



## General Fund Collections Exceed the Monthly Estimate for the First Time in Two Years

**G**eneral Fund revenue collections for the month ended August 2010 totaled \$1.806 billion, which was \$7.06 million, or four-tenths of one percent above estimate. Fiscal year-to-date collections total \$3.5 billion, which is \$6 million, or 0.2%, above estimate.

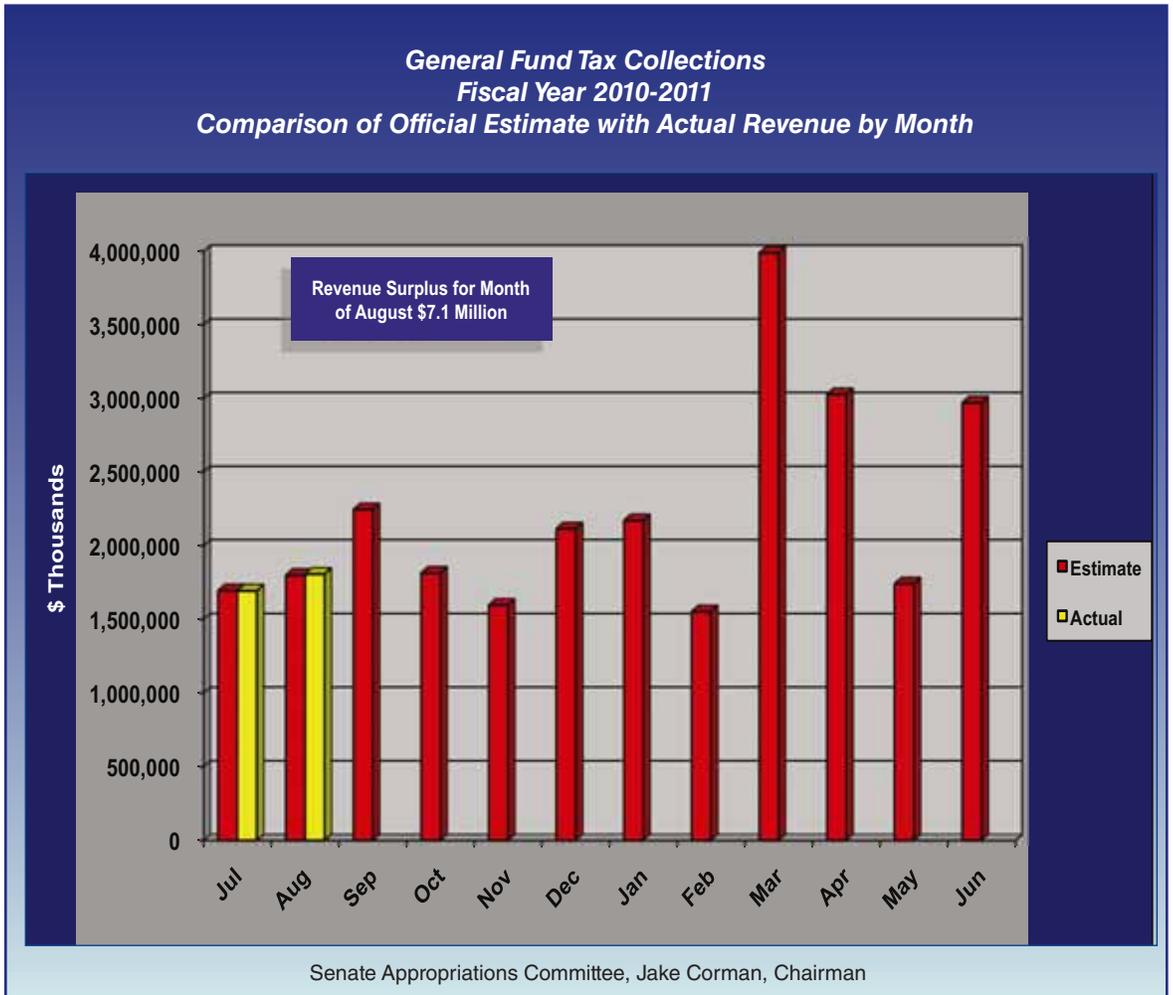
A cursory analysis of the monthly revenue distributions reveals no irregularities as compared with prior years.

