



Senate Appropriations Committee

The Monthly Report

March 2012

Jake Corman, Chairman



General Fund Revenues Above The Estimate In February

General Fund revenue collections for the month ended February 2012 totaled \$1.7 billion, which was \$15.6 million, or 0.9%, above estimate. Fiscal year-to-date collections total \$15.5 billion, which is \$481.6 million, or 3.0%, below estimate. Total (i.e. tax + non-tax) FY 2011-12 General Fund revenues are 1.9% higher than last year, while tax revenues are 3.4% more. February is typically the month having the least amount of revenue collections for the entire fiscal year.

Sales and use tax collections were short of estimate by \$6.5 million, or 1%, for the month. General (i.e. non-motor vehicle) SUT was \$13.2 million, or 2.4%, below estimate. Sales and use tax on motor vehicles was \$6.7 million, or 9.4%, above estimate for the month. Consumer demand for new vehicles continues to improve at a steady pace. Overall, sales and use tax revenues are 4.8% ahead of last year at this time.

Personal income tax collections were above estimate by \$36.2 million, or 4.7%, for the month. PIT from employers' withholding was over estimate by \$38.7 million for the month. The national unemployment rate and the number of jobless fell in January to the lowest levels since early 2009. According to the federal Bureau of Labor Statistics, total nonfarm payroll employment rose by 243,000 in January, and the unemployment rate decreased to 8.3%. December job growth was 203,000, and November job growth was 157,000.

With any luck, this month's relatively strong performance reflects a job market that is gaining real steam, although there is some concern that the exceptionally mild winter weather has given a temporary boost to employment. Quarterly estimated PIT was under estimate by \$2.2 million for February, and PIT payments on annual tax returns just about met the estimate at \$338,072 below for the month. Overall, PIT revenues are 3.7% ahead of last year at this time.

Corporation tax collections were below estimate by \$9.7 million, or 13.2%, for the month. February is not a particularly important month for corporation tax collections. Corporation taxes are \$296.5 million, or 17.8%, below estimate for

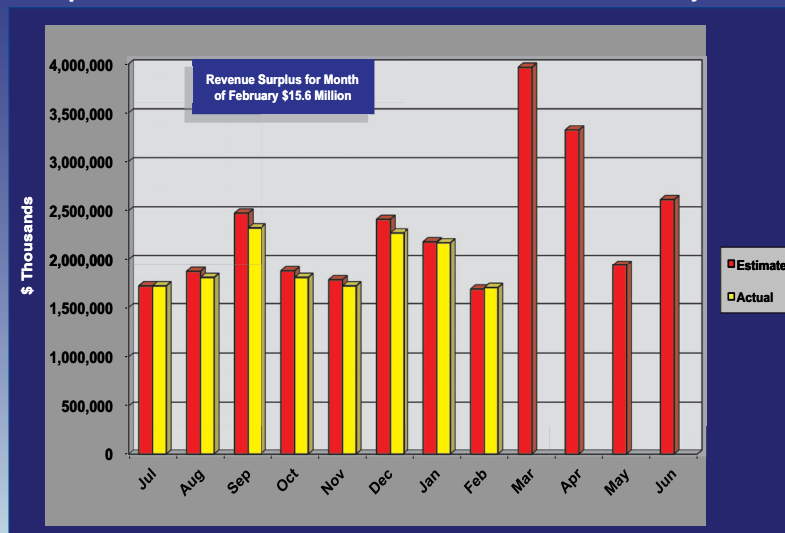
the year.

Realty Transfer Tax collections missed the estimate at nearly \$1 million below for the month. RTT had been running substantially below estimate for quite some time, but it has been moving closer to the estimate over the past three months.

Liquor tax collections of \$22.6 million were \$1.1 million above estimate. Cigarette tax collections just missed the estimate by \$830,125 and table games tax revenue beat the estimate by \$769,211.

Motor License Fund collections were \$5.4 million above estimate for the month of February. The Motor License Fund is \$8.1 million above estimate for the year.

