



Senate Appropriations Committee

The Monthly Report

January 2012

Jake Corman, Chairman



General Fund Revenues Continue to Underperform in December

General Fund revenue collections for the month ended December 2011 totaled \$2.27 billion, which was \$141.5 million, or 5.9%, below estimate for the month. Fiscal year-to-date collections total \$11.6 billion, which is \$486.8 million, or 4.0%, below estimate for the year.

General Fund tax revenue collections are \$397.8 million, or 3.6%, more than last year as of the end of December. Fiscal year-to-date 2011-12 total General Fund revenue collections tax and non-tax are \$190.7 million, or 1.7% ahead of last year.

December's corporation tax collections were below estimate by \$92.2 million, accounting for the majority of the monthly deficit. The final quarterly estimated payment for the 2011 tax year is due in December. The corporate net income tax fell short by \$106.6 million for the month against a very optimistic monthly revenue estimate. The capital stock and franchise tax was over estimate by \$10.3 million for the month. Corporate taxpayers have the ability to use their second preceding year as a "safe harbor" base year when calculating their estimated payments. If the 2011 tax liability is underpaid by the four quarterly installments,

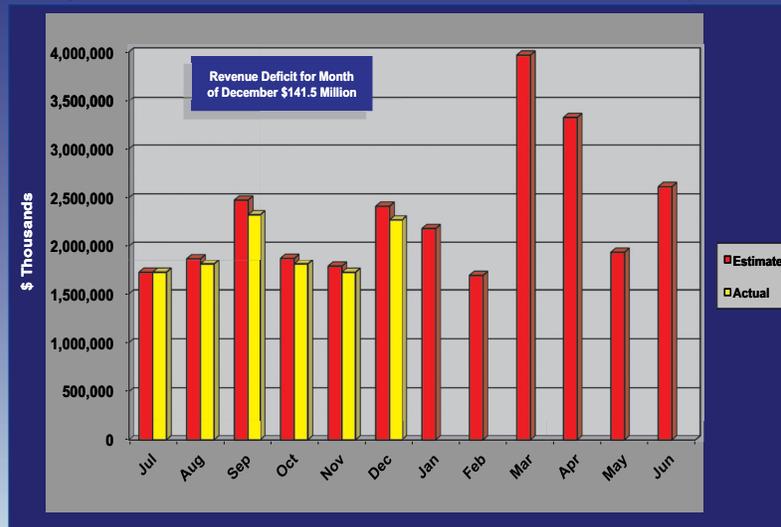
"true-up" payments will be due in April 2012.

Personal income tax collections were below estimate by \$36.7 million. Employers' withholding was \$22 million short of estimate for the month. Estimated PIT payments were \$12.4 million short of estimate for the month, and annual tax payments were \$2.3 million below estimate. After adjusting for the difference in the number of payment dates in the month, December 2011 employers' withholding collections were relatively flat compared with last year.

Sales and use tax collections were below estimate for the month by \$4.4 million. Non-motor SUT was below estimate by \$11.1 million for the month, and SUT on motor vehicles was over estimate by \$6.7 million. Despite being below estimate, SUT collections were \$87.2 million, or 13%, ahead of last year for the same month. However, much of the increase over last year might be attributable to the change in sales and use tax filing dates, and it is difficult to know how the collections would compare with last year if the filing change did not take place.

Continued...

General Fund Tax Collections
Fiscal Year 2011-2012
Comparison of Official Estimate with Actual Revenue by Month



Senate Appropriations Committee, Jake Corman, Chairman



The realty transfer tax was above estimate by \$4.5 million, or 18.3%, for the month. Inheritance tax collections exceeded the estimate by \$110,463 for the

month. Cigarette, liquor and table games tax collections were all slightly above estimate for the month.

Motor License Fund collec-

tions were \$9.2 million below estimate for the month of December. The Motor License Fund is \$4.4 million below estimate for the year.

Governor Corbett Presents Mid-Year Budget Briefing

During his annual mid-year budget briefing, Governor Corbett reported that the Commonwealth's economic condition continues to be challenging as revenue collections have been underperforming this year's estimate.