Corporation tax collections were below estimate by \$811,719. Personal income tax collections were below estimate by \$12.3 million for the month, which reflects continued weak employment data. Similarly, the Realty Transfer Tax was below estimate by \$13.8 million,

or 37%. Recent economic news signaling a troubled housing market is borne out in the RTT collections.

On a brighter note, Sales and Use Tax collections were above estimate for the month by \$34.5 million.

Motor License Fund collections were \$36.8 million above estimate for the month of August. The Motor License Fund is \$37.2 million above estimate for the year.



## ARRA FMAP Extension and Education Jobs Fund Law

**O**n August 10, 2010, President Obama approved the “ARRA FMAP Extension and Education Jobs Fund Law.” The legislation: (1) authorized a two-quarter extension of the increased Federal Medical Assistance Percentages (FMAPs) contained in the American Recovery and Reinvestment Act of 2009 and (2) provided \$10 billion nationwide for a new program (Ed Jobs) designed to save or create education-related jobs.

### FMAP Update

Governor Rendell assumed in his FY 2010-11 budget that ARRA enhanced FMAP rates scheduled to end December 31, 2010 would be extended through June 30, 2011. The Governor insisted throughout negotiations that the FMAP extension be included in the enacted budget which he signed into law on July 6, 2010. The legislation approved by the President, however, provides Pennsylvania with approximately \$282 million less than the amount that Governor Rendell assumed.

Governor Rendell has proposed to offset the reduced FMAPs by reducing the appropriation for the Basic Education subsidy by \$50 million and imposing a 1.9% across-the-board reduction for discretionary appropriations under his jurisdiction and for appropriations to the General Assembly, Judiciary, Row Officers and independent agencies, boards and commissions. The final component of the Governor’s proposal assumes \$70 million in new General Fund revenues from a yet-to-be-enacted extraction tax on Marcellus Shale drilling.

According to information provided by the Governor’s Office, the proposed cuts would result in reductions of approximately \$112 million to state programs, \$60 million to county and local programs and \$50 million for school districts. The \$50 million reduction in the Basic Education subsidy would be applied to school districts on a pro-rata basis.

### Ed Jobs

Pennsylvania is expected to receive approximately \$380 mil-

lion more in new federal funds for the Ed Jobs Program. Program funds must be used by Local Education Agencies (LEAs) during the 2010-2011 school year to hire or re-hire

elementary and secondary education school-level employees and for supporting school-level jobs. The federal law requires these funds to be distributed through either the state’s primary K-12 education funding formula or through the Title I formula. Governor Rendell has indicated that he intends to make distribution through our basic education formula.

Under the Governor’s proposal, school districts will receive \$330 million more in FY 2010-11 than was anticipated when the budget was enacted. As such, Senators Scarnati, Pileggi and Corman corresponded with the Governor on August 13, 2010 and recommended that he consider re-directing the remaining \$200 million state-funds increase in basic education to meet the Commonwealth’s pension obligations.

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## EITC Reduction Avoided

**T**he Senate Republican caucus fought hard during budget negotiations to ward off a scheduled \$10 million cut to the Educational Improvement Tax Credit program. Last year’s budget deal called for the EITC to be reduced from \$75 million to \$60 million in FY

2009-10 and to \$50 million for FY 2010-11. Recognizing the importance of this vital program, this year’s budget reversed the scheduled cut and maintained funding at \$60 million for FY 2010-11.

The EITC enables companies to support local, non-profit educa-

tional institutions and public schools. As a result, thousands of families who would not be able to afford non-public schools can choose which school is best for their child. In addition, the program funds innovative educational programs

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that enhance the curriculum and academics at public schools. The program truly is a win-win for both taxpayers and families.

The \$60 million funding for the EITC program is allocated as follows:

| Category                              | FY 2009-10 Cap      | Scheduled FY 2010-11 Cap | Restored FY 2010-11 Cap |
|---------------------------------------|---------------------|--------------------------|-------------------------|
| Scholarship Organizations             | \$37,967,000        | \$33,502,000             | \$40,202,400            |
| Educational Improvement Organizations | \$15,633,000        | \$11,168,000             | \$13,401,600            |
| Pre-K Programs                        | \$6,400,000         | \$5,330,000              | \$6,396,000             |
| <b>TOTAL</b>                          | <b>\$60,000,000</b> | <b>\$50,000,000</b>      | <b>\$60,000,000</b>     |

## Race To The Top Competition Round Two Update

On August 24, 2010, U.S. Secretary of Education Arne Duncan announced that ten applicants were awarded grants in the second phase of the Race to the Top competition. Thirty-five states and the District of Columbia were competing for the \$3.4 billion that was available after the first round awards. In the first round, \$100 million was awarded to the State of Delaware and \$500 million was awarded to the State of Tennessee.

