LFO State General Fund Direct Summary 200

Recommended December 15, 2022

	Actual FY 22	FY 23	FY 24	FY 25	FY 26	FY 27	***Explanation***
Personal Income	4,556.1	4,510.5 *-1.0%*	4,486.1 *-0.5%*	4,584.8 *2.2%*	4,685.7 *2.2%*	4,788.8 *2.2%*	*Wages remain relatively strong due to continuing strength in the labor market as employers hold on to employees longer than usual due to difficulties in hiring and retaining workers. Average hours worked are expected to decline prior to significant layoffs and the labor force is expected to expand as other sources of income, such as transfer payments or market returns, begin to diminish. As a result, nominal wage growth flattens but at a rate slower than the expected price declines, keeping real wages above that expected in a downturn. This leads to underlying strength in the economy that bolsters the long term outlook and helps avoid a national recession. The 2021 tax reform trigger is not in effect in any year due to the Rainy Day Fund balance in FY23 and revenue levels in subsequent years.*
Sales	4,970.8	4,936.1 *-0.7%*	4,717.4 *-4.4%*	4,825.5 *2.3%*	4,221.0 *-12.5%*	4,316.3 *2.3%*	*Besides the variability in CIFT, sales are the most vulnerable part of the forecast as collections impact quicker and the economic pressure coverge here on the supply side and the demand side. THus, a reduction in sales tax is a significant reason for the deline in revenue in the remainder of FY 23 and throughout FY 24 as consumers prepare for and endure a downturn, adjust to reduced or eliminated transfer payments and other stimulus programs expire. Indications show that savings are being depleted and credit is increasing, particularly in the low income categories which will impact sales tax more than income tax. Vehicle sales are expected to follow a typical pattern, regardless of fuel type. Data regarding the fuel type vehicle registrations in the state is still under review.*
Corporate Income and Franchise	1,402.1	813.7 *-42.0%*	569.6 *-30.0%*	583.8 *2.5%*	598.4 *2.5%*	613.4 *2.5%*	*After record collections in FY 22 with 74% annual increase, the corporate revenue decline in FY23 is in response to anticipated general weakening in the economy in the second half of the fiscal year. Extra caution here is due to historical variability of the revenue stream and the outstanding carryfoward credits and rebates available. The*
Severance and Royalty	697.9	817.3 *17.1%*	671.5 *-17.8%*	619.0 *-7.8%*	605.9 *-2.1%*	585.9 *-3.3%*	*Solid oil prices are expected through the remainder of FY23, to match the higher prices in the first part of the year. Toward the end of FY23, prices begin to decrease as world markets adjust to disruptions, supply chain and geopolitical issues ease somewhat and demand falls due to a worldwide economic slowdown. An average price of $89.97/bbl declines to just below $80/bbl as an average in FY 24, falling to to the low $70s in the long term. Oil production continues to decline on a long term trend and this, along with weaker prices lead to a decline in FY 24. Though higher prices in FY 23 may have spurred some new production, it is not enough to significantly alter the downward trajectory of oil production in the state in the long run. The natural gas price is expected to remain strong compared to historical levels throughout the forecast in response to world market distortions and regional demand shifts that could help establish long term sourcing changes, though the strength weakens beginning in FY 24 as a worldwide economic slowdown takes hold.*
Gaming	1,000.2	994.8 *-0.5%*	954.2 *-4.1%*	969.9 *1.6%*	986.1 *1.7%*	1,002.6 *1.7%*	*Gaming revenue in total is beginning to slow from it's post-covid boom. Taxes generate per admission seem to have a long term shift up for certain racetrack slots (Evangeline and Delta Downs) as well as many Riverboats. Overall the sector is expected to slow through FY 24 in response to economic expectations by consumers leading to fewer dollars being allocated to gaming. A positive trend returns in the outyears. Sports bet growth is held fixed at $30M which is what is estimated for FY23. The sports bet trend is very strong and these estimates may be increased as collections warrant, though the newness of the revenue stream precludes the use of trend growth.*