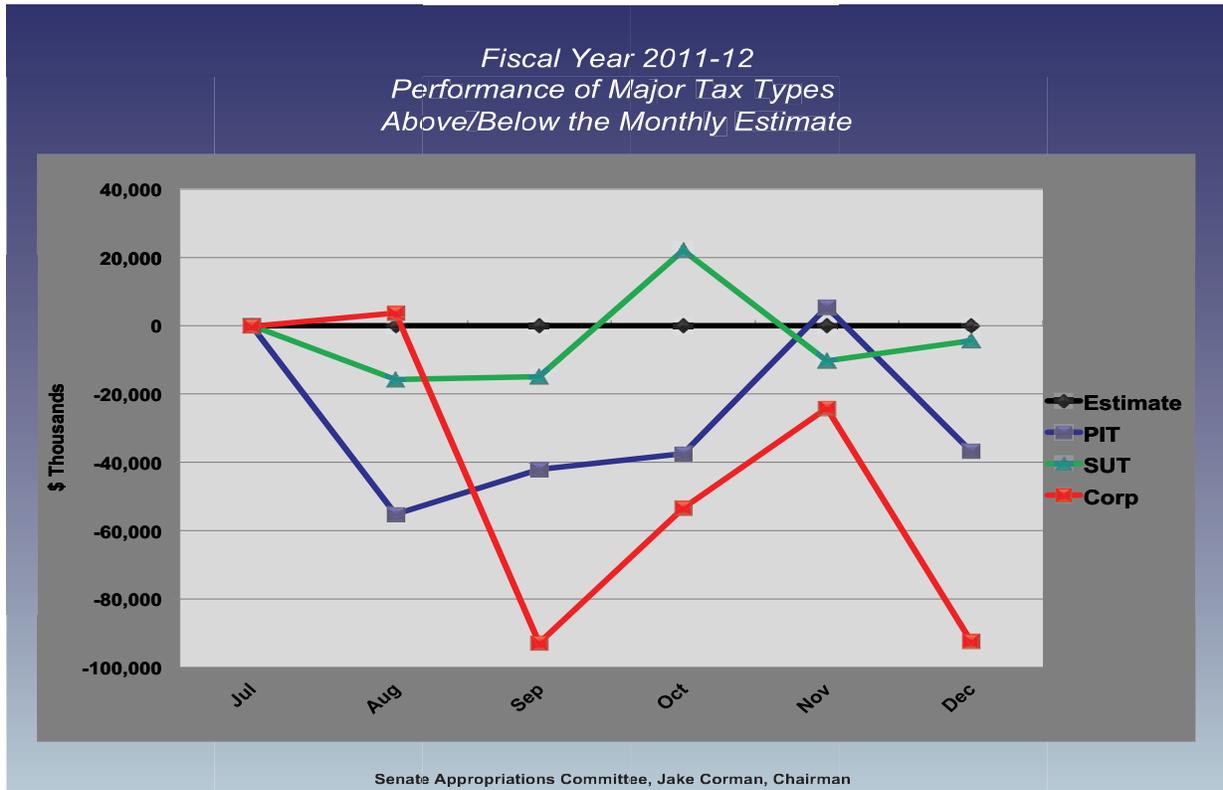
At the briefing, the Governor disclosed that the General Fund revenue shortfall for Fiscal Year 2011-12 is currently

projected to be \$500 million. As of December 31, 2011, revenue collections are \$486.8 million, or 4.0%, below estimate for the year.

In an effort to address the projected deficit, the Governor has proposed to offset the shortfall with reductions in current year appropriations. The Budget Office indicates that most operating appropriations will be reduced by 3%,

while others, such as the State Related Universities, are facing a 5% reduction. The Budget Office indicated that the transfer to Agriculture for the PSU Agriculture Extension and Research program will not be included in this round of budgetary freezes.

