



The Monthly Report

November 2010

Jake Corman, Chairman



General Fund Revenues Below Estimate for October

General Fund revenue collections for the month ended October 2010 totaled \$1.76 billion, which was \$57.3 million, or 3.2%, below estimate for the month. Fiscal year-to-date collections total \$7.57 billion, which is \$18.5 million, or 0.2%, above estimate for the year.

October's corporation tax collections were above estimate by \$11.5 million. During October, some corporations that have a six-month filing extension from April pay their CNI and CSFT annual payments late. Even though the filing of returns can be extended, tax payments for calendar year filers are due in April, regardless of extension. However, there is always some portion of taxpayers who true-up their li-

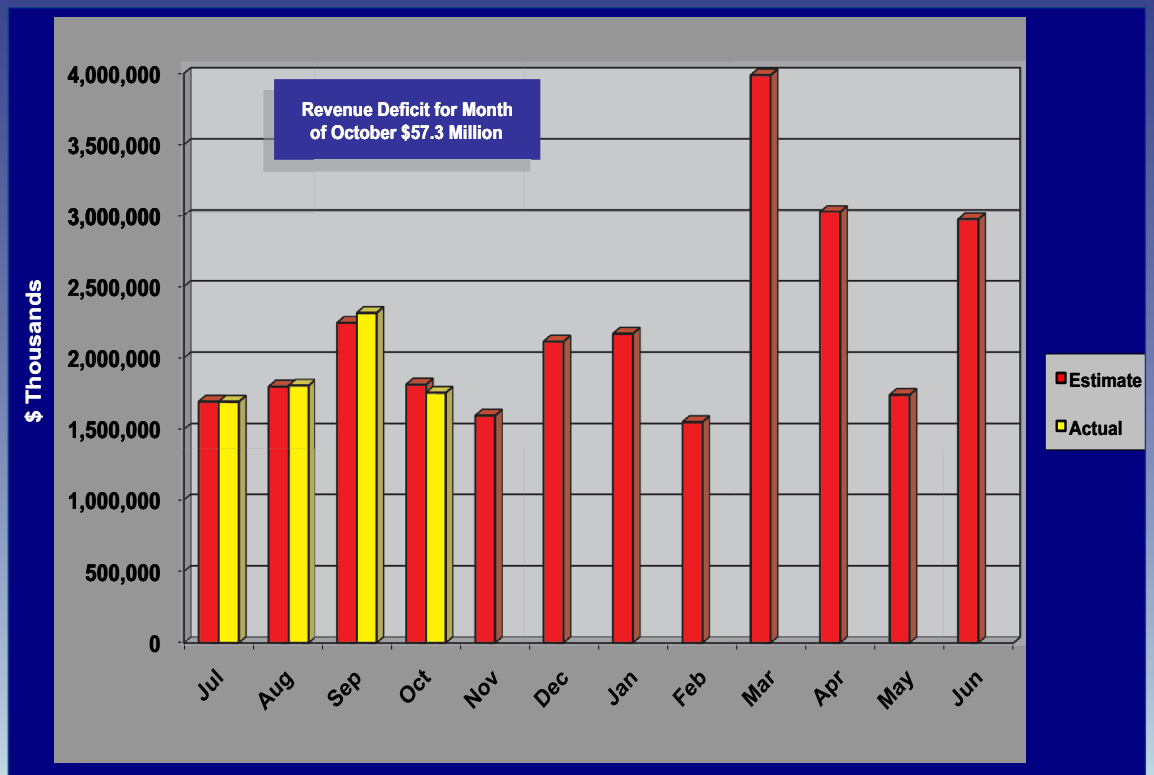
abilities when reports are filed in October.

Personal income tax collections were below estimate by \$43.7 million, accounting for the bulk of the monthly deficit. Employer's withholding was only \$274,193 short of estimate for the month, but individual quarterly estimated payments and payments on annual tax

returns fell short of estimate by \$15.2 million and \$28.3 million, respectively. As with corporation taxes, individuals who have a six-month filing extension sometimes make annual tax payments in October even though the taxes were due in April.

