

PRESENTATION TO THE WAYS AND MEANS-  
EDUCATION COMMITTEE  
FY 2016 REVIEW AND FY 2017 OUTLOOK



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# Presentation Overview

- Condition of the Education Trust Fund (ETF) for FY 2016
  - Budget Stabilization Fund
  - Advancement and Technology Fund
- ETF Revenues
  - FY 2016 Receipts by Source
  - Income and Sales Tax Historical Growth
  - Comparison of FY 2016 Major Sources to FY 2015
  - Comparison of Actual vs. Estimates
  - Corporate Income Tax
  - Individual Income Tax Components
- Appropriations from the ETF for FY 2017
- Estimated Condition of the ETF for FY 2017

# FY 2016 EDUCATION TRUST FUND CONDITION

# Condition of the ETF

## FY 2015 and FY 2016

	FY 2015	FY 2016	Difference
Beginning balance	7,074,326	2,567,160	
Regular Receipts	6,129,399,073	6,106,888,061	
Gross Sales Tax Transfer - Prepaid Affordable College Tuition (PACT)	-23,558,000	-33,952,000	
Gross Sales Tax Transfer – ETF Rainy Day Account Repayment	-57,500,000		
<b>TOTAL RECEIPTS</b>	<b>6,048,341,073</b>	<b>6,072,936,061</b>	<b>24,594,977</b>
<b>TOTAL AVAILABLE</b> (beginning balance plus total receipts)	<b>6,055,415,399</b>	<b>6,075,503,221</b>	<b>20,087,811</b>
<b>TOTAL ETF EXPENDITURES</b>	<b>5,915,299,204</b>	<b>5,959,521,088</b>	<b>44,221,825</b>
<b>ENDING BALANCE BEFORE REVERSIONS AND ADJUSTMENTS</b>	<b>140,116,195</b>	<b>115,982,133</b>	
Reversions and Adjustments	2,567,160	5,041,468	
<b>DISTRIBUTION OF ENDING BALANCE</b>			
Budget Stabilization Fund	118,305,984	59,595,211	
Advancement and Technology Fund	21,810,211	56,386,922	

# Budget Stabilization Fund

- ▣ Established by the ETF Rolling Reserve Act
- ▣ A portion of any revenues deposited into the ETF in excess of the fiscal year appropriation cap for the immediately preceding fiscal year are transferred to the Budget Stabilization Fund
  - For FY 2015, up to 2% of the previous year's ETF appropriations (\$118,305,984)
  - Thereafter, up to 1% of the previous year's ETF appropriations (\$59,595,211 for FY 2016) until the fund reaches 7.5% of the previous year's ETF appropriations
- ▣ Amounts in the Budget Stabilization Fund may be withdrawn only to prevent proration in the ETF

