

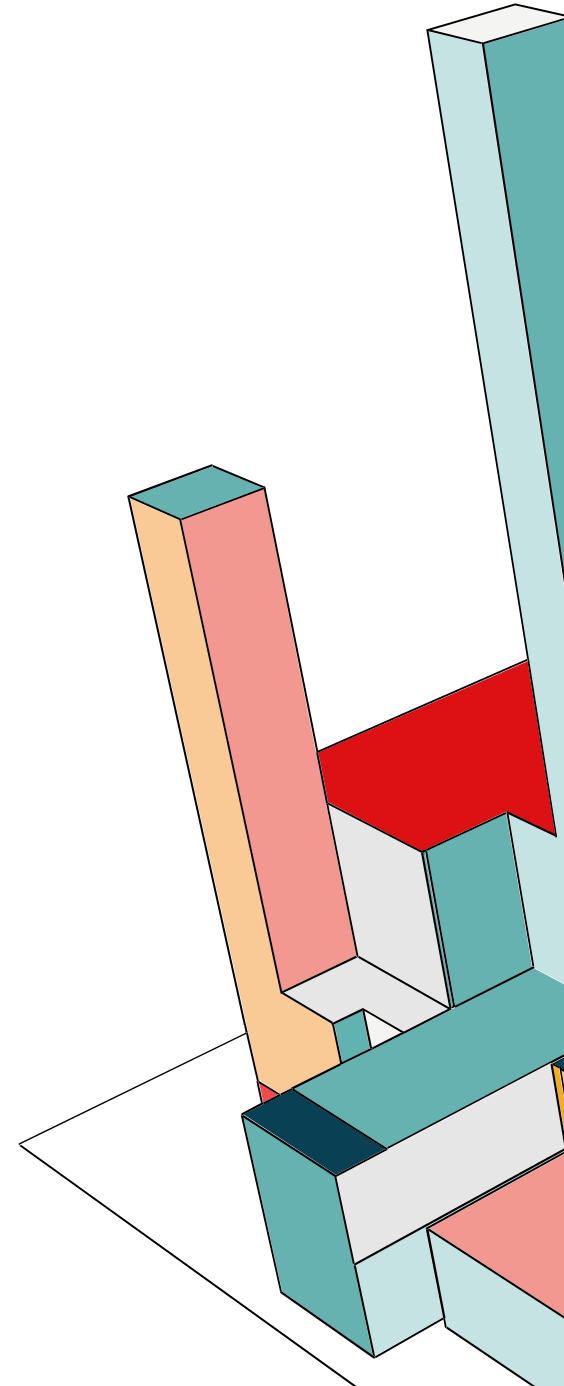
STATE GENERAL FUND BUDGET CONDITIONS AND OUTLOOK

Kirk Fulford

July 16, 2024

LSA FISCAL DASHBOARD

<https://alison.legislature.state.al.us/fiscal-dashboard>



Education Trust Fund Budget Conditions

June - Fiscal Year 2024



1.67%

increase in FY24 over FY23

Year to Date Analysis

Total Receipts: \$7.9 billion
Total Growth: \$129.7 million

Receipts Breakdown



Year to Date Highlights:

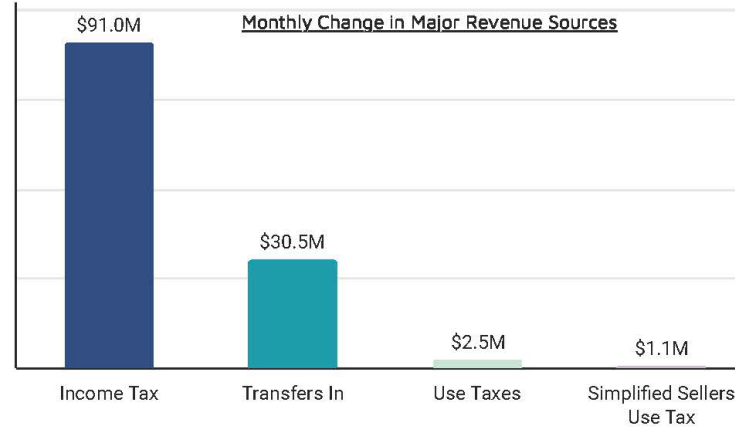
- Gross individual income tax receipts are up by 0.97% (\$51.4m)
- Gross corporate income tax receipts are up by 16.93% (\$174.6m)
- Gross sales receipts are down by 4.16% (-\$100.6m)
 - Will not likely return to positive growth before the end of the year
 - Net sales taxes deposited into ETF only down by 1.67% (-\$31.3m) due to \$69.7m decrease in deductions from YTD FY 2023

