

## April Consensus General Fund Revenue Forecast

The Consensus Forecasting Group (CFG), comprised of economists at OSBM and the General Assembly’s Fiscal Research Division, has agreed upon a consensus General Fund revenue forecast for FY 2023-25.

April 2024 General Fund Consensus Forecast Summary			
Amounts (millions)	FY 2022-23	FY 2023-24	FY 2024-25
Actual/Certified	\$33,535	\$33,726	\$33,365
April 2024 Consensus Forecast		\$34,139	\$34,369
<i>Change vs. Certified (Rounded)</i>		+\$413	+\$1,004
<i>% Change from Certified</i>		1.2%	3.0%

### Revenue Outlook for the Remainder of FY 2023-24

The consensus forecast anticipates \$34.14B in General Fund revenues in the current fiscal year, representing overcollections of \$413M (+1.2%). The upward revision is due to more robust economic growth than foreseen at the time of the last consensus forecast in May 2023.

- Individual income tax (+\$438M, +2.6%) and sales tax (+\$179M, +1.7%) account for more than all anticipated overcollections, due largely to continued growth in earnings and consumer spending.
- The forecast anticipates lower corporate income tax revenues (-\$163M, -10%) due primarily to a larger-than-expected shift in business tax collections from corporate income tax to individual income tax.

### Revenue Outlook for FY 2024-25

The CFG forecasts \$34.37B in FY 2024-25 revenue collections, an upward revision of \$1.0B (3.0%) relative to certified revenues. The adjustment primarily stems from a significantly improved economic outlook. Contrary to the CFG’s expectations in May 2023, the economy demonstrated greater resilience and avoided a predicted period of stagnant growth, or “slowcession,” in late 2023 and 2024. Instead, the April 2024 consensus forecast expects a “soft landing,” with inflation easing toward the Federal Reserve’s 2% target even as the economy continues to grow at a modestly slower pace than in 2023.

The improved economic outlook is reflected in the upward revisions to individual income (+\$703M, +4.3%) and sales tax (+\$260M, +2.4%) collections. Despite the upward revision to anticipated FY 2024-25 revenues and a new source of tax revenue from sports wagering, the CFG projects a modest year-over-year revenue growth of 0.7% due to the impact of previously enacted tax changes and transfers:

- An individual income tax rate reduction from 4.5% in 2024 to 4.25% in 2025,
- A reduction of the corporate income tax rate from 2.5% in 2024 to 2.25% in 2025,
- An increase in the sales tax transfer to transportation from 4% to 6% in FY 2024-25.

Revenue forecasts are always uncertain, but a recent business tax change affecting pass-through entities has further raised forecast uncertainty for individual and corporate income taxes due to a shift in payments between tax types and to differences in taxpayer behavior between business entities and individuals.

Late April, just after income tax payments are due, is traditionally marked by the highest uncertainty in revenue collections. If actual collections differ significantly from this revised consensus forecast, the CFG may issue another revised consensus in mid-to-late May.

## Highway Fund & Highway Trust Fund Consensus Forecast

- The revised consensus forecast for FY 2023-24 anticipates total Highway Fund and Highway Trust Fund (HF/HTF) revenues at \$5.27 billion (9.1% above FY 2022-23). This is an increase of \$107M (+2.1%) over certified revenues, due mostly to elevated motor fuel collections.
- In FY 2024-2025, the consensus revenue forecast for HF/HTF anticipates \$5.74 billion, or 8.9% above FY 2023-24. This is an increase of \$101M (+1.8%) over certified revenues.
- The strong growth in HF/HTF revenues in FY 2024-25 is due mostly to an increase in DMV revenue resulting from the statutory quadrennial DMV fee inflation adjustment and an increase in the transfer of sales tax revenues from 4% in FY 2023-24 to 6% in FY 2024-25. The forecast also projects higher motor fuel tax, short-term lease tax, and investment income revenue.

April 2024 Consensus Highway Fund Forecast Overview			
Amounts (millions)	FY 2022-23	FY 2023-24	FY 2024-25
Actual/Certified	\$2,994	\$2,966	\$3,196
April 2024 Consensus Forecast		\$3,030	\$3,275
<i>Change vs. Certified (Rounded)</i>		+\$64	+\$79
<i>% Change vs. Certified (Rounded)</i>		+2.2%	+2.5%

Source: OSBM-FRD consensus forecast as of April 17, 2024

April 2024 Consensus Highway Trust Fund Forecast Overview			
Amounts (millions)	FY 2022-23	FY 2023-24	FY 2024-25
Actual/Certified	\$1,840	\$2,199	\$2,446
April 2024 Consensus Forecast		\$2,242	\$2,468
<i>Change vs. Certified (Rounded)</i>		+\$43	+\$22
<i>% Change vs. Certified (Rounded)</i>		+2.0%	+0.9%

Source: OSBM-FRD consensus forecast as of April 17, 2024

## Consensus Lottery Revenue Forecast

- The April 2024 OSBM and FRD consensus forecasts a significant upward revision in state lottery revenues, projecting \$1.028B for FY 2023-24 and \$1.006B for the following fiscal year.
- The anticipated overcollections of \$97M (+10.4%) in the current fiscal year reflects the introduction digital instant games in November 2023, which have proven popular among lottery players, and heightened sales approaching several large jackpots in multistate lottery games.
- The consensus forecast for FY 2024-25 reflects a \$71M (7.6%) upward revision. This forecast reflects the combined effect of having a full year of revenues from digital instant games but modest year-over-year declines in sales and revenues from traditional lottery games.

April 2024 Consensus Lottery Forecast Overview			
Amounts (millions)	FY 2022-23	FY 2023-24	FY 2024-25
Actual/Certified	\$1,016	\$931	\$935
April 2024 Consensus Forecast		\$1,028	\$1,006
<i>Change vs. Certified (Rounded)</i>		+\$97	+\$71
<i>% Change vs. Certified (Rounded)</i>		+10.4%	+7.6%

Source: OSBM-FRD consensus forecast as of April 17, 2024