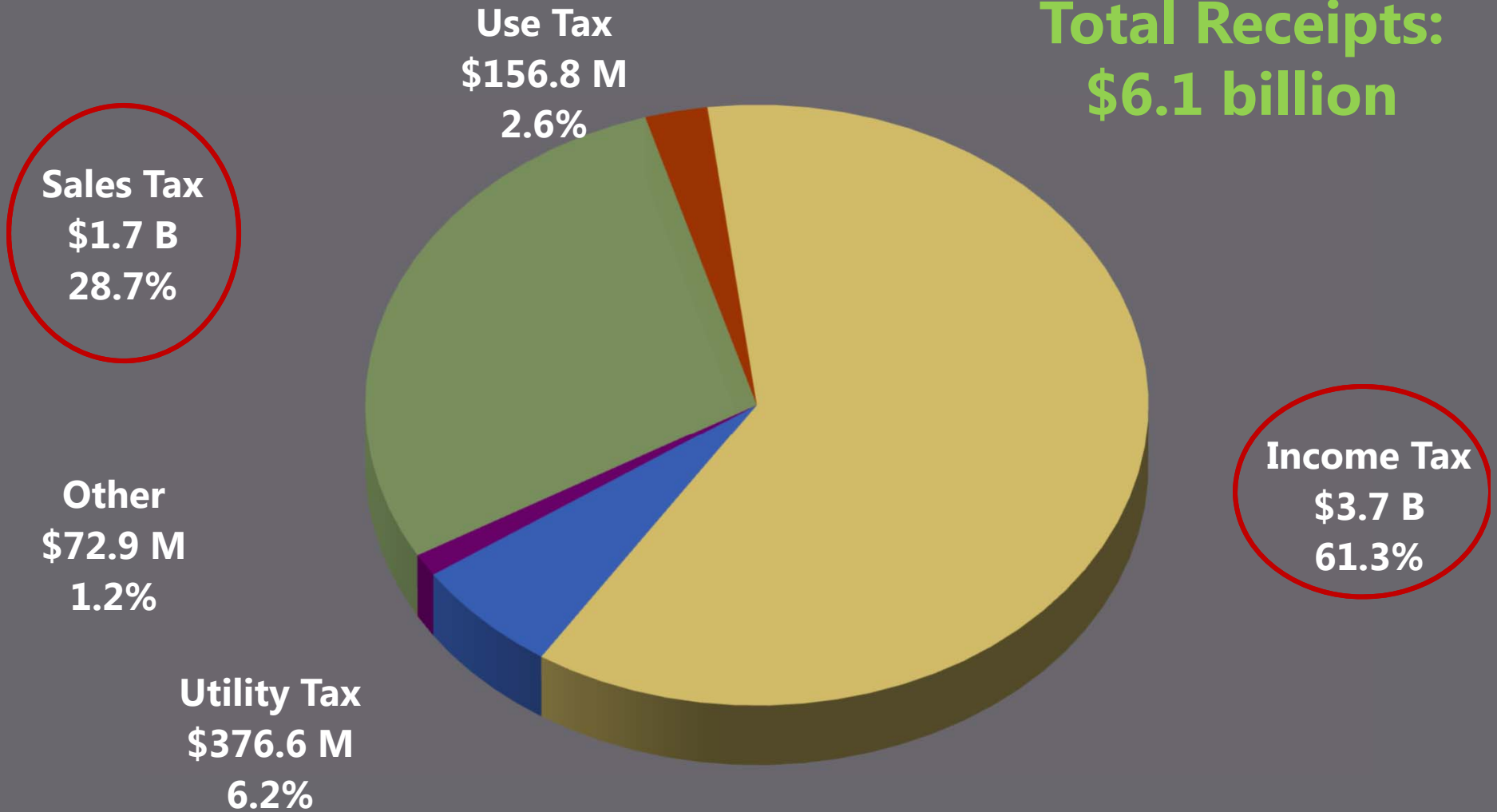
# Advancement and Technology Fund

- ❑ Also, established by the ETF Rolling Reserve Act
- ❑ Any funds remaining after the transfer to the Budget Stabilization Fund are transferred to the Advancement and Technology Fund
  - For FY 2016, the transfer will be \$56,386,922
- ❑ Funds shall be appropriated through an independent supplemental appropriation bill for:
  - repairs and deferred maintenance of facilities;
  - for classroom instructional support;
  - for insuring facilities;
  - for transportation; and
  - for the acquisition or purchase of educational technology and equipment
- ❑ The annual appropriation of these funds is divided between the public schools and institutions of higher education in accordance with the percentage split between these two sectors of education

