23.7	42.0	18.3	77.4	12.4	41.7
Corporate Income Refunds	1.0	2.0	0.7	-1.3	-63.2	-0.2	-24.6
Claims	0.0	10.0	0.0	-10.0	-100.0	0.0	0.0
Econ Development Incentive	2.2	1.9	1.8	-0.1	-7.3	-0.5	-21.3
Amendment 82 Bonds	4.2	4.3	4.3	0.0	-0.6	0.0	0.8
Recycling Tax Credit	16.0	22.5	16.0	-6.5	-28.9	0.0	0.0
Water / Sewer Bonds	1.2	1.2	1.2	0.0	0.0	0.0	0.0
College Savings Bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0
City & County Tourist	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Educational Excellence	28.1	28.7	29.0	0.3	1.2	0.9	3.2
Educational Adequacy	2.5	2.5	2.6	0.1	2.7	0.1	3.2
Highway Casino Transfer	0.0	0.0	4.2	4.2	0.0	4.2	0.0
Total Deductions	106.2	117.9	127.0	9.1	7.7	20.8	19.6
Net Available	589.7	562.6	740.6	178.0	31.6	150.9	25.6

Revenue Forecast Summary for the Month

June Gross: \$ 187.2 Million OR 27.5% Above Forecast
June Net Available: \$ 178.0 Million OR 31.6% Above Forecast

¹ State Central Services Fund and Constitutional Officers Fund.

Major economic indicators

	% ch. from prior quarter, annual rate						% ch. from prior year, or annual average					
	2021.1	2021.2	2021.3	2021.4	2022.1	2022.2	2020	2021	2022	2023	2024	2025
Key indicators of real activity												
Real gross domestic product	6.3	6.5	6.1	5.8	4.8	2.7	-3.4	6.1	4.4	2.2	2.4	2.3
Contributions to growth (% points):												
Final sales to domestic purchasers	10.5	8.1	2.5	4.3	2.8	2.3	-2.6	7.1	3.1	2.1	2.4	2.5
Net exports of goods & services	-1.6	-0.4	-0.2	0.7	0.2	0.3	-0.3	-1.2	0.2	0.3	0.0	-0.1
Change in private inventories	-2.6	-1.1	3.8	0.9	1.8	0.1	-0.5	0.0	0.9	-0.2	-0.1	0.0
Major components of real GDP												
Personal consumption expend.	11.4	11.8	1.9	4.3	2.6	2.8	-3.8	8.0	3.4	2.4	2.7	2.8
Nonres. fixed investment	12.9	8.0	7.2	8.5	7.7	4.9	-5.3	8.2	6.5	3.6	3.8	3.5
Residential investment	13.3	-9.8	-3.8	-6.3	-3.3	-5.5	6.8	9.6	-4.9	-2.8	1.2	0.9
Change in private inventories *	-88.3	-165.9	27.4	73.0	166.4	171.6	-42.3	-38.4	161.8	121.8	106.6	96.2
Exports of goods & services	-2.9	6.0	6.4	7.6	8.1	8.3	-13.6	4.9	7.8	7.6	5.6	4.4
Imports of goods & services	9.3	7.8	6.2	1.2	4.9	4.2	-8.9	13.3	4.2	3.5	4.3	4.6
Gov't consump. & gross invest.	4.2	-1.5	2.1	3.1	0.9	0.1	2.5	1.1	1.2	0.6	0.4	0.5
Pvt. housing starts (thous. units)	1599	1568	1563	1531	1480	1422	1397	1565	1417	1333	1327	1320
Light vehicle sales (mil. units)	16.8	16.9	15.5	16.6	16.7	16.8	14.5	16.4	16.8	16.9	16.7	16.7
Industrial production, total	3.6	5.5	5.3	4.4	5.4	2.7	-7.2	5.5	4.1	2.0	1.9	1.8
Industrial production, mfg	2.3	3.7	6.7	6.5	6.4	3.4	-6.6	6.3	4.9	2.2	2.1	1.9
Capacity utilization (mfg, %)	74.4	75.1	76.3	77.5	78.2	78.4	71.1	75.8	78.2	77.7	77.2	76.6
Nonfarm payroll employ. (mil.)	143.4	145.0	147.6	149.6	151.1	152.2	142.3	148.4	152.5	154.5	155.5	156.2
Average monthly chng. (thous.)	518	607	826	561	497	327	-765	628	312	96	80	55
Private nonfarm hours	3.0	5.5	6.9	4.9	4.8	3.2	-6.6	5.2	4.2	1.1	0.6	0.5
Civilian unemployment rate (%)	6.2	5.9	5.1	4.7	4.3	4.0	8.1	5.5	3.9	3.6	3.6	3.8
Prices, Productivity, & Costs												
CPI all items, all urban	3.7	8.4	5.9	1.5	1.5	1.3	1.2	4.2	2.4	1.8	2.1	2.2
CPI excl food & energy, all urban	1.2	8.1	6.0	2.2	2.4	2.3	1.7	3.4	3.1	2.3	2.3	2.4
PCE price index	3.8	6.4	4.5	1.8	1.6	1.4	1.2	3.5	2.2	1.7	2.0	2.1
PCE price excl food & energy	2.7	6.1	4.3	2.1	2.2	2.0	1.4	3.1	2.6	2.0	2.1	2.1
PPI finished goods	14.0	11.4	7.1	1.0	0.4	1.0	-1.3	7.3	2.2	1.4	1.8	1.9
Compensation per hour	2.4	2.5	3.7	2.9	3.0	3.0	7.0	4.0	3.2	3.8	4.0	4.0
Output per hour	4.4	2.3	0.8	1.7	0.9	-0.1	2.4	2.3	0.9	1.4	2.2	2.2
Unit labor cost	-1.9	0.3	2.9	1.2	2.0	3.2	4.5	1.7	2.2	2.4	1.8	1.8
CoreLogic house price index **	3.7	5.1	1.4	1.3	1.3	1.3	6.1	13.5	6.2	4.3	3.9	3.8
Price of WTI crude oil (\$/barrel)	57.80	66.09	70.23	65.16	63.95	63.34	39.25	64.82	62.84	62.11	62.26	62.84
Price of Brent crude oil (\$/barrel)	60.82	68.83	72.93	68.17	67.17	66.58	41.77	67.69	66.13	65.53	65.79	66.58