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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



This year's projected annual payments of \$74.6 million were nearly equal to last year's actual collections in this category (\$74.03 million); however, only \$46.3 million was collected this year. The good news is that these late payments are mainly attributable to 2009 tax liabilities, and this particular deficiency should not have much bearing on the remainder of FY 2010-11 PIT collections.

Sales and use tax collections were above estimate for the month by \$2 million. Non-

motor SUT was above estimate by \$8.2 million for the month, but SUT on motor vehicles was below estimate by \$6.2 million.

The Realty Transfer Tax was below estimate by \$9 million, or 30%, for the month. The RTT collections reflect continuing weakness in the housing market.

Non-tax revenues were below estimate by \$13.1 million in October. The Department of Revenue expected to receive proceeds from the sale of the

Philadelphia State Office Building this month, but the sale did not occur as anticipated. It is still expected to occur sometime this fiscal year.

Motor License Fund collections were \$2.4 million below estimate for the month of October. The Motor License Fund is \$33.1 million above estimate for the year.

A Look Ahead

October revenue collections provide a sobering reminder that the economy is not yet out of the woods and that the recovery may in fact be slowing. IHS Global Insight, in its October forecast, indicated that it expects growth of 2.6% for 2010, slowing to 2.2% for 2011. It also indicated that the economic impact of the fiscal stimulus is ebbing and that the economy is operating on limited underlying strength that results from private final demand. Households and businesses remain cautious due to economic uncertainty and such caution directly impacts demand and thus the pace of the recovery.

The Governor's certified revenue estimate for FY 2010-11 assumed an annualized growth rate of approximately 3.2% for

tax revenues. To date, tax revenues exceed the estimate by \$27.1 million or 0.37%. Neither the assumed or actual revenue growth, however, is sufficient to offset the fiscal troubles ahead. The General Fund is facing an estimated structural deficit of \$4 to \$5 billion for FY 2011-12. What this means is that the General Fund's revenue sources (income) are not adequate to offset projected expenditures in future years. The loss of ARRA FMAP and Fiscal Stabilization funds, increases in corrections costs, debt service, pension obligations and public welfare costs all contribute to the structural deficit.

