



Senate Appropriations Committee

The Monthly Report

January 2011

Jake Corman, Chairman



General Fund Revenues for December 8.4% above estimate

General Fund revenue collections for the month ended December 2010 totaled \$2.29 billion, which was \$176.9 million, or 8.4%, above estimate. Fiscal year-to-date collections total \$11.45 billion, which is \$191.2 million, or 1.7%, above estimate. December is an “estimated quarterly tax payment” month for Corporate Net Income and Capital Stock/Franchise taxes.

Personal income tax collections were above estimate by \$94.3 million, or 12.2%, for the month. Employers’ withholding accounted for \$77.5 million of the PIT surplus. FY 2010-11 is the first year in which the Commonwealth is using the bi-weekly payment schedule for PIT withholding. Act 48 of 2009 required

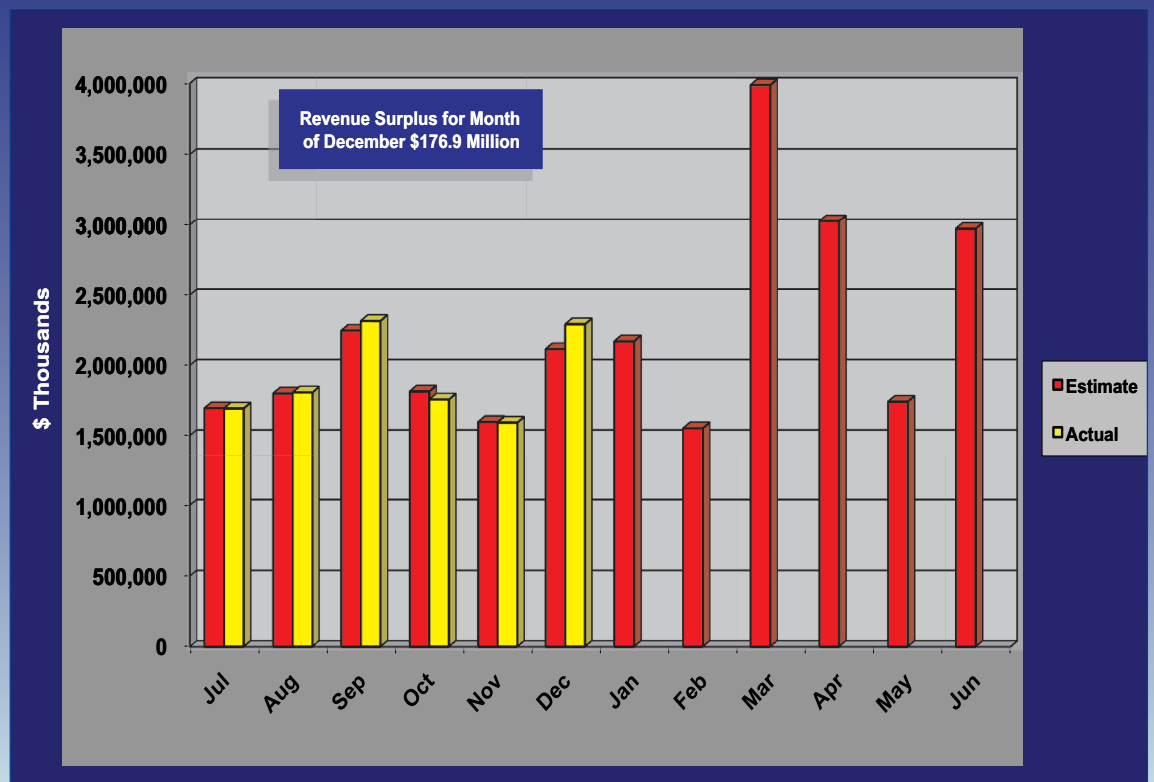
the largest employers to remit withheld taxes on a schedule similar to the one used by the IRS. Because this is the first year using the revised filing schedule, the Department of Revenue has no experience with exactly how the change affects the monthly distribution of the estimate. For this reason, there is some concern that the large

monthly surplus is temporary and could be reversed in January.