# EDUCATION TRUST FUND REVENUES

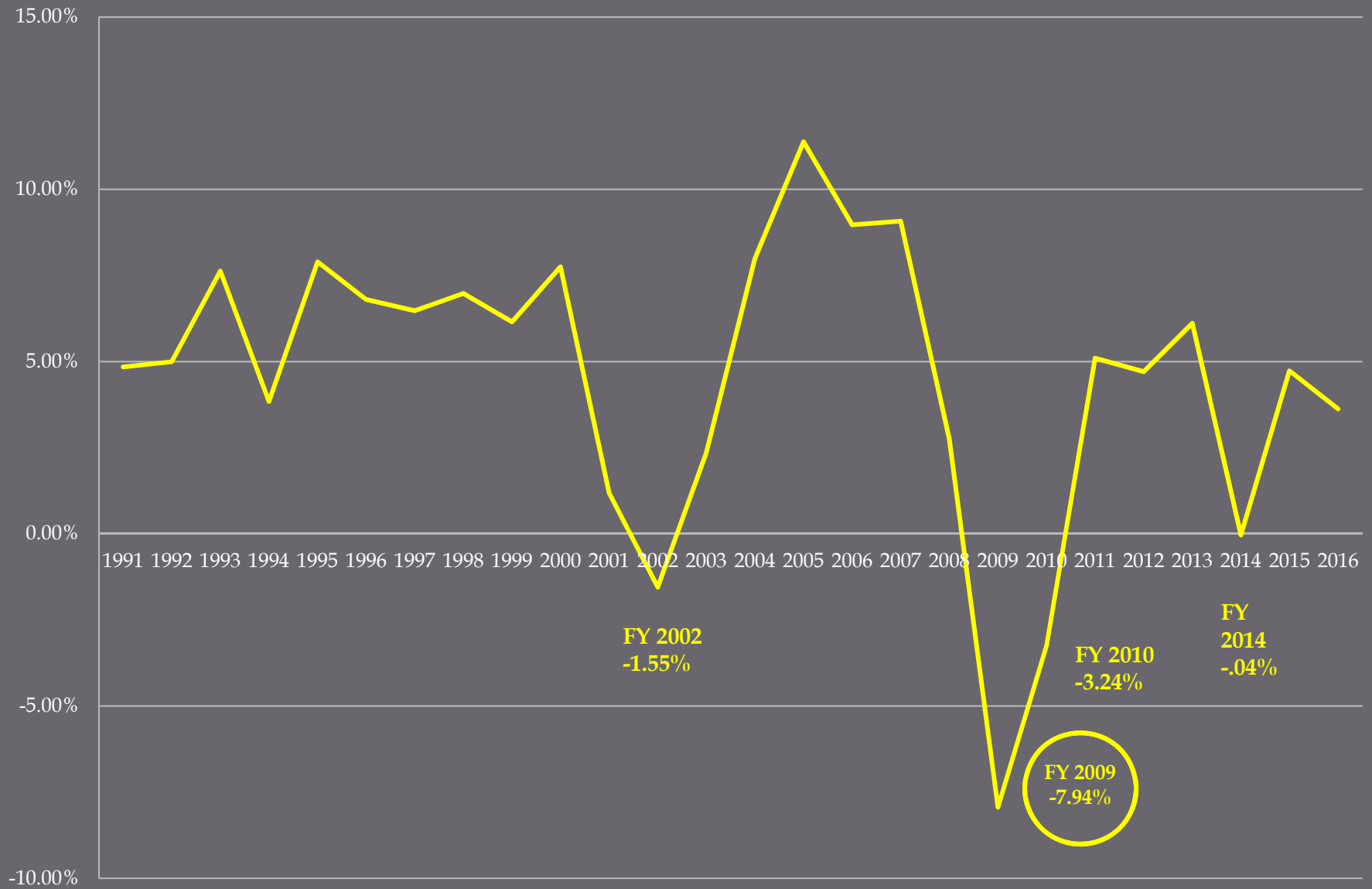
# Education Trust Fund Revenue Sources – FY 2016

**Total Receipts:  
\$6.1 billion**





## % Change in Individual Income Tax Gross Receipts Since 1991



## % Change in Sales Tax Gross Receipts Since 1991



# FY 2016 vs. FY 2015 ETF Receipts

## FY 2015

- ❑ Total Net Receipts - \$6.048 Billion
- ❑ Total Growth % - 4.24%
- ❑ Gross Income Tax:
  - Total - \$4.494 Billion
  - Individual - \$3.927 Billion
  - Corporate - \$567.4 Million
- ❑ Gross Sales Tax - \$2.14 Billion
- ❑ Use Tax - \$222.1 Million
- ❑ Utility Tax - \$401.7 Million