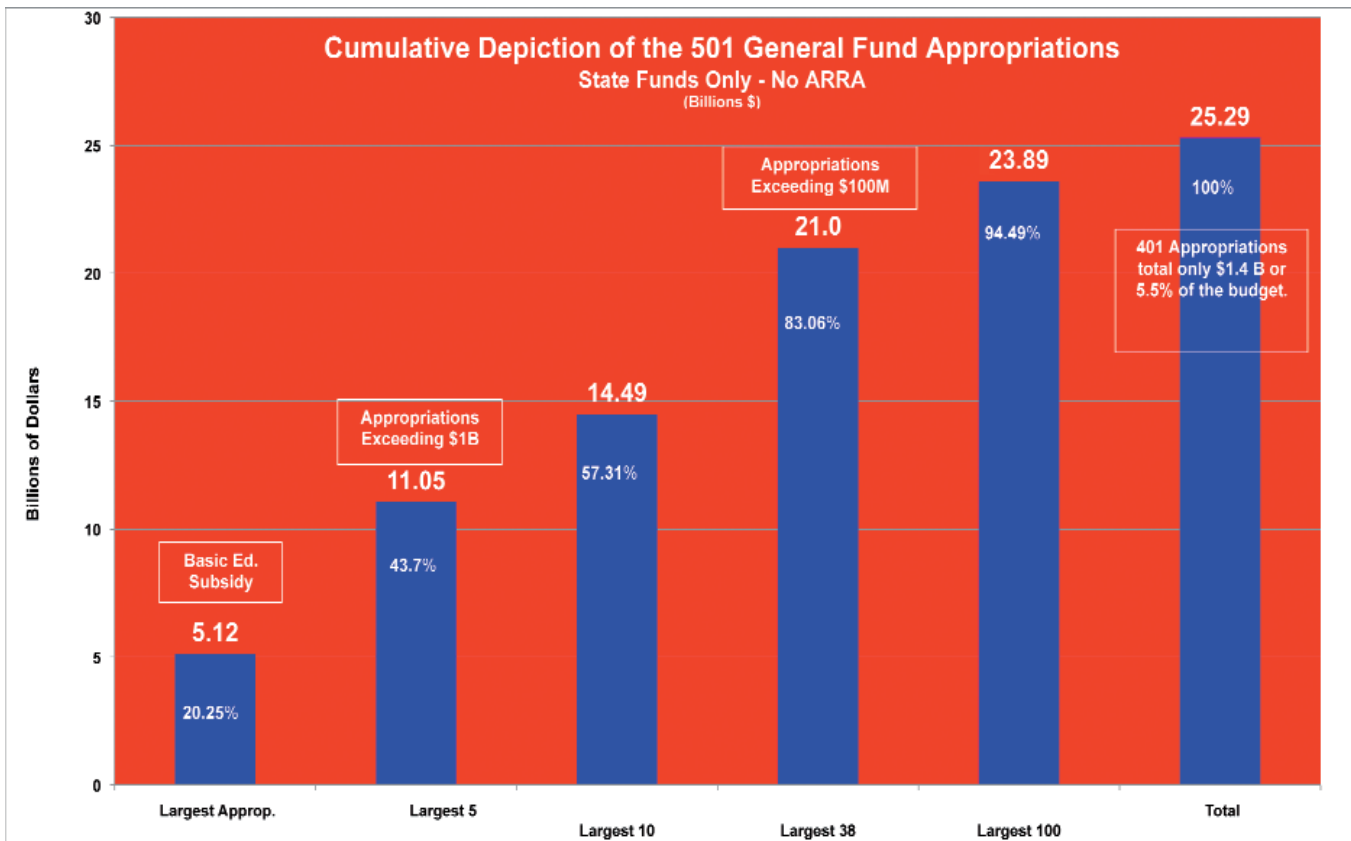
Cuts to Commonwealth programs are an obvious and necessary part of solving our fiscal problems. Governor-elect Corbett has indicated that he intends to review all state pro-

grams to determine where cuts can be made or dollars saved. The following charts show that the vast majority of General Fund resources support a scant few appropriations. More than 83% of General Fund expenditures are contained in the largest 38 appropriations. It is important to recognize the composition of the General Fund expenditures because the next Governor and the General Assembly will need to focus attention on the largest cost driving appropriations in order to re-prioritize spending and address the structural deficit.



FY 2010-11 Appropriations Facts

- The enacted FY 2010-11 General Fund Budget contains 501 line item appropriations totaling \$25.29 billion.
- The \$5.12 billion Basic Education subsidy is the largest General Fund appropriation and represents 20.25% of the General Fund Budget. Not included in this amount is approximately \$654.7 million in non-recurring ARRA funds which supplement the Basic Education appropriation.
- Including the Basic Education appropriation, there are five appropriations which exceed \$1 billion. The sum of these appropriations totals more than \$11 billion and represents 43.7% of the budget.
- The ten largest appropriations, each exceeding \$550 million, represent 57.3% of the General Fund Budget.
- The 38 appropriations that exceed \$100 million total \$21.0 billion or 83.06% of the budget.
- The 100 largest appropriations total \$23.9 billion and equal 94.5% of the budget.
- The remaining 401 appropriations total only \$1.4 billion and comprise only 5.5% of the General Fund Budget.
- Appropriations to the two largest Departments (Education and Public Welfare) comprise nearly 75% of the General Fund Budget.



