

The Monthly Report

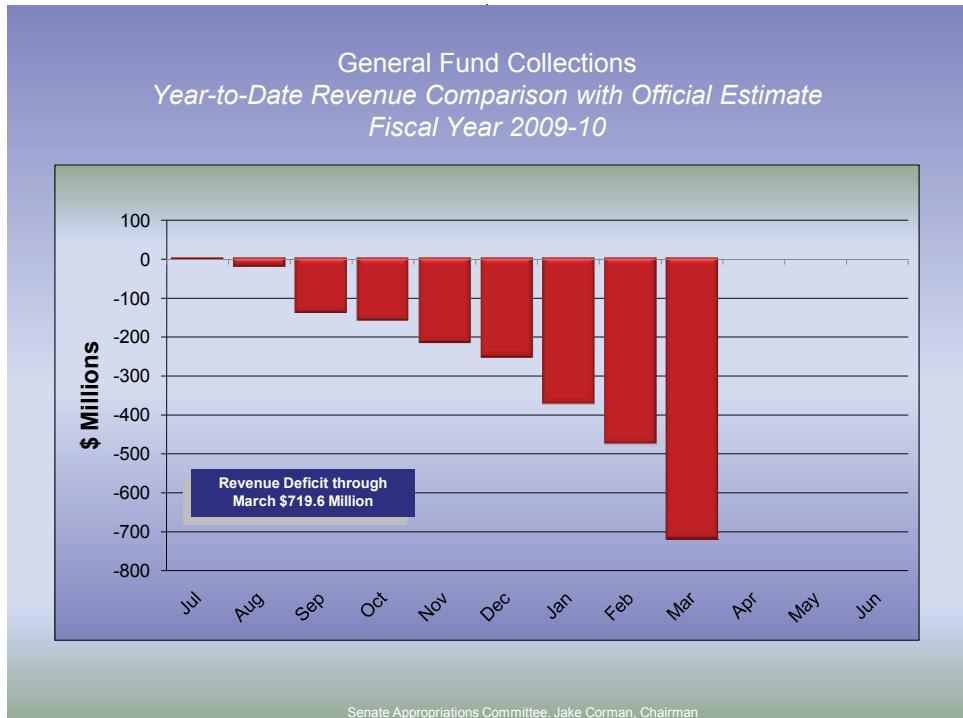
Jake Corman, Chairman

GENERAL FUND REVENUES SHORT \$243M FOR MARCH; OFF 5.9% FOR THE MONTH - 3.5% FOR FY 2009-10

General Fund revenue collections for the month ended March 2010 totaled \$3.9 billion, which was \$243 million, or 5.9%, less than anticipated. Fiscal year-to-date collections total \$19.9 billion, which is \$719.6 million, or 3.5%, below estimate.

Cumulative revenue collections through March 2010 are \$1.2 billion above cumulative collections for the same time last year; however, this amount includes one-time transfers such as those from the Rainy Day Fund, HCPRA, etc. Total tax revenues are actually \$885 million below tax collections this time last year.

Corporation tax collections were below estimate by \$264.2 million, or 10.5%. The majority of the corporation tax deficit resulted from a \$202 million shortfall in the Gross Receipts Tax (13.8% below the estimate of \$1.46 billion). GRT is primarily collected from landline telephone, wireless telephone, and electric companies. Just about all of the GRT is due in March (annual + estimated payments), and so this shortfall will not repeat itself for the remainder of FY 2009-10. However, CNIT and CSFT were below estimate by a combined \$60 million, which is likely to reoccur in June when the sec-



ond installment of quarterly estimated payments are due.

Personal income tax collections were above estimate by \$57.7 million, or 7.7%, for the month. The amount of annual PIT payments received during March is relatively small compared with April (\$70.9 million estimated versus \$714.3 million estimated).

Sales and use tax collections were below estimate for the month by \$50.9 million, or 8.2%. It appears that the series of heavy snowstorms in February had a negative effect on retail sales throughout the state (SUT collections from February were due in

March). While some expenditures may have been merely delayed due to inclement weather, others, such as those for dining out, have been forgone entirely.

Motor License Fund collections were \$13.8 million over estimate for the month of March. The Motor License Fund is \$10.4 million, or 0.5%, below estimate for the year.