## FY 2016

- ❑ Total Net Receipts - \$6.073 Billion
- ❑ Total Growth % - .41%
- ❑ Gross Income Tax:
  - ❑ Total - \$4.489 Billion
  - ❑ Individual - \$4.072 Billion
  - ❑ Corporate - \$417 Million
- ❑ Gross Sales Tax - \$2.23 Billion
- ❑ Use Tax - \$156.8 Million
- ❑ Utility Tax - \$376.6 Million

# LFO FY 2016 Estimated vs. FY 2016 Actual

	LFO Estimated FY 2016	Actual FY 2016	Difference
Beginning balance	2,567,160	2,567,160	
Regular Receipts	6,183,452,000	6,106,888,061	
Gross Sales Tax Transfer - Prepaid Affordable College Tuition (PACT)	-33,952,000	-33,952,000	
Gross Sales Tax Transfer – ETF Rainy Day Account Repayment			
<b>TOTAL RECEIPTS</b>	<b>6,149,500,000</b>	<b>6,072,936,061</b>	<b>-76,563,939</b>
<b>TOTAL AVAILABLE</b> (beginning balance plus total receipts)	<b>6,152,067,160</b>	<b>6,075,503,221</b>	<b>-76,563,939</b>
<b>TOTAL ETF EXPENDITURES</b>	<b>5,959,521,029</b>	<b>5,959,521,088</b>	
<b>ENDING BALANCE BEFORE REVERSIONS AND ADJUSTMENTS</b>	<b>192,546,131</b>	<b>115,982,133</b>	<b>-76,563,939</b>
<b>DISTRIBUTION OF ENDING BALANCE</b>			
Budget Stabilization Fund	59,595,211	59,595,211	
Advancement and Technology Fund	132,950,920	56,386,922	-76,563,939