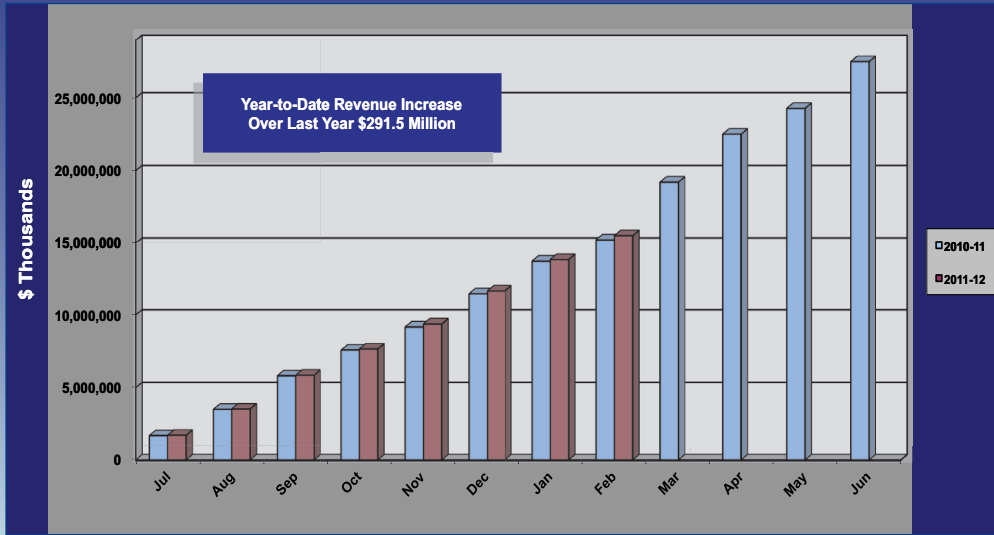
General Fund Tax Collections
Fiscal Year 2011-2012
Comparison of Official Estimate with Actual Revenue by Month



Senate Appropriations Committee, Jake Corman, Chairman

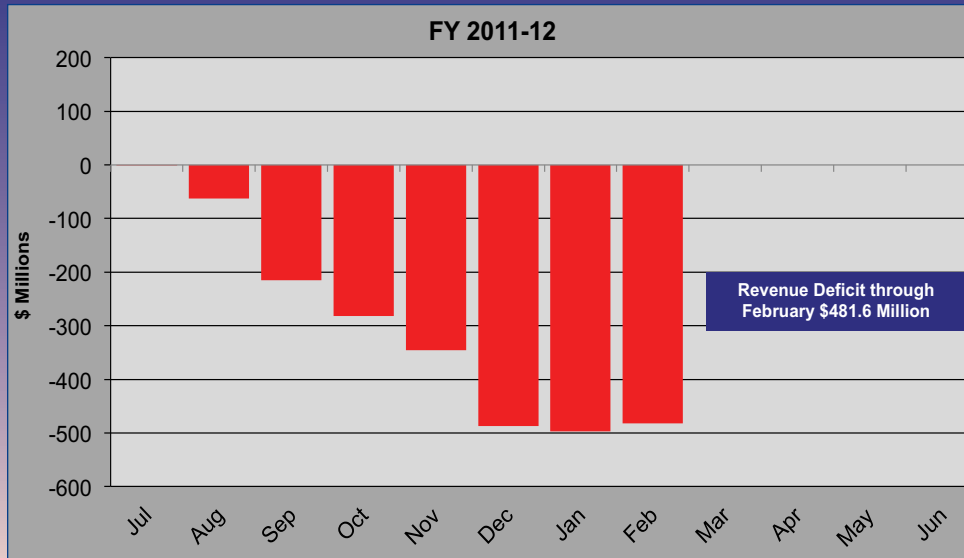


General Fund Tax Collections Fiscal Year 2011-2012 Revenue Comparison with Last Year