11.65%

increase in June FY24 over June FY23

Monthly Analysis

Total Receipts: \$1.1 billion
Total Growth: \$115.9 million



Monthly Highlights:

- Total growth for June is misleading because this includes the transfer back into the ETF of ~\$30m from the Distressed Higher Education Loan Program
- Total net income tax receipts were up by 13.19% over June 2023 - driven primarily by corporate income tax receipts
- Net sales tax receipts were down by 0.97% (-\$2.3m) over June 2023

Budget Conditions:

Beginning Balance	\$2,518,997,462
YTD Receipts	\$7,904,078,990
Total Available Funds	\$10,423,076,452
Total Obligations	\$11,286,354,913

Revenue needed in July - Sept. of FY24:
\$863,278,461

Revenue received in July - Sept. of FY23:
\$2,656,582,803

State General Fund Budget Conditions

June - Fiscal Year 2024



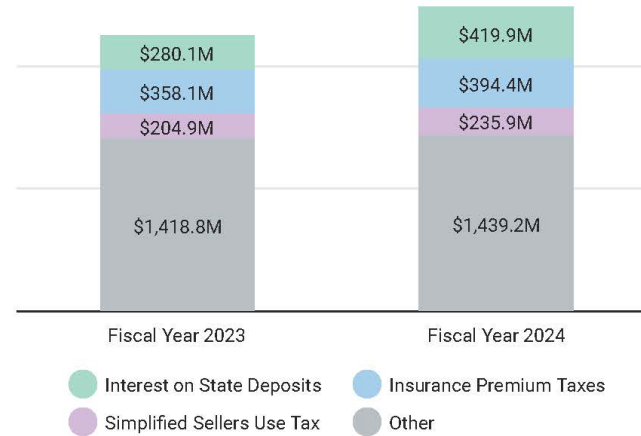
10.06%

increase in FY24 over FY23

Year to Date Analysis

Total Receipts: \$2.5 billion
Total Growth: \$227.5 million

Receipts Breakdown



Year to Date Highlights:

- YTD receipts from interest on state deposits already exceed annual total from FY2023 (\$419.9m vs \$404.6m) and is on pace to establish a new record-high from this revenue source
- Potential large impact to the General Fund from discussed future Fed rate cuts
- Majority of General Fund Growth from three revenue sources:
 - Interest on State Deposits (\$139.8m)
 - Insurance Premium Taxes (\$36.3m)
 - Simplified Sellers Use Taxes (\$30.9m)

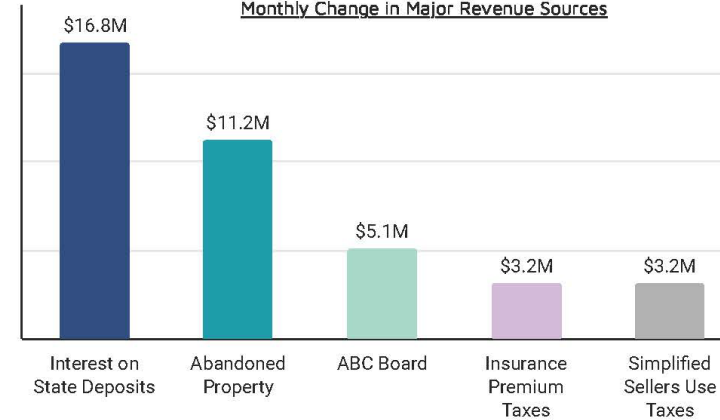
22.38%

increase in June FY24 over June FY23

Monthly Analysis

Total Receipts: \$226.8 million
Total Growth: \$41.5 million

Monthly Change in Major Revenue Sources



Monthly Highlights:

