



Senate Appropriations Committee

The Monthly Report

Gibson E. Armstrong, Chairman

States' Tax Receipts Fell Sharply In Latest Quarter

Sales tax receipts were down sharply during the most recent quarter, representing what is likely to be their biggest decline in more than six years, according to a new report that highlights a widening fiscal crisis in state government.

The Center for Budget and Policy Priorities surveyed data from revenue departments for 15 states that had available figures, and found the median state experienced an inflation-adjusted 5.5% decline in total tax revenue during the quarter that ended in September. Total revenue was down in 14 of 15 states, after adjusting for inflation.

The organization, a liberal think tank based in Washington, estimates states will face a total budget gap of \$100 billion or about 15% of their budgets by fiscal 2010, which starts in the middle of next year.

The decline in state tax receipts has potentially broad

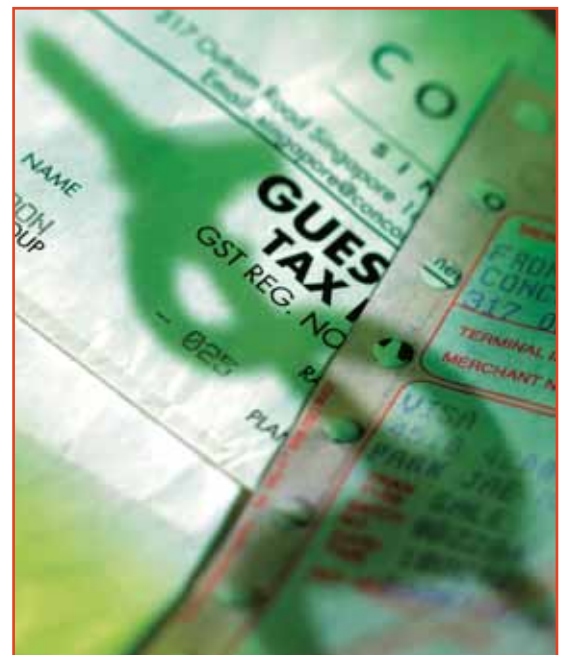
economic significance. The federal government is expected to keep spending relatively steady to prop up the failing economy. But states generally have rules requiring balanced budgets, and so must either cut spending or raise taxes – both the opposite of what many economists, including some deficit hawks, say is needed during the current economic downturn.

In addition, states often take measures that exacerbate the difficulties created by the recession, such as tightening Medicaid eligibility at a time when workers lose their jobs and health insurance.

Cuts in state spending “will take demand out of the overall economy and worsen the economic downturn,” said Nicholas Johnson, co-author of the Center’s new paper and director of the group’s State

Fiscal Project. “Furloughing teachers, or cutting reimbursements to Medicaid providers, or cutting grants to nonprofit social-service providers or raising tuition at public colleges, these are all the things that take dollars out of families’ pockets, and that’s money they can’t spend in their local economies.”

The new report found that states reported a median, inflation-adjusted decline of 7.3% in sales tax revenue, driven by the





drop in consumer spending. Personal income tax revenue, which had kept growing until recently, was down 2% in the median state, after being adjusted for inflation, the report found. The drop in personal income taxes was driven by mounting job losses, which last month increased at the fastest pace in five years, according to the Labor Department.

The state reporting the biggest decline in tax revenue was Washington, which had an inflation-adjusted drop of 11.3%.

More broadly, the report found that 39 states have publicly

announced budget problems for the current fiscal year or are projecting them for next year.

