

Of the total income tax revenue for fiscal year 1997, \$3,736,096,000 was produced by the individual income tax and \$348,051,000 by the corporate income tax, representing an increase of \$255,428,000 and \$32,468,000, respectively, compared to the prior year. The individual income taxes increased due to continued gains in employment and personal income while corporate income tax revenues increased by 10.3%, reflecting strong gains in total corporate profitability.

Revenues from the retail sales tax increased \$93,578,000 or 4.7% over the previous year, a result of rising employment and income in the State.

Interest on investments increased by \$23,018,000 or 20.1% over the previous year, due to greater investable balances and implementation of GASB Statement No. 31 which requires investments to be stated at fair value.

Federal revenue increased by \$273,923,000 or 7.9% over the previous year due primarily because of growth in the expenditures for transportation and medicaid programs that are reimbursed by the federal government.

Other revenue declined \$51,181,000 or 27.9% from the previous year because of a reduction in the State's share of proceeds from the disposition of unclaimed property. Also, in general, state agencies more appropriately classified "other revenues" to "other licenses and fees" and "charges for services".

Changes in levels of expenditures for major functions from the previous year (excluding capital projects) are shown in the following tabulation (amounts expressed in thousands):

<u>Function</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase (Decrease) Over 1996 Actual</u>	
			<u>Amount</u>	<u>Percent</u>
Current:				
General government	\$ 382,424	3.0%	\$(137,995)	(26.5)%
Education	3,025,536	23.4	206,627	7.3
Business and economic development.....	41,026	0.3	(1,233)	(2.9)
Labor, licensing and regulation	141,523	1.1	(13,972)	(9.0)
Human resources	1,304,480	10.1	(39,881)	(3.0)
Health and mental hygiene.....	3,323,439	25.8	96,361*	3.0
Environment.....	64,722	0.5	(7,189)	(10.0)
Transportation.....	860,986	6.7	1,778	0.2
Public safety and judicial	1,238,772	9.6	176,798	16.6
Housing and community development.....	80,390	0.6	13,297	19.8
Natural resources and recreation.....	125,269	1.0	1,588	1.3
Agriculture.....	38,138	0.3	(4,872)	(11.3)
Intergovernmental.....	752,951	5.8	97,208	14.8
Debt service	585,589	4.5	(16,410)	(2.7)
Capital outlays for transportation.....	941,451	7.3	17,312	1.9
Total.....	<u>\$12,906,696</u>	<u>100.0%</u>	<u>\$ 389,417</u>	<u>3.1%</u>

* After the reclassification of certain prior year expenditure amounts.

General government expenditures declined \$137,995,000 or 26.5% from the previous year due to the reclassification of Department of Juvenile Justice expenditures from general government to public safety and judicial.

Education expenditures increased \$206,627,000 or 7.3% from the previous year due to increased funding in aid to education and the subcabinet fund for children, youth, and families.

Expenditures for labor, licensing, and regulation declined \$13,972,000 or 9.0% from the previous year primarily because of a decrease in federal funding for the division of employment and training.

Environment expenditures declined \$7,189,000 or 10.0% from the previous year due to a decrease in federal funded programs.