RACE TO THE TOP COMPETITION UPDATE

On Monday, March 29, U.S. Secretary of Education, Arne Duncan, announced that Delaware and Tennessee were the winners in the first phase of the Race to the Top competition. Delaware will receive \$100 million and Tennessee will receive \$500 million to implement comprehensive statewide school reform plans.

The \$4.35 billion Race to the Top completion was established last year as part of American Recovery and Reinvestment Act. It is designed to reward states working to reform education in four key areas which include: adopting standards that prepare students to succeed in college and the workforce; building data systems that measure students' academic success; recruiting, training and rewarding effective teachers; and, turning around low performing schools.

Forty states and the District of Columbia submitted applications for the first phase of funding. Pennsylvania, which was eligible for approximately \$400 million, was one of 16 finalists chosen to present its application in-person to U.S. Department of Education interviewers and eventually finished seventh in the competition.

Pennsylvania's application included participation from 120 of the 500 school districts and 59 of 146 charter schools. It proposed using the grant money to increase student achievement, improve professional development programs, develop a new system to evaluate teachers and administrators based on students' academic gains, and implement methods to identify and

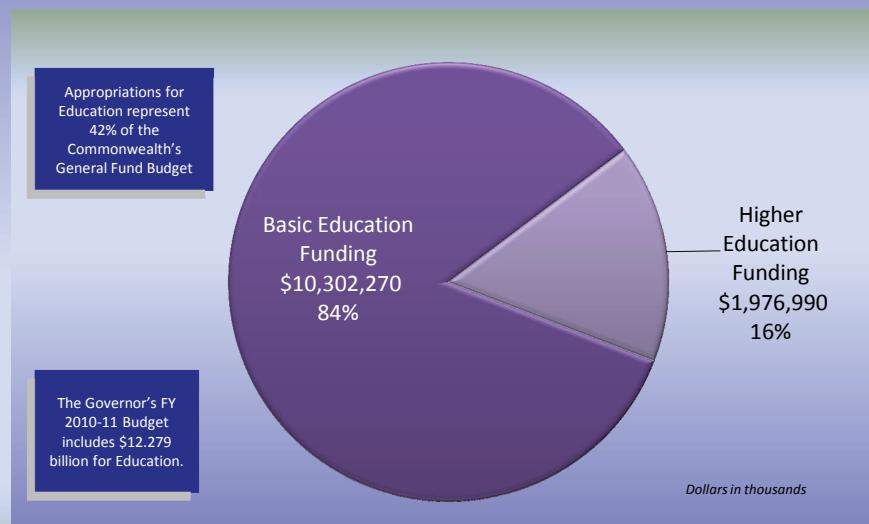
share best practices. Poor performing schools would have been required to adopt strategies to improve performance that could include leadership changes and school closures.

Pennsylvania's application

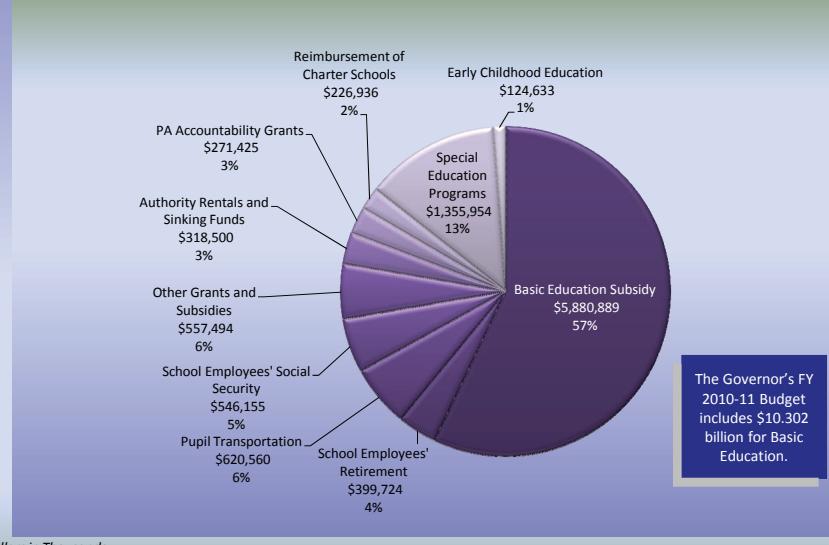
was critiqued for not having participation by all school districts, which distinguished Tennessee and Delaware from the other finalists. Pennsylvania also lost sig-

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FY 2010-11 Proposed Education Spending



