



Senate Appropriations Committee

The Monthly Report

October 2010

Jake Corman, Chairman



General Fund Revenue Collections 3.1% above estimate for September; Fiscal Year to date collections 1.3% above estimate for the year

General Fund revenue collections for the month ended September 2010 totaled \$2.32 billion, which was \$69.8 million, or 3.1%, above estimate for the month. Fiscal year-to-date collections total \$5.81 billion, which is \$75.8 million, or 1.3%, above estimate for the year. September is a “quarterly estimated tax payment” month for calendar year corporate and individual filers.

September’s corporation tax collections were above estimate by \$52.7 million, accounting for three-fourths of the total monthly surplus. Without this relatively strong performance in corporation taxes, the monthly surplus would have been less than one per-

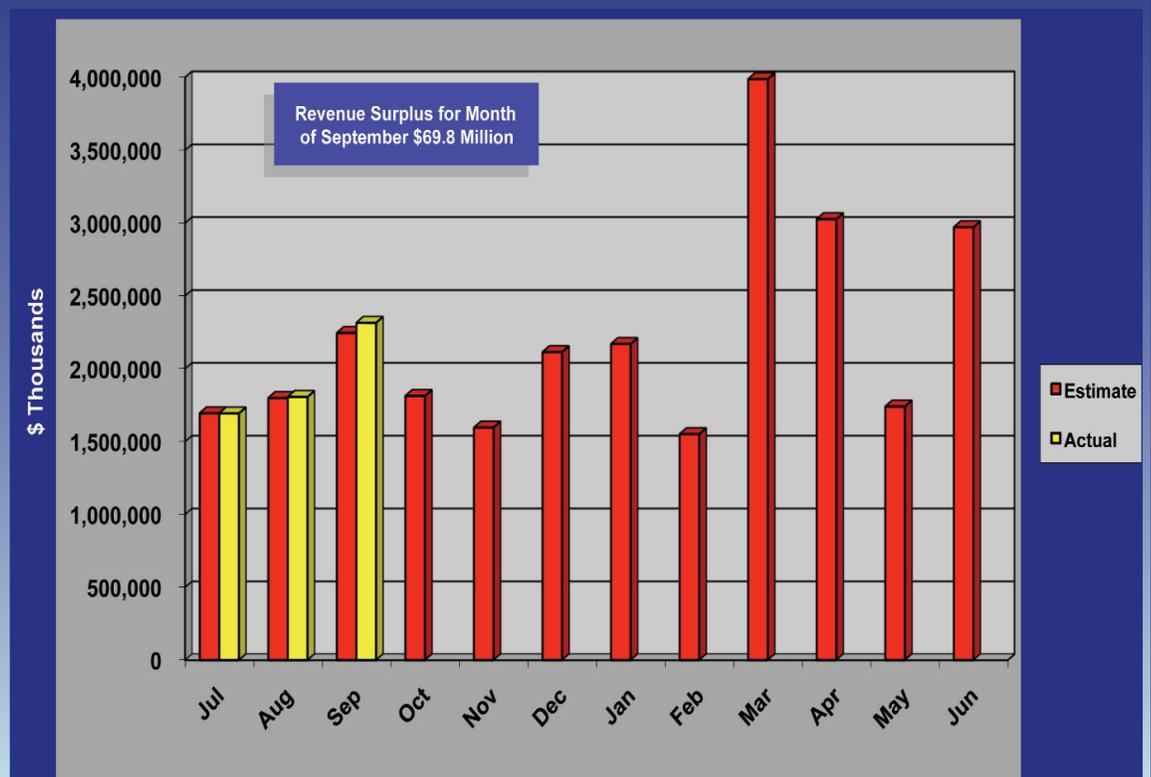
cent over estimate. This is noteworthy because the effect of receiving better-than-expected quarterly estimated payments will not repeat in the coming months of October and November.

Personal income tax collections were above estimate by

only \$864,382 for the month. Employer’s withholding was \$17.8 million over estimate for the month, but individual quarterly estimated payments fell short of estimate by \$11.5 million, or 4.4%. This data appears to correspond with the

Continued...