- Interest on State Deposits continues to be the largest contributing revenue source to growth
 - June growth was 40.28% over June 2023
- ABC Revenues grew by 35.3% over June 2023
- Insurance Premium Taxes grew by 217.3% over June 2023
- Simplified Sellers Use Taxes grew by 14.3% over June 2023

Budget Conditions:

Beginning Balance	\$717,456,188
YTD Receipts	\$2,489,394,965
Total Available Funds	\$3,206,851,153
Total Obligations	\$3,630,673,644

Revenue needed in July -Sept. of FY24:
\$423,822,491

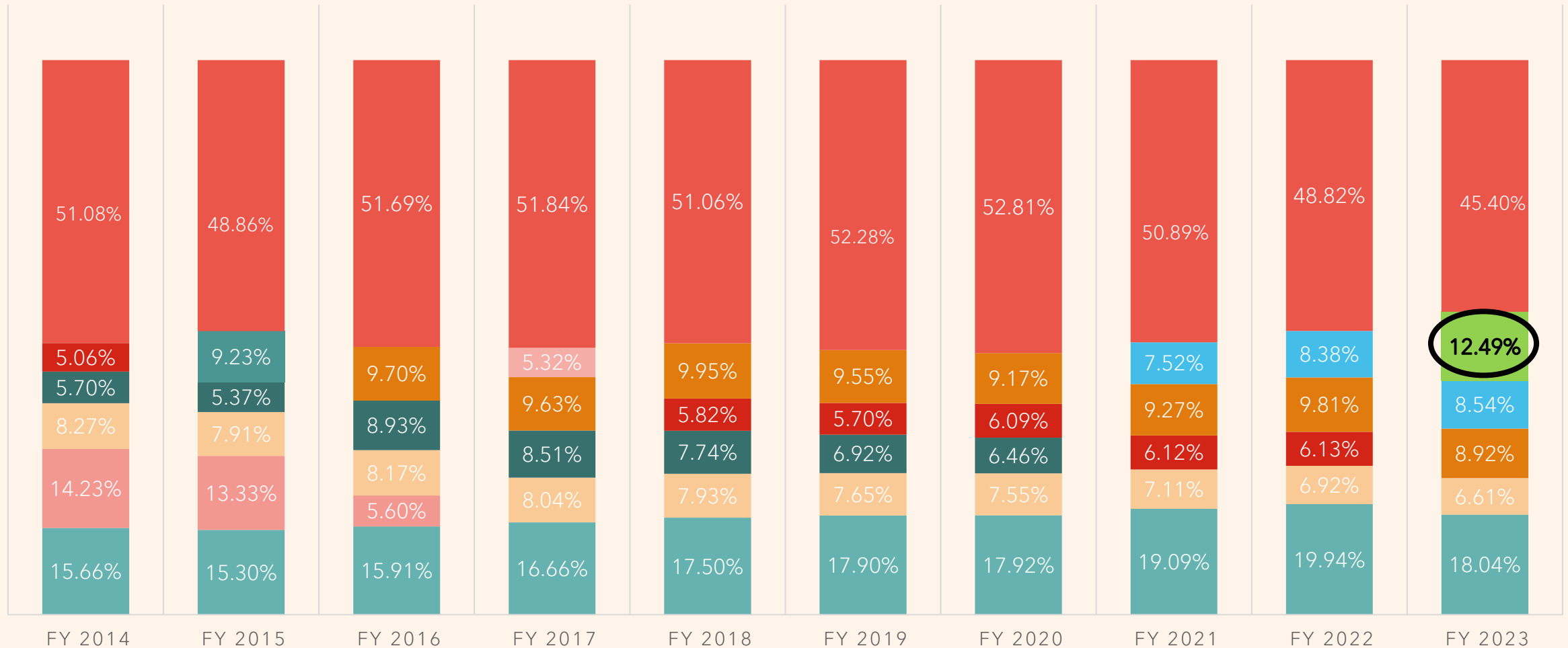
Revenue received in July - Sept. of FY23:
\$977,688,813