FY 2010-11 Proposed Basic Education Spending

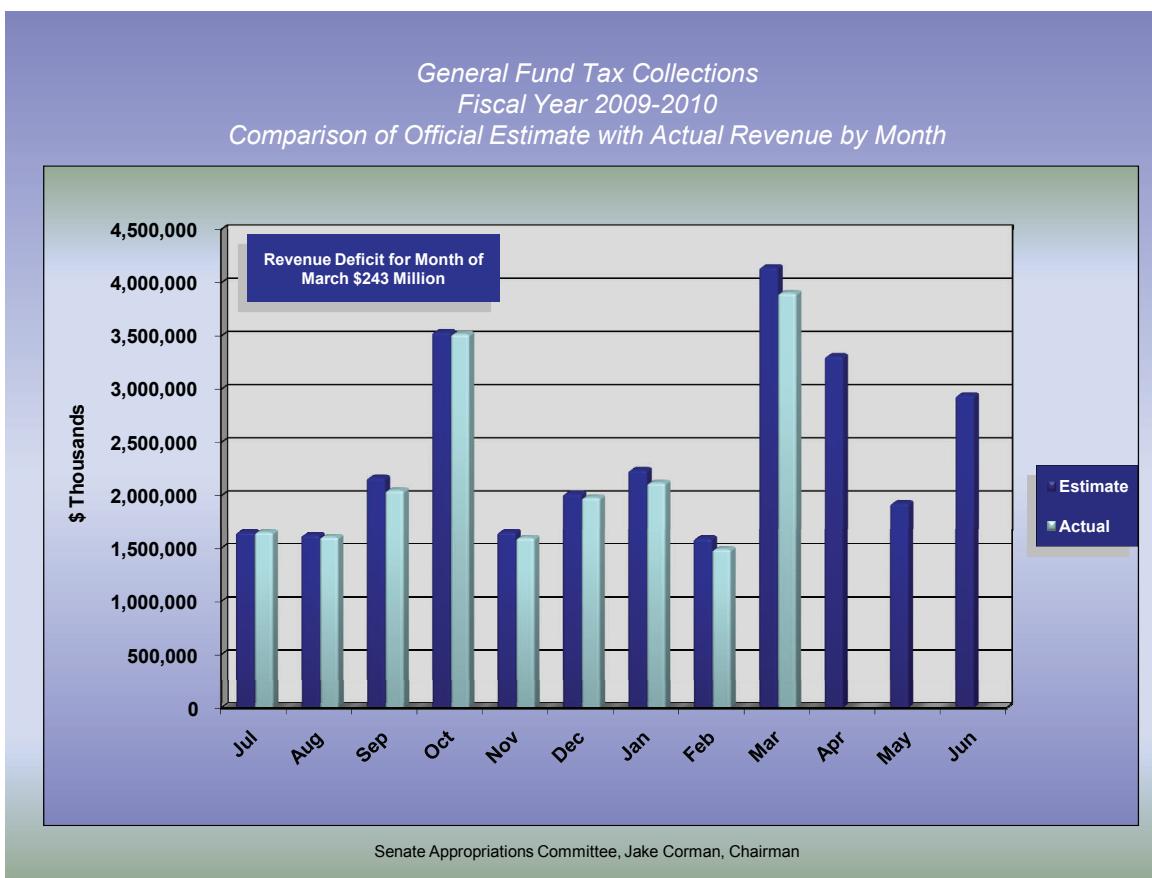
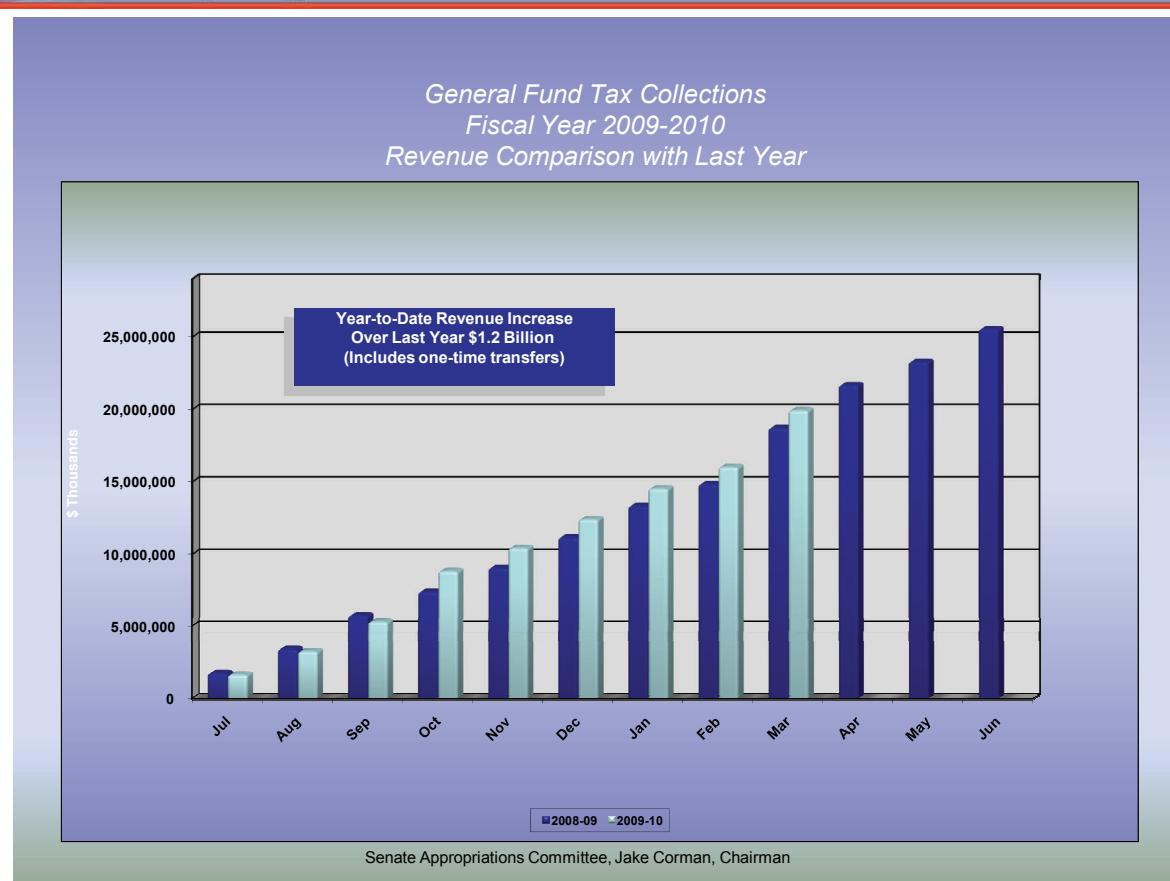




