



GENERAL FUND REVENUES FALL SHORT OF ESTIMATE PERSONAL, SALES, AND CORP TAXES ALL MISS THE MARK

Governor's Budget
Address
February 9, 2010

General Fund revenue collections for the month ended December 2009 totaled \$1.98 billion, which was \$37.2 million, or 1.8%, below estimate. Fiscal year-to-date collections total \$12.4 billion, which is \$254.2 million, or 2%, below estimate.

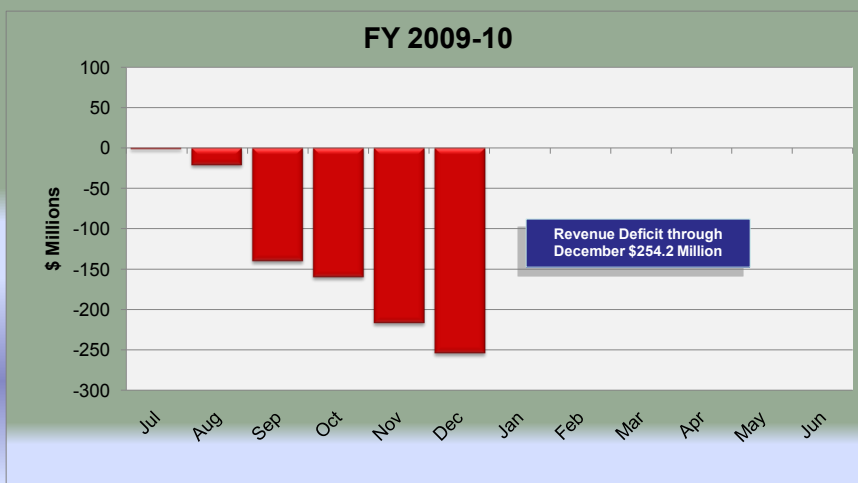
Corporation tax collections were below estimate by \$28.7 million, or 7.1%. Personal income tax collections were below estimate by \$6.2 million, or less than 1%, for the month. Although PIT individual estimated and annual payments were above estimate, PIT from employers' withholding lagged the estimate by \$21.9 million, indicating that high unemployment and under-employment continue to plague PIT collections.

Sales and use tax collections were below estimate for the month by \$39.1 million, or 5.9%. Despite media reports that this year's holiday shopping season improved from last year, SUT collections for December 2008 were \$10.8 million higher than SUT collections for December 2009.

Cigarette, Malt Beverage, Liquor, Realty Transfer and Inheritance taxes all exceeded estimate. However, these taxes combined represent only 7.2% of total estimated General Fund revenues.

Motor License Fund collections were \$5.1 million above estimate for the month of December. The Motor License Fund is \$33.9 million below estimate for the year.

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



Senate Appropriations Committee, Jake Corman, Chairman

Key Economic Indicators - Pennsylvania
(Billions)

Indicator	2008Q4	2009Q1	2009Q2	Projected	
				2009Q3	2009Q4
Nominal Gross State Product	551.9	547.3	546.4	549.9	554.5
Real Gross State Product	439.1	433.4	432.8	434.8	438.3
Real Personal Income	414.0	408.6	409.5	406.2	406.6
Real Disposable Income	365.2	370.3	371.8	369.4	370.2
CPI - Percent Change Year Ago	2.0	1.1	0.1	-0.7	2.2
	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09
Unemployment Rate	8.50%	8.70%	8.80%	8.90%	8.50%



GOVERNOR'S MID-YEAR BRIEFING OFFERS FEW SURPRISES; FISCAL YEAR 2010-11 WILL BE A LEAN YEAR

During his annual mid-year budget briefing, the Governor reported that the Commonwealth's economic condition, while improving, continues to be challenging. Revenue collections have been underperforming this year's conservative estimate.

At the briefing, the Governor disclosed that the General Fund revenue shortfall for Fiscal Year 2009-10 is currently projected to be \$450 million. As of December 31, 2009, revenue collections were \$254.2 million or 2% below the official estimate.