Pennsylvania did not receive an award in the second phase of the competition. Pennsylvania's Round Two application for \$400 million in Race to the Top funds was ranked 18th amongst the 36 competitors. By contrast, Pennsylvania's previous application was ranked 7th of the 40 states competing in Round One.

Pennsylvania's failure to secure a Round Two Race to the Top grant is largely the result of a lack of participation by school districts and other local educa-

tion agencies. Pennsylvania's application included participation from only 122 school districts and 69 charter schools. The application, which was substantially similar to the Commonwealth's Round One application, proposed to use grant money to increase student achievement, improve professional development programs, develop a new system to evaluate teachers and

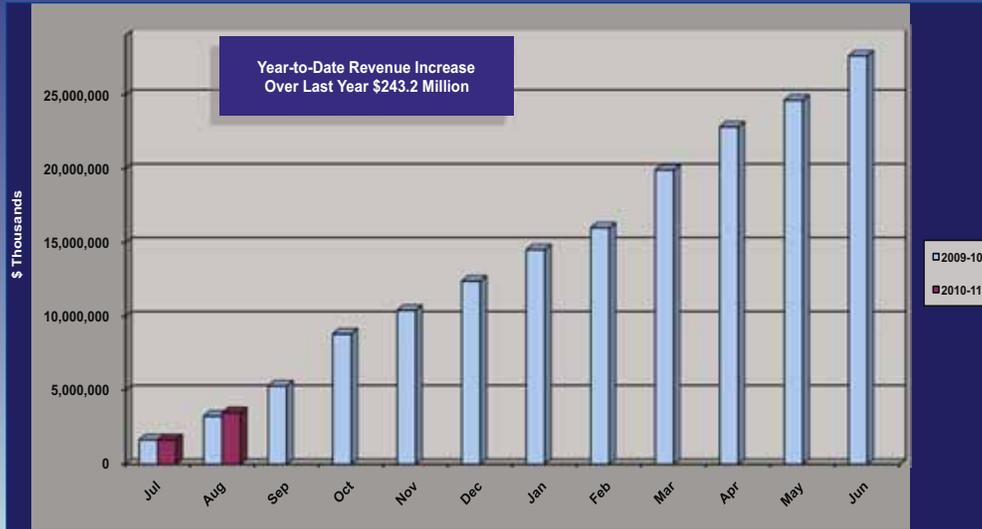
administrators based on students' academic gains and implement methods to identify and share best practices. Poor performing schools would have been required to adopt strategies to improve performance that could include leadership changes and school closures. Secretary Duncan indicated that the Obama Administration is seeking \$1.35 billion for a third phase.

## The Round Two Winners

|                            |                |
|----------------------------|----------------|
| Massachusetts.....         | \$250 million  |
| New York .....             | \$700 million  |
| Hawaii.....                | \$75 million   |
| Florida .....              | \$700 million  |
| Rhode Island .....         | \$75 million   |
| District of Columbia ..... | \$75 million   |
| Maryland .....             | \$250 million  |
| Georgia .....              | \$ 400 million |
| North Carolina .....       | \$400 million  |
| Ohio .....                 | \$400 million  |