Sales and use tax collections exceeded the estimate by \$31.6 million, or 4.9%, for the month. Preliminary sales results for the 2010 holiday shopping season are all positive. Still, spending is

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General Fund Tax Collections
Fiscal Year 2010-2011
Comparison of Official Estimate with Actual Revenue by Month



Senate Appropriations Committee, Jake Corman, Chairman



below pre-recession levels in many categories. However, the solid growth in sales tax will hopefully carry over into January when SUT collected on December sales is remitted to the Commonwealth.

Corporation tax collections were above estimate by \$35.7 million, or 8%, for December. In addition to being above the estimate, December 2010 corporation tax revenues grew by 26% over December 2009 corporation tax collections. Although some of this growth is attributable to a freeze in the CSFT rate at 2.89 mills, there is

reason to believe that strong corporate profits are beginning to have a positive impact on tax revenues.

Realty Transfer Tax collections were above estimate by \$64,830 for the month. RTT has been running substantially below estimate for quite some time, and so even this small amount above estimate is welcome news.

Motor License Fund collections were \$119.8 million above estimate for the month of December, bringing the fund to \$163.3 million above estimate for the year. In early December,

the Treasury Department undertook an investment pool reorganization resulting in the sale of assets in various Commonwealth funds. The investment pool previously known as Pool 98 has become Pool 198. The reorganization resulted in \$120 million more than originally estimated being recognized as Motor License Fund earnings on investments. The reorganization garnered \$17 million more than anticipated for the General Fund as well.

Governor Rendell Presents Final Mid-Year Briefing; Offers Few Details

The Rendell Administration presented its final mid-year budget briefing on December 16, 2010. The briefing was without the level of detail provided in prior years. The Governor reported that the Commonwealth's economic condition, while improving, continues to be challenging.

Budget Secretary Soderberg indicated that revenue collections have been performing slightly above this year's estimate and that corporate tax and sales and use tax collections have exceeded the estimate so far this year and are offsetting underperformance in the personal income and realty transfer taxes. The Budget Secretary indicated that Governor Rendell has no plans to revise the current rev-

enue estimate for FY 2010-11.

At the briefing, the Budget Secretary disclosed that the General Fund budget for Fiscal Year 2010-11 is currently projected to be \$63 million out of balance. Pennsylvania's reduced share of the enhanced FMAP allocation (\$280 million) and additional monies needed to fund increased enrollment in Safety Net programs (\$65 million) lead to the estimated deficit despite the Administration's September budgetary freezes of \$200 million.

At the mid-year briefing, Governor Rendell understated the budgetary challenges facing the Commonwealth. The economic recovery is fragile and there is no guarantee that we will not see significant revenue shortfalls in the

second half of the fiscal year. Last year, the revenue shortfall grew from \$254 million in December to nearly \$1.2 billion by June 30. In addition, welfare caseloads are exceeding the growth estimates contained in the current year budget assumptions and additional supplemental appropriations may become necessary prior to the end of the fiscal year.

The presentation did not look forward to Fiscal Year 2011-12 and neither the Governor nor the Budget Secretary offered any projections as to revenue growth or expenditure levels in the current budget year or the magnitude of the structural deficit facing the Commonwealth.



Federal Education Jobs (EdJobs) Funding Remains on hold

The Commonwealth applied for, and was awarded, \$387 million under the federal EdJobs program. As part of the award, states must distribute the money to Local Education Agencies (LEA) in a timely fashion, either through the

basic education formula or through the Title 1 distribution formula. Districts must use the funds for personnel costs -- paying salaries and benefits to retain current teachers and other workers, to recall laid off school employees or to add new staff for pre-kindergarten,

elementary or secondary schools.