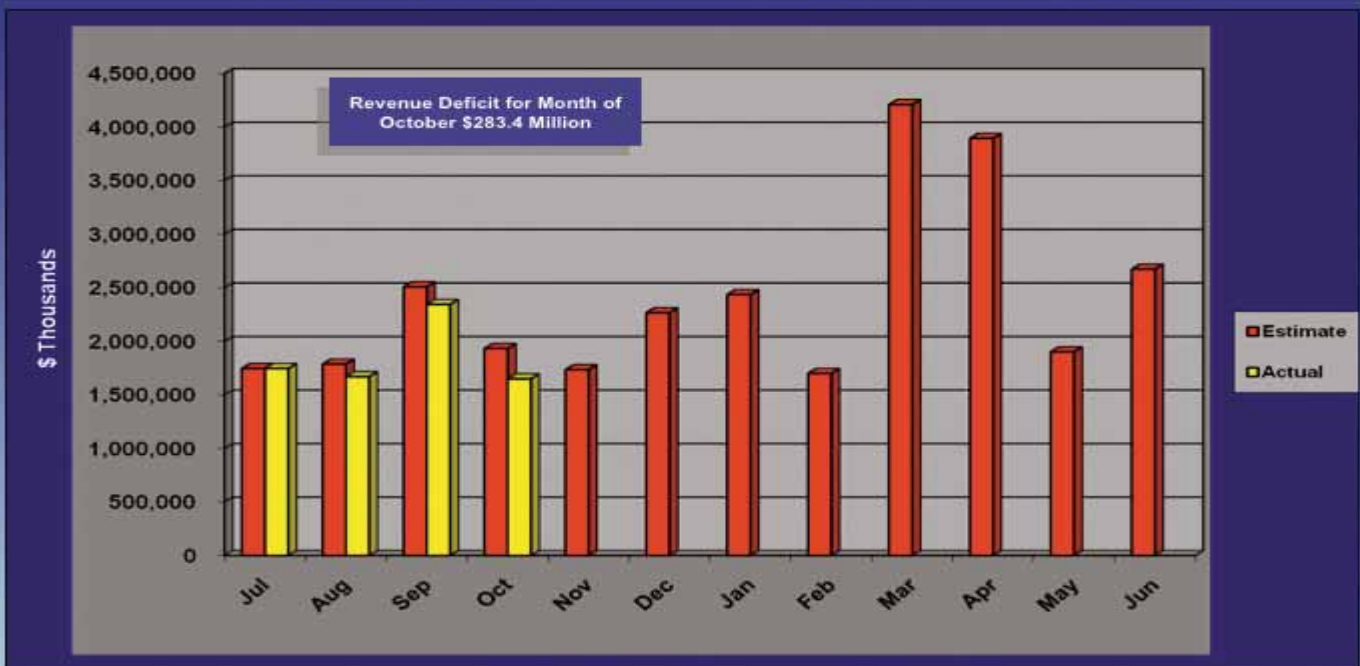
In California, for example, officials are looking to plug an estimated \$3 billion shortfall this year-out of a total budget of \$103 billion, said H.D. Palmer, a spokesman for the state's Department of Finance. In Pennsylvania, Gov. Ed Rendell last month ordered a statewide 4.25% cut in most departmental budgets.

Chris Edwards, Director of Tax-Policy Studies at the libertarian Cato Institute, said the recession should prompt states to tighten