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Useful Budget Terms

Surplus - A fiscal operating result that may occur in a fund at the end of a fiscal year, whereby expenditures are less than the fund's beginning balance, receipts and lapses during the same period.



Agency Program Plan -
The aggregation of program and financial information projected over a five-year period which serves as the agency input into the Commonwealth Program Plan.

Useful Budget Terms



The Monthly Report

Fiscal Year 2009-10

Senate Appropriations Committee Monthly Revenue Report

(\$ thousands)

REVENUE SOURCES	YTD FY 2008-09	March 2010 Actual	March 2010 Estimated	Surplus/ (Deficit)	YTD Actual	YTD Estimated	Surplus/ (Deficit)
TOTAL - GENERAL FUND	18,707,006	3,904,042	4,147,000	(242,958)	19,921,785	20,641,400	(719,615)
TOTAL - NON-TAX REVENUE	(76,367)	61,424	53,200	8,224	2,023,420	2,030,700	(7,280)
TOTAL - TAX REVENUE	18,783,373	3,842,617	4,093,800	(251,183)	17,898,364	18,610,700	(712,336)
TOTAL - Corporation Taxes	3,849,129	2,257,036	2,521,200	(264,164)	3,515,157	3,798,400	(283,243)
Accelerated Deposits	2,916	10,170	0	10,170	10,461	0	10,461
Corp. Net Income	1,331,620	289,861	319,900	(30,039)	1,125,027	1,145,300	(20,273)
Cap. Stock & Franchise	553,925	149,872	179,800	(29,928)	459,924	523,600	(63,676)
Gross Receipts	1,378,085	1,261,675	1,463,400	(201,725)	1,276,103	1,478,200	(202,097)
PURTA	2,031	137	100	37	1,664	2,600	(936)
Insurance Premiums	376,166	341,665	363,600	(21,935)	418,328	444,900	(26,572)
Financial Institutions	195,008	195,957	189,400	6,557	212,259	194,400	17,859
Other Selective Bus. Taxes	9,378	7,699	5,000	2,699	11,391	9,400	1,991
TOTAL - Consumption Taxes	6,946,015	683,325	725,600	(42,275)	6,803,618	7,088,300	(284,682)
Sales and Use	6,164,116	568,987	619,900	(50,913)	5,891,402	6,207,600	(316,198)
General (net of transfers)	5,465,107	485,302	543,300	(57,998)	5,183,996	5,527,100	(343,104)
Motor Vehicle Sales	699,009	83,685	76,600	7,085	707,406	680,500	26,906
Cigarette Tax	559,901	91,227	82,400	8,827	687,643	651,100	36,543
Malt Beverage	19,304	1,875	1,800	75	19,576	19,600	(24)
Liquor	202,694	21,237	21,500	(263)	204,997	210,000	(5,003)
TOTAL - Other Taxes	7,988,229	902,256	847,000	55,256	7,579,589	7,724,000	(144,411)
Personal Income	7,184,410	811,910	754,200	57,710	6,819,495	6,955,400	(135,905)
Withholding	5,939,000	674,065	663,200	10,865	5,768,957	5,879,900	(110,943)
Non-Withholding	1,245,410	137,845	91,000	46,845	1,050,538	1,075,500	(24,962)
Realty Transfer	230,260	20,804	18,600	2,204	211,929	207,900	4,029
Inheritance & Estate	569,611	68,203	73,300	(5,097)	545,656	558,700	(13,044)
Minor & Repealed	3,948	1,338	900	438	2,509	2,000	509
TOTAL - MOTOR LICENSE FUND	1,878,805	204,586	190,750	13,836	1,929,566	1,940,010	(10,444)
TOTAL - Liquid Fuels Taxes	847,377	83,577	97,340	(13,763)	888,144	890,190	(2,046)
Liquid Fuels	351,516	33,595	44,530	(10,935)	426,528	419,690	6,838
Fuels	116,054	10,006	12,600	(2,594)	106,245	112,650	(6,405)
Motor Carriers/IFTA	28,942	6,183	4,490	1,693	28,247	28,860	(613)
Alternative Fuels	162	33	10	23	165	160	5
Oil Company Franchise	350,703	33,760	35,710	(1,950)	326,960	328,830	(1,870)
TOTAL - Licenses, Fees & Other	1,031,428	121,008	93,410	27,598	1,041,421	1,049,820	(8,399)
Licenses and Fees	624,419	96,711	84,350	12,361	584,871	599,670	(14,799)
Other Motor Receipts	407,009	24,298	9,060	15,238	456,551	450,150	6,401
Other Motor Receipts	225,129	11,627	7,270	4,357	291,541	301,160	(9,619)