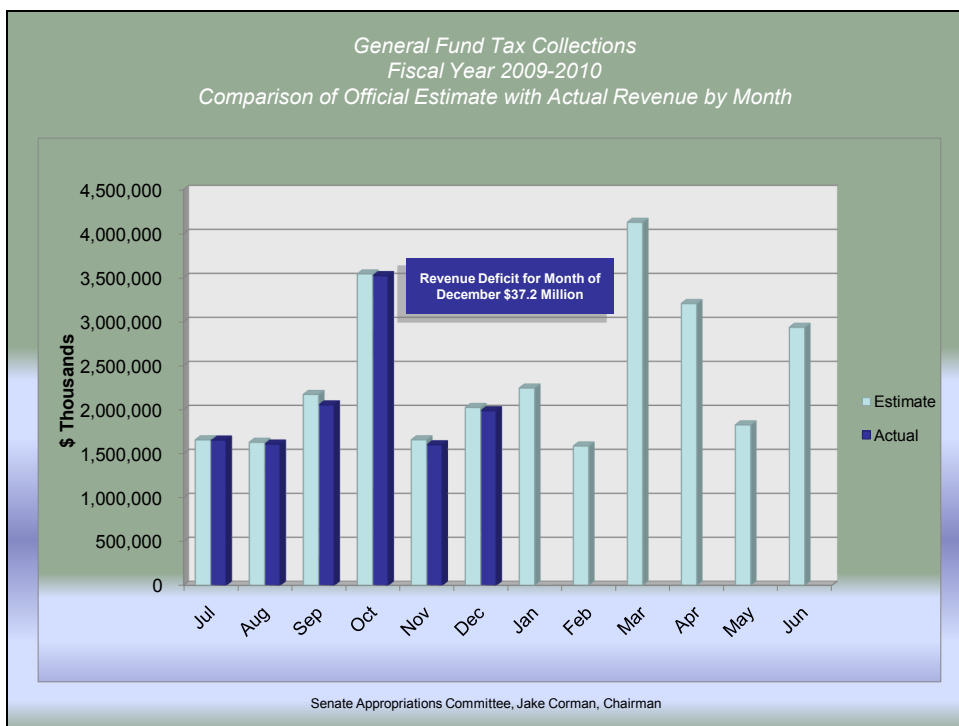
The Governor proposes to offset the revenue shortfall with a combination of reductions in current year appropriations and lapses of prior year available balances. The Governor stated that he believes he can avoid additional state employee layoffs as long as economic conditions do not deteriorate.

An itemized listing of his contemplated budget cuts is not available.

Finally, the cash balances in Treasury, while normally low in January and February, are unusually so because of the slowdown in revenues. Because of the declining cash balances, the Commonwealth issued \$800 million in Tax Anticipation Notes (TANs) this month. The Pennsylvania Constitution requires TANs to be repaid by June of 2010 (Article VII, Sec. 7). This is the first time in twelve years the Commonwealth has issued TANs.

Fiscal Year 2009-10 Budget Balancing Measures		Amounts in Millions
Projected Ending Balance (as of October 9, 2009)		\$ 354
Revenue Shortfall		-450
Preliminary Ending Balance (December 15, 2009)		-96
Planned December Spending Freeze		\$ 170
Additional Lapses		50
Revised Ending Balance		\$ 124