State Revenue Impact of Acts of the 2021 General Assembly
 Includes General and Special Revenue impacts, no local impacts
 As of 05/12/21

(Does not include acts for which an impact statement was not issued)

Bill #	Lead Sponsor	Status	Description	Note	General Revenue FY 2021	General Revenue FY 2022	General Revenue FY 2023
SB26	Sturch	ACT 915	tax coal used by manufacturers at reduced sales tax rate			-\$398,568	-\$551,728
SB76	Eads	ACT 68	create an excursion train alcoholic beverage permit			\$0	\$0
SB181	T. Garner	ACT 944	expand sales tax holiday to certain electronic devices			-\$1,308,150	-\$1,106,826
SB225	B. Johnson	ACT 376	reduce add'l \$100 registration fee on hybrid vehicles to \$50;			\$0	\$0
SB236	Dismang	ACT 154	expand unemployment benefits from income tax for tax years 2020 and 2021		-\$51,000,000	-\$3,100,000	\$0
SB244	Hammer	ACT 914	expand "instructional materials" for purposes of sales tax exemption			-\$2,968,494	-\$2,585,436
SB246	B. Johnson	ACT 328	excludes special license plate registered vehicles from the hybrid/electric car registration fee			\$0	\$0
SB336	M. Johnson	ACT 1109	sales tax exemption for coins, currency, and bullion			-\$514,316	-\$692,320
SB419	Dismang	ACT 437	extend through FY23 deposit of 4.5 mills gas assessment to general revenue	1		+1,800,000	+1,800,000
SB420	Dismang	ACT 629	extend by one month the income tax extended deadline filing date			\$0	\$0
SB465	Dismang	ACT 434	extend sunset date to July 1, 2023 for medical marijuana tax act	2		\$0	\$0
SB479	Tucker	ACT 705	delay payment of sales tax by restaurants			\$0	\$0
SB481	Dismang	ACT 628	amend criteria for usage of Arkansas Public Roads Improvements income tax credits			\$0	\$0
SB484	Dismang	ACT 1019	clarify the allocation of nonresident income for Arkansas income tax purposes			minimal	minimal
SB500	Irvin	ACT 541	amend income tax credit for waste reduction, reuse, or recycling equipment	3		\$0	-\$6,500,000
SB543	Wallace	ACT 895	amend requirements for Consolidated Incentive Act of 2003			\$0	\$0
SB566	Wallace	ACT 911	amend Small Business Entity Tax Pass Through Act; establish Uniform LLC Act	4		\$0	\$0
SB601	Dismang	ACT 1041	repeal Arkansas-based cigar shops to sell cigars at retail online			unknown	unknown
SB628	Hester	ACT 940	permit Arkansas-based cigar shops to sell cigars at retail online			\$0	\$0
SB631	Eads	ACT 1060	establish a hard cider direct shipper permit			\$0	\$0
SB657	Leding	ACT 1057	remove some watercraft from requirement of registration			\$0	\$0
SB680	Dismang	ACT 904	tax credit for contributions to organization under Philanthropic Investment in Ark. Kids Program			\$0	-\$2,000,000
HB1010	Jett	ACT 142	sales tax exemption for certain aircraft			\$0	\$0
HB1023	Lowery	ACT 873	sales tax exemption on school fund-raising events and parent-teacher organization purchases	5		-\$125,000	-\$188,000
HB1026	Cavenaugh	ACT 125	exclude appearance fee from compensation in sales tax exemption to volunteer fire departments			\$0	\$0
HB1033	Jett	ACT 144	clarify the sales tax exemption of a car washer operator's sales			\$0	\$0
HB1041	Jett	ACT 145	waive filing fees for filing certificate of indebtedness and interest or penalty			unknown	unknown
HB1042	Jett	ACT 146	to repeal the long term rental vehicle tax			\$0	\$0
HB1043	Jett	ACT 719	authorize waiver of certain ad valorem on carriers and utilities			\$0	\$0
HB1048	Jett	ACT 718	to authorize the offset of a tax refund toward a tax delinquency			\$0	\$0
HB1049	Jett	ACT 283	allow withholding of income tax from unemployment comp and unemployment insurance benefits			\$0	\$0
HB1054	Beck	ACT 972	to allow sales tax exemption for isolated sales to apply at special events			-\$120,628	-\$162,377
HB1157	Tollett	ACT 971	increase income tax deduction for teachers qualified classroom investment expense			-\$237,000	-\$237,000
HB1196	Christiansen	ACT 970	sales tax exemption for water used in poultry farming			-\$1,207,523	-\$1,625,447
HB1201	Mayberry	ACT 263	modify procedure for collection of surcharge to fund Telecommunications Equipment Fund	6		\$0	\$0
HB1209	Jett	ACT 362	create the Elective Pass-Through Entity Tax Act; impose a tax on pass-through entities			+2,120,000	+4,240,000
HB1314	Hillman	ACT 875	increase tax credits for water resource conservation/development projects	7		-\$301,866	-\$603,732
HB1361	Eaves	ACT 248	exempt certain forgiven small business loans; provide deduction for certain loan expenses		-\$33,000,000	-\$179,000,000	unknown
HB1370	Bryant	ACT 271	treat and tax mead the same as wine			unknown	unknown
HB1374	Collins	ACT 807	extend sales tax exemption for charitable organizations from 3 annual events to 10			-\$69,768	-\$93,915