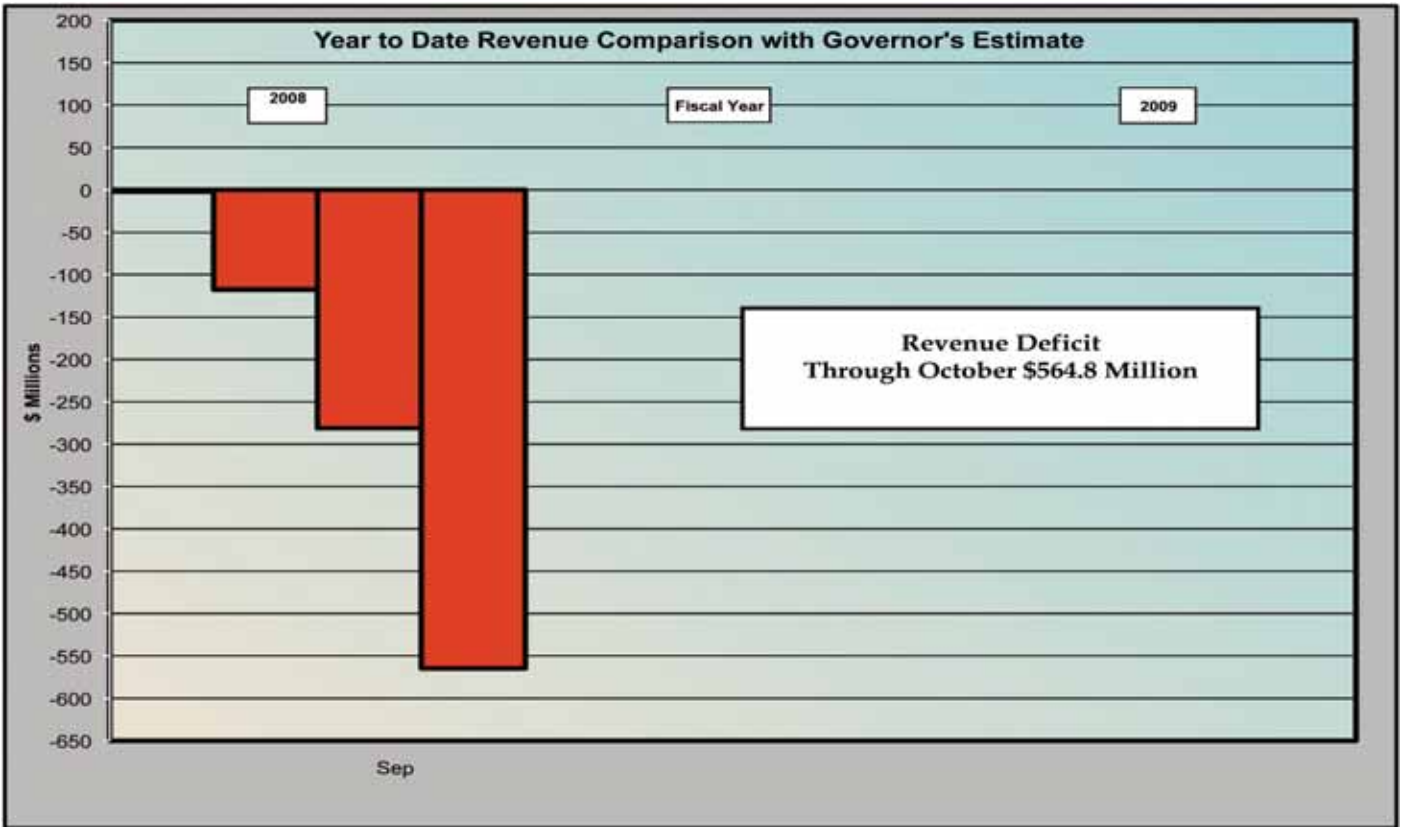
their belts and overhaul programs. "Private companies do it all the time, and I think it's beneficial," he said. "Recessions come and go-we survive."

(This article is reprinted from the Friday, October 25, 2008 issue of The Wall Street Journal.)