General Fund Revenue Summary

Revenue Source	FY 21	FY 22	FY 23	Difference	Percent
ABC Board	\$156,732,629	\$170,158,895	\$173,591,676	\$3,432,781	2.02%
Ad Valorem Taxes	\$182,200,778	\$192,180,118	\$214,269,126	\$22,089,008	11.49%
Alabama Trust Fund	\$123,577,185	\$122,499,814	\$118,659,764	-\$3,840,051	-3.13%
Cigarette Tax	\$143,374,979	\$132,170,597	\$121,179,471	-\$10,991,126	-8.32%
Corporation Tax	\$98,708,994	\$98,997,911	\$103,450,258	\$4,452,347	4.50%
Court Costs	\$59,644,764	\$60,190,411	\$64,233,346	\$4,042,935	6.72%
Financial Institutions Excise Tax	\$90,417,436	\$73,617,451	\$78,540,392	\$4,922,941	6.69%
Insurance Company Taxes	\$489,046,539	\$553,986,900	\$584,440,292	\$30,453,392	5.50%
Interest on State Deposits	\$19,643,087	\$40,373,733	\$404,602,014	\$364,228,282	902.14%
Leasing and Rental Tax	\$91,707,455	\$98,834,020	\$101,923,183	\$3,089,164	3.13%
Lodgings Tax	\$63,099,773	\$77,371,409	\$82,430,243	\$5,058,835	6.54%
Mortgage Tax	\$58,472,446	\$56,741,223	\$35,639,392	-\$21,101,831	-37.19%
Oil and Gas Taxes	\$21,846,688	\$39,266,075	\$33,066,619	-\$6,199,456	-15.79%
Sales Tax	\$143,006,190	\$145,511,169	\$152,038,233	\$6,527,063	4.49%
Simplified Sellers Use Tax	\$192,743,077	\$232,876,678	\$276,697,316	\$43,820,638	18.82%
Use Taxes	\$282,397,962	\$326,465,614	\$350,362,459	\$23,896,845	7.32%
Other	\$293,965,640	\$295,396,855	\$297,548,458	\$2,151,600	0.73%
Subtotal	\$2,510,585,621	\$2,716,638,873	\$3,192,672,232	\$476,033,358	17.53%
Transfers and Reversions	\$50,947,048	\$61,113,747	\$46,917,411	-\$14,196,336	-23.23%
TOTAL	\$2,561,532,668	\$2,777,752,621	\$3,239,589,643	\$461,837,022	16.63%

SGF TOP 5 RECEIPTS BY YEAR 2014-2023

- Insurance Company Taxes
- Alabama Trust Fund
- Ad Valorem Taxes
- Cigarette Tax
- A.B.C. Board
- Use Tax
- Use Tax Simplified Sellers
- Sales Tax on Autos
- Interest on State Deposits
- Corporation Taxes
- Other