Bill #	Lead Sponsor	Status	Description	Note	General Revenue FY 2021	General Revenue FY 2022	General Revenue FY 2023
HB1377	Cavenaugh	ACT 277	extend from 45 days to 60 days the time allowed to sell vehicle and apply as trade-in			nominal	nominal
HB1406	Speaks	ACT 318	allow issuance of additional special license plates			\$0	\$0
HB1456	Wardlaw	ACT 967	income tax credit for railroad track maintenance expenses	8		-\$4,900,000	
HB1457	Eaves	ACT 935	income tax credit for a stillborn child			-\$139,500	-\$139,500
HB1509	Brown	ACT 966	amend Arkansas Tax-Deferred Tuition Savings Program			-\$28,660	-\$28,660
HB1511	Wardlaw	ACT 500	amend authorized fee collected for victim impact panel			\$0	\$0
HB1513	Eubanks	ACT 841	create income tax credit for retired law enforcement officers working cold cases			\$0	-\$25,000
HB1555	Jett	ACT 840	increase annual cap on Historic Rehabilitation Income Tax Credit	9		-\$1,000,000	-\$2,000,000
HB1570	Lundstrum	ACT 626	The Arkansas Save Adolescents From Experimentation Act			negligible gain	negligible gain
HB1596	Jett	ACT 880	sales tax exemptions for items sold for use in printing			-\$1,744,200	-\$2,414,952
HB1684	Mayberry	ACT 882	amend law concerning contributions to an ABLÉ account	10		-\$25,424	-\$25,424
HB1698	Jett	ACT 1065	allow delinquent property taxes to be set off against state tax refunds			\$0	\$0
HB1703	Forthner	ACT 592	require casinos withhold Arkansas income tax on gambling winnings			\$0	\$0
HB1706	Wardlaw	ACT 594	create Arkansas Wood Energy Products and Forest Maintenance Income tax credit			\$0	\$0
HB1743	C. Fite	ACT 797	amend digital product and motion picture tax credits and rebates	11		-\$5,000,000	-\$5,000,000
HB1755	Jean	ACT 668	amend property tax treatment of producing minerals and oil wells and production equipment			negligible impact	negligible
HB1763	Christiansen	ACT 706	authorizes distillers/manuf. of alcoholic beverages to sell/ship alcohol directly out of state	12		unknown	unknown
HB1773	Hillman	ACT 563	amend requirements for water resource conservation and development incentives			\$0	\$0
HB1846	Holcomb	ACT 753	amend the length and fee for commercial drivers licenses			\$0	\$0
HB1893	Brown	ACT 1093	exempt certain electric/hybrid types of vehicles from the required additional registration fee			\$0	\$0
HB1912	Jett	ACT 1013	provide a reduced sales/use tax rate for certain used motor vehicles			-\$4,966,125	-\$9,337,571
Total					-\$84,000,000	-\$203,235,222	-\$29,277,888

- 1) Not new source of revenue but extension of deposit of current collections to general revenue
- 2) Not new source of revenue but extension of current collections; after expense reimbursement
- 3) Annual impacts ranged from \$4M to \$6.5M per project, beginning FY23
- 4) projected annual impacts of up to \$5.2M (\$3.4M general revenue) for FY24-28
- 5) Annual impacts ranged from \$47,000 to \$188,000 (GR) and \$68,000 to \$272,000 (Total); 8 months affected in FY22.
- 6) Potential increase in general revenue of up to \$4.24 million, annually, beginning Tax Year 2022
- 7) FY24 impact and after -\$905,597
- 8) Potential decrease in general revenue of up to \$4.9M in FY2022 but the total of \$4.9M may be spread out over more than 1 year
- 9) Impact in FY2024 and after is \$3M
- 10) Annual impact ranges from \$7,650 to \$25,424
- 11) Potential annual impacts range up to \$5M per project, beginning FY22
- 12) Undetermined loss to property tax collections beginning CY2023

