



# The Monthly Report

February 2011

Jake Corman, Chairman



## January General Fund Collections 3.4% Above Estimate

**G**eneral Fund revenue collections for the month ended January 2011 totaled \$2.24 billion, which was \$72.8 million, or 3.4%, above estimate. Fiscal year-to-date collections total \$13.7 billion, which is \$264 million, or 1.97%, above estimate. January is a “quarterly estimated tax payment” month for Personal Income Taxes.

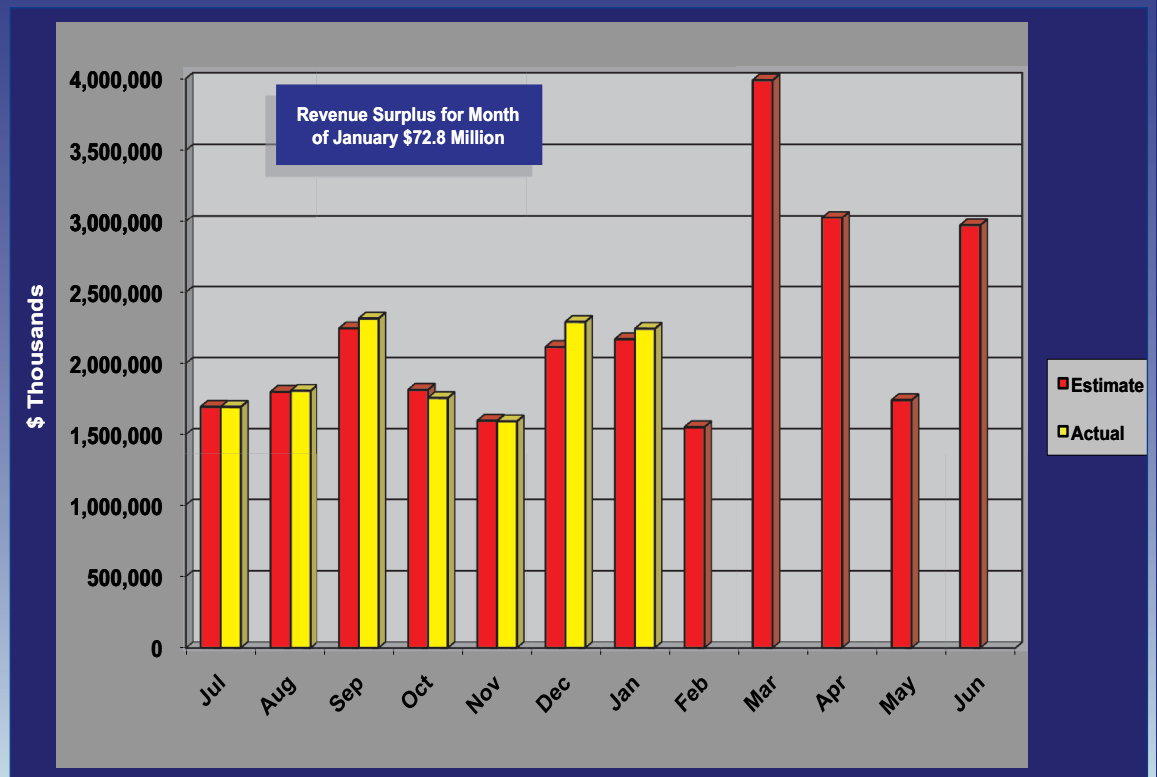
Personal income tax collections were above estimate by \$72.8 million, or 6.8%, for the month. Quarterly estimated PIT was over estimate by \$101 million for January. Employers’ withholding was \$24.3 million short of estimate and PIT payments on annual tax returns were \$3.9 million below estimate for the month. Last month, there was some concern that the \$77.5 million December

surplus in employers’ withholding would correct itself in January and give back some of the gains, due to the lack of experience in distributing PIT under the new filing system. While that may help explain the \$24.3 million shortfall in January, the combined effect over the two months is still more than \$53 million to the positive.