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RACE TO THE TOP

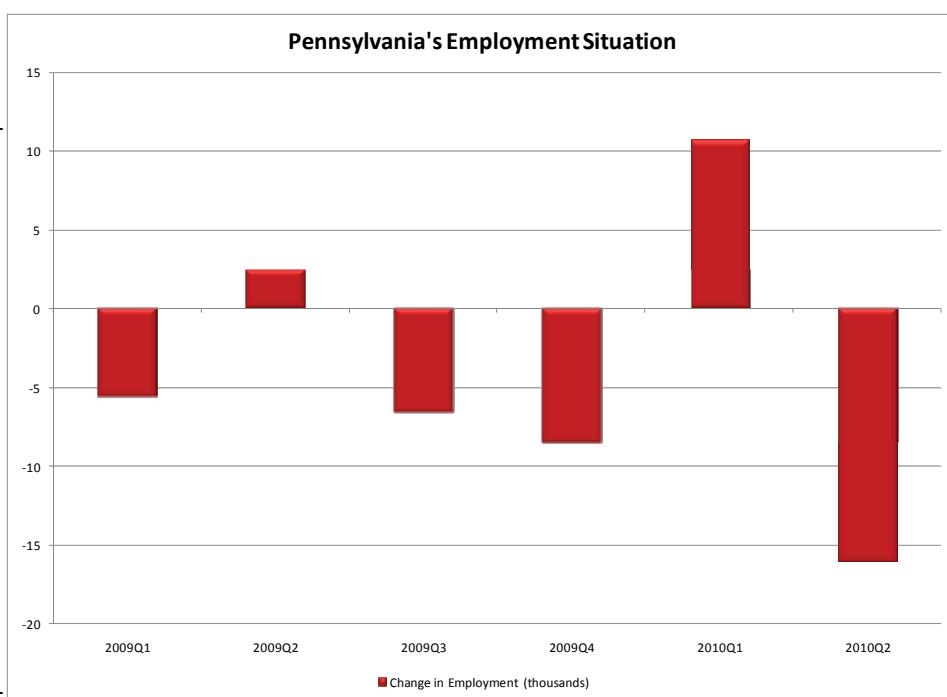
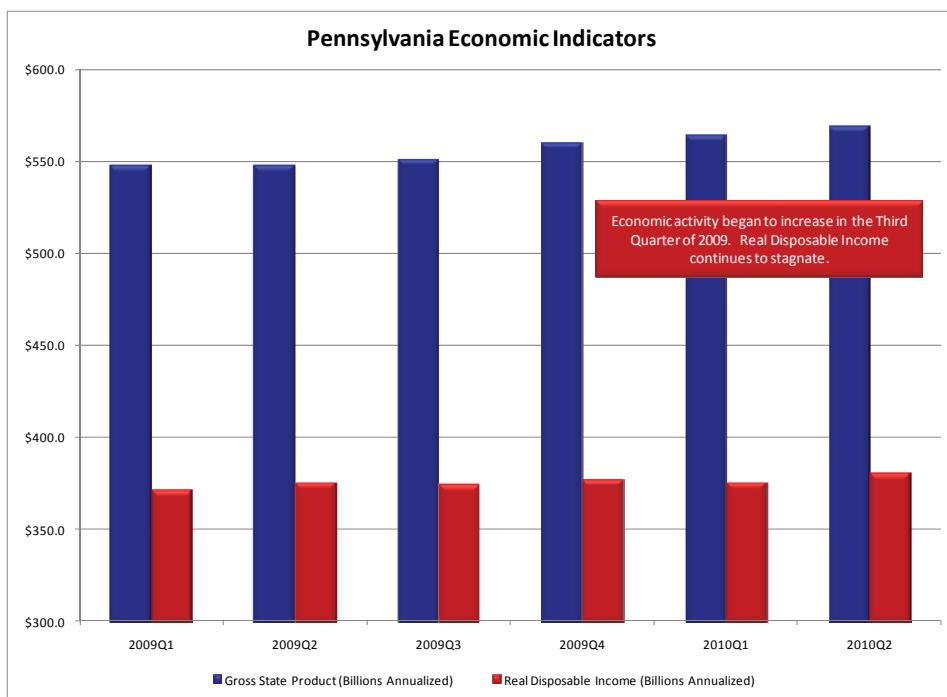
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significant points in the competition related to efforts to improve teaching and school leadership.

States that did not win funding in first phase of the competition are encouraged to revise and resubmit their applications by June 1 to win a share of the remaining funds. It is anticipated that the remaining funding will be awarded to 10 to 15 additional applicants. Gerald Zahorchak, Pennsylvania's Secretary of Education, has indicated that his Department will work to improve its application for the second phase of the competition.

Important Revenue Dates for April

April 5	Employer Withholding
April 15	Malt Bev., PIT, Employer Withholding, Cigarette, Corporation Taxes
April 20	Liquid Fuels, Public Transportation, SUT, Vehicle Rentals, Little Cigars
April 26	Tax Amnesty
April 30	IFTA Tax, Employer Withholding



Key Economic Indicators - Pennsylvania

	2009Q1	2009Q2	2009Q3	2009Q4	2010Q1	2010Q2
Gross State Product (Billions Annualized)	\$ 547.7	\$ 547.6	\$ 551.4	\$ 560.4	\$ 564.4	\$ 569.2
Real Disposable Income (Billions Annualized)	\$ 371.4	\$ 375.2	\$ 374.2	\$ 376.9	\$ 375.4	\$ 380.3
Total Housing Starts (thousands)	\$ 12.9	\$ 15.4	\$ 18.8	\$ 16.9	\$ 21.2	\$ 22.0
CPI	221.9	222.0	224.2	226.0	226.7	226.4
	Sep. 08	Oct. 08	Nov. 08	Dec. 08	Jan. 08	Feb. 08
Unemployment Rate (percentage)	8.6	8.6	8.7	8.8	8.8	8.9