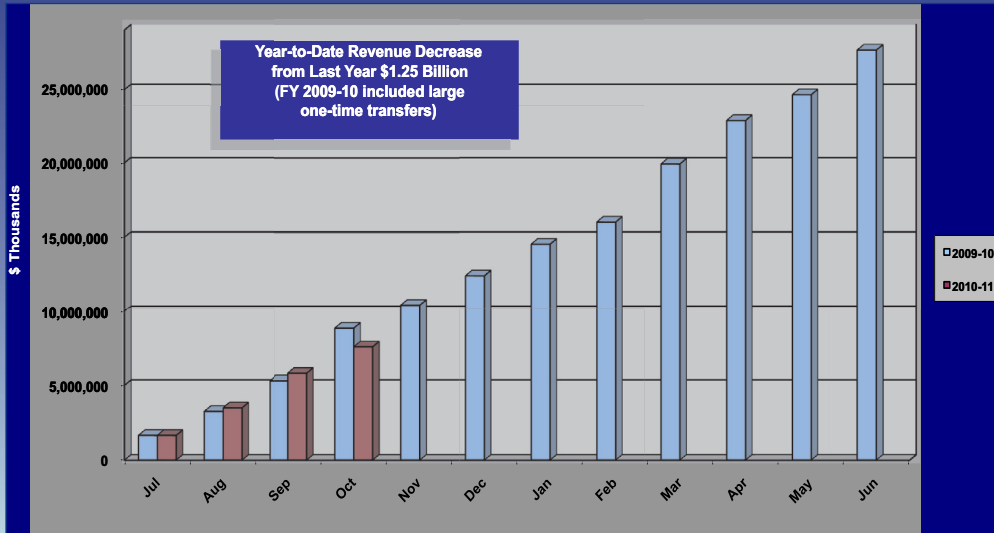


FY 2010-11 Enacted Budget
38 Largest Appropriations
General Fund - State Funds Only
(amounts in thousands)

Department	Appropriation	Enacted Amount 2010-11	Percentage of Total	Cumulative Percentage	Cumulative Dollar Amount
1 Education	Basic Education Funding	5,121,339	20.25%	20.25%	5,121,339
2 Public Welfare	Medical Assistance - Capitation	2,478,449	9.80%	30.05%	7,599,788
3 Corrections	State Correctional Institutions	1,378,518	5.45%	35.50%	8,978,306
4 Public Welfare	County Child Welfare	1,045,607	4.13%	39.64%	10,023,913
5 Education	Special Education	1,026,815	4.06%	43.70%	11,050,728
6 Treasury	General Obligation Debt Service	974,866	3.85%	47.55%	12,025,594
7 Public Welfare	Mental Health Services	694,865	2.75%	50.30%	12,720,459
8 Public Welfare	Community Mental Retardation Waiver Services	637,474	2.52%	52.82%	13,357,933
9 Public Welfare	Medical Assistance - Long-Term Care	584,081	2.31%	55.13%	13,942,014
10 Education	School Employees' Social Security	551,155	2.18%	57.31%	14,493,169
11 Education	Pupil Transportation	533,355	2.11%	59.42%	15,026,524
12 State System of Higher Education	State Universities	444,470	1.76%	61.18%	15,470,994
13 PHEAA	Grants to Students	388,313	1.54%	62.71%	15,859,307
14 Public Welfare	Medical Assistance - Outpatient	357,358	1.41%	64.13%	16,216,665
	Authority Rentals and Sinking Fund Requirements	314,937	1.25%	65.37%	16,531,602
15 Education					
16 The Pennsylvania State Univ.	General Support	304,449	1.20%	66.58%	16,836,051
17 Education	School Employees' Retirement	287,562	1.14%	67.71%	17,123,613
19 Public Welfare	Cash Grants	278,175	1.10%	68.81%	17,401,788
18 Public Welfare	County Assistance Offices	269,770	1.07%	69.88%	17,671,558
20 Public Welfare	Medical Assistance - Inpatient	266,982	1.06%	70.94%	17,938,540
21 Education	Pennsylvania Accountability Grants	259,456	1.03%	71.96%	18,197,996
22 Corrections	Inmate Medical Care	243,493	0.96%	72.92%	18,441,489
23 Education	Reimbursement of Charter Schools	224,083	0.89%	73.81%	18,665,572
24 Education	Community Colleges	214,217	0.85%	74.66%	18,879,789
26 Public Welfare	Child Care Assistance	197,053	0.78%	75.44%	19,076,842
	Payment to Federal Government-Medicare Drug Program	196,090	0.78%	76.21%	19,272,932
25 Public Welfare					
27 Education	Early Intervention	182,142	0.72%	76.93%	19,455,074
28 Public Welfare	Child Care Services	171,720	0.68%	77.61%	19,626,794
30 Public Welfare	Community Mental Retardation Base Services	167,102	0.66%	78.27%	19,793,896
29 Temple University	General Support	164,974	0.65%	78.92%	19,958,870
31 State Police	General Government Operations	164,639	0.65%	79.58%	20,123,509
32 University of Pittsburgh	General Support	160,490	0.63%	80.21%	20,283,999
33 Public Welfare	Supplemental Grants - Aged, Blind and Disabled	148,450	0.59%	80.80%	20,432,449
34 Revenue	General Government Operations	135,153	0.53%	81.33%	20,567,602
35 Public Welfare	Early Intervention	115,700	0.46%	81.79%	20,683,302
36 Public Welfare	Services to Persons with Disabilities	111,463	0.44%	82.23%	20,794,765
37 Public Welfare	Attendant Care	106,203	0.42%	82.65%	20,900,968
38 Public Welfare	Intermediate Care Facilities - Mentally Retarded	103,635	0.41%	83.06%	21,004,603

