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February 10, 2005

The Honorable Janet Napolitano
Governor
1700 W. Washington, 9th Floor
Phoenix, AZ 85007

The Honorable Ken Bennett
Senate President
1700 W. Washington, Room 204
Phoenix, AZ 85007

The Honorable Jim Weiers
Speaker of the House of Representatives
1700 W. Washington, Room 221
Phoenix, AZ 85007

Dear Governor Napolitano, President Bennett, Speaker Weiers:

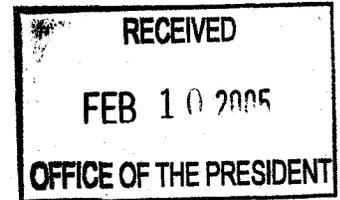
Section 67 of Laws 2004, Chapter 275 established a FY 2005 General Fund revenue forecast of \$7,115,223,800. Section 67 provides that, by February 11, 2005, the Joint Legislative Budget Committee (JLBC) Staff and the Governor's Office of Strategic Planning and Budgeting (OSPB) shall jointly determine whether the FY 2005 revenue collections through December exceed the FY 2005 forecast for that same time period, and, if so, by how much. These estimates are to be used to fulfill the requirements of Chapter 275 relating to FY 2005 conditional appropriations, or "triggers".

As we reported in August, surplus FY 2004 revenues were sufficient to enact these conditional appropriations. Section 67 provides that any additional surplus revenues be divided evenly between the General Fund and the Budget Stabilization Fund. Section 67 also provides that the FY 2005 estimate may be adjusted to reflect technical revisions. These adjustments are described in Attachment A.

As we further reported on December 10, 2004, General Fund revenues of \$2,319,289,500 through the first 4 months of FY 2005 exceeded the adjusted forecast by \$135,187,000. Of that excess amount, \$67,593,500 was distributed to the General Fund, and \$67,593,500 was distributed to the Budget Stabilization Fund.

General Fund revenue collections for November and December total \$1,277,611,400. This amount is \$132,129,500 greater than the adjusted forecast for the November/December period. As a result, an additional \$66,064,750 is to be distributed to the General Fund, and \$66,064,750 is to be distributed to the Budget Stabilization Fund, over and above the amounts reported in August and December.

Excluding the beginning balance, total General Fund revenue collections for the first 6 months of FY 2005 are estimated to be \$3,596,900,900. This total is \$267,316,500 greater than the adjusted forecast for the period.



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FY 2005 6-Month YTD General Fund Revenue

Original Forecast	\$3,319,260,800
Technical Revisions ^{1/}	10,323,600
Adjusted Forecast	3,329,584,400
Actual Collections	3,596,900,900
Variance	\$ 267,316,500
Distribution of Revenue Above Forecast	
Budget Stabilization Fund ^{2/}	\$ 133,658,250
General Fund	133,658,250
Total	\$ 267,316,500

1/ An explanation of the technical revisions is attached.

2/ Includes December 2004 deposit of \$67,593,500 based on July through October revenue, and \$66,064,750 February deposit based on November through December 2004 revenue. In combination with an earlier deposit of \$22,832,250 from surplus FY 2004 revenues, total BSF deposits are \$156,490,500.

As a result of surplus FY 2004 revenues, \$22,832,250 has already been deposited into the Budget Stabilization Fund. In combination with the 4-month FY 2005 deposit of \$67,593,500 and the November/December deposit of \$66,064,750, Section 67 will result in a total deposit of \$156,490,500 to the Budget Stabilization Fund.

Sincerely,

Richard Stavneak

Richard Stavneak, Director, JLBC

Gary M. Yaquinto

Gary M. Yaquinto, Director, OSPB

Attachment

RS/GY:jb

FY 2005 Technical Adjustments

Transfers and Reimbursements - \$2,505,400

The estimate has been adjusted to reflect collection of federal State Criminal Alien Assistance Program funds earlier in the year than originally anticipated.

Vehicle License Tax Transfer - \$5,621,600

The FY 2005 budget included the transfer of \$118 million of vehicle license tax revenues to the General Fund beginning in September 2004. The budget allocated this transfer evenly over 10 months. This adjustment reflects the actual transfers for September through December.

Judicial Enhancement - \$2,196,600

The Judicial Enhancement transfer of \$8.5 million was all originally budgeted in the month of June. This adjustment reflects actual collections through the first 6 months of the fiscal year.

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