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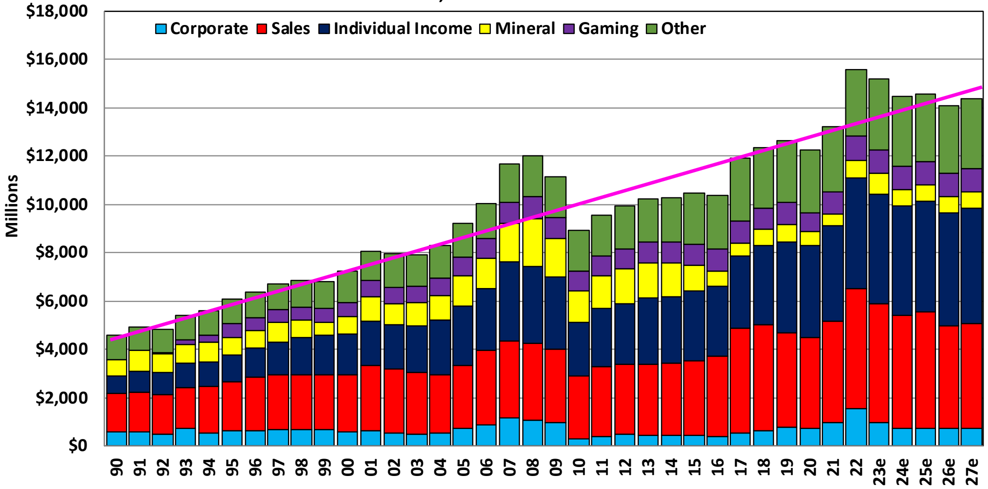
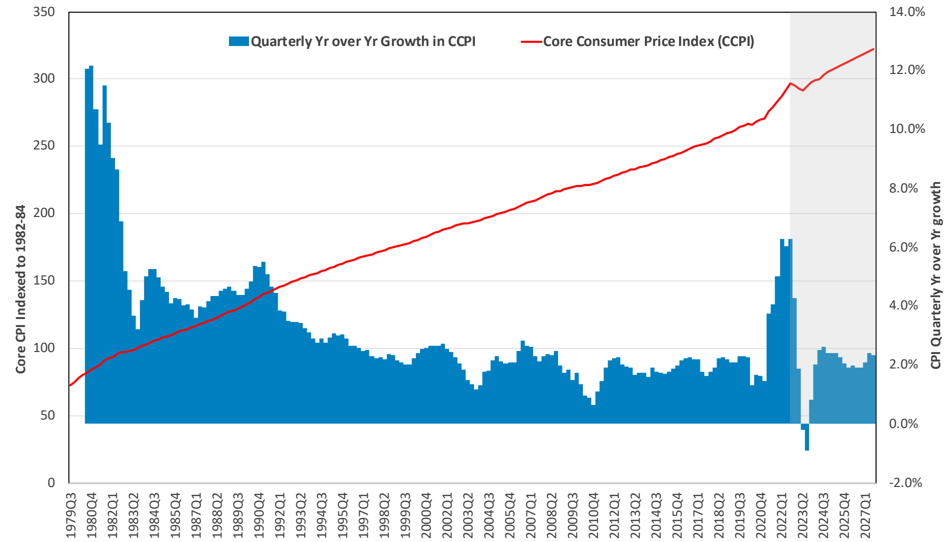
	Actual FY 22	FY 23	FY 24	FY 25	FY 26	FY 27	Explanation
Premium Tax (Excise Tax)	1,127.0	1,320.3	1,221.3	1,112.4	1,144.3	1,181.7	*The forecast incorporates expanded direct payment for MATF but only for the CMS approved FY 23 payments; Increased premiums in other categories are assumed to increase by 6-7% in FY 23 (TY 2022) and decrease for FY24; Maximum LIGA and NMTC are deducted. Smaller companies are typically eligible for the 75%-95% investment tax credit on premiums, making increased book of business with these firms virtually immaterial to the estimate.*
		17.2%	*-7.5%*	*-8.9%*	*2.9%*	*3.3%*	
Tobacco Settlement	127.5	130.8	197.2	223.6	223.8	224.0	*The Tobacco Bonds are assumed to be paid in full with the FY24 payment with about 75% of the FY24 Master Settlement Agreement (MSA) payment made available to the state (100% of the MSA payment goes to the state in subsequent years). Payments to the state will flow to the current dedications which are Louisiana Fund and TOPS; It is assumed that the reserve fund is used to pay the debt.*
		2.6%	*50.8%*	*13.4%*	*0.1%*	*0.1%*	
SGR Overcollections	31.5	25.0	11.8	11.8	11.8	11.8	*FY23 includes a Department of Insurance fee reversion of $13.2M, which is already appropriated in other areas of the FY23 budget as state general fund. In FY24 and beyond, the Department retains all fees since the FY24 budget request includes retaining the fees to fund the Insure Louisiana program.*
		-20.6%	*-52.8%*	*0.0%*	*0.0%*	*0.0%*	
Other	1,689.3	1,660.0	1,632.0	1,614.6	1,631.6	1,643.6	
		-1.7%	*-1.7%*	*-1.1%*	*1.1%*	*0.7%*	
TOTAL	**15,602.4**	**15,208.5**	**14,461.1**	**14,545.4**	**14,108.6**	**14,368.1**	*After a 27% increase from FY20 to FY22, the forecast over the next two years declines by a total of 7.4%. Core CPI weakening is expected through Calendar 2023 with actual deflation expected in the latter half of the year. Nominal GDP is expected to contract but at a slower rate than the price decline, which should avoid quarters of negative growth, though the margin is thin. Weaker prices are based on higher interest rates, monetary tightening, supply chain disruptions due to conflicts or shortages and the pending expiration of a myriad of incentives that essentially increased disposable income. It is not clear how much of the decline will be due to monetary policy, which is mainly a demand side issue or a supply side issue as supply chains open up. It is assumed that both influences will work to lower prices in the aggregate. In Louisiana, recovery from the numerous weather events is also expected to fall away, though the specific impact to revenue cannot be isolated. A base of economic growth is sustained throughout the forecast horizon, but not at the peak seen in FY 22. After returning to target inflation of about 2.3% in FY25, the FY 26 and beyond includes the expiration of the 0.45% sales tax as well as the lifting of the exemption suspensions.*
		-2.5%	*-4.9%*	*0.6%*	*-3.0%*	*1.8%*	
Statutory Dedications	(2,615.3)	(2,931.4)	(2,765.1)	(2,768.1)	(2,805.6)	(2,821.4)	
NOW Waiver Fund	(50.0)	(50.0)	-	-	-	-	*12% of the increase between the forecast in place on July 1 and this forecast up to $50M*
HSDRSS	(400.0)	-	-	-	-	-	
Revenue Stabilization Fund	(802.2)	(262.4)	(82.2)	-	-	-	*Balance after FY22 actuals is $1.0B.*
TTF Construction Subfund	-	-	(41.0)	(177.5)	(151.1)	(157.6)	*Dedicated to preservation*
Megaprojects Leverage Fund	-	-	(122.9)	(160.0)	(160.0)	(160.0)	*Dedicated to specific projects*
SGF	**11,734.9**	**11,964.7**	**11,449.9**	**11,439.8**	**10,991.9**	**11,229.1**	
		2.0%	*-4.3%*	*-0.1%*	*-3.9%*	*2.2%*	