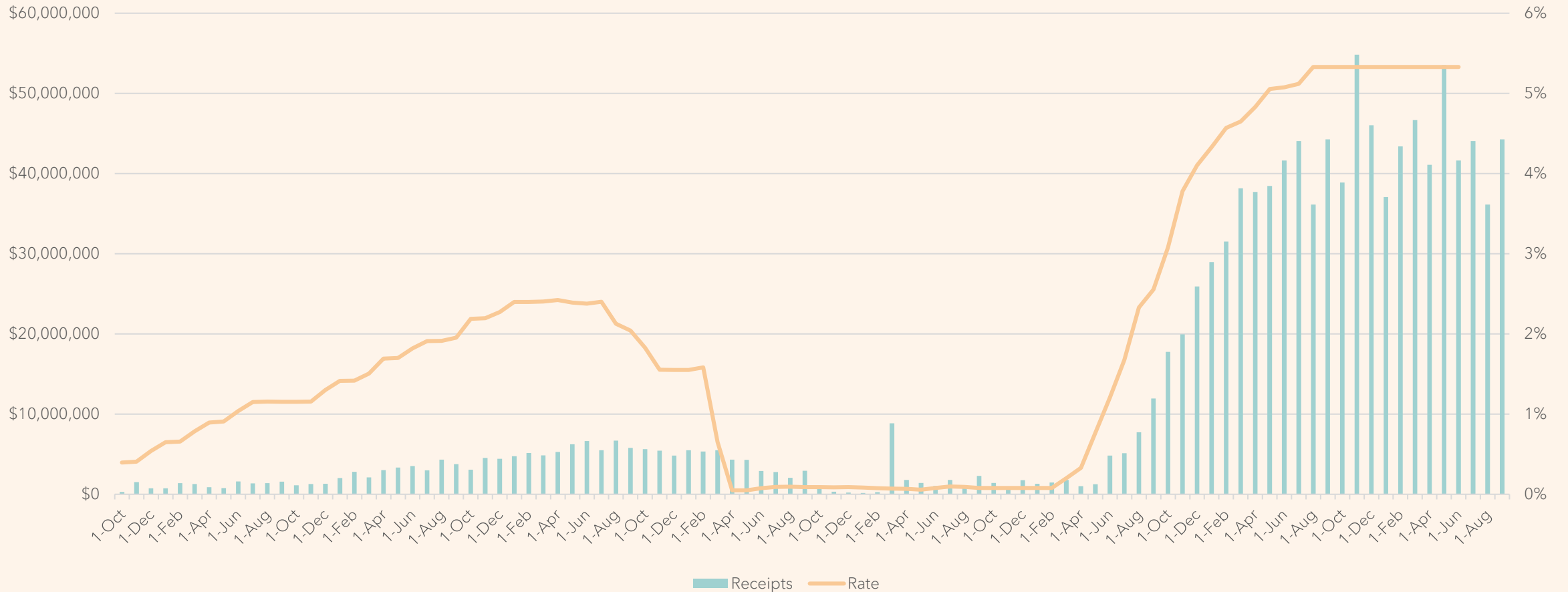
Federal Reserve Response to Inflation

FOMC Meeting Date	Rate Change (bps)	Federal Funds Rate
July 26, 2023	+25	5.25% to 5.50%
May 3, 2023	+25	5.00% to 5.25%
March 22, 2023	+25	4.75% to 5.00%
Feb 1, 2023	+25	4.50% to 4.75%
Dec 14, 2022	+50	4.25% to 4.50%
Nov 2, 2022	+75	3.75% to 4.00%
Sept 21, 2022	+75	3.00% to 3.25%
July 27, 2022	+75	2.25% to 2.50%
June 16, 2022	+75	1.50% to 1.75%
May 5, 2022	+50	0.75% to 1.00%
March 17, 2022	+25	0.25% to 0.50%

