



The Monthly Report

Gibson E. Armstrong, Chairman

Economic Outlook Remains Unclear

The U.S. economy did better in the second quarter of 2008 than first thought. GDP growth for the quarter was revised upward from the 1.9% as originally reported to 3.3%, driven by rising exports. In addition, oil prices have fallen nearly \$40/barrel from their mid-July peak. However, according to Global Insight, Inc., growth is slipping again in the third quarter because the U.S. economy is running out of steam and the rest of the world is slowing down, threatening U.S. exports. Global Insight, Inc. is predicting that the economy will stall by the turn of the year, with small negative growth in the fourth quarter of 2008 and the first quarter of 2009. Overall, Global Insight's GDP growth forecast for 2008 is higher than last month, at 1.8% instead of 1.6%, while their 2009 forecast is unchanged, at 1.0%.

The federal fiscal stimulus package (i.e. taxpayer rebate checks) gave consumers some relief from soaring energy and food costs, but the latest evidence shows consumers pulling back. Global Insight Inc. is predicting outright declines in real consumer spending during both the third

and fourth quarters – the first such declines since 1991.

Until the housing market stabilizes, it will be impossible to draw a line under the financial crisis. The U.S. government seized control of mortgage giants Fannie Mae and Freddie Mac in early September, placing the liabilities of more than \$5 trillion of mortgages onto the backs of the U.S. taxpayer. The effects of this action are still not known, but mortgage rates should be unaffected in the short term. Tighter credit conditions will continue to be a drag on the economy and may persist long after the worst of the financial losses have been recorded. Nationally, it appears that housing prices will not bottom out even through 2009.

Commodity prices have tumbled amid mounting signs of weakness overseas. While gasoline prices are coming down, slower global growth brings downside risks for U.S. exporters, which has been one of the few bright spots in the economy lately. With commodi-

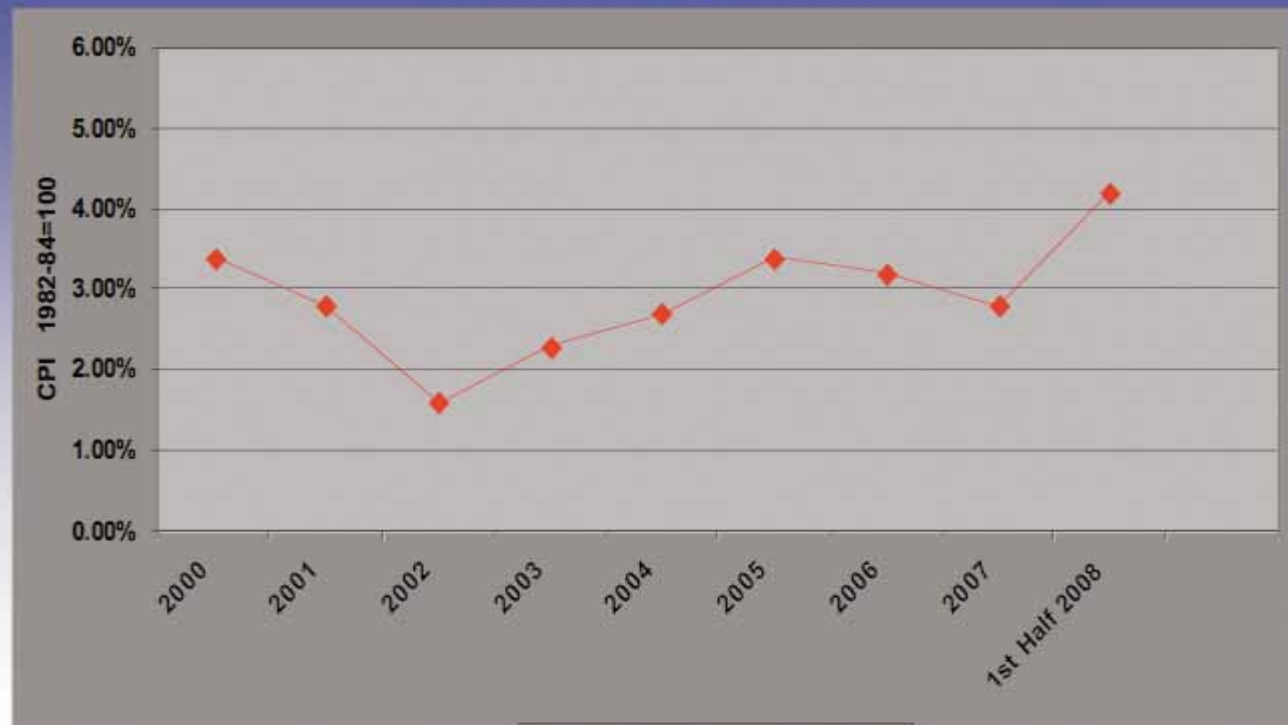
ty prices now off their peaks, headline inflation (CPI) will come down.