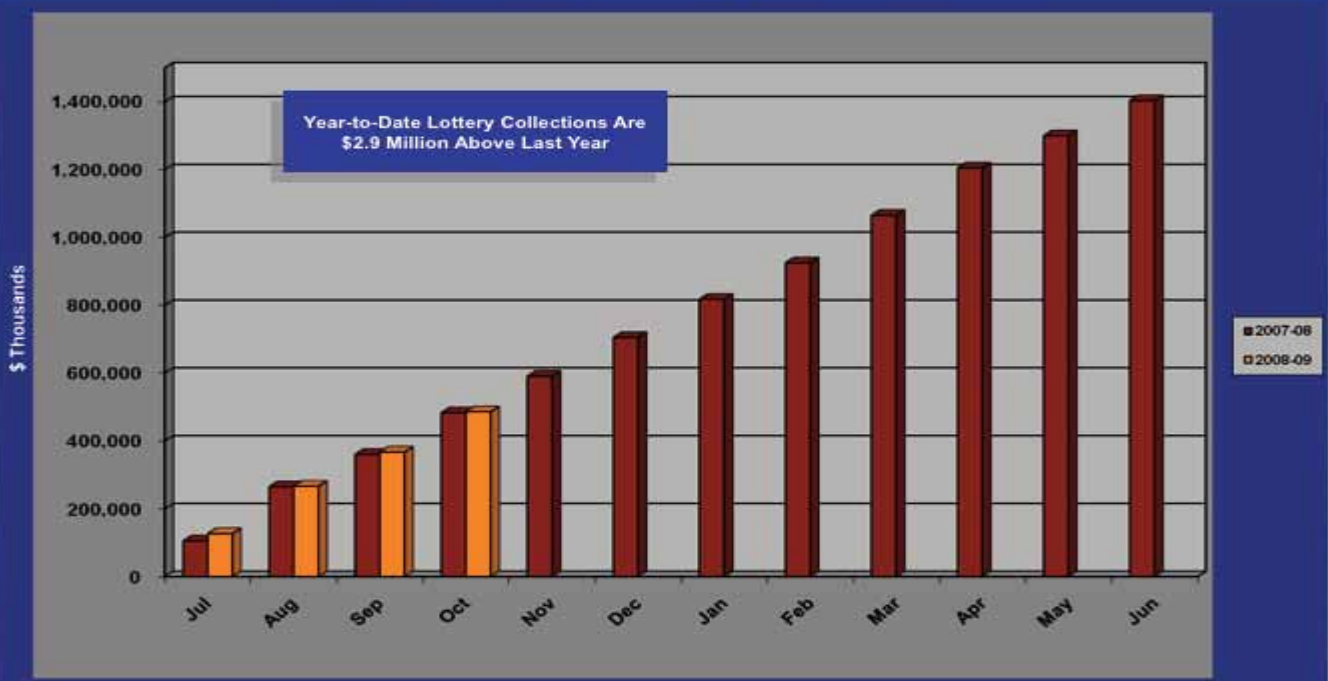
General Fund Tax Collections
Fiscal Year 2008-2009
Comparison of Official Estimate with Actual Revenue by Month



Senate Appropriations Committee, Gibson E. Armstrong, Chairman



*Lottery Fund
Fiscal Year 2008-2009
Comparison of Lottery Ticket Deposits with Last Year*