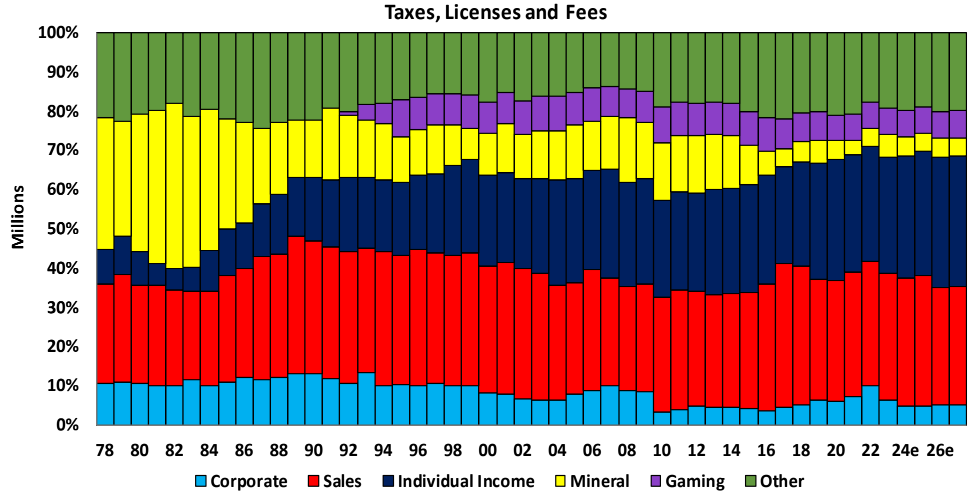
Collections of Gross State General Fund Revenue by Fiscal Year
Taxes, Licenses and Fees