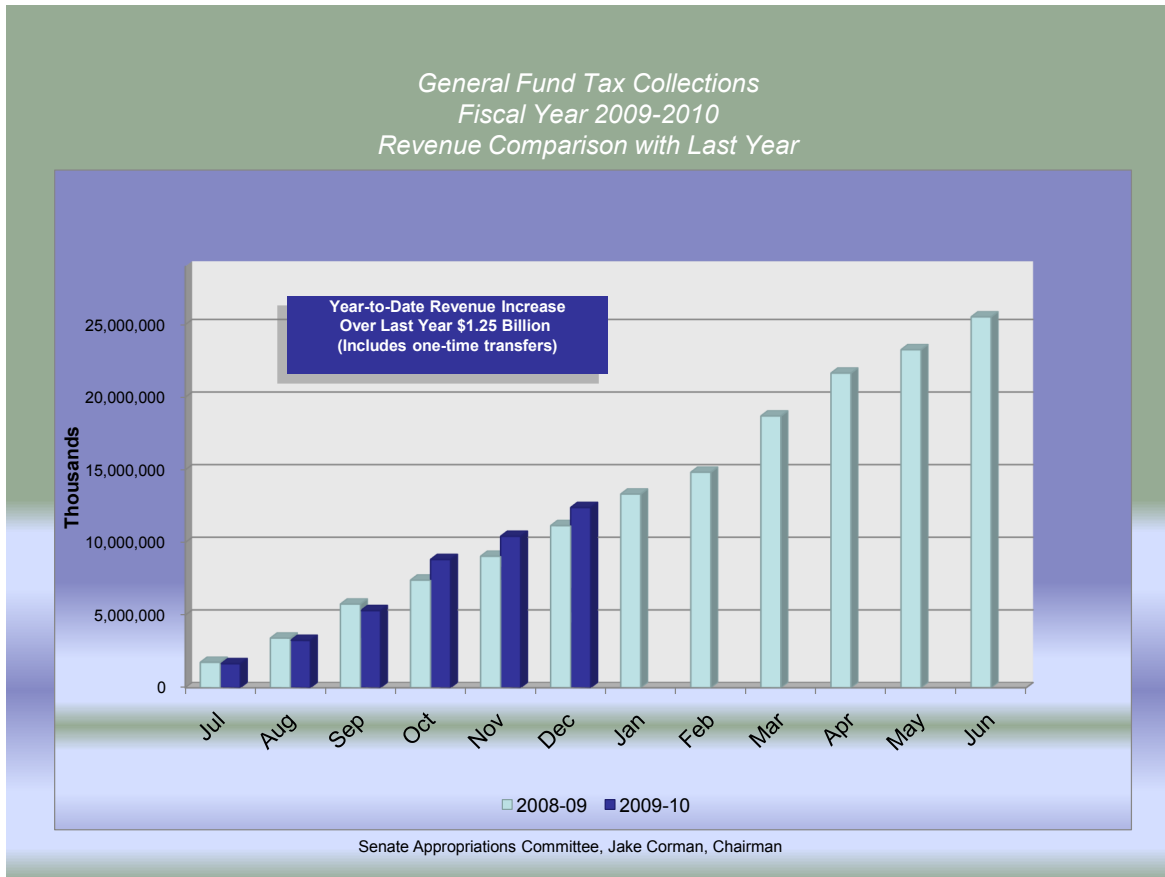
Planned December Spending Freeze		\$170 Million in Cuts
One percent across-the-board cut to discretionary line items (Reductions to agency operating appropriations and grant programs)		\$ 70
Targeted cuts to discretionary grant programs		100
Total Spending Cuts		\$ 170



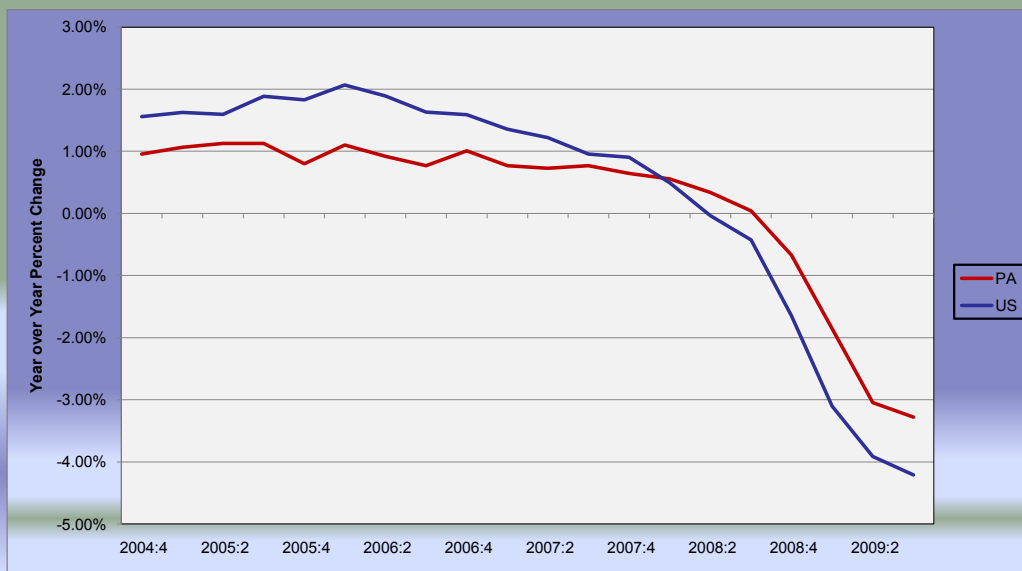
The Monthly Report

Useful Budget Terms

Lapse—The Return of unencumbered or unexpended monies from an appropriation or executive authorization to the fund from which the money was appropriated. Most appropriations are for one fiscal year and any unencumbered and unexpended monies usually lapse automatically at the end of that fiscal year.