DFA, Economic Analysis & Tax Research

ECONOMIC ASSUMPTIONS

	FY 2021			FY 2022			FY 2023			FY 2024		
	Prelim.	Y/Y Incr.	Y/Y %Ch.	Estimate	Y/Y Incr.	Y/Y %Ch.	Estimate	Y/Y Incr.	Y/Y %Ch.	Estimate	Y/Y Incr.	Y/Y %Ch.
U.S. GDP Nominal (Billion \$)	21,889	797	3.8%	24,104	2215	10.1%	25,318	1214	5.0%	26,356	1038	4.1%
U.S. GDP Real (Billions 2012\$ Chain-Weight)	18,983	306	1.6%	20,246	1263	6.7%	20,850	603	3.0%	21,240	390	1.9%
U.S. GDP Deflator (Chain-Wt, 2012=100)	115.3	2.3	2.1%	119.0	3.7	3.2%	121.4	2.4	2.0%	124.1	2.7	2.2%
U.S. CPI Price Index (1982-84=100)	263.0	5.8	2.2%	272.1	9.1	3.4%	277.6	5.5	2.0%	283.4	5.8	2.1%
OIL - Avg. Dom. Crude to Refinery (\$ per barrel)	52.14	3.0	6.1%	66.12	14.0	26.8%	63.09	-3.0	-4.6%	63.15	0.1	0.1%
AR. Net General Revenue (Million \$)												
AR. Net GR % of Non-Farm Personal Income												
AR. Total Personal Income (Million \$)	149,327	9308.0	6.6%	151,558	2230.7	1.5%	158,022	6464.3	4.3%	163,859	5837	3.7%
AR. Wage & Salary Disbursements (Million \$)	63,741	3289	5.4%	68,229	4488	7.0%	71,366	3138	4.6%	74,246	2879	4.0%
AR. Personal Transfer Payments (Million \$)	42,561	5857	16.0%	37,271	-5290	-12.4%	38,531	1260	3.4%	39,993	1462	3.8%
AR. Per Capita Income (\$)	49,573	3056	6.6%	50,250	677	1.4%	52,257	2007	4.0%	54,017	1760	3.4%
AR. GDP Nominal (Million \$)	135,708	6512	5.0%	149,125	13417	9.9%	155,577	6452	4.3%	160,885	5308	3.4%
AR. Employment Total Payroll (Thousands)	1,252.9	-9.6	-0.8%	1,287.9	35.0	2.8%	1,303.0	15.1	1.2%	1,306.2	3.2	0.2%
AR. Employment Private Sector (Thousands)	1,046.5	-5.4	-0.5%	1,078.5	32.0	3.1%	1,090.1	11.6	1.1%	1,092.3	2.2	0.2%
AR. Employment Manufacturing (Thousands)	157.4	-1.5	-0.9%	163.2	5.8	3.7%	162.8	-0.4	-0.2%	162.5	-0.3	-0.2%
AR. New Car/Light Truck registrations (Thous.)	132.7	13.5	11.3%	131.2	-1.5	-1.1%	129.6	-1.6	-1.2%	129.2	-0.4	-0.3%
AR. Retail Sales (Million \$)	48,081	6021.6	14.3%	49,522	1441.0	3.0%	49,066	-455.3	-0.9%	49,940	874	1.8%

U.S. Summary: IHS Markit, July 2021 baseline
 Arkansas Summary: IHS Markit, July 2021 baseline



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

OFFICE OF THE SECRETARY

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May 19, 2021

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 19, 2021 revision to the official general revenue forecast for Fiscal Years 2021, 2022, and 2023.

Summary of Net Available Revenues:

Current Year

- For FY 2021 net available revenues are expected to reach \$5,687.3 million, a decrease of \$66.1 million, or -1.1 percent from FY 2020 results for net available. The forecast included state income tax cuts and related changes in withholding formula rates during the year but not multiple rounds of subsequent federal stimulus programs for households, workers, and small businesses. Year-to-date actual growth after 10 months in the fiscal year has been 13.6 percent above year earlier levels, resulting in \$716.8 million above forecast at that point. Individual Income Tax collections have been above year ago levels in part because of the tax filing deadline change to July from April in the prior fiscal year. Growth relative to forecast and year ago levels have also been better than expected in Payroll Withholding, Corporate Income Tax and Sales Tax.

The FY 2021 forecast is expected to fund the allocations "A" + "A1" + "B" + "C" in the current Revenue Stabilization Law.

Forecast

- For FY 2022 net available revenues are expected to reach \$5,866.2 million, an increase of \$178.9 million or 3.1 percent above FY 2021.

The FY 2022 forecast is expected to fund the allocations "A" + "B" + "C" + "D" in the current Revenue Stabilization Law. A surplus of \$17.0 million is now anticipated for FY 2022. The forecast incorporates tax cuts passed during the 93rd General Assembly-Regular Session.

- For FY 2023 net available revenues are expected to reach \$6,156.3 million, an increase of \$290.1 million or 4.9 percent above FY 2022.

Economic Forecast Assumptions

Economic models employed by the Department of Finance and Administration indicate accelerated economic recovery for the nation with indicators of robust growth in consumption and travel planning as the course of the vaccination campaign shifts to the optimistic case. U.S. GDP growth in real terms (excluding inflation rates) has been revised up to 6.0 percent in FY22 with nominal growth (including inflation) at 8.3 percent.

The Arkansas economy currently displays robust signals for revenue potential from consumption indicators and business activity in the short run. Consumption continues to be bolstered by stimulus transfers and assistance to small business. Low interest rates and better overall household savings and debt exposure point to a more pronounced expansion than in the previous case after the financial crisis in 2009. Employment levels and wage income growth dipped less than the national average during the early stages of the pandemic in 2020 and match national growth in 2021. Monthly survey estimates of unemployment in the general labor market indicate lower rates at the state level at 4.4 percent vs. 6.0 percent at the national level.

