



July 1st is the beginning of a new fiscal year for state government in Arkansas. It is during this transition time that state officials pay close attention the revenue forecast for the previous year, where the state's current budget stands in relation to that forecast, and what they might expect for the during the upcoming fiscal year.

The June Revenue Report will be released at the end of this month reflecting end of year totals. From previous months reports we have a good indication of what will be reflected. The available general revenue at the end of May was \$4.7 billion. That is \$49.1 million or 1% below levels this time last year.

Arkansas's two largest sources of general revenue are collected from a portion of the state sales/use tax and from the Arkansas individual income tax. Other general revenue sources include: taxes on alcohol and tobacco products; gaming and pari-mutuel betting on horse and dog racing; severance taxes on oil, minerals, gravel, and natural gas; corporate franchises and corporate income; and real estate transfers.

So far this year, individual incomes taxes and sales tax have generated more revenue than the previous year. Corporate incomes taxes are down.

The Official General Revenue Forecast was revised on May 2 resulting in a reduction of \$70 million in the year end amount for Net Available revenue to \$5.263 billion. Although revenue fell behind what was originally forecasted this year, the state was able to fund essential services.

As we look to Fiscal Year 2018, we have been given a report to expect revenue to increase another 3.6% or \$190 million from this year. This is based on the assumption that new and expanded industrial projects including steel production and food processing will bring economic gains to areas outside of our larger cities.

We begin this next fiscal year with record unemployment in the state. We have the highest number of employed Arkansans since 2008. Our unemployment rate now stands at 3.4%. The national unemployment rate is 4.3%.

We now have the lowest unemployment rate in the South and the 14th lowest in the country.

When more Arkansans are working, our economy strengthens. This is positive news as we approach the next year. Although budget hearings for Fiscal Year 2019 do not begin until the fall, we

are frequently reviewing reports to ensure our budget is on track.

We also have a task force currently looking at ways to improve our tax structure. We will continue to update you on the progress.