General Fund Tax Collections
Fiscal Year 2010-2011
Comparison of Official Estimate with Actual Revenue by Month



Senate Appropriations Committee, Jake Corman, Chairman



sentiment that corporations, having boosted profits by slashing payrolls, are doing better than individuals at this stage of the economic “recovery”.

The Realty Transfer Tax was below estimate by \$5.3 million, or 18.6%, for the month. The Realty Transfer Tax collections reflect continuing weakness in the housing market.

Sales and use tax collections were above estimate for the month by \$8 million. Non-motor SUT was actually below estimate by \$6.7 million for the month, but SUT on motor vehicles was over estimate by \$14.7 million.

It is encouraging to see a nearly \$70 million surplus for the month, but the inconsistent

revenue collection patterns amongst the tax categories and sub-categories indicate that it may be too early to declare victory.

Motor License Fund collections were \$1.7 million below estimate for the month of September. The Motor License Fund is \$35.5 million above estimate for the year.

Governor to Issue \$1 Billion in Tax Anticipation Notes

The Administration issued a Preliminary Official Statement on September 27, 2010 indicating that it intends to sell \$1 billion of Tax Anticipation Notes (TAN's) on or about October 12, 2010. TAN's are short-term debt securities issued by the Commonwealth in anticipation of future general fund revenue collections. TAN's are issued for cash flow purpose and are payable from and secured by the pledge of General Fund revenues.

The Preliminary Official Statement indicates that the Commonwealth is issuing the TAN's to provide cash to the General Fund to permit disbursements to be made in accordance with statutory payment dates and to allow timely payment of payrolls and other operating costs in advance of the receipt of general revenues to the General Fund. The TANs are necessary to fund operating

cash shortfalls due to differences between the timing of tax receipts and disbursement schedules.

The Tax Anticipation Notes are being issued pursuant to Article VIII of the Constitution and the TAN Act. Under the TAN Act, all tax anticipation notes issued must mature within the fiscal year of issue and are secured by the general revenues accruing to the General Fund. In addition, the TAN Act specifically appropriates general revenues sufficient to pay principal and interest.

Repayment of the TAN's is scheduled to occur as follows:

May 3, 2011	\$125 million
May 27, 2011	\$250 million
June 17, 2011	\$250 million
June 30, 2011	\$375 million

The TAN's are set to be repaid during the months of May and June. March, April and June are the three most produc-

tive months for state tax collections. Although the Commonwealth's expenses accrue regularly throughout the fiscal year, the timing of revenue receipts does not necessarily match these expenses. Only 42% of General Fund revenues are expected to be received during the first six months of the fiscal year, while 58% will be received in the second-half of the year. Therefore, the repayment schedule is designed to provide the Commonwealth with spending flexibility during the portion of the fiscal year when revenue receipts are relatively low, while providing for repayment after the state coffers are replenished during the last few months of the fiscal year.

During Fiscal Year 2009-10, the Commonwealth issued tax anticipation notes for the first time since 1998. The amount of TAN's issued in FY 2009-10 was \$800 million.



First Refunding Issue of 2010 is Postponed

The Administration's proposed October 6th issuance of approximately \$386 million of general obligation refunding bonds was cancelled on October 5th due to rising interest rates. The

Administration intended to issue the bonds in order reduce debt service payments related to four separate previous issuances of Commonwealth debt. However, rising yields in the bond markets led Pennsyl-

vania to postpone the sale of the refunding bonds. According to the Governor's Office, the proposed refunding was no longer "economical" at the higher interest rates.

State Tax Revenues Slowly Recovering

A report issued recently by the Nelson A. Rockefeller Institute of Government notes that state tax revenues are slowly rebounding nationwide. Preliminary tax collection data for the April-June quarter of 2010 show improvement in overall state tax collections as well as for personal income tax and sales tax revenue. Pennsylvania's General Fund tax collections bear this out, as April through June of 2010 saw tax revenues increase by 7.7% over

tax collections in the same quarter of 2009. However, Pennsylvania tax collections during the second quarter of 2010 remain 10.2% below tax collections during the same quarter of 2008.