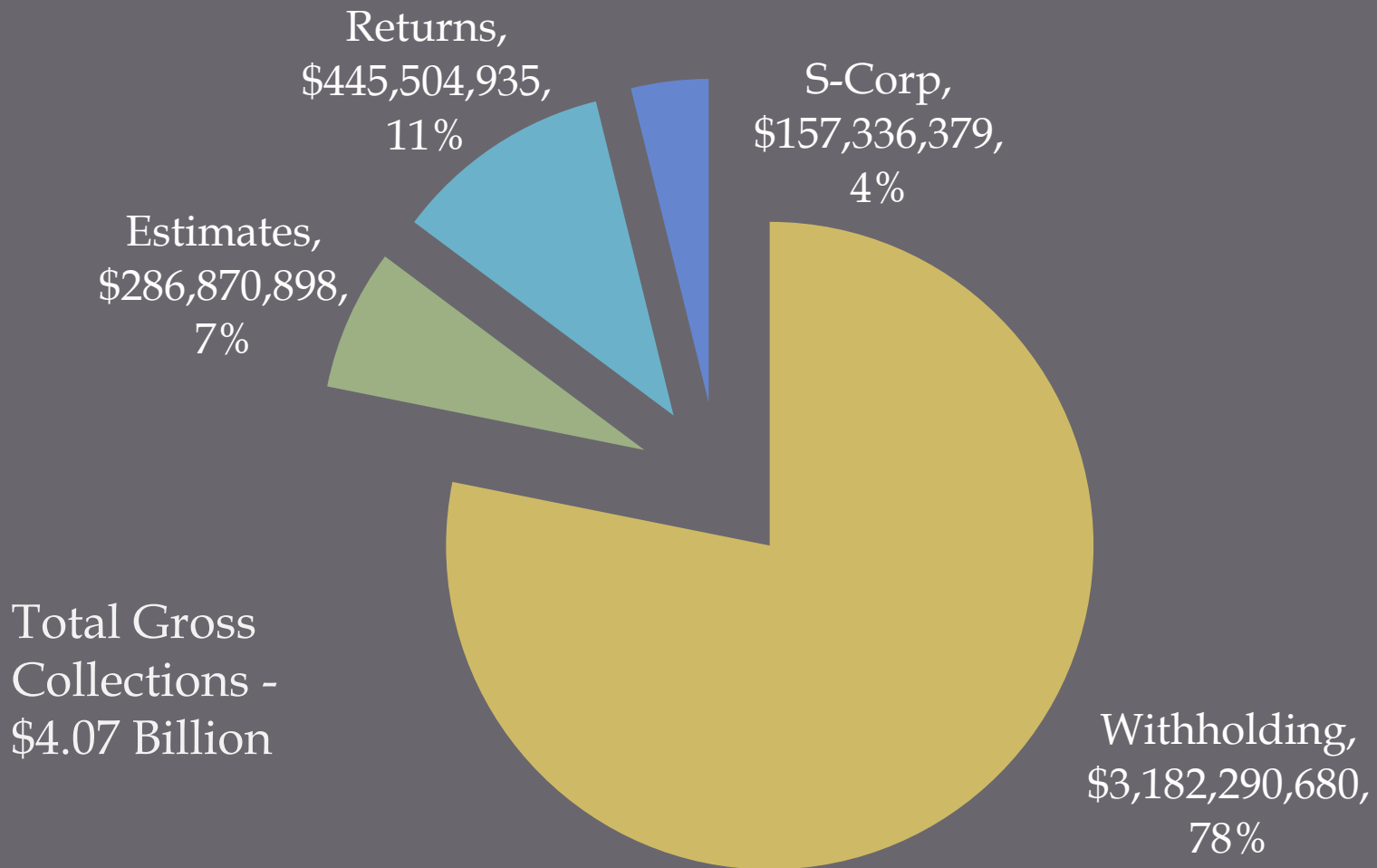
# Corporate Income Taxes

- ❑ Receipts are highly variable due to volatility in corporate profits and the timing of payments – often significant gains and decreases from this tax
- ❑ Represents only a small percentage of total gross income tax receipts – \$417 Million (9.3%) out of \$4.49 Billion in FY 2016
- ❑ Decreased by a total of \$150.5 million (-26.5%) in FY 2016
  - Most of this decrease is due to \$90.4 Million in one-time payments received in FY 2015; however, the additional decrease was not anticipated
- ❑ Latest Census Bureau data on state tax revenues for the 2<sup>nd</sup> quarter of 2016 shows an overall decline of 12.8% in corporate net income taxes from the 2<sup>nd</sup> quarter of 2015 – the third consecutive quarter of decline