Pennsylvania's growth nearly stalled in the second half of 2007. Employment was up 5,200 from June 2007 to January 2008. In February 2008, the first sign of slippage appeared with a report that reversed all those gains, but payroll levels have remained steady. July's employment was 900 above February, but 500 below a year earlier. Pennsylvania's unemployment rate as of July 2008 was 5.4% compared to 4.4% in the second half of 2007.

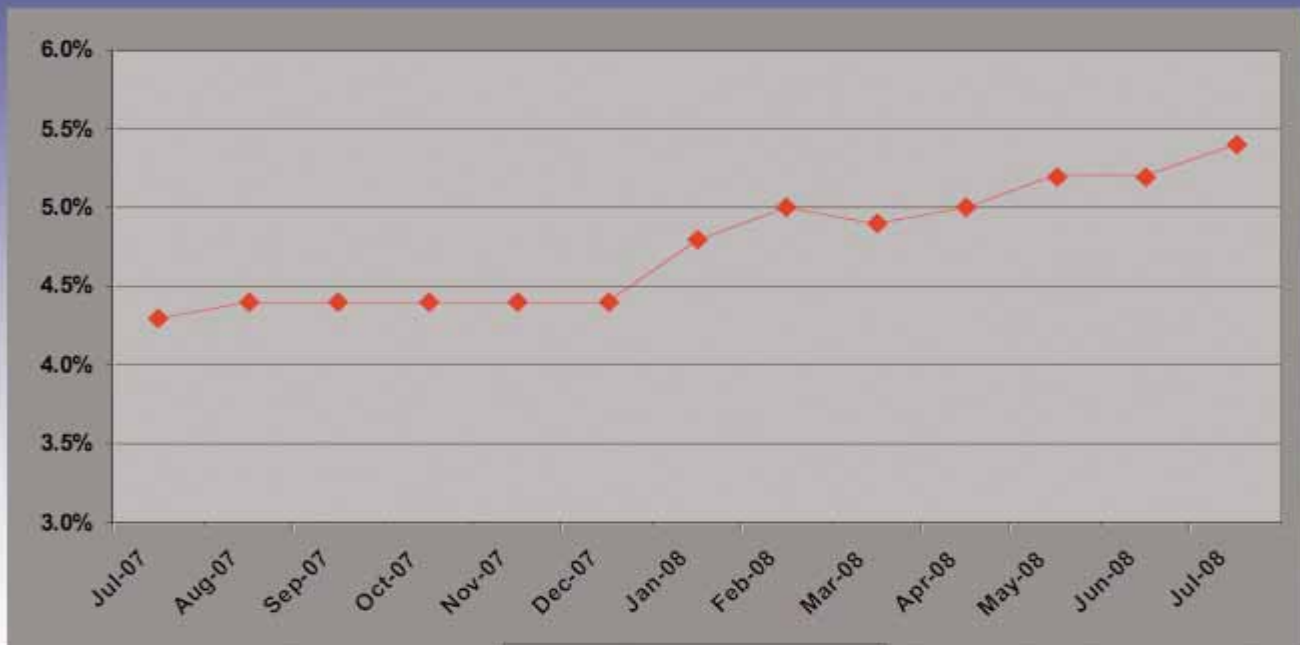




U.S. Consumer Price Index – All Urban Consumers Not Seasonally Adjusted

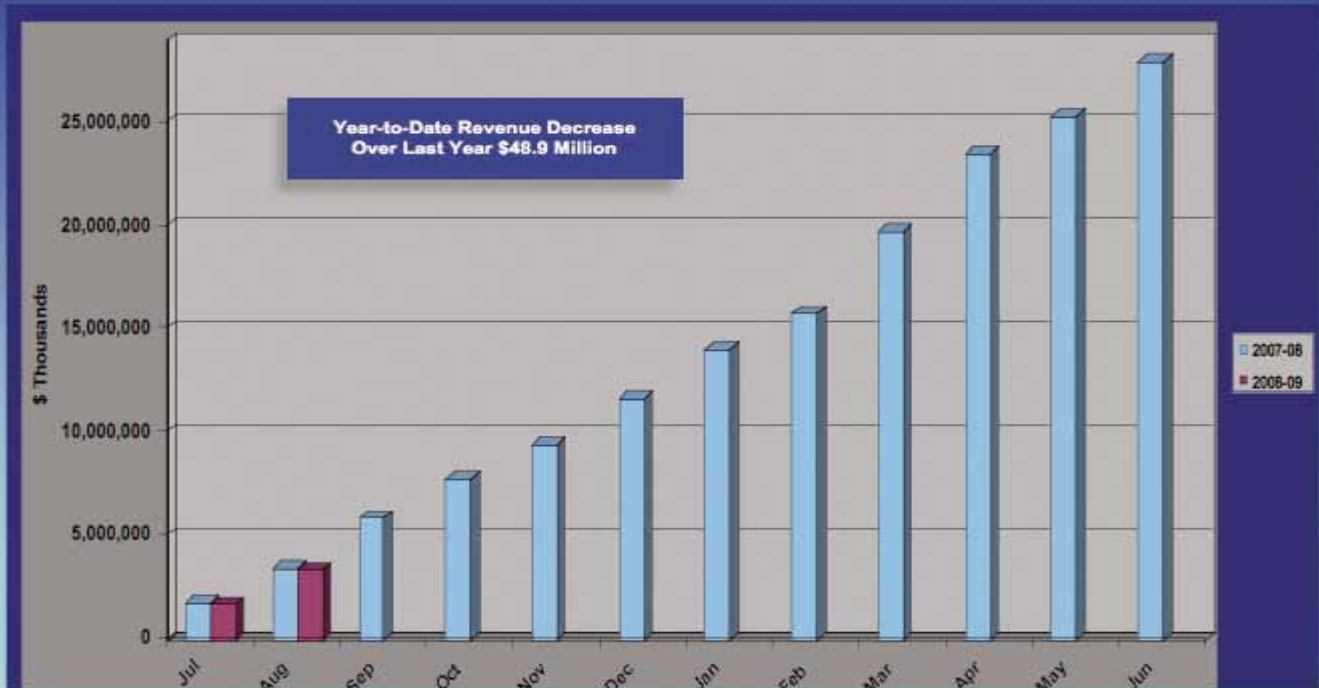


Pennsylvania Unemployment Rate – Seasonally Adjusted





General Fund Tax Collections Fiscal Year 2008-2009 Revenue Comparison with Last Year