The Rockefeller Institute's compilation of data from 47 reporting states shows that collections from major tax sources increased by 2.2% in nominal terms compared to the second quarter of 2009, but was 17.2% below the same period two years ago. In both instances,

Pennsylvania's tax revenue picture looks brighter than the average of the other states.

With revenues still below pre-recession levels and uncertainty surrounding the national economy, states face continued uncertainty at best – with continuing budget challenges a sure bet. The full report from the Nelson A. Rockefeller Institute of Government can be found on the web at www.rockinst.org.

Upcoming Budget Events

October 13, 2010

All Commonwealth agencies, boards and commission are required to submit FY 2011-12 budget requests and supporting documentation to the Governor's Budget Office.

December 14, 2010

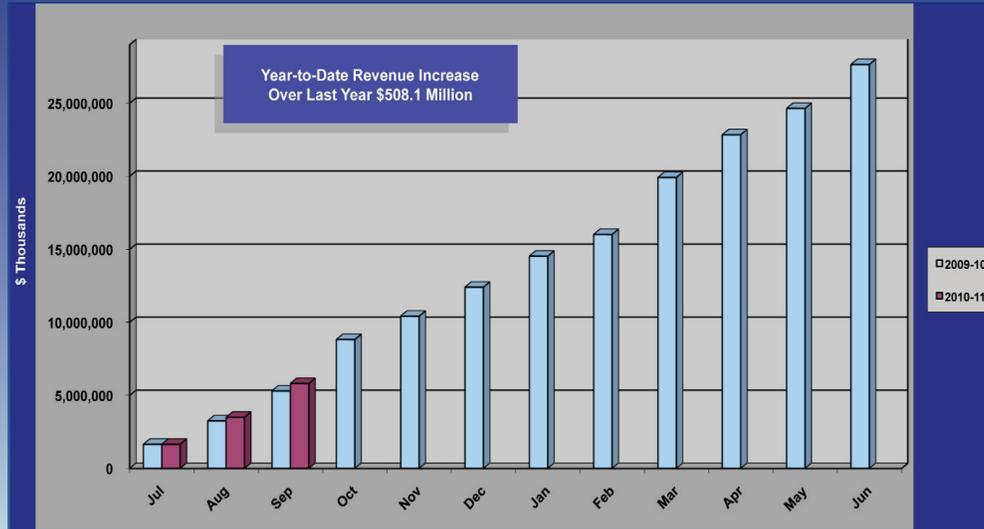
Governor's Midyear Budget Briefing (tentative).

March 8, 2011

Governor's FY 2011-12 Budget Address (tentative).

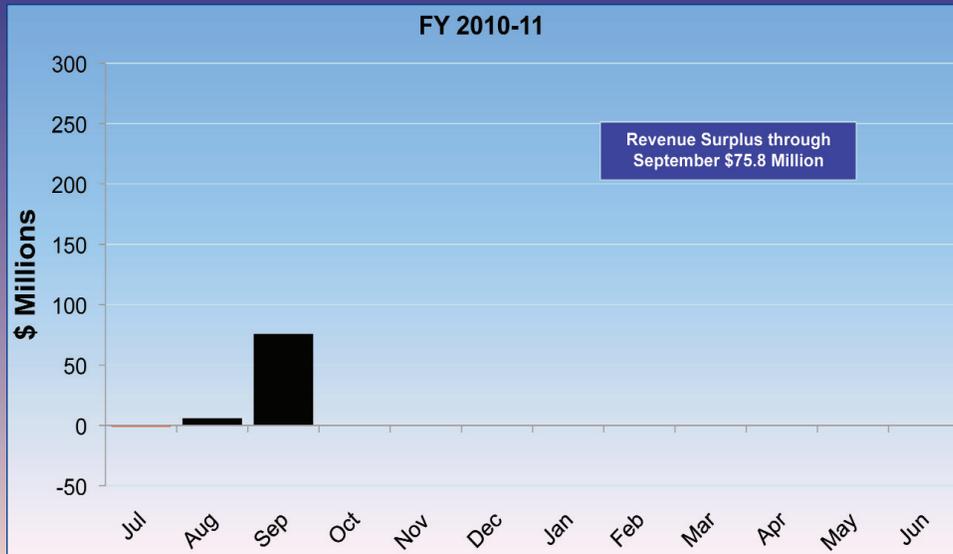


General Fund Tax Collections Fiscal Year 2010-2011 Revenue Comparison with Last Year