Sales and use tax collections exceeded the estimate by \$4.8 million, or 0.6%, for the month. January’s general sales and use tax collections are easily the highest of the fiscal year because the taxes collected in December, during the peak of the holiday shopping season,

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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



are remitted in January. General (i.e. non-motor vehicle) SUT was \$10.3 million, or 1.4% above estimate. While not a resoundingly strong performance, it is much better to get through the largest SUT month with a surplus than with a deficit. Sales and use tax on motor vehicles was \$5.5 million, or 7.2% below estimate for the month.

Corporation tax collections were above estimate by \$916,534, or 1%, for the month. January is not a particularly important month for corporation tax collections. Unlike the

PIT, final quarterly estimated payments of corporation taxes were due in December. Corporation taxes are \$92.3 million, or 7.4%, ahead of the estimate for the year.

Realty Transfer Tax Collections once again fell short of the estimate. The January shortfall of only \$68,239, or 0.3%, is an improvement over the average year-to-date shortfall of 16%.

Liquor tax collections of \$19.1 million were surprisingly low at \$6.5 million below estimate. However, December's collections were \$5.1 million

above estimate, which implies that there could be an issue with the monthly distribution of the revenue estimate between these two months.

Motor License Fund collections were \$22 million above estimate for the month of January. The Motor License Fund is \$185.3 million above estimate for the year, bolstered by Treasury's investment pool reorganization in December that resulted in the sale of assets in various Commonwealth funds.

## Pennsylvania Unemployment Statistics Improving

In September of 2010, the Center for Workforce Information and Analysis in the Department of Labor and Industry issued a report which provides a comprehensive profile of Pennsylvania's unemployed. The report presents many interesting facts and descriptions of the Commonwealth's unemployed during this country's ongoing economic recession.

- Nearly six out of every 10 unemployed Pennsylvanians are age 25 to 54. Ninety-two percent are age 20 or older.
- Men made up 60 percent of the unemployed over the pe-

riod between 2008 through June 2010.

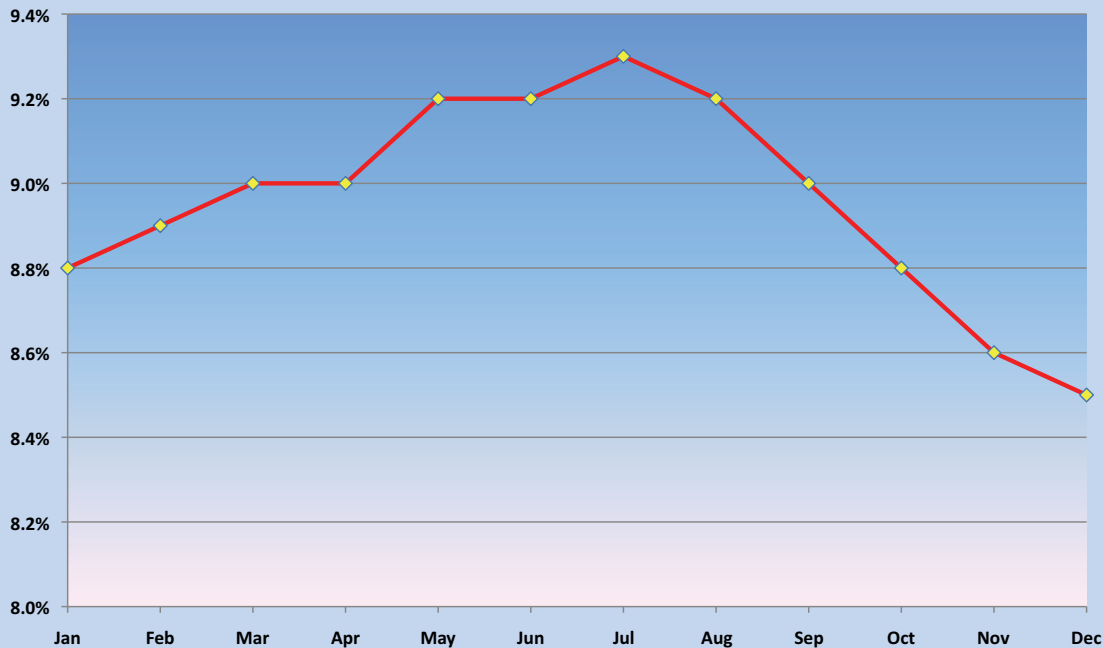
- Sixty-five percent of Pennsylvania's long-term unemployed are age 25 to 54. (Long-term unemployed is defined as unemployed for more than 26 weeks.)
- During the period between 2004 and 2008, the number of long-term unemployed Pennsylvanians was not more than 65,000 annually. By the first half of 2010, the number had tripled to 232,000.
- The geographic distribution of the unemployed reflects the state's population distribution. Rural areas and cen-