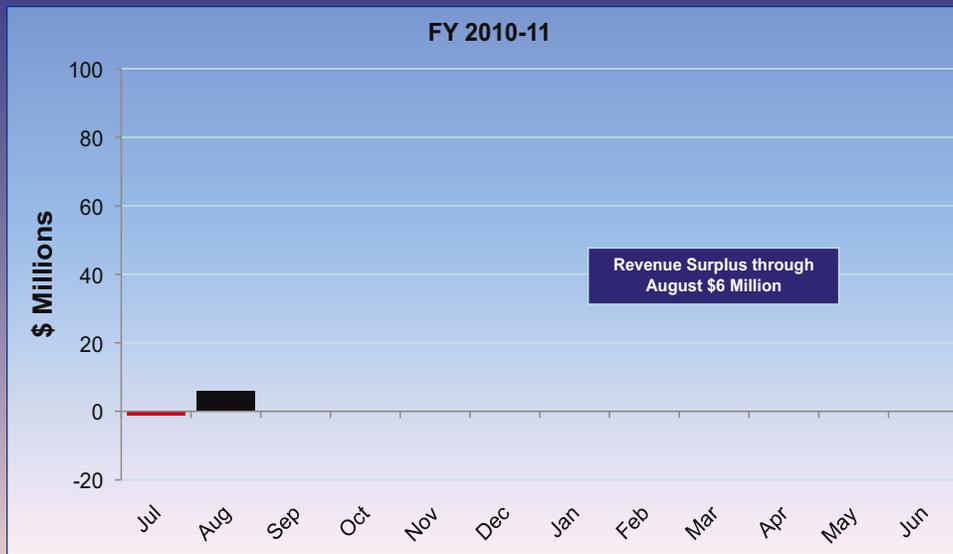


## General Fund Tax Collections Fiscal Year 2010-2011 Revenue Comparison with Last Year



Senate Appropriations Committee, Jake Corman, Chairman

## General Fund Collections Year-to-Date Revenue Comparison with Official Estimate



Senate Appropriations Committee, Jake Corman, Chairman

## Appropriations Committee Monthly Revenue Report

| Fiscal Year 2010-11                                    |                   |                       |                          |                       |               |                  |                       |
|--|-------------------|-----------------------|--------------------------|-----------------------|---------------|------------------|-----------------------|
| Senate Appropriations Committee Monthly Revenue Report |                   |                       |                          |                       |               |                  |                       |
| (\$ thousands)   |                   |                       |                          |                       |               |                  |                       |
| REVENUE SOURCES  | YTD<br>FY 2009-10 | August 2010<br>Actual | August 2010<br>Estimated | Surplus/<br>(Deficit) | YTD<br>Actual | YTD<br>Estimated | Surplus/<br>(Deficit) |
| <b>TOTAL - GENERAL FUND</b>                            | 3,256,388         | 1,806,356             | 1,799,300                | 7,056                 | 3,499,602     | 3,493,600        | 6,002                 |
| <b>TOTAL - NON-TAX REVENUE</b>                         | 137,551           | 195,143               | 197,100                  | (1,957)               | 227,916       | 229,900          | (1,984)               |
| <b>TOTAL - TAX REVENUE</b>                             | 3,214,089         | 1,611,212             | 1,602,200                | 9,012                 | 3,271,685     | 3,263,700        | 7,985                 |
| <b>TOTAL - Corporation Taxes</b>                       | 137,551           | 42,088                | 42,900                   | (812)                 | 101,415       | 103,200          | (1,785)               |
| Accelerated Deposits                                   | (1,783)           | 2,489                 | 0                        | 2,489                 | 1,568         | 0                | 1,568                 |
| Corp. Net Income                                       | 69,190            | 23,389                | 29,800                   | (6,411)               | 64,464        | 70,900           | (6,436)               |
| Cap. Stock & Franchise                                 | 27,515            | 12,325                | 11,400                   | 925                   | 28,809        | 27,900           | 909                   |
| Gross Receipts   | 2,784             | 1,376                 | 300                      | 1,076                 | 2,243         | 1,200            | 1,043                 |
| PURTA  | 114               | 501                   | 100                      | 401                   | 546           | 200              | 346                   |
| Insurance Premiums                                     | 38,667            | 1,095                 | 600                      | 495                   | 2,557         | 2,000            | 557                   |
| Financial Institutions                                 | 584               | 718                   | 400                      | 318                   | 777           | 400              | 377                   |
| Other Selective Bus. Taxes                             | 480               | 195                   | 300                      | (105)                 | 451           | 600              | (149)                 |
| <b>TOTAL - Consumption Taxes</b>                       | 1,570,536         | 822,455               | 785,300                  | 37,155                | 1,685,562     | 1,648,400        | 37,162                |
| Sales and Use  | 1,397,986         | 700,857               | 666,400                  | 34,457                | 1,457,471     | 1,423,000        | 34,471                |
| General (net of transfers)                             | 1,208,534         | 599,999               | 580,600                  | 19,399                | 1,268,412     | 1,249,000        | 19,412                |