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 FY 2009-10	September 2010 Actual	September 2010 Estimated	Surplus/ (Deficit)	YTD Actual	YTD Estimated	Surplus/ (Deficit)
TOTAL - GENERAL FUND	5,306,752	2,315,225	2,245,400	69,825	5,814,827	5,739,000	75,827
TOTAL - NON-TAX REVENUE	52,099	17,473	11,000	6,473	245,390	240,900	4,490
TOTAL - TAX REVENUE	5,254,653	2,297,752	2,234,400	63,352	5,569,437	5,498,100	71,337
TOTAL - Corporation Taxes	541,404	488,621	435,900	52,721	590,036	539,100	50,936
Accelerated Deposits	2,305	29,817	0	29,817	31,385	0	31,385
Corp. Net Income	365,981	324,413	314,800	9,613	388,877	385,700	3,177
Cap. Stock & Franchise	119,657	113,235	113,300	(65)	142,044	141,200	844
Gross Receipts	4,774	12,860	2,600	10,260	15,103	3,800	11,303
PURTA	1,379	1,306	600	706	1,852	800	1,052
Insurance Premiums	41,353	155	200	(45)	2,712	2,200	512
Financial Institutions	4,307	6,531	2,600	3,931	7,309	3,000	4,309
Other Selective Bus. Taxes	1,645	303	1,800	(1,497)	754	2,400	(1,646)
TOTAL - Consumption Taxes	2,290,604	786,879	771,000	15,879	2,472,441	2,419,400	53,041
Sales and Use	2,031,372	661,605	653,600	8,005	2,119,076	2,076,600	42,476
General (net of transfers)	1,754,277	570,956	577,700	(6,744)	1,839,368	1,826,700	12,668
Motor Vehicle Sales	277,095	90,649	75,900	14,749	279,708	249,900	29,808
Cigarette Tax	188,950	101,505	93,300	8,205	280,500	270,400	10,100
Malt Beverage	7,575	2,636	2,400	236	7,545	7,300	245
Liquor	62,707	21,133	21,700	(567)	65,320	65,100	220
TOTAL - Other Taxes	2,422,648	1,022,252	1,027,500	(5,248)	2,506,960	2,539,600	(32,640)
Personal Income	2,158,709	932,564	931,700	864	2,221,278	2,232,800	(11,522)
Withholding	1,811,343	669,627	651,800	17,827	1,889,970	1,881,700	8,270
Non-Withholding	347,366	262,938	279,900	(16,962)	331,308	351,100	(19,792)
Realty Transfer	82,166	23,369	28,700	(5,331)	81,796	101,000	(19,204)
Inheritance & Estate	181,600	61,642	61,700	(58)	192,303	192,300	3
Minor & Repealed	172	(7)	(600)	593	1,102	100	1,002
Table Games		4,684	6,000	(1,316)	10,481	13,400	(2,919)
TOTAL - MOTOR LICENSE FUND	667,147	178,647	180,350	(1,703)	615,810	580,360	35,450
TOTAL - Liquid Fuels Taxes	313,498	99,253	99,730	(477)	324,693	301,110	23,583
Liquid Fuels	162,152	30,234	46,020	(15,786)	157,586	143,980	13,606
Fuels	35,901	15,672	12,640	3,032	39,537	37,890	1,647
Motor Carriers/IFTA	5,666	7,624	4,380	3,244	8,235	7,130	1,105
Alternative Fuels	55	15	30	(15)	66	70	(4)
Oil Company Franchise	109,723	45,708	36,660	9,048	119,269	112,040	7,229
TOTAL - Licenses, Fees & Other	353,649	79,395	80,620	(1,225)	291,118	279,250	11,868
Licenses and Fees	205,144	70,030	72,590	(2,560)	211,650	202,780	8,870
Other Motor Receipts	148,505	9,365	8,030	1,335	79,467	76,470	2,997