tral cities have higher unemployment than suburban areas. In June 2010, 20 rural counties and the City of Philadelphia had unemployment rates above 10 percent.

- Most people unemployed in Pennsylvania in 2009 had an extensive work history. From 2001 to 2007, 80 percent had worked at least five of those seven years and roughly half had no previous unemployment claims.
- Eight out of 10 of Pennsylvania's unemployed have at least a high school diploma.



## 2010 PA Monthly Unemployment Rate



Note:

Pennsylvania's seasonally adjusted unemployment rate was 8.5% in December, down one-tenth of a percentage point from November. The number of unemployed residents fell by 10,000 to 538,000 in December 2010. Pennsylvania's seasonally adjusted unemployment rate fell for the fifth consecutive month.

**The Senate Appropriations Committee's FY 2011-12 budget hearings begin on March 16, 2011.**  
**Visit [www.jakecorman.com](http://www.jakecorman.com) to view the entire hearing schedule.**



## Tax Collections Negatively Impacted By Recession

Pennsylvania's tax collections are negatively impacted by periods of economic recession. During the relatively mild recession of the early 1990s, FY 1990-91 tax collections fell 1.6% below collections of the previous fiscal year. During the early 2000s, the bursting of the tech bubble, followed by the terrorist attacks on September 11, 2001, brought on a slowdown in the economy that resulted in a 2.6% dip in tax collections as compared to the prior year. The recent

Great Recession lasted much longer than the previous two recessions, and the decline in Gross Domestic Product (peak-to-trough) was nearly two-and-one-half times as great as the previous two recessions combined. Not surprisingly, tax collections for FY 2008-09 were 7.3% below the previous fiscal year, and collections in FY 2009-10 were down another 1.5% as the economy struggled to gain its footing even though the recession was officially over in June, 2009.

Current economic indicators suggest that the national economy is expected to grow by more than 3% during FY 2010-11. The economic expansion is reflected in Pennsylvania's tax collections, as year-over-year growth is at 6.1% seven months into the fiscal year. Despite heading in the right direction, FY 2010-11 tax collections are expected to lag total tax revenues collected in FY 2006-07.

### Tax Collections History

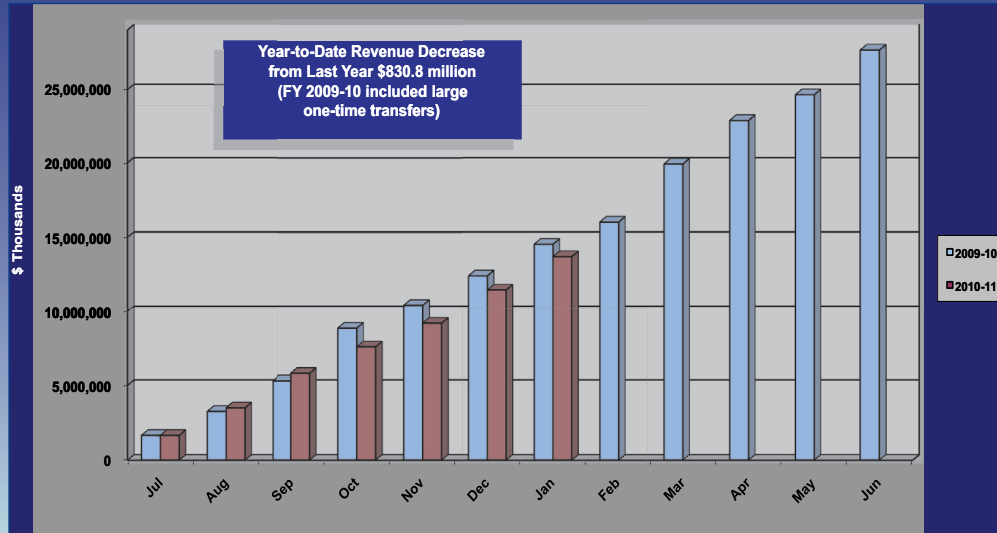
Fiscal Year	Year-over-Year Percent Change					
	Total Taxes	Personal Income	Sales & Use	Corporation	Other	
2000-01	1.40%	6.00%	2.60%	-7.90%	-0.11%	
2001-02	-2.60%	-4.70%	1.20%	-6.80%	0.58%	
2002-03	4.70%	-0.50%	3.10%	4.10%	37.61%	
2003-04	7.60%	8.80%	2.80%	16.00%	5.28%	
2004-05	7.60%	13.10%	3.50%	9.20%	-0.83%	
2005-06	7.00%	8.90%	4.20%	9.20%	4.86%	
2006-07	5.20%	7.70%	3.10%	5.50%	1.45%	
2007-08	2.30%	6.30%	-1.10%	-0.30%	3.22%	
2008-09	-7.30%	-6.50%	-4.20%	-11.40%	-12.55%	
2009-10	-1.50%	-2.30%	-1.30%	-5.30%	9.72%	