| Motor Vehicle Sales                                    | 189,453           | 100,858               | 85,800                   | 15,058                | 189,059       | 174,000          | 15,059                |
| Cigarette Tax  | 125,411           | 97,123                | 95,200                   | 1,923                 | 178,996       | 177,100          | 1,896                 |
| Malt Beverage  | 5,138             | 2,472                 | 2,500                    | (28)                  | 4,908         | 4,900            | 8                     |
| Liquor   | 42,001            | 22,003                | 21,200                   | 803                   | 44,187        | 43,400           | 787                   |
| <b>TOTAL - Other Taxes</b>                             | 1,506,003         | 746,669               | 774,000                  | (27,331)              | 1,484,708     | 1,512,100        | (27,392)              |
| Personal Income  | 1,323,350         | 650,865               | 663,200                  | (12,335)              | 1,288,713     | 1,301,100        | (12,387)              |
| Withholding  | 1,248,462         | 619,220               | 628,900                  | (9,680)               | 1,220,343     | 1,229,900        | (9,557)               |
| Non-Withholding  | 74,888            | 31,645                | 34,300                   | (2,655)               | 68,370        | 71,200           | (2,830)               |
| Realty Transfer  | 58,700            | 23,273                | 37,100                   | (13,827)              | 58,428        | 72,300           | (13,872)              |
| Inheritance & Estate                                   | 122,526           | 66,946                | 66,900                   | 46                    | 130,661       | 130,600          | 61                    |
| Minor & Repealed                                       | 1,427             | 1,409                 | 1,000                    | 409                   | 1,109         | 700              | 409                   |
| Table Games  |                   | 4,175                 | 5,800                    | (1,625)               | 5,798         | 7,400            | (1,602)               |
| <b>TOTAL - MOTOR LICENSE FUND</b>                      | 471,301           | 192,822               | 156,040                  | 36,782                | 437,163       | 400,010          | 37,153                |
| <b>TOTAL - Liquid Fuels Taxes</b>                      | 192,523           | 116,954               | 92,900                   | 24,054                | 225,440       | 201,380          | 24,060                |
| Liquid Fuels   | 82,520            | 69,991                | 40,600                   | 29,391                | 127,351       | 97,960           | 29,391                |
| Fuels  | 25,330            | 11,310                | 12,700                   | (1,390)               | 23,865        | 25,250           | (1,385)               |
| Motor Carriers/IFTA                                    | 3,782             | 121                   | 2,260                    | (2,139)               | 611           | 2,750            | (2,139)               |
| Alternative Fuels                                      | 23                | 14                    | 0                        | 14                    | 51            | 40               | 11                    |
| Oil Company Franchise                                  | 80,869            | 35,519                | 37,340                   | (1,821)               | 73,561        | 75,380           | (1,819)               |
| <b>TOTAL - Licenses, Fees &amp; Other</b>              | 278,777           | 75,868                | 63,140                   | 12,728                | 211,723       | 198,630          | 13,093                |
| Licenses and Fees                                      | 136,694           | 69,308                | 57,880                   | 11,428                | 141,621       | 130,190          | 11,431                |
| Other Motor Receipts                                   | 142,083           | 6,559                 | 5,260                    | 1,299                 | 70,102        | 68,440           | 1,662                 |