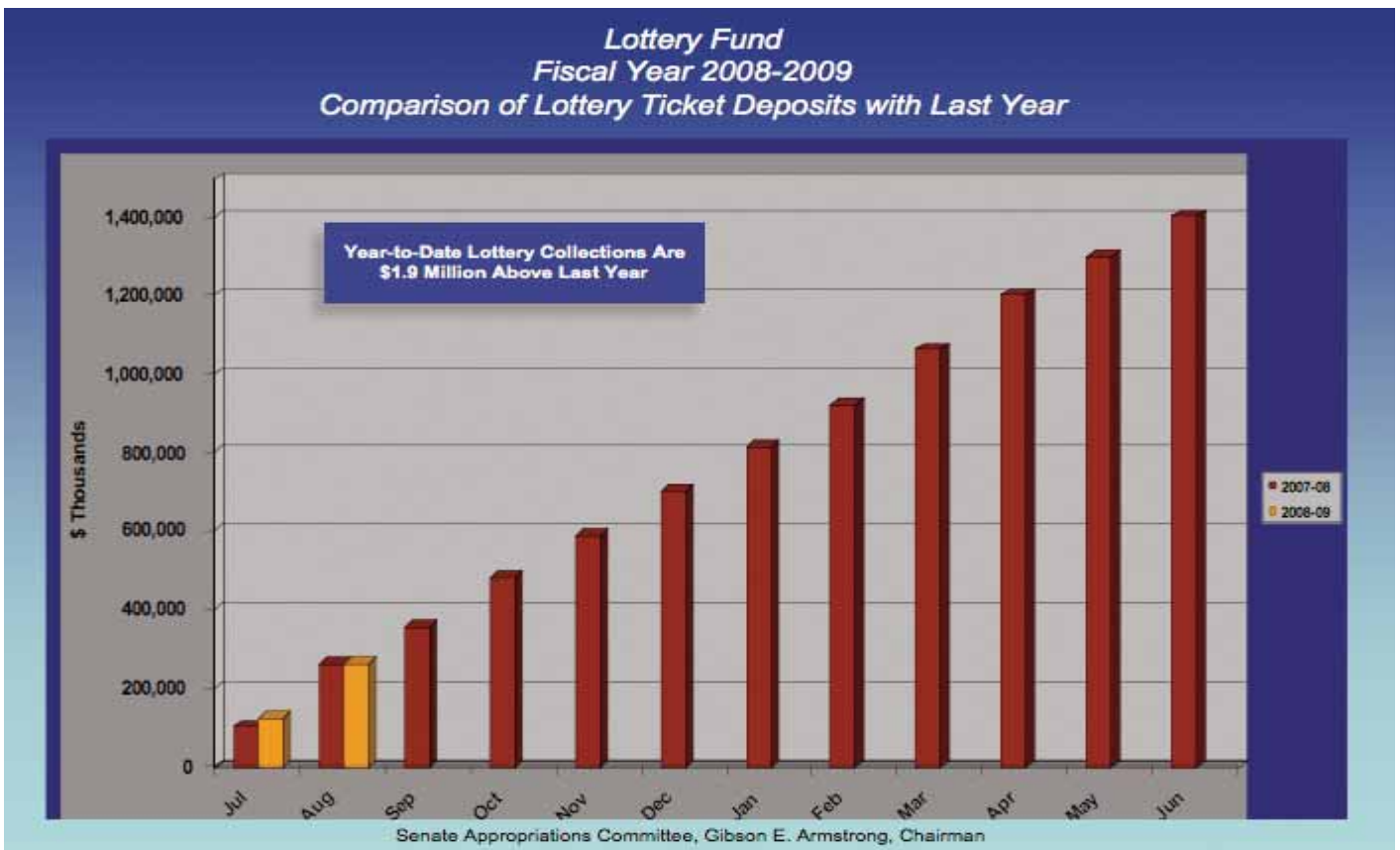