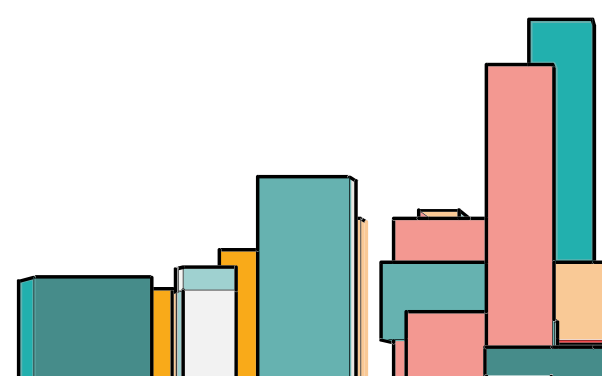
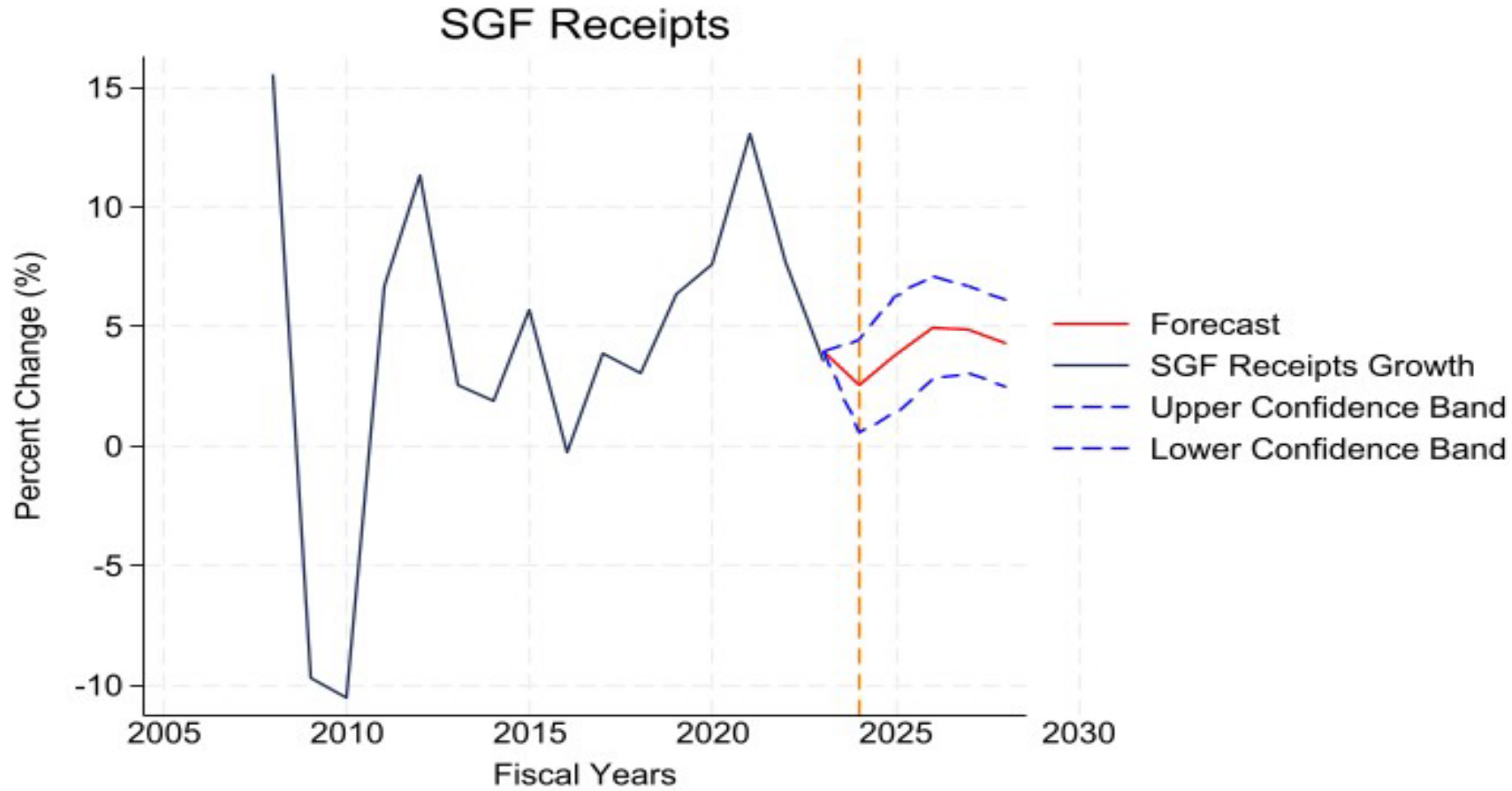
- ❑ Fed was holding the federal funds rate at around zero as recently as the first quarter of 2022 – despite 40-year highs in various measures of inflation
- ❑ Typically, the Fed raises rates when the economy starts overheating = too much inflation
- ❑ Once they began to act, they aggressively increased the federal funds rate

INTEREST ON STATE DEPOSITS AND THE FEDERAL FUNDS RATE

(FISCAL YEAR 2017 – PRESENT)