U.S. / PA Employment Growth



Senate Appropriations Committee, Jake Corman, Chairman

Nonpreferred Appropriations—An appropriation to any charitable or educational institution not under the absolute control of the commonwealth which requires the affirmative vote of two-thirds of the members elected to each House of the General Assembly.

Useful Budget Terms



Fiscal Year 2009-10

Senate Appropriations Committee Monthly Revenue Report

(\$ thousands)

REVENUE SOURCES	YTD FY 2008-09	December 2009 Actual	December 2009 Estimated	Surplus/ (Deficit)	YTD Actual	YTD Estimated	Surplus/ (Deficit)
TOTAL - GENERAL FUND	11,157,697	1,983,510	2,020,700	(37,190)	12,406,244	12,660,400	(254,156)
TOTAL - NON-TAX REVENUE	(107,362)	36,284	31,800	4,484	1,919,443	1,926,600	(7,157)
TOTAL - TAX REVENUE	11,265,058	1,947,226	1,988,900	(41,674)	10,486,801	10,733,800	(246,999)
TOTAL - Corporation Taxes	1,363,117	377,053	405,800	(28,747)	1,099,584	1,100,500	(916)
Accelerated Deposits	1,436	(3,945)	0	(3,945)	1,320	0	1,320
Corp. Net Income	940,265	272,282	292,900	(20,618)	736,956	742,100	(5,144)
Cap. Stock & Franchise	393,545	91,565	103,500	(11,935)	276,286	290,200	(13,914)
Gross Receipts	13,146	5,838	3,000	2,838	12,731	11,800	931
PURTA	1,805	0	0	0	1,466	2,300	(834)
Insurance Premiums	2,789	3,265	3,600	(335)	52,724	46,300	6,424
Financial Institutions	6,655	7,388	2,100	5,288	15,149	4,300	10,849
Other Selective Bus. Taxes	3,475	660	700	(40)	2,953	3,500	(547)
TOTAL - Consumption Taxes	4,746,712	759,253	781,800	(22,547)	4,557,493	4,704,900	(147,407)
Sales and Use	4,214,132	627,259	666,400	(39,141)	3,964,278	4,145,400	(181,122)
General (net of transfers)	3,723,615	553,085	600,400	(47,315)	3,471,932	3,669,800	(197,868)
Motor Vehicle Sales	490,517	74,174	66,000	8,174	492,346	475,600	16,746
Cigarette Tax	401,435	97,566	86,600	10,966	439,877	410,700	29,177
Malt Beverage	13,674	1,950	1,900	50	13,951	13,900	51
Liquor	117,470	32,478	26,900	5,578	139,387	134,900	4,487
TOTAL - Other Taxes	5,155,230	810,919	801,300	9,619	4,829,725	4,928,400	(98,675)
Personal Income	4,583,605	707,268	713,500	(6,232)	4,291,197	4,402,900	(111,703)
Withholding	3,866,685	608,732	630,600	(21,868)	3,711,823	3,804,800	(92,977)
Non-Withholding	716,919	98,536	82,900	15,636	579,373	598,100	(18,727)
Realty Transfer	178,538	29,116	21,300	7,816	161,757	151,800	9,957
Inheritance & Estate	386,762	74,197	62,900	11,297	375,325	368,700	6,625
Minor & Repealed	6,324	338	3,600	(3,262)	1,446	5,000	(3,554)
TOTAL - MOTOR LICENSE FUND	1,212,385	150,135	145,010	5,125	1,253,312	1,287,220	(33,908)
TOTAL - Liquid Fuels Taxes	576,433	83,447	82,210	1,237	585,964	599,500	(13,536)
Liquid Fuels	238,118	24,256	34,900	(10,644)	259,434	284,760	(25,326)
Fuels	79,295	13,281	12,250	1,031	75,142	74,870	272
Motor Carriers/IFTA	19,271	3,912	5,570	(1,658)	17,146	18,870	(1,724)
Alternative Fuels	111	11	20	(9)	95	120	(25)
Oil Company Franchise	239,638	41,986	29,470	12,516	234,147	220,880	13,267
TOTAL - Licenses, Fees & Other	635,952	66,688	62,800	3,888	667,348	687,720	(20,372)
Licenses and Fees	410,823	55,061	55,530	(469)	375,807	386,560	(10,753)
Other Motor Receipts	225,129	11,627	7,270	4,357	291,541	301,160	(9,619)