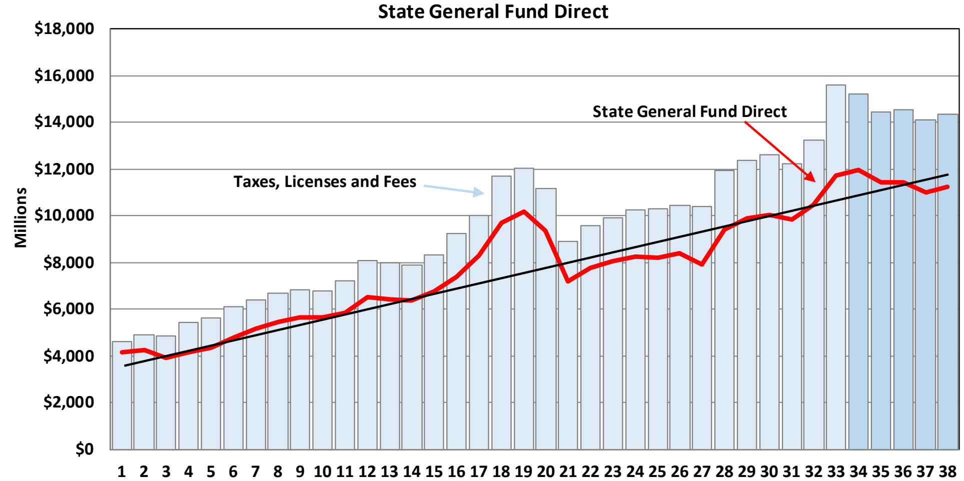
Core Inflation Assumptions



Percent of Gross State General Fund Revenue by Fiscal Year
Taxes, Licenses and Fees



Collections of Net State General Fund Revenue by Fiscal Year
State General Fund Direct



REASONS FOR UNCERTAINTY

- The lingering effects of an infusion of money into the US economy equivalent to upwards of 25% of GDP in a very short period of time
- Growing pains related to the implementation of the new financial system
- Wide range of opinions on the future economic path of the world, country and state
- Typical variability in certain revenue streams
- The budget forecast is 18 months out. Inflation was considered transitory 18 months ago
- The first actual data from the 2021 Tax Reform impacts are not available yet
- Fiscal policy may continue to offset actions of the Federal Reserve
- Changes to the Federal Adjusted Gross Income due to the Inflation Reduction Act could impact state income tax collections