# The Monthly Report

## General Fund 2010-11 Distribution

|                                  | July    | August  | September | October | November | December | January | February | March   | April   | May     | June    | Total    |
|----------------------------------|---------|---------|-----------|---------|----------|----------|---------|----------|---------|---------|---------|---------|----------|
| <b>TOTAL - GENERAL FUND</b>      | 1,694.3 | 1,798.3 | 2,245.4   | 1,813.6 | 1,596.2  | 2,114.4  | 2,170.1 | 1,551.2  | 3,988.1 | 3,026.9 | 1,740.8 | 2,971.4 | 76,711.7 |
| <b>TOTAL - TAX REVENUE</b>       | 1,661.5 | 1,802.2 | 2,234.4   | 1,787.9 | 1,580.4  | 2,084.4  | 2,154.7 | 1,530.0  | 3,956.5 | 2,870.0 | 1,671.2 | 2,553.1 | 75,686.3 |
| <b>TOTAL - Corp Taxes</b>        | 60.3    | 42.9    | 435.9     | 119.3   | 54.9     | 441.2    | 89.0    | 66.6     | 2,306.8 | 469.8   | 87.7    | 470.2   | 4,646.6  |
| Accelerated Deposits             | 0.0     | 0.0     | 0.0       | 0.0     | 0.0      | 0.0      | 0.0     | 0.0      | 0.0     | 0.0     | 0.0     | 0.0     | 0.0      |
| Corporate Net Income             | 41.1    | 29.8    | 314.8     | 81.0    | 38.2     | 313.6    | 60.7    | 34.3     | 300.8   | 266.2   | 44.6    | 321.9   | 1,847.0  |
| Capital Stock & Franchise        | 16.5    | 11.4    | 113.3     | 36.7    | 15.5     | 119.5    | 20.6    | 12.0     | 139.9   | 127.5   | 17.8    | 136.3   | 767.0    |
| Select Business Total            | 2.7     | 1.7     | 7.8       | 1.6     | 1.2      | 8.1      | 7.7     | 22.3     | 1,866.1 | 76.1    | 75.3    | 12.0    | 2,032.6  |
| Gross Receipts                   | 0.9     | 0.3     | 2.6       | 0.8     | 0.3      | 3.3      | 0.6     | 1.1      | 1,321.4 | 2.0     | (6.3)   | 4.1     | 1,331.1  |
| Utility Property                 | 0.1     | 0.1     | 0.6       | 0.0     | 0.1      | 0.0      | 0.5     | 0.0      | 0.1     | 12.1    | 28.2    | 1.4     | 43.2     |
| Insurance Premiums               | 1.4     | 0.6     | 0.2       | 0.2     | 0.2      | 0.6      | 6.1     | 20.2     | 329.0   | 56.4    | 2.3     | 3.5     | 420.7    |
| Financial Institutions           | 0.0     | 0.4     | 2.6       | 0.0     | 0.5      | 3.4      | 0.1     | 0.6      | 209.0   | 1.5     | 0.6     | 2.0     | 220.7    |
| Bank Shares                      | 0.0     | 0.0     | 0.4       | 0.0     | 0.1      | 0.2      | 0.1     | 0.2      | 208.0   | 0.6     | 0.1     | 0.6     | 210.3    |
| Mutual Thrift Institutions       | 0.0     | 0.4     | 2.2       | 0.0     | 0.4      | 3.2      | 0.0     | 0.4      | 1.0     | 0.9     | 0.5     | 1.4     | 10.4     |
| Other                            | 0.3     | 0.3     | 1.8       | 0.6     | 0.1      | 0.8      | 0.4     | 0.4      | 6.6     | 4.1     | 0.5     | 1.0     | 16.9     |
| <b>TOTAL - Consumption Taxes</b> | 863.1   | 785.3   | 771.0     | 831.4   | 752.4    | 773.1    | 907.2   | 687.4    | 710.6   | 827.0   | 779.4   | 1,052.7 | 9,740.6  |
| Sales and Use                    | 756.6   | 666.4   | 653.6     | 710.9   | 634.4    | 637.7    | 808.3   | 581.5    | 594.8   | 708.1   | 656.0   | 929.0   | 8,337.3  |
| Non-Motor                        | 668.4   | 580.6   | 577.7     | 623.1   | 561.7    | 565.5    | 732.0   | 517.1    | 509.3   | 602.8   | 559.4   | 818.6   | 7,316.2  |
| Motor                            | 88.2    | 85.8    | 75.9      | 87.8    | 72.7     | 72.2     | 76.3    | 64.4     | 85.5    | 105.3   | 96.6    | 110.4   | 1,021.1  |
| Cigarette                        | 81.9    | 95.2    | 93.3      | 94.1    | 93.6     | 99.3     | 71.5    | 82.9     | 91.5    | 93.5    | 97.4    | 98.7    | 1,092.9  |