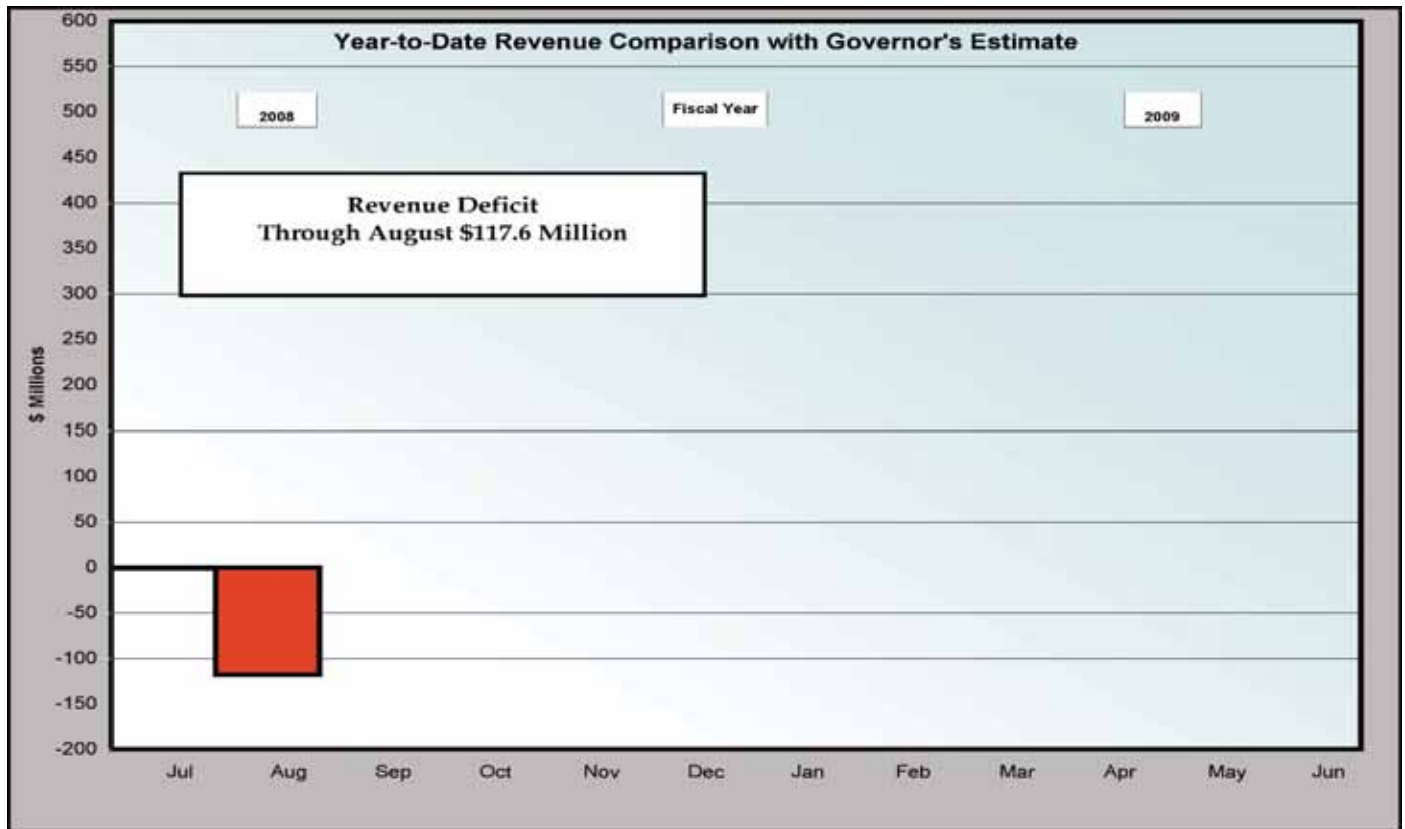