GENERAL FUND REVENUE FORECAST EXCLUDING INTEREST ON STATE DEPOSITS

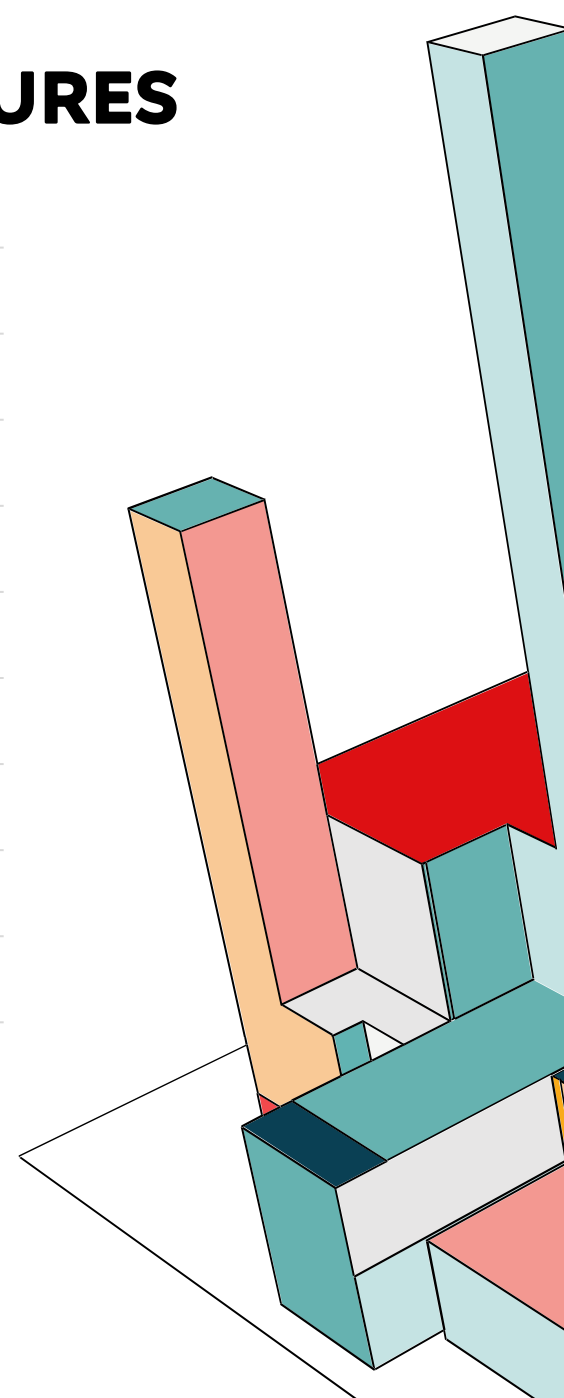


POTENTIAL GENERAL FUND IMPACT

Fiscal Year	Total of all Receipts except Interest on State Deposits	Interest on State Deposits	Grand Total
2021	\$ 2,541,889,581	\$ 19,643,087	\$ 2,561,532,668
2022	\$ 2,737,378,888	\$ 40,373,733	\$ 2,777,752,621
2023	\$ 2,834,987,628	\$ 404,602,014	\$ 3,239,589,643
2024*	\$ 2,906,259,217	\$ 575,000,000	\$ 3,481,259,217
2025*	\$ 3,017,568,945	\$ 375,000,000	\$ 3,392,568,945
2026*	\$ 3,167,240,365	\$ 200,000,000	\$ 3,367,240,365
2027*	\$ 3,321,484,971	\$ 175,000,000	\$ 3,496,484,971
2028*	\$ 3,464,308,825	\$ 150,000,000	\$ 3,614,308,825

*Forecasted values

GENERAL FUND RECEIPTS VS. EXPENDITURES (FISCAL YEAR 2013-2025)



*Reflects receipts with no growth for the remainder of FY 2024 and no growth in FY 2025. FY 2024 expenditures are as of June 30.

**FY 2025 expenditures are as enacted, plus EOY conditionals.

THANK YOU

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<https://alison.legislature.state.al.us>