| Malt Beverage                    | 2.4     | 2.5     | 2.4       | 2.3     | 2.1      | 1.9      | 1.8     | 1.9      | 1.9     | 2.1     | 2.3     | 2.4     | 26.0     |
| Liquor                           | 22.2    | 21.2    | 21.7      | 24.1    | 22.3     | 34.2     | 25.6    | 21.1     | 22.4    | 23.3    | 23.7    | 22.6    | 284.4    |
| <b>TOTAL - Other Taxes</b>       | 738.1   | 774.0   | 1,027.5   | 837.2   | 773.1    | 870.1    | 1,158.5 | 774.0    | 938.1   | 1,573.2 | 804.1   | 1,040.2 | 11,299.1 |
| Personal Income                  | 637.9   | 663.2   | 931.7     | 739.7   | 679.4    | 775.6    | 1,068.1 | 695.1    | 842.2   | 1,476.2 | 702.0   | 913.4   | 10,124.5 |
| Withholding                      | 601.0   | 628.9   | 651.8     | 616.2   | 645.1    | 697.4    | 715.6   | 661.2    | 741.0   | 634.1   | 652.7   | 675.3   | 7,970.3  |
| Quarterly                        | 26.3    | 15.1    | 238.9     | 48.9    | 18.7     | 62.1     | 339.5   | 11.9     | 22.9    | 175.4   | 19.2    | 212.8   | 1,211.7  |
| Annual                           | 10.6    | 19.2    | 21.0      | 74.6    | 15.6     | 16.1     | 13.0    | 22.0     | 78.3    | 666.7   | 30.1    | 25.3    | 992.5    |
| Ready Transfer                   | 35.2    | 37.1    | 28.7      | 30.0    | 25.3     | 25.8     | 23.4    | 15.7     | 19.7    | 23.2    | 23.3    | 31.2    | 318.6    |
| Inheritance                      | 63.7    | 66.9    | 61.7      | 59.5    | 61.8     | 62.3     | 59.5    | 56.9     | 69.7    | 65.7    | 72.2    | 71.0    | 770.9    |
| Table Games                      | 1.6     | 5.8     | 6.0       | 7.8     | 6.2      | 6.2      | 7.8     | 6.2      | 6.6     | 8.5     | 6.6     | 7.1     | 76.4     |
| Minor and Repealed               | (0.3)   | 1.0     | (0.6)     | 0.2     | 0.4      | 0.2      | (0.3)   | 0.1      | 0.9     | (0.4)   | 0.0     | 7.5     | 8.7      |
| <b>TOTAL - Non-Tax Revenue</b>   | 32.8    | 197.1   | 11.0      | 25.7    | 15.8     | 30.0     | 15.4    | 21.2     | 31.6    | 156.9   | 69.6    | 418.3   | 1,025.4  |
| Liquor Store Profits             | 0.0     | 0.0     | 0.0       | 0.0     | 0.0      | 0.0      | 0.0     | 0.0      | 0.0     | 0.0     | 0.0     | 0.0     | 105.0    |
| License, Fees & Miscellaneous    | 32.1    | 195.3   | 9.0       | 24.0    | 13.2     | 28.4     | 13.2    | 19.1     | 30.6    | 155.8   | 68.0    | 311.5   | 900.2    |
| Miscellaneous                    | 5.2     | 6.3     | 6.2       | 7.0     | 5.2      | 21.4     | 7.7     | 15.3     | 7.1     | 14.9    | 33.9    | 9.0     | 139.2    |
| Treasury                         | 8.8     | (2.6)   | (3.2)     | (7.7)   | (1.7)    | (1.1)    | 0.5     | (6.3)    | (0.9)   | (0.4)   | (0.5)   | (0.5)   | (15.6)   |
| Transfers                        | 8.0     | 189.7   | 7.1       | 7.2     | 8.1      | 9.7      | 8.1     | 9.2      | 7.2     | 7.2     | 10.0    | 304.5   | 576.0    |
| Excises                          | (3.8)   | (1.8)   | (4.9)     | (4.2)   | (2.9)    | (8.9)    | (7.0)   | (5.3)    | 12.8    | 123.8   | 19.7    | 0.8     | 118.3    |
| Other Miscellaneous              | 13.9    | 3.7     | 3.8       | 21.7    | 4.5      | 7.3      | 3.9     | 6.2      | 4.4     | 10.3    | 4.9     | (2.3)   | 82.3     |
| Fines, Penalties, and Interest   | 0.7     | 1.8     | 2.0       | 1.7     | 2.6      | 1.6      | 2.2     | 2.1      | 1.0     | 1.1     | 1.6     | 1.8     | 20.2     |
| FPI on Taxes                     | 0.5     | 1.5     | 1.4       | 1.4     | 2.4      | 1.4      | 2.1     | 1.9      | 0.8     | 0.7     | 1.3     | 1.6     | 17.0     |
| FPI on Other                     | 0.2     | 0.3     | 0.6       | 0.3     | 0.2      | 0.2      | 0.1     | 0.2      | 0.2     | 0.4     | 0.3     | 0.2     | 3.2      |