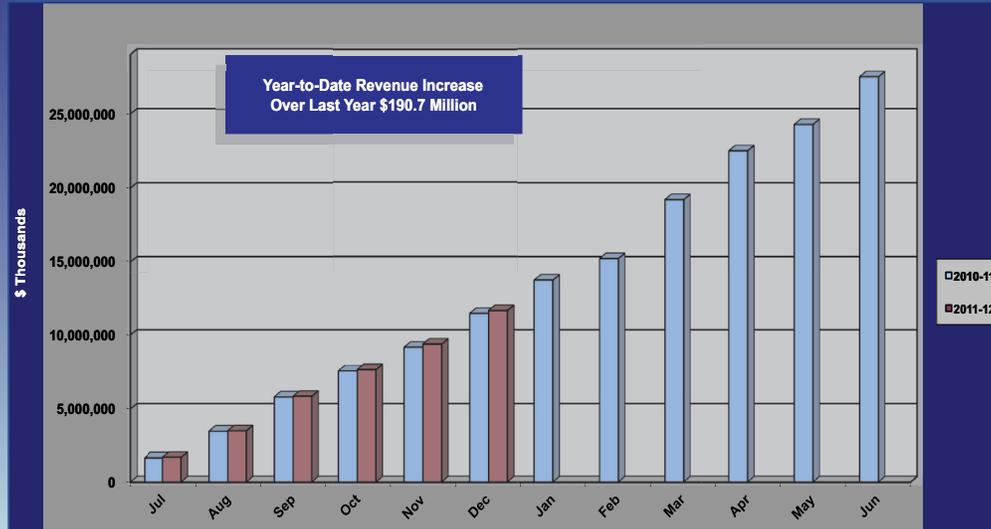
An itemized listing of Governor Corbett's contemplated budget cuts is available at: [Click here for link.](#)



Fiscal year-to-date revenue performance has been lagging behind the estimate in each major tax category. For the six months ending December 2011, each tax type has been essentially at or below the estimate for five of the six months. As the chart illustrates, sales and use tax has performed better than either the personal income tax or corporation taxes. Consumer spending has held up better than sentiment would suggest, and business equipment spending is rising at a strong pace. On the other hand, a sluggish labor market and stagnant wages continue to suppress personal income tax collections. The prominent shortfalls in corporation taxes during the months of September and December correspond with weak quarterly estimated tax payments for the 2011 tax year.

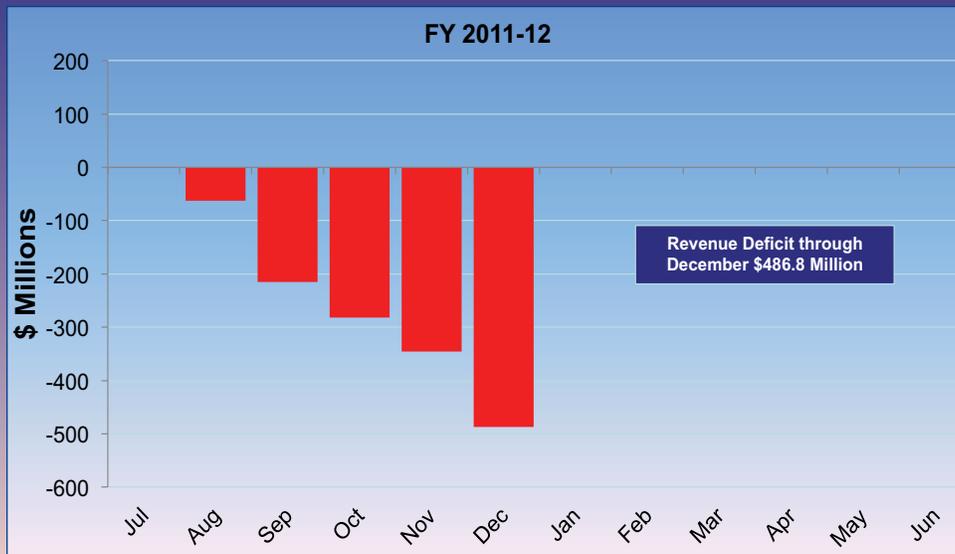


General Fund Tax Collections Fiscal Year 2011-2012 Revenue Comparison with Last Year