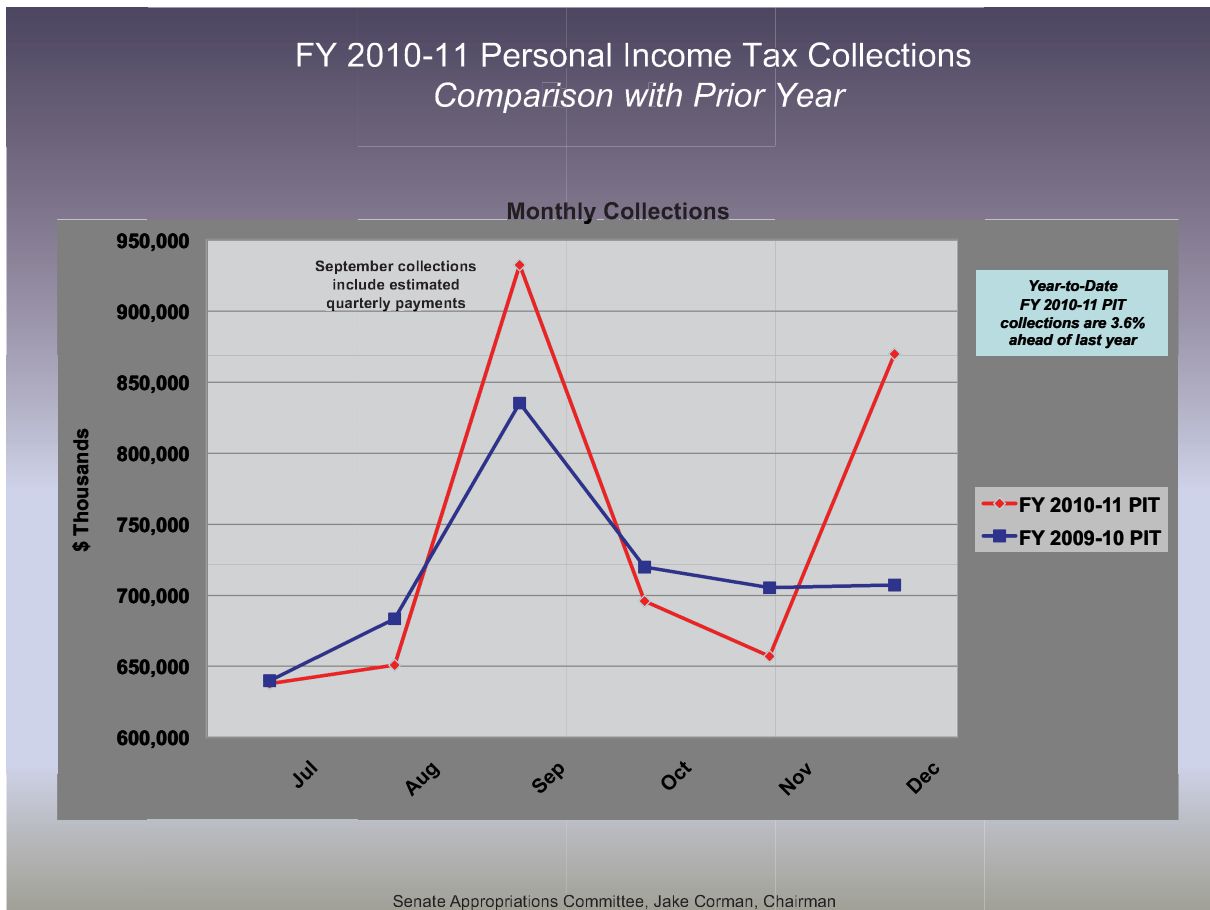
To date, the Rendell Administration has not requested the General Assembly appropriate the money to school districts. School districts have until September 30, 2012 to spend the money.