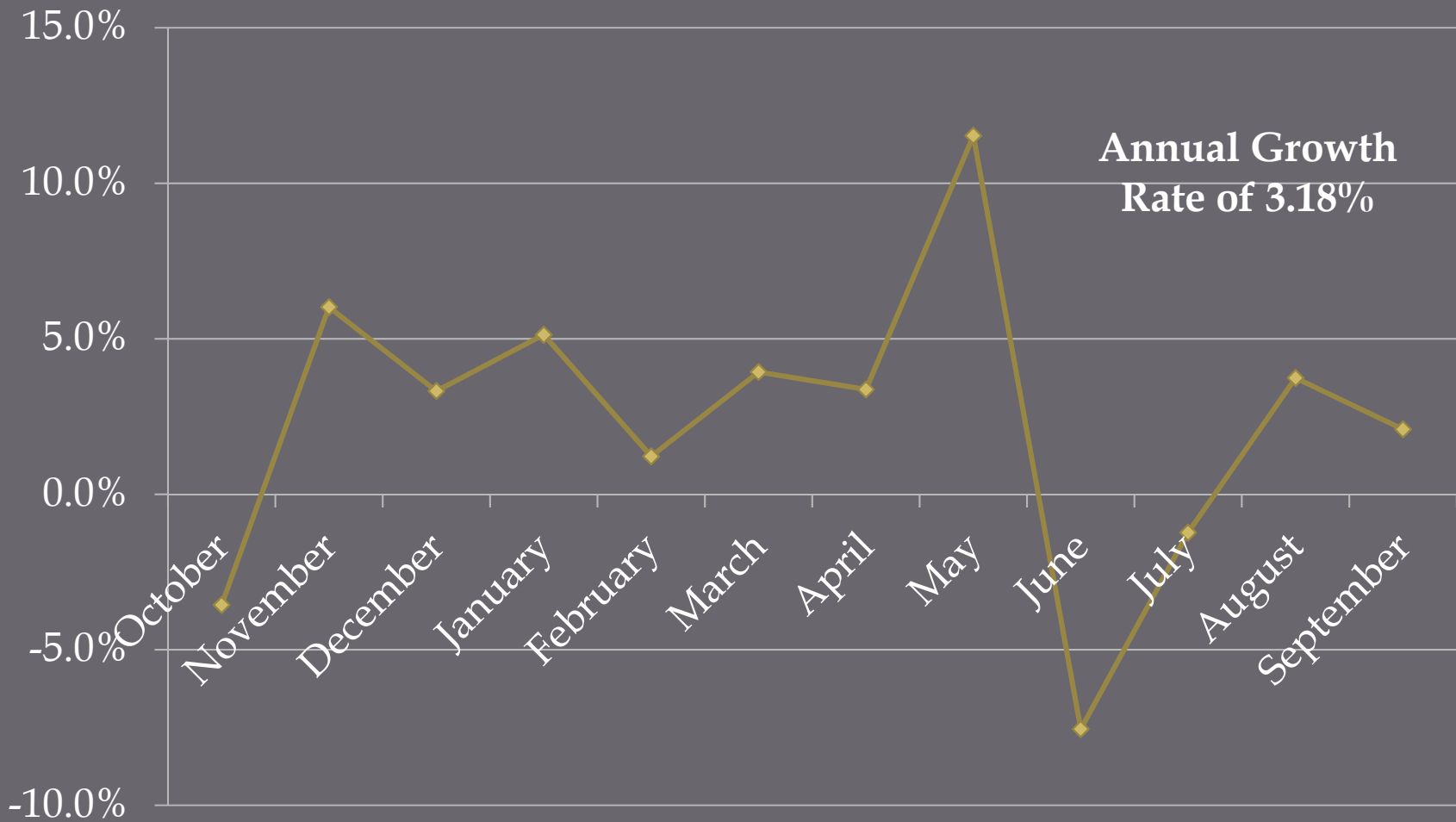
# Components of Individual Income Tax

- ▣ Withholding
  - Largest individual income tax component and generally reflects the strength of the economy because it largely comes from current wages
- ▣ Estimated Payments
  - Taxpayers that reasonably expect to owe \$500 or more make estimated tax payments on their income not subject to withholding tax. This income often comes from investments
- ▣ Payments with returns
- ▣ S-Corporation