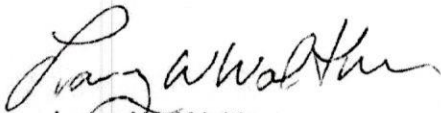
The short-term outlook for the Arkansas economy is robust with abundant sector indicators on the rise amid the dominant story of accelerated vaccination progress and federal stimulus. A much-needed recovery in the hardest hit sectors of travel, conventions, and full-service restaurants will complete the recovery story. Total wage income will expand above trend in FY22 and slow slightly below trend in FY23 in the shadow of stimulus spending. Transfer payments in the nonwage categories of personal income are expected to fall 11 percent in FY22 after the termination of multiple stimulus programs. Retail sales are expected to soften in the second half of FY22 in the aftermath of high consumption rates in FY20-21 from spending surges tied to stimulus programs. A blended picture for growth will mark FY22 with notable recovery in wage income and jobs, offsetting declines in transfer payments from stimulus programs.

Risk remains for revenue prediction in the biennium stemming from the issue of timing for the inevitable decline from one-time stimulus benefiting households and businesses in the recovery and relief programs. A cautious approach has been implemented in the forecast by selection of more stable indicators compared to those reflecting volatility of one-time funds and short-term spending patterns. This primarily refers to the expected slowdown in the second half of FY 22 and FY 23.

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,

A handwritten signature in cursive script, appearing to read "Larry W. Walther".

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 conditions. The Official Revenue Forecast for the 2021-2023 Biennium Forecast is included.

The revenue forecasts are conditionally based on the expected economic conditions in the state and nation as of April 2021. The U.S. and state economic forecasts were compiled from simulations representing structural economic modeling systems at IHS Markit Inc., a national forecast provider. The Office of Economic Analysis and Tax Research, DFA, prepared the general revenue forecast.

Economic and Revenue Estimates for Fiscal Year 2021

Summary of Economic and Revenue Estimates for FY 2021

- **FY 2021 U.S. Gross Domestic Product (Real Output).** This summary is based on the April 2021 baseline forecast of IHS Markit Inc. During FY 2021, the United States economy is expected to produce final goods and services valued in inflation-adjusted dollars at \$18,959 billion, for an annual increase of \$282 billion or 1.5 percent. Two general measures of inflation indicate moderate near-term price gains during the year, stemming from energy price recovery and material supply constraints during initial economic rebound. The inflation measures 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 1.8 percent and the GDP price deflator is expected to rise by 1.7 percent.
- **U.S. gross domestic product in current dollars** is estimated at \$21,782 billion, an increase of \$690 billion or 3.3 percent.
- **Average annual U.S. oil prices** are estimated at \$52 per barrel (domestic crude price to refineries) in FY 2021 from the April forecast. Energy prices in general have been hit by deep contraction in demand and limited travel recovery in major economies. Weekly and monthly price swings could vary widely around the annual averages.

- **FY 2021 Arkansas total personal income** (the sum of wages and salaries, proprietor's income, rent, dividends, interest and transfer payments) is estimated at \$148.6 billion (current dollars), an increase of \$8.5 billion or 6.1 percent over FY 2020.
- **FY 2021 Arkansas wage and salary disbursements** are estimated at \$63.4 billion, an increase of \$2.9 billion or 4.9 percent.
- **FY 2021 Arkansas payroll employment** is expected to reach a level of 1.255 million jobs, a decrease of approximately 7,300 jobs or -0.6 percent. Private sector job change is expected to be -0.3 percent below the prior period.

FY 2021 Gross General Revenues

Gross general revenues are estimated at \$6,941.0 million, a decrease from FY 2020 of \$26.7 million, or -0.4 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 2019 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, \$348.5 million has been determined to be distributed (net) in FY 2021.

FY 2021 Net Available General Revenues

The net available forecast for FY 2021 is unchanged from the Official General Revenue Forecast of April 2, 2020. Net available revenues are estimated at \$5,687.3 million, a decrease of \$66.1 million or -1.1 percent from FY 2020.

FY 2021 revenues are expected to fund the allocations "A" + "A1" + "B" + "C" in the current Revenue Stabilization Law.

FY 2021 Selected Special Revenues:

- **FY 2021 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 2021: \$535.6 million.

- **FY 2021 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 \$30.8 million will be distributed in FY 2021.

Economic and Revenue Estimates for the 2021–2023 Biennium

Summary of Economic and Revenue Estimates for FY 2022

- **FY 2022 U.S. Gross Domestic Product (Real Output).** This summary is based on the April 2021 baseline forecast of IHS Markit Inc. During FY 2022, the United States economy is expected to produce final goods and services valued in inflation-adjusted dollars at \$20,106 billion, an increase of \$1,147 billion or 6.0 percent. Two general measures of inflation indicate rising price pressures during the year. The Consumer Price Index is expected to increase 1.9 percent and the GDP price deflator is expected to rise by 2.1 percent.
- **U.S. gross domestic product in current dollars** is estimated at \$23,590 billion, an increase of \$1,808 billion or 8.3 percent over FY 2021.
- **Average annual U.S. oil prices** are estimated at \$63 per barrel (domestic crude price to refineries) in FY2022. Gradual price gain in annual averages is expected during the biennium, after a deep drop in FY20. Weekly and monthly price swings could vary widely around the annual averages.