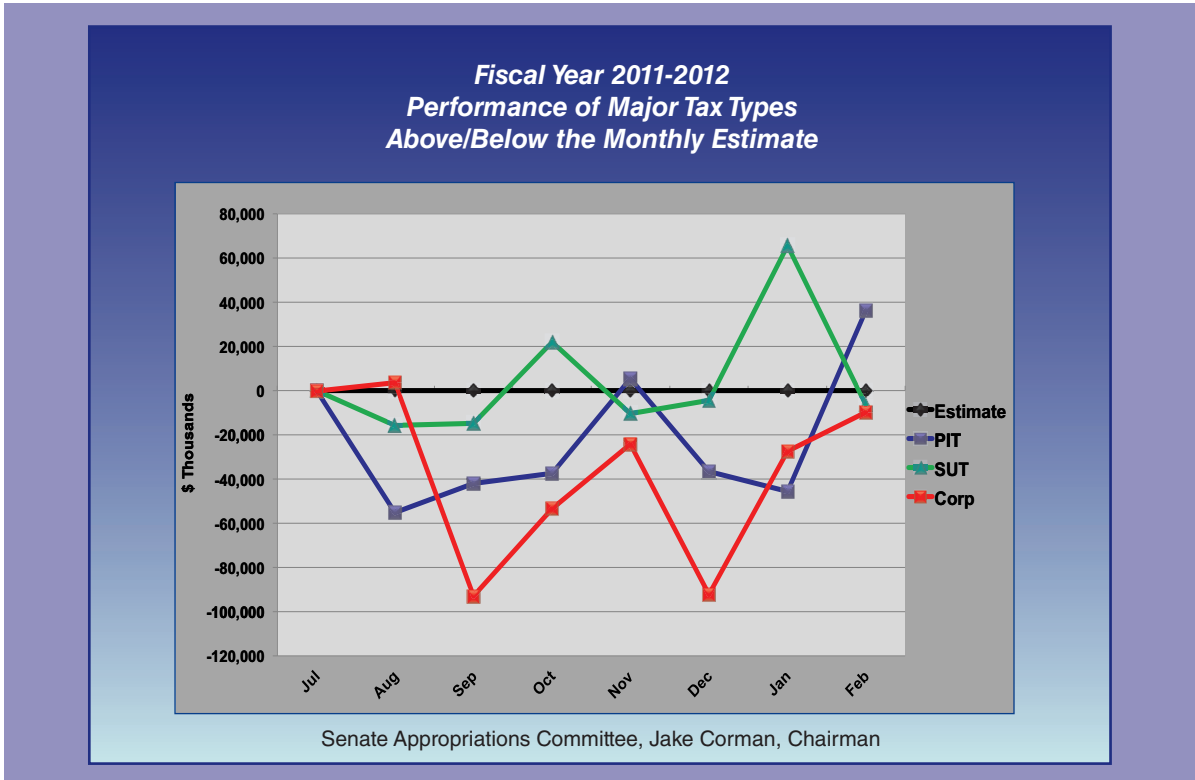


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General Fund Tax Collections Year-to-Date Comparison with Official Estimate



Senate Appropriations Committee, Jake Corman, Chairman



Independent Fiscal Office Responds to Inquiry From The Senate Appropriations Committee

Recently, the Independent Fiscal Office (IFO) provided a response to an inquiry made at the Senate Appropriations Committee budget hearing regarding Gross Receipts Tax (GRT) revenue collections and future projections. According to the IFO, two factors appear to impact recent and projected patterns of collections.

1. For recent years, the tax base has stagnated or declined for the two industry segments that comprise the vast majority of GRT collections.
 - a. A gradual reduction in the number of land lines and slower growth in the cell phone market has impacted the base. It is important to note that data charges for smart phones are not included in the GRT base.
 - b. Generation charges for elec-

tricity have generally declined due to deregulation, but load continues to grow so that the underlying forecast of tax liability for gross receipts of electric companies is generally flat for tax year 2012.

2. Timing issues, particularly within the electric industry, have contributed to the volatility of collections in recent years. Data from the Public Utility Commission show that a large number of customers switched from traditional public utilities to new electric generation suppliers between 2009 and 2011. This outcome could affect GRT remittances as follows:
 - a. The previous supplier might immediately reduce their tentative payment on March

15 to reflect the smaller customer base.

- b. The previous supplier might simply disregard the switch and make a tentative payment that is too large, thereby generating a credit to be used when they file a tax return on March 15 of the subsequent year.
- c. The new supplier might disregard the estimated revenues from new customers and use their "safe harbor" amount (the tax liability from the second prior tax year) to make a low tentative payment on March 15, with a final payment of "true-up" due March 15 of the following year when tax returns are due.