**Note:**

Tax changes have an effect on the year-over-year growth in some instances. For example, the cigarette tax increase that took effect in FY 2002-03 has a large impact on "Other" taxes for that year, and the redirection of a portion of cigarette taxes from the Health Care Provider Retention Account to the General Fund has an impact in FY 2009-10. The PIT rate increase from 2.8% to 3.07% has an impact on FY 2003-04 and FY 2004-05 PIT growth.

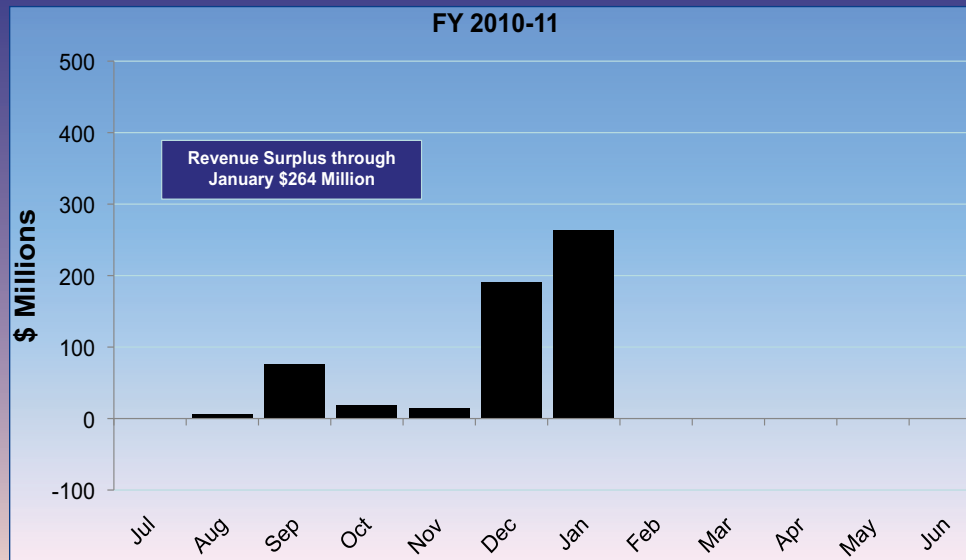


## General Fund Tax Collections Fiscal Year 2010-2011 Revenue Comparison with Last Year



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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	January 2011 Actual	January 2011 Estimated	Surplus/ (Deficit)	YTD Actual	YTD Estimated	Surplus/ (Deficit)
<b>TOTAL - GENERAL FUND</b>	<b>14,528,100</b>	<b>2,242,883</b>	<b>2,170,100</b>	<b>72,783</b>	<b>13,697,289</b>	<b>13,433,300</b>	<b>263,989</b>
TOTAL - NON-TAX REVENUE	1,936,823	20,761	15,400	5,361	340,170	327,800	12,370
TOTAL - TAX REVENUE	12,591,277	2,222,122	2,154,700	67,422	13,357,119	13,105,500	251,619
<b>TOTAL - Corporation Taxes</b>	<b>1,200,584</b>	<b>89,917</b>	<b>89,000</b>	<b>917</b>	<b>1,335,835</b>	<b>1,243,500</b>	<b>92,335</b>
Accelerated Deposits	496	1,781	0	1,781	4,469	0	4,469
Corp. Net Income	806,180	56,092	60,700	(4,608)	907,198	879,200	27,998
Cap. Stock & Franchise	297,493	17,176	20,600	(3,424)	362,236	333,500	28,736
Gross Receipts	13,972	916	600	316	27,338	8,800	18,538
PURTA	1,520	41	500	(459)	2,213	1,400	813
Insurance Premiums	62,374	13,598	6,100	7,498	18,586	9,300	9,286
Financial Institutions	15,356	101	100	1	11,932	7,000	4,932
Other Selective Bus. Taxes	3,194	210	400	(190)	1,863	4,300	(2,437)
<b>TOTAL - Consumption Taxes</b>	<b>5,448,536</b>	<b>899,421</b>	<b>907,200</b>	<b>(7,779)</b>	<b>5,785,521</b>	<b>5,683,500</b>	<b>102,021</b>