- **FY 2022 Arkansas total personal income** is estimated at \$149.6 billion (current dollars), an increase of \$1.0 billion or 0.7 percent over FY 2021. Lower transfer payments in FY 2022 from stimulus payment timing in the prior year accounts for the weak year-over-year change.
- **FY 2022 Arkansas wage and salary disbursements** are estimated at \$66.9 billion, an increase of \$3.5 billion or 5.5 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 2022 Arkansas payroll employment** is expected to reach a level of 1.290 million jobs, an increase of approximately 34,900 jobs or 2.8 percent. Private sector job growth is expected to be 3.1 percent in FY 2022.

FY 2022 Gross General Revenues

Gross general revenues are estimated at \$6,994.6 million, an increase from FY 2021 of \$53.6 million, or 0.8 percent.

The total fee deducted from general revenue for funding of the State Central Services Fund and Constitutional Officers Fund for FY 2022 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. \$351.0 million is estimated to be distributed (net) in FY 2022.

FY 2022 Net Available General Revenues

Net available revenues are estimated at \$5,866.2 million, an increase of \$178.9 million or 3.1 percent compared to FY 2021.

FY 2022 revenues are expected to fund the allocations "A" + "B" + "C" + "D" in the Revenue Stabilization Law. A surplus of \$17.0 million is now anticipated for FY 2022.

FY 2022 Selected Special Revenues:

- **FY 2022 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 2022: \$580.8 million.

- **FY 2022 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. \$27.7 million is estimated to be distributed in FY 2022.

Summary of Economic and Revenue Estimates for FY 2023

- **FY 2023 U.S. Gross Domestic Product (Real Output).** During FY 2023, the United States economy is expected to produce final goods and services valued at \$20,639 billion in inflation-adjusted dollars, an increase of \$534 billion or 2.7 percent. The two inflation measures of consumer price index (CPI) and GDP price deflator are expected to continue a moderate increase with economic expansion. The consumer price index (CPI) is expected to increase 1.6 percent and the GDP price deflator is expected to increase 2.1 percent in FY 2023.
- **U.S. gross domestic product in current dollars** is estimated at \$24,717 billion for FY 2023, an increase of \$1,127 billion or 4.8 percent.
- **Average annual U.S. oil prices** are estimated at \$60 per barrel (domestic crude price to refineries) in FY 2023. Oil prices and domestic energy demand are expected to stabilize. Weekly and monthly price swings could vary widely around the annual averages.

- **FY 2023 Arkansas total personal income** will reach \$155.4 billion (current dollars), an increase of \$5.8 billion or 3.9 percent over FY 2022. Personal income is expected to expand moderately in a rising job market and expanding national economy.
- **FY 2023 Arkansas wage and salary disbursements** are estimated at \$69.3 billion, an increase of \$2.5 billion or 3.7 percent.
- **FY 2023 Arkansas payroll employment** is estimated to grow from a level of 1.290 million jobs in FY 2022 to 1.299 million jobs in FY 2023. This represents an increase of approximately 9,200 jobs or 0.7 percent. Private sector job growth is expected to be 0.5 percent in FY 2023.

FY 2023 Gross General Revenues

The forecast for gross general revenues in FY 2023 is \$7,267.7 million, an increase of \$273.1 million or 3.9 percent over FY 2022.

The total fee deducted from general revenue for funding of the State Central Services Fund and Constitutional Officers Fund for FY 2023 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 \$385.7 million may be distributed (net) in FY 2023.

FY 2023 Net Available General Revenues

For FY 2023, net available general revenues are estimated at \$6,156.3 million, an increase of \$290.1 million or 4.9 percent over FY 2022.

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: \$581.8 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, an estimated \$28.8 million may be distributed (net) in FY 2023.

**Office of the Secretary and
Economic Analysis and Tax Research,
Department of Finance and Administration
May 19, 2021**

**Official General Revenue Forecast
FY 2021 - 2023 Biennium**

Millions of Dollars	05/19/21 Estimate	FY 21 Increase	Yr/Yr % CH	05/19/21 Estimate	FY 22 Increase	Yr/Yr % CH	05/19/21 Estimate	FY 23 Increase	Yr/Yr % CH
Individual Income	3,380.4	-38.2	-1.1	3,189.7	-190.7	-5.6	3,455.2	265.5	8.3
Corporate Income	453.3	-28.8	-6.0	478.7	25.4	5.6	483.7	5.0	1.0
Sales and Use Tax	2,561.8	18.1	0.7	2,815.3	253.5	9.9	2,803.1	-12.2	-0.4
Alcohol	62.5	1.7	2.7	63.6	1.1	1.8	64.7	1.1	1.7
Tobacco	199.3	-21.1	-9.6	196.0	-3.3	-1.7	186.6	-9.4	-4.8
Insurance	164.2	39.2	31.3	139.6	-24.6	-15.0	162.7	23.1	16.5
Racing	1.6	-0.1	-3.8	1.5	-0.1	-6.3	1.3	-0.2	-13.3
Gaming	31.2	-1.2	-3.7	31.2	0.0	0.0	31.2	0.0	0.0
Severance	6.4	-1.1	-14.3	7.2	0.8	12.5	6.9	-0.3	-4.2
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	-0.3	2.6	0.0	0.0	2.6	0.0	0.0
Miscellaneous	69.7	4.7	7.3	61.2	-8.5	-12.2	61.7	0.5	0.8
Total Gross	6,941.0	-26.7	-0.4	6,994.6	53.6	0.8	7,267.7	273.1	3.9
LESS: SCS / COF	215.2	-0.5	-0.2	216.8	1.6	0.7	225.3	8.5	3.9
Individual Refunds	501.8	-1.8	-0.4	370.0	-131.8	-26.3	302.7	-67.3	-18.2
Corporate Refunds	63.8	14.5	29.5	68.8	5.0	7.8	74.9	6.1	8.9
Claims Reserve	10.0	10.0	0.0	10.0	0.0	0.0	10.0	0.0	0.0
Econ Develop Incentive	23.4	5.5	30.6	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	16.0	0.0	0.0
Amendment 82 Bonds	5.3	0.0	0.2	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	14.8	0.0	0.0
College Savings Bonds	23.2	0.0	0.0	20.4	-2.8	-12.1	18.3	-2.1	-10.3
City / County Tourist	0.9	0.0	1.4	0.9	0.0	0.0	0.9	0.0	0.0
Educational Excellence	348.5	10.8	3.2	351.0	2.5	0.7	385.7	34.7	9.9
Educational Adequacy	30.8	0.9	3.2	31.0	0.2	0.6	34.1	3.1	10.0
Net Available	5,687.3	-66.1	-1.1	5,866.2	178.9	3.1	6,156.3	290.1	4.9
LESS: Surplus	0.0	-3.2		17.0					
Net Available Distribution	5,687.3	-62.9	-1.1	5,849.2	161.9	2.8	6,156.3	307.1	5.3