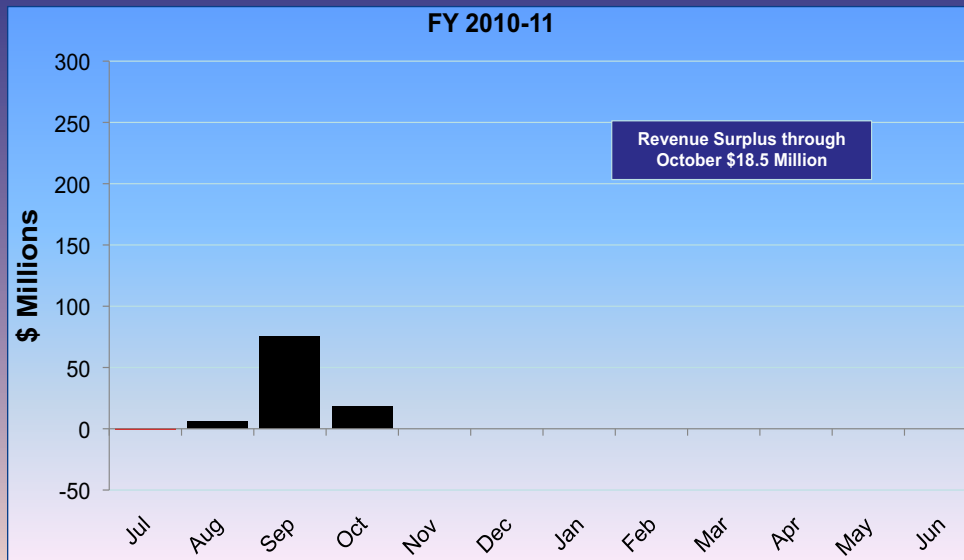


General Fund Tax Collections Fiscal Year 2010-2011 Revenue Comparison with Last Year