PIT Collections Showing Growth over Last Year

Personal Income Tax (PIT) collections make up approximately 38% of all General Fund revenue. For Fiscal Year 2010-11, revenues from the PIT are growing at a rate of 3.6% over the same six-month period last year. In December 2010, PIT remitted as

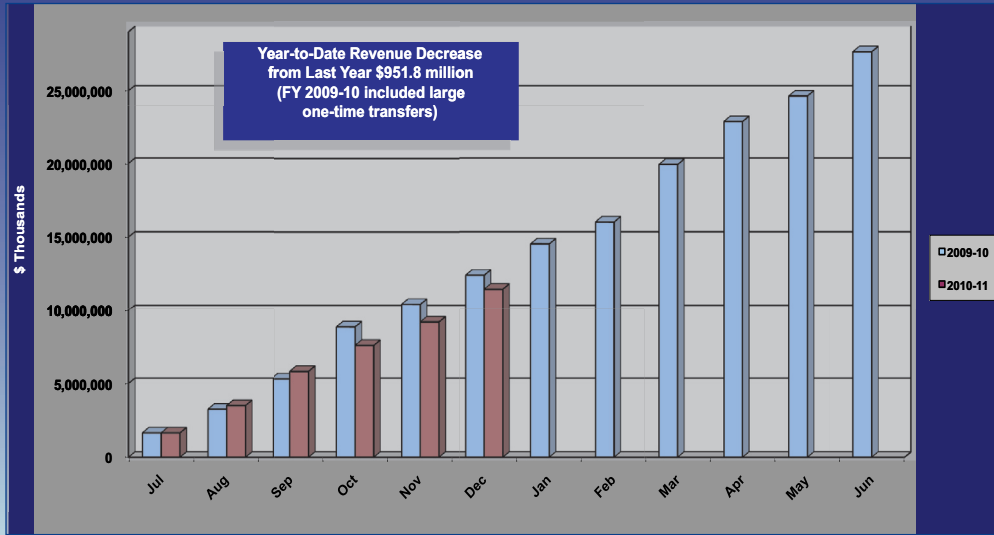
employers' withholding was \$77.5 million more than the official revenue estimate for the month, which is substantially higher than anticipated. FY 2010-11 is the first year in which large employers are required to remit taxes using a bi-weekly payment schedule

similar to the one used by the IRS. As a result, it will be interesting to see whether the significant PIT surplus from December is an abnormality in the distribution of the estimate, which may reverse itself in January.



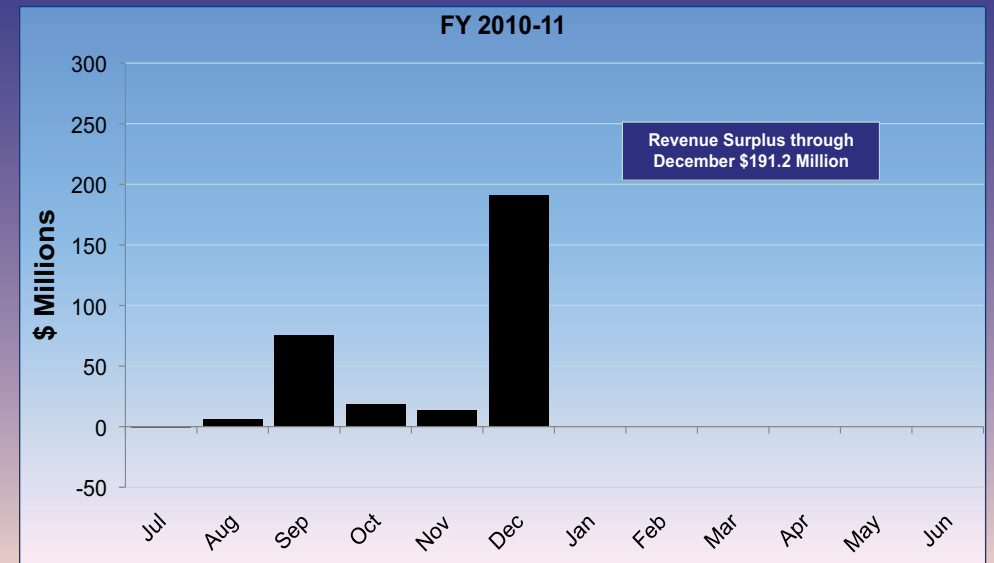


General Fund Tax Collections Fiscal Year 2010-2011 Revenue Comparison with Last Year