Senate Appropriations Committee, Gibson E. Armstrong, Chairman



Appropriations Committee Monthly Revenue Report

Appropriations Committee Monthly Revenue Report

Friday, October 31, 2008 Account:	(Dollars in Thousands)						
	Revenue 2007-08	For the month of October			For the year through October		
	thru October	Revenue	Official Estimate	Surplus (Deficit)	Revenue	Official Estimate	Surplus (Deficit)
CORPORATE TAXES:							
Clearing Account	\$40	(\$5,169)	\$0	(\$5,169)	\$5,454	\$0	\$5,454
Corp. Net Income	\$580,054	\$91,929	\$132,400	(\$40,471)	\$517,956	\$588,400	(\$70,444)
Cap. Stock & Franchise	\$280,316	\$43,710	\$58,700	(\$14,990)	\$221,330	\$280,400	(\$59,070)
Gross Receipts	\$2,952	\$356	\$1,200	(\$844)	\$8,426	\$6,300	\$2,126
PURTA	\$2,262	\$1,129	\$400	\$729	\$1,755	\$2,200	(\$445)
Insurance Premiums	\$1,260	\$106	\$600	(\$494)	\$1,280	\$2,200	(\$920)
Financial Institutions	\$10,186	\$89	\$100	(\$11)	\$5,417	\$3,100	\$2,317
Other Selective Bus. Taxes	\$2,981	\$517	\$600	(\$83)	\$2,979	\$2,800	\$179
CORPORATE TAX TOTAL	\$880,051	\$132,668	\$194,000	(\$61,332)	\$764,596	\$885,400	(\$120,804)
CONSUMPTION TAXES:							
Sales, Use & Occupation Tax	\$2,931,477	\$734,054	\$764,100	(\$30,046)	\$2,927,705	\$3,018,900	(\$91,195)
-Motor Vehicle Sales	\$405,237	\$97,146	\$99,500	(\$2,354)	\$386,708	\$395,800	(\$9,092)
-General (net of transfers)	\$2,526,241	\$636,909	\$664,600	(\$27,691)	\$2,540,997	\$2,623,100	(\$82,103)
Cigarette Tax	\$262,101	\$70,371	\$62,300	\$8,071	\$265,160	\$269,100	(\$3,940)
Malt Beverage Tax	\$9,743	\$2,307	\$2,100	\$207	\$9,559	\$9,400	\$159
Liquor Tax	\$71,360	\$18,675	\$20,600	(\$1,925)	\$74,428	\$79,300	(\$4,872)
CONSUMPTION TAX TOTAL	\$3,274,682	\$825,407	\$849,100	(\$23,693)	\$3,276,852	\$3,376,700	(\$99,848)
OTHER TAXES:							
Personal Income Tax	\$2,993,827	\$730,150	\$744,400	(\$14,250)	\$3,084,197	\$3,156,600	(\$72,403)
-Withheld PIT	\$2,452,262	\$611,169	\$640,600	(\$29,431)	\$2,511,940	\$2,571,200	(\$59,260)
-Quarterly & Annual PIT	\$541,565	\$118,982	\$103,800	\$15,182	\$572,257	\$585,400	(\$13,143)
Realty Transfer Tax	\$182,458	\$29,249	\$37,200	(\$7,951)	\$132,904	\$156,300	(\$23,396)
Inheritance & Estate Tax	\$277,653	\$66,700	\$75,700	(\$9,000)	\$270,250	\$292,800	(\$22,550)
Minor & Repealed	\$527	(\$122)	\$100	(\$222)	\$929	\$1,000	(\$71)
OTHER TAXES TOTAL	\$3,454,465	\$825,977	\$857,400	(\$31,423)	\$3,488,279	\$3,606,700	(\$118,421)
GENERAL FUND TAXES	\$7,609,198	\$1,784,052	\$1,900,500	(\$116,448)	\$7,529,727	\$7,868,800	(\$339,073)
NON-TAX REVENUES	\$160,635	(\$135,056)	\$31,900	(\$166,956)	(\$121,925)	\$103,800	(\$225,725)
GENERAL FUND	\$7,769,833	\$1,648,996	\$1,932,400	(\$283,404)	\$7,407,802	\$7,972,600	(\$564,798)
MOTOR LICENSE FUND:							
Liquid Fuels Tax	\$202,960	\$54,309	\$46,385	\$7,924	\$142,369	\$160,865	(\$18,496)
Fuels Use Tax	\$54,429	\$11,335	\$13,740	(\$2,405)	\$55,045	\$56,440	(\$1,395)
Motor Carriers Road Tax	\$8,319	\$3,293	\$2,460	\$833	\$11,449	\$9,030	\$2,419
Alternate Fuels	\$515	\$33	\$20	\$13	\$87	\$80	\$7
Clearing Account	\$0	\$0	\$0	\$0	(\$0)	\$0	(\$0)
Gross Receipts Tax	\$0	\$0	\$0	\$0	(\$0)	\$0	(\$0)
Oil Company Franchise Tax	\$156,923	\$34,684	\$31,880	\$2,804	\$166,243	\$160,980	\$5,263
Licenses and Fees	\$279,224	\$66,757	\$74,530	(\$7,773)	\$272,318	\$295,730	(\$23,412)
Vehicle Code Fines	\$16,268	\$6,788	\$3,940	\$2,848	\$18,286	\$17,400	\$886
Miscellaneous	\$192,083	(\$15,025)	\$8,320	(\$23,345)	\$110,567	\$147,240	(\$36,673)
MOTOR FUND	\$910,721	\$162,174	\$181,275	(\$19,101)	\$776,364	\$847,765	(\$71,401)