Senate Appropriations Committee, Jake Corman, Chairman

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



Senate Appropriations Committee, Jake Corman, Chairman



Appropriations Committee Monthly Revenue Report

REVENUE SOURCES	YTD FY 2009-10	October 2010 Actual	October 2010 Estimated	Surplus/ (Deficit)	YTD Actual	YTD Estimated	Surplus/ (Deficit)
TOTAL - GENERAL FUND	8,825,815	1,756,272	1,813,600	(57,328)	7,571,099	7,552,600	18,499
TOTAL - NON-TAX REVENUE	1,856,371	12,579	25,700	(13,121)	257,994	266,600	(8,606)
TOTAL - TAX REVENUE	6,969,444	1,743,693	1,787,900	(44,207)	7,313,105	7,286,000	27,105
TOTAL - Corporation Taxes	658,033	130,753	119,300	11,453	720,764	658,400	62,364
Accelerated Deposits	(1,091)	83	0	83	2,655	0	2,655
Corp. Net Income	431,239	88,450	81,000	7,450	489,980	466,700	23,280
Cap. Stock & Franchise	165,618	38,760	36,700	2,060	195,449	177,900	17,549
Gross Receipts	6,761	1,359	800	559	16,633	4,600	12,033
PURTA	1,435	236	0	236	2,123	800	1,323
Insurance Premiums	45,007	862	200	662	3,579	2,400	1,179
Financial Institutions	6,866	643	0	643	9,141	3,000	6,141
Other Selective Bus. Taxes	2,199	360	600	(240)	1,203	3,000	(1,797)
TOTAL - Consumption Taxes	3,081,317	833,479	831,400	2,079	3,305,920	3,250,800	55,120
Sales and Use	2,727,938	712,896	710,900	1,996	2,831,972	2,787,500	44,472
General (net of transfers)	2,383,575	631,330	623,100	8,230	2,470,698	2,449,800	20,898
Motor Vehicle Sales	344,363	81,566	87,800	(6,234)	361,274	337,700	23,574
Cigarette Tax	257,909	94,341	94,100	241	374,841	364,500	10,341
Malt Beverage	9,839	2,145	2,300	(155)	9,690	9,600	90
Liquor	85,631	24,097	24,100	(3)	89,417	89,200	217
TOTAL - Other Taxes	3,230,094	779,461	837,200	(57,739)	3,286,421	3,376,800	(90,379)
Personal Income	2,878,578	695,950	739,700	(43,750)	2,917,228	2,972,500	(55,272)
Withholding	2,423,511	615,926	616,200	(274)	2,505,896	2,497,900	7,996
Non-Withholding	455,067	80,024	123,500	(43,476)	411,332	474,600	(63,268)
Realty Transfer	108,291	21,042	30,000	(8,958)	102,839	131,000	(28,161)
Inheritance & Estate	242,804	55,826	59,500	(3,674)	248,129	251,800	(3,671)
Minor & Repealed	421	234	200	34	1,336	300	1,036
Table Games		6,408	7,800	(1,392)	16,890	21,200	(4,310)
TOTAL - MOTOR LICENSE FUND	992,739	222,808	225,200	(2,392)	838,619	805,560	33,059
TOTAL - Liquid Fuels Taxes	421,381	102,330	98,160	4,170	427,022	399,270	27,752
Liquid Fuels	226,725	46,949	46,500	449	204,535	190,480	14,055
Fuels	45,390	13,024	12,130	894	52,562	50,020	2,542
Motor Carriers/IFTA	7,228	4,044	2,880	1,164	12,280	10,010	2,270
Alternative Fuels	67	36	10	26	102	80	22
Oil Company Franchise	141,970	38,276	36,640	1,636	157,545	148,680	8,865
TOTAL - Licenses, Fees & Other	571,358	120,479	127,040	(6,561)	411,596	406,290	5,306
Licenses and Fees	270,715	61,236	66,410	(5,174)	272,886	269,190	3,696
Other Motor Receipts	300,643	59,243	60,630	(1,387)	138,710	137,100	1,610