Prepared by Economic Analysis and Tax Research, DFA

**Economic Assumptions and the
Official General Revenue Forecast
FY 2021 - 2023 Biennium**

Millions of Dollars	05/19/21	FY21	Yr/Yr	05/19/21	FY22	Yr/Yr	05/19/21	FY23	Yr/Yr
	Estimate	Increase	% CH	Estimate	Increase	% CH	Estimate	Increase	% CH
Individual Income Tax	3,380.4	-38.2	-1.1	3,189.7	-190.7	-5.6	3,455.2	265.5	8.3
Individual Refunds	<u>501.8</u>	<u>-1.8</u>	<u>-0.4</u>	<u>370.0</u>	<u>-131.8</u>	<u>-26.3</u>	<u>302.7</u>	<u>-67.3</u>	<u>-18.2</u>
Net Individual Income	2,878.6	-36.3	-1.2	2,819.7	-58.9	-2.0	3,152.5	332.8	11.8
Corporate Income Tax	453.3	-28.8	-6.0	478.7	25.4	5.6	483.7	5.0	1.0
Corporate Refunds	<u>63.8</u>	<u>14.5</u>	<u>29.5</u>	<u>68.8</u>	<u>5.0</u>	<u>7.8</u>	<u>74.9</u>	<u>6.1</u>	<u>8.9</u>
Net Corporate Income	389.5	-43.3	-10.0	409.9	20.4	5.2	408.8	-1.1	-0.3
Sales and Use Tax	2,561.8	18.1	0.7	2,815.3	253.5	9.9	2,803.1	-12.2	-0.4
Net Economic Tax Revenue	5,829.9	-61.5	-1.0	6,044.9	215.0	3.7	6,364.4	319.5	5.3
Other Tax Revenue	545.5	22.2	4.2	510.9	-34.6	-6.3	525.7	14.8	2.9
Gross General Revenues	6,941.0	-26.7	-0.4	6,994.6	53.6	0.8	7,267.7	273.1	3.9
LESS: SCS / COF	215.2	-0.5	-0.2	216.8	1.6	0.7	225.3	8.5	3.9
Individual Refunds	501.8	-1.8	-0.4	370.0	-131.8	-26.3	302.7	-67.3	-18.2
Corporate Refunds	63.8	14.5	29.5	68.8	5.0	7.8	74.9	6.1	8.9
Claims Reserve	10.0	10.0	0.0	10.0	0.0	0.0	10.0	0.0	0.0
Econ Develop Incentive	23.4	5.5	30.6	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	16.0	0.0	0.0
Amendment 82 Bonds	5.3	0.0	0.2	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	14.8	0.0	0.0
College Savings Bonds	23.2	0.0	0.0	20.4	-2.8	-12.1	18.3	-2.1	-10.3
City / County Tourist	0.9	0.0	1.4	0.9	0.0	0.0	0.9	0.0	0.0
Educational Excellence	348.5	10.8	3.2	351.0	2.5	0.7	385.7	34.7	9.9
Educational Adequacy	30.8	0.9	3.2	31.0	0.2	0.6	34.1	3.1	10.0
Net Available	5,687.3	-66.1	-1.1	5,866.2	178.9	3.1	6,156.3	290.1	4.9
LESS: Surplus	0.0	-3.2		17.0			0.0		
Net Available Distribution	5,687.3	-62.9	-1.1	5,849.2	161.9	2.8	6,156.3	307.1	5.3
ECONOMIC ASSUMPTIONS		FY2021			FY2022			FY2023	
U.S. GDP Nominal (Billion \$)	21,781.8	689.5	3.3%	23,590.2	1,808.5	8.3%	24,717.0	1,126.8	4.8%
U.S. GDP Real (Billions 2012\$ Chain-Weight)	18,959.1	281.9	1.5%	20,105.7	1,146.6	6.0%	20,639.2	533.5	2.7%
U.S. GDP Deflator (Chain-Wt, 2012=100)	114.9	1.9	1.7%	117.3	2.4	2.1%	119.8	2.4	2.1%
U.S. CPI Price Index (1982-84=100)	262.0	4.7	1.8%	267.0	5.0	1.9%	271.2	4.2	1.6%
OIL - Avg. Dom. Crude to Refinery (\$ per barrel)	52.1	3.0	6.1%	63.2	11.1	21.3%	60.0	-3.2	-5.1%
AR. Net General Revenue (Million \$)	6,375.4	-39.4	-0.6%	6,555.8	180.4	2.8%	6,890.1	334.3	5.1%
AR. Net GR % of Total Personal Income	4.3%	-0.3%	-6.3%	4.4%	0.1%	2.1%	4.4%	0.1%	1.2%
AR. Total Personal Income (Million \$)	148,576.8	8,549.8	6.1%	149,611.4	1,034.6	0.7%	155,413.4	5,802.0	3.9%
AR. Wage & Salary Disbursements (Million \$)	63,384.0	2,936.8	4.9%	66,866.8	3,482.8	5.5%	69,336.9	2,470.1	3.7%
AR. Personal Transfer Payments (Million \$)	42,071.9	5,348.4	14.6%	37,242.5	-4,829.4	-11.5%	38,348.4	1,105.9	3.0%
AR. Per Capita Income (\$)	48,973.0	2,720.0	5.9%	49,208.0	235.0	0.5%	50,970.0	1,762.0	3.6%
AR. GDP Nominal (Million \$)	134,548.0	5,352.2	4.1%	145,180.1	10,632.1	7.9%	151,463.2	6,283.0	4.3%
AR. Employment Total Payroll (Thousands)	1,255.2	-7.3	-0.6%	1,290.1	34.9	2.8%	1,299.3	9.2	0.7%
AR. Employment Private Sector (Thousands)	1,048.5	-3.4	-0.3%	1,081.0	32.5	3.1%	1,086.9	5.9	0.5%
AR. Employment Manufacturing (Thousands)	156.1	-2.8	-1.8%	160.6	4.5	2.9%	160.0	-0.6	-0.4%
AR. New Car/Light Truck registrations (Thous.)	126.3	7.1	6.0%	127.9	1.6	1.3%	126.4	-1.5	-1.2%
AR. Retail Sales (Million \$)	47,643.0	5,355.1	12.7%	48,099.2	456.2	1.0%	48,523.9	424.7	0.9%