Appropriations Committee Monthly Revenue Report

REVENUE SOURCES	YTD FY 2010-11	February 2012 Actual	February 2012 Estimated	Surplus/ (Deficit)	YTD Actual	YTD Estimated	Surplus/ (Deficit)
TOTAL - GENERAL FUND	15,227,679	1,703,304	1,687,700	15,604	15,519,210	16,000,836	(481,626)
TOTAL - NON-TAX REVENUE	363,873	15,554	20,500	(4,946)	148,330	180,536	(32,206)
TOTAL - TAX REVENUE	14,863,805	1,687,744	1,667,200	20,544	15,370,874	15,820,300	(449,426)
TOTAL - Corporation Taxes	1,416,062	64,181	73,900	(9,719)	1,370,727	1,667,200	(296,473)
Accelerated Deposits	1,490	2,220	0	2,220	4,934	0	4,934
Corp. Net Income	943,150	27,401	36,500	(9,099)	876,180	1,183,100	(306,920)
Cap. Stock & Franchise	392,119	9,443	17,700	(8,257)	373,761	402,200	(28,439)
Gross Receipts	27,921	10,951	600	10,351	62,563	32,100	30,463
PURTA	2,233	22	0	22	2,129	1,800	329
Insurance Premiums	34,185	13,095	18,000	(4,905)	32,026	32,800	(774)
Financial Institutions	12,477	469	800	(331)	16,107	12,000	4,107
Other Selective Bus. Taxes	2,486	579	300	279	3,027	3,200	(173)
TOTAL - Consumption Taxes	6,459,101	724,540	730,700	(6,160)	6,733,967	6,697,200	36,767
Sales and Use	5,549,454	623,713	630,200	(6,487)	5,816,163	5,780,500	35,663
General (net of transfers)	4,892,582	545,399	558,600	(13,201)	5,075,176	5,086,300	(11,124)
Motor Vehicle Sales	656,872	78,314	71,600	6,714	740,987	694,200	46,787
Cigarette Tax	702,094	76,370	77,200	(830)	700,745	699,000	1,745
Malt Beverage	17,363	1,898	1,800	98	17,211	17,400	(189)
Liquor	190,189	22,559	21,500	1,059	199,848	200,300	(452)
TOTAL - Other Taxes	6,988,643	899,023	862,600	36,423	7,266,180	7,455,900	(189,720)
Personal Income	6,256,433	812,764	776,600	36,164	6,487,313	6,662,600	(175,287)
Withholding	5,241,172	774,184	735,500	38,684	5,517,271	5,595,300	(78,029)
Non-Withholding	1,015,261	38,579	41,100	(2,521)	970,042	1,067,300	(97,258)
Realty Transfer	187,800	15,140	16,100	(960)	190,622	201,400	(10,778)
Inheritance & Estate	500,695	64,902	63,100	1,802	525,644	535,100	(9,456)
Minor & Repealed	3,570	(1,253)	100	(1,353)	1,544	800	744
Table Games	40,144	7,469	6,700	769	61,058	56,000	5,058
TOTAL - MOTOR LICENSE FUND	1,677,762	164,825	159,470	5,355	1,563,949	1,555,860	8,089
TOTAL - Liquid Fuels Taxes	821,900	83,774	93,750	(9,976)	820,449	820,810	(361)
Liquid Fuels	380,175	28,176	43,010	(14,834)	367,882	387,560	(19,678)
Fuels	103,719	12,385	13,050	(665)	106,540	101,310	5,230
Motor Carriers/IFTA	25,970	3,102	2,630	472	32,396	28,290	4,106
Alternative Fuels	165	34	20	14	195	170	25
Oil Company Franchise	311,870	40,076	35,040	5,036	313,436	303,480	9,956
TOTAL - Licenses, Fees & Other	855,862	81,051	65,720	15,331	743,500	735,050	8,450
Licenses and Fees	519,774	71,433	58,810	12,623	526,378	525,220	1,158
Other Motor Receipts	336,088	9,618	6,910	2,708	217,122	209,830	7,292