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



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Appropriations Committee Monthly Revenue Report

REVENUE SOURCES	YTD FY 2009-10	December 2010 Actual	December 2010 Estimated	Surplus/ (Deficit)	YTD Actual	YTD Estimated	Surplus/ (Deficit)
TOTAL - GENERAL FUND	12,406,244	2,291,268	2,114,400	176,868	11,454,406	11,263,200	191,206
TOTAL - NON-TAX REVENUE	1,919,443	42,372	30,000	12,372	319,409	312,400	7,009
TOTAL - TAX REVENUE	10,486,801	2,248,896	2,084,400	164,496	11,134,997	10,950,800	184,197
TOTAL - Corporation Taxes	1,099,584	476,857	441,200	35,657	1,245,919	1,154,500	91,419
Accelerated Deposits	1,320	1,010	0	1,010	2,688	0	2,688
Corp. Net Income	736,956	329,223	313,600	15,623	851,106	818,500	32,606
Cap. Stock & Franchise	276,286	135,304	119,500	15,804	345,061	312,900	32,161
Gross Receipts	12,731	8,056	3,300	4,756	26,422	8,200	18,222
PURTA	1,466	20	0	20	2,172	900	1,272
Insurance Premiums	52,724	610	600	10	4,988	3,200	1,788
Financial Institutions	15,149	2,310	3,400	(1,090)	11,830	6,900	4,930
Other Selective Bus. Taxes	2,953	324	800	(476)	1,653	3,900	(2,247)
TOTAL - Consumption Taxes	4,557,493	803,783	773,100	30,683	4,886,099	4,776,300	109,799
Sales and Use	3,964,278	669,263	637,700	31,563	4,162,435	4,059,600	102,835
General (net of transfers)	3,471,932	592,098	565,500	26,598	3,638,020	3,577,000	61,020
Motor Vehicle Sales	492,346	77,165	72,200	4,965	524,415	482,600	41,815
Cigarette Tax	439,877	93,182	99,300	(6,118)	558,861	557,400	1,461
Malt Beverage	13,951	2,029	1,900	129	13,795	13,600	195
Liquor	139,387	39,309	34,200	5,109	151,008	145,700	5,308
TOTAL - Other Taxes	4,829,725	968,255	870,100	98,155	5,002,979	5,020,000	(17,021)
Personal Income	4,291,197	869,881	775,600	94,281	4,444,144	4,427,500	16,644
Withholding	3,711,823	774,939	697,400	77,539	3,912,777	3,840,400	72,377
Non-Withholding	579,373	94,943	78,200	16,743	531,368	587,100	(55,732)
Realty Transfer	161,757	25,865	25,800	65	149,282	182,100	(32,818)
Inheritance & Estate	375,325	67,085	62,300	4,785	380,811	375,900	4,911
Minor & Repealed	1,446	(28)	200	(228)	1,513	900	613
Table Games		5,451	6,200	(749)	27,229	33,600	(6,371)
TOTAL - MOTOR LICENSE FUND	1,253,312	289,971	170,160	119,811	1,297,758	1,134,450	163,308
TOTAL - Liquid Fuels Taxes	585,964	101,172	98,800	2,372	629,511	598,260	31,251
Liquid Fuels	259,434	41,794	44,260	(2,466)	291,865	282,640	9,225
Fuels	75,142	12,939	11,540	1,399	79,158	74,050	5,108
Motor Carriers/IFTA	17,146	7,188	6,250	938	21,489	18,300	3,189
Alternative Fuels	95	26	10	16	128	110	18
Oil Company Franchise	234,147	39,225	36,740	2,485	236,872	223,160	13,712
TOTAL - Licenses, Fees & Other	667,348	188,799	71,360	117,439	668,246	536,190	132,056
Licenses and Fees	375,807	59,711	64,360	(4,649)	392,110	386,500	5,610
Other Motor Receipts	291,541	129,089	7,000	122,089	276,136	149,690	126,446