U.S. Summary: IHS Markit, April 2021 baseline

Arkansas Summary: IHS Markit, April 2021 baseline

U.S. Forecast Update for August 2021 and Comments on the Arkansas Economy

August 2021

August 2021 Summary Points from the U.S. Forecast Update

- The latest forecast includes downward revisions for GDP growth from near-term technical adjustments, continued supply chain bottlenecks, less robust inventory building, and some limited reductions in consumer spending given the risks posed by the rapid spread of the delta variant of COVID19.
- The recovery remains on solid ground, however, driven by extensive fiscal and monetary support. Real GDP growth in 2021 remains well above average at 6.1% will stay above average in 2022 at 4.4%.
- Real personal consumption growth in 2021 at 8.0% exceeds overall GDP but is predicted to slow over 2022-23 toward normal, trend growth.
- Near-term price pressures are contributing to consumer price inflation approaching 4.2% for the year. Greater supply and gradual resolution of assorted supply chain bottlenecks will lower CPI inflation to 2.4% in 2022. The COLA determination for 2022 by SSA will likely be announced in October based on actual CPI-W inflation values from the third quarter price surveys. Estimates for the increase represent a range of high values (4.5-6.1%) based on higher energy prices, supply shortages in a variety of sectors, and high demand.
- Although the infrastructure bill is not in the August forecast, the benefits from that will be limited in near-term GDP growth.

Implications for the Arkansas Economy and Revenues

- A U.S. rebound is largely on track, but with delta variant concerns and sporadic supply chain issues that translates to a cautiously optimistic growth rate for incomes and spending commitments in FY22 and 23. The Arkansas recovery was probably a step ahead of U.S. indicators in earlier re-opening and larger stimulus transfers relative to cost-of-living and prevailing wages. This timing difference implies somewhat less robust gains in the FY22-23 period relative to national forecasts. But the state recovery rate is still impressive in rebounding jobs and remaining stimulus effects in household spending.
- Data in early FY22 indicate continued high growth from the two main revenue links to the state economy. The 6.5% Y/Y gain in payroll withholding and 10% gain in sales tax collections in July were a continuation of high growth from the final quarter of FY21 as more sectors joined in the recovery. Growth in the retail sector and motor vehicles continued (compounded) over early gains last year and 'late bloomer' sectors surged by 20-30% Y/Y. Growth in the second half of FY22 is expected to slow considerably as stimulus wanes and rebound moderates in all sectors, including the late arrivals in food services and transportation services.
- State revenues tied to nominal GDP component growth, job gains, and improved household finances still provide for solid gains. Rising inflation in the near-term forecast and potentially later is not a negative for nominal collection growth, except for decreased consumer and business investment response if it persists and if borrowing rates jump unexpectedly.

- Overall, the state economy and revenue collections will display robust growth in FY22 from a variety of stimulus effects and sector rebound. Growth will remain slightly elevated in FY23 and slightly below average in FY24 as interest rate policy changes begin to take effect.