Senate Appropriations Committee, Jake Corman, Chairman

General Fund Tax Collections Year-to-Date Comparison with Official Estimate



Senate Appropriations Committee, Jake Corman, Chairman



Appropriations Committee Monthly Revenue Report

REVENUE SOURCES	YTD FY 2010-11	December 2011 Actual	December 2011 Estimated	Surplus/ (Deficit)	YTD Actual	YTD Estimated	Surplus/ (Deficit)
TOTAL - GENERAL FUND	11,454,406	2,270,388	2,411,900	(141,512)	11,645,093	12,131,936	(486,843)
TOTAL - NON-TAX REVENUE	319,409	15,017	30,500	(15,483)	112,269	132,936	(20,667)
TOTAL - TAX REVENUE	11,134,997	2,255,372	2,381,400	(126,028)	11,532,823	11,999,000	(466,177)
TOTAL - Corporation Taxes	1,245,919	459,863	552,100	(92,237)	1,210,547	1,469,800	(259,253)
Accelerated Deposits	2,688	1,695	0	1,695	3,753	0	3,753
Corp. Net Income	851,106	289,514	396,100	(106,586)	793,129	1,058,200	(265,071)
Cap. Stock & Franchise	345,061	153,049	142,700	10,349	343,944	363,100	(19,156)
Gross Receipts	26,422	12,515	8,000	4,515	48,660	30,500	18,160
PURTA	2,172	38	0	38	2,085	1,700	385
Insurance Premiums	4,988	134	800	(666)	1,739	2,500	(761)
Financial Institutions	11,830	2,315	4,000	(1,685)	15,152	11,100	4,052
Other Selective Bus. Taxes	1,653	603	500	103	2,086	2,700	(614)
TOTAL - Consumption Taxes	4,886,099	893,139	895,700	(2,561)	5,115,436	5,133,300	(17,864)
Sales and Use	4,162,435	756,420	760,800	(4,380)	4,384,998	4,408,300	(23,302)
General (net of transfers)	3,638,020	666,219	677,300	(11,081)	3,815,335	3,859,800	(44,465)
Motor Vehicle Sales	524,415	90,202	83,500	6,702	569,663	548,500	21,163
Cigarette Tax	558,861	95,336	94,600	736	559,144	555,700	3,444
Malt Beverage	13,795	1,945	2,000	(55)	13,372	13,800	(428)
Liquor	151,008	39,438	38,300	1,138	157,922	155,500	2,422
TOTAL - Other Taxes	5,002,979	902,369	933,600	(31,231)	5,206,840	5,395,900	(189,060)
Personal Income	4,444,144	794,021	830,700	(36,679)	4,615,144	4,781,000	(165,856)
Withholding	3,912,256	699,743	721,700	(21,957)	4,037,269	4,158,400	(121,131)
Non-Withholding	531,888	94,277	109,000	(14,723)	577,875	622,600	(44,725)
Realty Transfer	149,282	29,215	24,700	4,515	152,630	162,500	(9,870)
Inheritance & Estate	380,811	70,310	70,200	110	391,264	409,200	(17,936)
Minor & Repealed	1,513	193	100	93	1,220	600	620
Table Games	27,229	8,631	7,900	731	46,581	42,600	3,981
TOTAL - MOTOR LICENSE FUND	1,297,758	159,572	168,750	(9,178)	1,166,926	1,171,330	(4,404)
TOTAL - Liquid Fuels Taxes	629,511	101,726	100,210	1,516	634,486	628,400	6,086
Liquid Fuels	291,865	41,506	44,190	(2,684)	291,178	295,850	(4,672)
Fuels	79,158	13,935	12,550	1,385	81,060	77,530	3,530
Motor Carriers/IFTA	21,489	6,956	6,360	596	26,593	23,590	3,003
Alternative Fuels	128	20	20	(0)	144	130	14
Oil Company Franchise	236,872	39,310	37,090	2,220	235,512	231,300	4,212
TOTAL - Licenses, Fees & Other	668,246	57,846	68,540	(10,694)	532,439	542,930	(10,491)
Licenses and Fees	392,110	48,046	61,190	(13,144)	382,367	396,580	(14,213)
Other Motor Receipts	276,136	9,800	7,350	2,450	150,072	146,350	3,722