# FY 2016 Individual Income Tax



# FY 2016 Monthly Withholding Growth

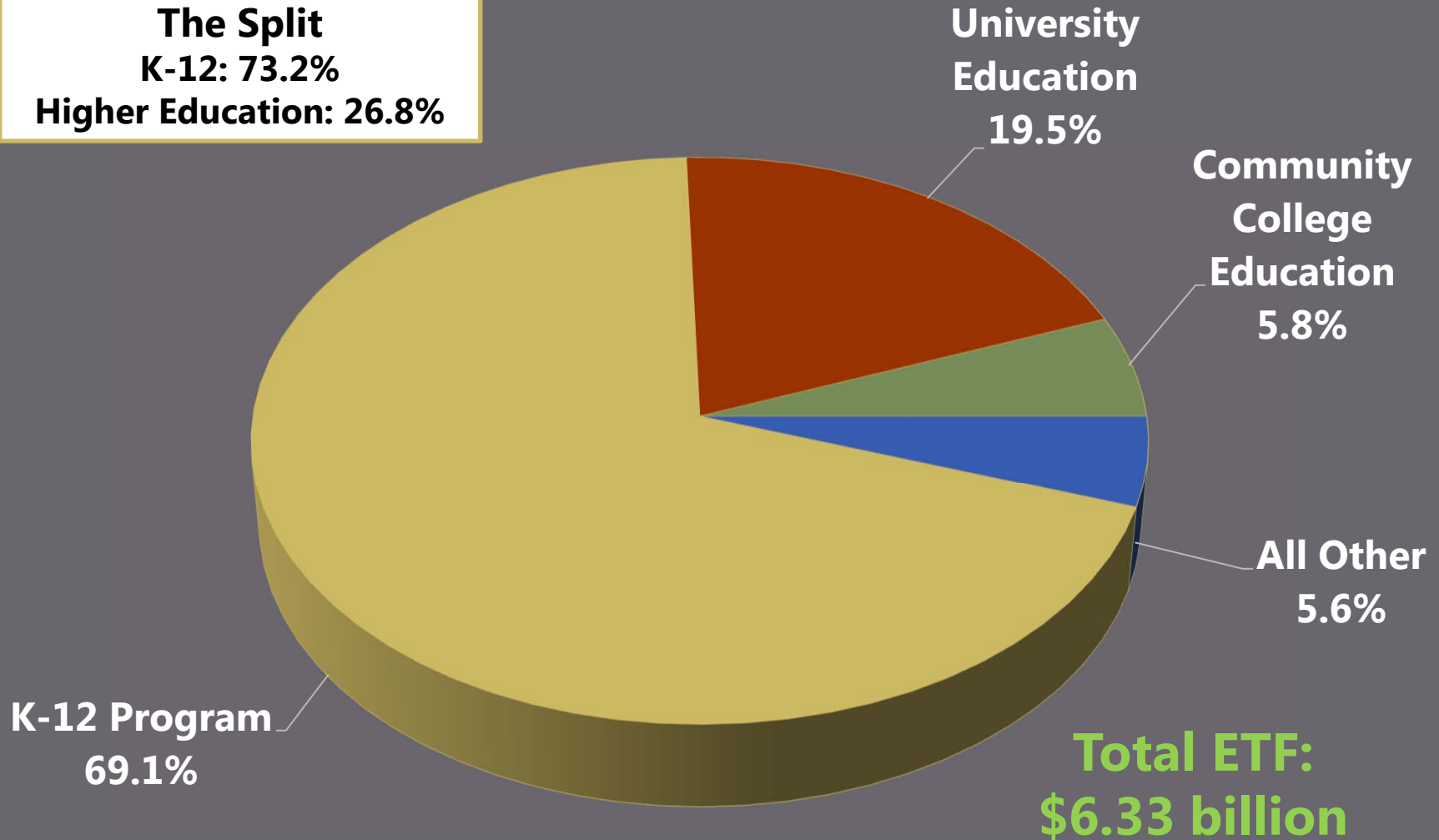




# FY 2017 EDUCATION TRUST FUND APPROPRIATIONS

# Appropriation of Education Trust Fund FY 2017

**The Split**  
**K-12: 73.2%**  
**Higher Education: 26.8%**



ESTIMATED FY 2017  
EDUCATION TRUST FUND  
CONDITION

# Condition of the ETF

## FY 2016 and FY 2017

	Actual FY 2016	Estimated FY 2017	Difference
Beginning balance	2,567,160	5,041,468	
Regular Receipts (Reflects <b>AVERAGE</b> LFO/EBO Estimates for Fiscal Year 2017)	6,106,888,061	6,327,000,000	
Transfer from Gross Sales Tax to Prepaid Affordable College Tuition (PACT)	-33,952,000		
<b>TOTAL RECEIPTS</b>	<b>6,072,936,061</b>	<b>6,327,000,000</b>	<b>254,063,939</b>
<b>TOTAL AVAILABLE</b> (beginning balance plus total receipts)	<b>6,075,503,221</b>	<b>6,332,041,468</b>	
<b>TOTAL ETF EXPENDITURES</b>	<b>5,959,521,088</b>	<b>6,327,000,000</b>	
<b>ENDING BALANCE BEFORE REVERSIONS AND ADJUSTMENTS</b>	<b>115,982,133</b>	<b>5,041,468</b>	
<b>ESTIMATED DISTRIBUTION OF ENDING BALANCE</b>			
Budget Stabilization Fund	59,595,211	0	
Advancement and Technology Fund	56,386,922	0	

# Q&A