Senate Appropriations Committee, Gibson E. Armstrong, Chairman

General Fund Tax Collections Fiscal Year 2008-2009 Comparison of Official Estimate with Actual Revenue by Month



Senate Appropriations Committee, Gibson E. Armstrong, Chairman



Senate Appropriations Committee, Gibson E. Armstrong, Chairman



Appropriations Committee Monthly Revenue Report

Appropriations Committee Monthly Revenue Report

Friday, August 29, 2008	(Dollars in Thousands)						
	Revenue 2007-08	For the month of August			For the year through August		
	thru August	Revenue	Official Estimate	Surplus (Deficit)	Revenue	Official Estimate	Surplus (Deficit)
Account:							
CORPORATE TAXES:							
Clearing Account	-\$8	\$749	\$0	\$749	\$3,817	\$0	\$3,817
Corp. Net Income	\$91,866	\$32,603	\$41,100	(\$8,497)	\$74,145	\$84,500	(\$10,355)
Cap. Stock & Franchise	\$63,811	\$11,904	\$23,400	(\$11,496)	\$44,113	\$56,800	(\$12,687)
Gross Receipts	\$367	\$755	\$1,200	(\$445)	\$2,239	\$2,700	(\$461)
PURTA	\$1,270	\$42	\$300	(\$258)	\$99	\$400	(\$301)
Insurance Premiums	\$689	\$512	\$900	(\$388)	\$625	\$1,100	(\$475)
Financial Institutions	\$468	\$2,324	\$600	\$1,724	\$2,370	\$600	\$1,770
Other Selective Bus. Taxes	\$641	\$148	\$300	(\$152)	\$353	\$500	(\$147)
CORPORATE TAX TOTAL	\$159,104	\$49,036	\$67,800	(\$18,764)	\$127,761	\$146,600	(\$18,839)
CONSUMPTION TAXES:							
Sales, Use & Occupation Tax	\$1,501,357	\$693,005	\$720,800	(\$27,795)	\$1,505,391	\$1,533,200	(\$27,809)
-Motor Vehicle Sales	\$220,167	\$89,723	\$105,100	(\$15,377)	\$195,671	\$205,800	(\$10,129)
-General (net of transfers)	\$1,281,190	\$603,282	\$615,700	(\$12,418)	\$1,309,720	\$1,327,400	(\$17,680)
Cigarette Tax	\$121,480	\$69,982	\$76,200	(\$6,218)	\$121,654	\$127,900	(\$6,246)
Malt Beverage Tax	\$5,057	\$2,477	\$2,400	\$77	\$4,834	\$4,800	\$34
Liquor Tax	\$35,159	\$17,016	\$19,900	(\$2,884)	\$35,597	\$38,500	(\$2,903)
CONSUMPTION TAX TOTAL	\$1,663,053	\$782,480	\$819,300	(\$36,820)	\$1,667,476	\$1,704,400	(\$36,924)
OTHER TAXES:							
Personal Income Tax	\$1,300,011	\$737,188	\$744,500	(\$7,312)	\$1,400,021	\$1,407,300	(\$7,279)
-Withheld PIT	\$1,220,195	\$702,109	\$708,900	(\$6,791)	\$1,312,799	\$1,319,600	(\$6,801)
-Quarterly & Annual PIT	\$79,816	\$35,078	\$35,600	(\$522)	\$87,222	\$87,700	(\$478)
Realty Transfer Tax	\$106,976	\$35,113	\$41,900	(\$6,787)	\$72,108	\$78,900	(\$6,792)
Inheritance & Estate Tax	\$151,689	\$66,952	\$76,600	(\$9,648)	\$140,924	\$150,600	(\$9,676)
Minor & Repealed	\$202	\$165	\$100	\$65	\$809	\$700	\$109
OTHER TAXES TOTAL	\$1,558,878	\$839,418	\$863,100	(\$23,682)	\$1,613,863	\$1,637,500	(\$23,637)
GENERAL FUND TAXES	\$3,381,035	\$1,670,934	\$1,750,200	(\$79,266)	\$3,409,100	\$3,488,500	(\$79,400)
NON-TAX REVENUES	\$82,999	(\$2,044)	\$36,200	(\$38,244)	\$6,010	\$44,200	(\$38,190)
GENERAL FUND	\$3,464,034	\$1,668,890	\$1,786,400	(\$117,510)	\$3,415,110	\$3,532,700	(\$117,590)
MOTOR LICENSE FUND:							
Liquid Fuels Tax	\$103,749	\$33,914	\$51,880	(\$17,966)	\$42,343	\$60,310	(\$17,967)
Fuels Use Tax	\$27,279	\$0	\$13,280	(\$13,280)	\$0	\$29,310	(\$29,310)
Motor Carriers Road Tax	\$2,580	\$14,136	\$2,170	\$11,966	\$30,168	\$2,900	\$27,268
Alternate Fuels	\$34	\$16	\$20	(\$4)	\$40	\$40	(\$0)
Clearing Account	\$0	\$0	\$0	\$0	(\$0)	\$0	(\$0)
Gross Receipts Tax	\$0	\$1,654	\$0	\$1,654	\$2,354	\$0	\$2,354
Oil Company Franchise Tax	\$77,686	\$43,240	\$35,490	\$7,750	\$92,225	\$84,470	\$7,755
Licenses and Fees	\$135,882	\$54,527	\$74,140	(\$19,613)	\$130,093	\$149,700	(\$19,607)
Vehicle Code Fines	\$7,829	\$2,273	\$3,910	(\$1,637)	\$8,668	\$10,290	(\$1,622)
Miscellaneous	\$20,646	\$125,074	\$130,060	(\$4,986)	\$128,312	\$133,290	(\$4,978)
MOTOR FUND	\$375,685	\$274,835	\$310,950	(\$36,115)	\$434,204	\$470,310	(\$36,106)