Sales and Use	4,754,746	813,142	808,300	4,842	4,975,577	4,867,900	107,677
General (net of transfers)	4,199,037	742,328	732,000	10,328	4,380,348	4,309,000	71,348
Motor Vehicle Sales	555,709	70,813	76,300	(5,487)	595,228	558,900	36,328
Cigarette Tax	514,283	65,397	71,500	(6,103)	624,258	628,900	(4,642)
Malt Beverage	15,829	1,784	1,800	(16)	15,579	15,400	179
Liquor	163,678	19,099	25,600	(6,501)	170,107	171,300	(1,193)
<b>TOTAL - Other Taxes</b>	<b>5,942,156</b>	<b>1,232,784</b>	<b>1,158,500</b>	<b>74,284</b>	<b>6,235,763</b>	<b>6,178,500</b>	<b>57,263</b>
Personal Income	5,337,090	1,140,908	1,068,100	72,808	5,585,052	5,495,600	89,452
Withholding	4,457,671	691,314	715,600	(24,286)	4,604,090	4,556,000	48,090
Non-Withholding	879,419	449,595	352,500	97,095	980,962	939,600	41,362
Realty Transfer	178,317	23,332	23,400	(68)	172,614	205,500	(32,886)
Inheritance & Estate	425,729	57,860	59,500	(1,640)	438,671	435,400	3,271
Minor & Repealed	1,020	3,733	(300)	4,033	5,246	600	4,646
Table Games		6,950	7,800	(850)	34,179	41,400	(7,221)
<b>TOTAL - MOTOR LICENSE FUND</b>	<b>1,559,006</b>	<b>244,381</b>	<b>222,340</b>	<b>22,041</b>	<b>1,542,138</b>	<b>1,356,790</b>	<b>185,348</b>
<b>TOTAL - Liquid Fuels Taxes</b>	<b>691,015</b>	<b>121,380</b>	<b>101,290</b>	<b>20,090</b>	<b>750,891</b>	<b>699,550</b>	<b>51,341</b>
Liquid Fuels	317,582	80,514	47,660	32,854	372,379	330,300	42,079
Fuels	85,967	10,046	12,430	(2,384)	89,204	86,480	2,724
Motor Carriers/IFTA	17,974	2,100	3,630	(1,530)	23,590	21,930	1,660
Alternative Fuels	110	15	10	5	143	120	23
Oil Company Franchise	269,382	28,705	37,560	(8,855)	265,576	260,720	4,856
<b>TOTAL - Licenses, Fees &amp; Other</b>	<b>867,990</b>	<b>123,001</b>	<b>121,050</b>	<b>1,951</b>	<b>791,247</b>	<b>657,240</b>	<b>134,007</b>
Licenses and Fees	443,406	68,003	64,200	3,803	460,113	450,700	9,413
Other Motor Receipts	424,584	54,997	56,850	(1,853)	331,134	206,540	124,594