



Senate Appropriations Committee

The Monthly Report

DECEMBER 2008

Jake Corman, Chairman

November Revenue Collections Fall Short of Estimates

Taking over a new chairmanship is always a daunting task. There are challenges with new issues to solve and relationships to build. In reviewing our Commonwealth's current fiscal picture, the challenge has been clearly set. While revenue estimates are down across the board, let us not forget, it is our response that will set the tone for Pennsylvania's future growth and prosperity.

Pennsylvania collected \$1.6 billion in General Fund revenue in November, \$99.7 million, or 5.7 percent, less than anticipated. Fiscal year-to-date General Fund collections total \$9 billion, which is \$657.9 million, or 6.8 percent, below estimate.

Sales tax receipts totaled \$646.1 million for November, \$26.9 million below estimate. Sales tax collections, year-to-date, total \$3.6 billion, which is \$115.8 million, or 3.1 percent, less than anticipated.

Personal Income Tax (PIT) revenue in November was \$763.4 million, \$5.9 million below estimate. This brings year-to-date PIT collections to \$3.8 billion, which is \$76.6 million, or 2 percent, below estimate.

November corporation tax revenue of \$50.6 million was \$29.2 million below estimate. Year-to-date corporation tax collections total \$815.7 million, which is \$149.5 million, or 15.5 percent, below estimate.

Other General Fund revenue



figures for the month included \$60.3 million in inheritance tax, \$1.8 million below estimate, bringing the year-to-date total to \$330.6 million, which is \$24.3 million below estimate.

Realty transfer tax was \$24.2 million for November, \$4.4 million below estimate, bringing the total to \$157.2 million for the year, which is \$27.7 million less than anticipated.

Other General Fund tax revenue including cigarette, malt beverage and liquor taxes totaled \$93.3 million for the month, \$2.4 million below estimate, bringing the year-to-date total to \$443.9 million, which is \$10.6 million below estimate.

Non-tax revenue totaled -\$3.6 million for the month, \$29.1 million below estimate, bringing the year-to-date total to \$253.3 million below estimate. The primary reason for the non-tax revenue shortfall is losses on investments as reported by the Treasury Department. Typically, the Commonwealth realizes non-tax revenue gains of \$150 million to \$250 million attributable to earnings on investments. However, because of the recent economic turmoil, the Treasury Department has been recognizing losses on its investments rather than gains. To date, the Treasury Department has reported a \$185.7 million investment loss.

In addition to the General fund collections, the Motor License Fund received \$256.9 million for the month, \$43.2 million below estimate. Fiscal year-to-date collections for the fund total \$1 billion, which is \$112.5 million, or 9.8 percent, below estimate.

Governor Orders Second Round of Cuts

In response to the deteriorating revenue picture, the Governor announced a second round of budget cuts on December 3 totaling \$128 million. These cuts are in addition to the \$311 million that

the Governor placed in budgetary reserve in late October. Details of the individual cuts are not immediately available, but the Governor indicated that they are broad-based and include \$14.3 million in sav-

ings from suspending the January 1 2009 2.25% salary increase for management employees.

Recession Is Deepening

The Global Insight forecast for November 2008 indicated that the recession is deepening. Global Insight expects real GDP to decline for four quarters in a row and projects that the U.S. economy will contract by 1.0% in 2009. It has revised its GDP growth forecast for 2008 from 1.5% to 1.3% and projects GDP growth of -1.0% for 2009. Housing and tight credit continue to negatively impact the economy, and consumers are retrenching. Real consumption dropped 3.1% in the third quarter, the worst decline in 28 years.

Consumers are expected to see some relief, however, due to falling oil prices. Global Insight expects the economy to begin to recover in early 2010. As a precursor to the recovery, it assumes an additional federal fiscal stimulus package in early 2009, including support for states that may include infrastructure spending and increased transfer payments.

Mr. Mark Zandi, Chief Economist, Moody's Economy.com, recently testified before the U.S. Senate Budget Committee that a large fiscal stimulus is needed, as the global financial system has effectively collapsed, undermining investor,



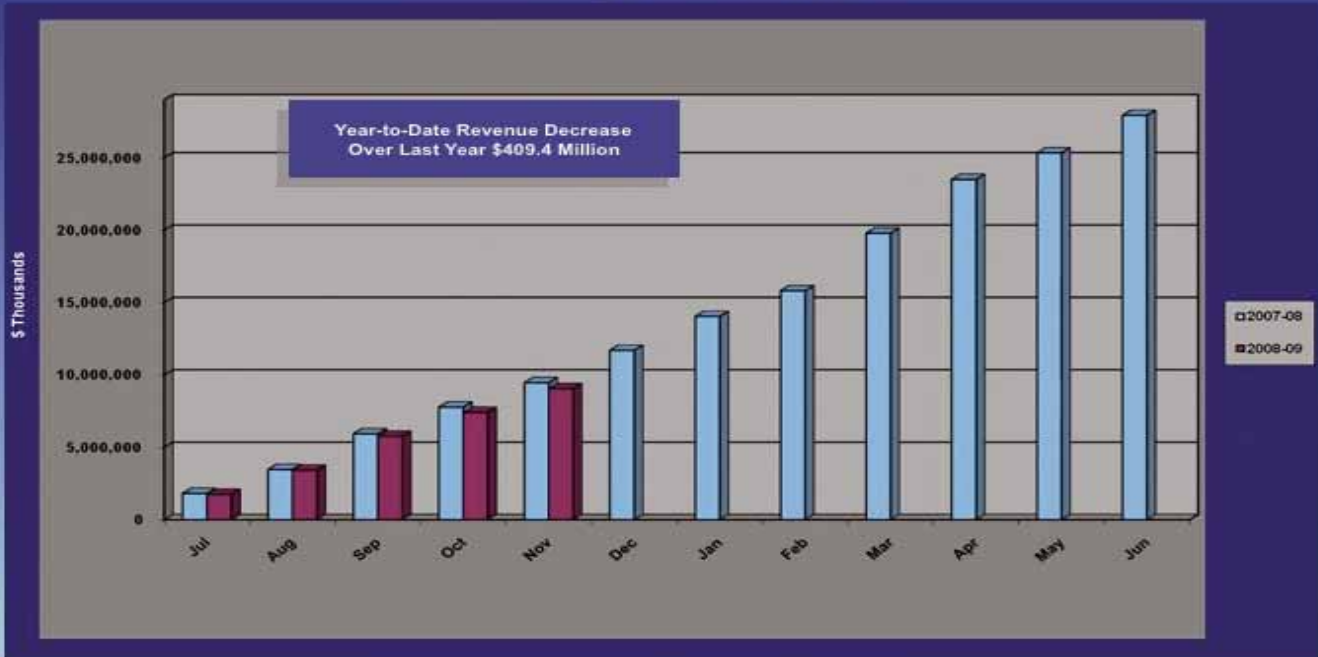
household and business confidence and pushing the economy into a recession. Mr. Zandi held that the stimulus package should both cut taxes and increase spending early next year and should include aid to state governments in the form of general aid or temporary increases in the Medicaid matching rate to ease the costs of

healthcare coverage.

In 2003, the Federal Government provided \$20 billion in financial assistance to states over two years in response to the recession that the country was then experiencing. The federal funding consisted of \$10 billion in flexible grants and \$10 billion in enhanced Medical Assistance reimbursements. Pennsylvania received approximately \$900 million in assistance over a two-year period.

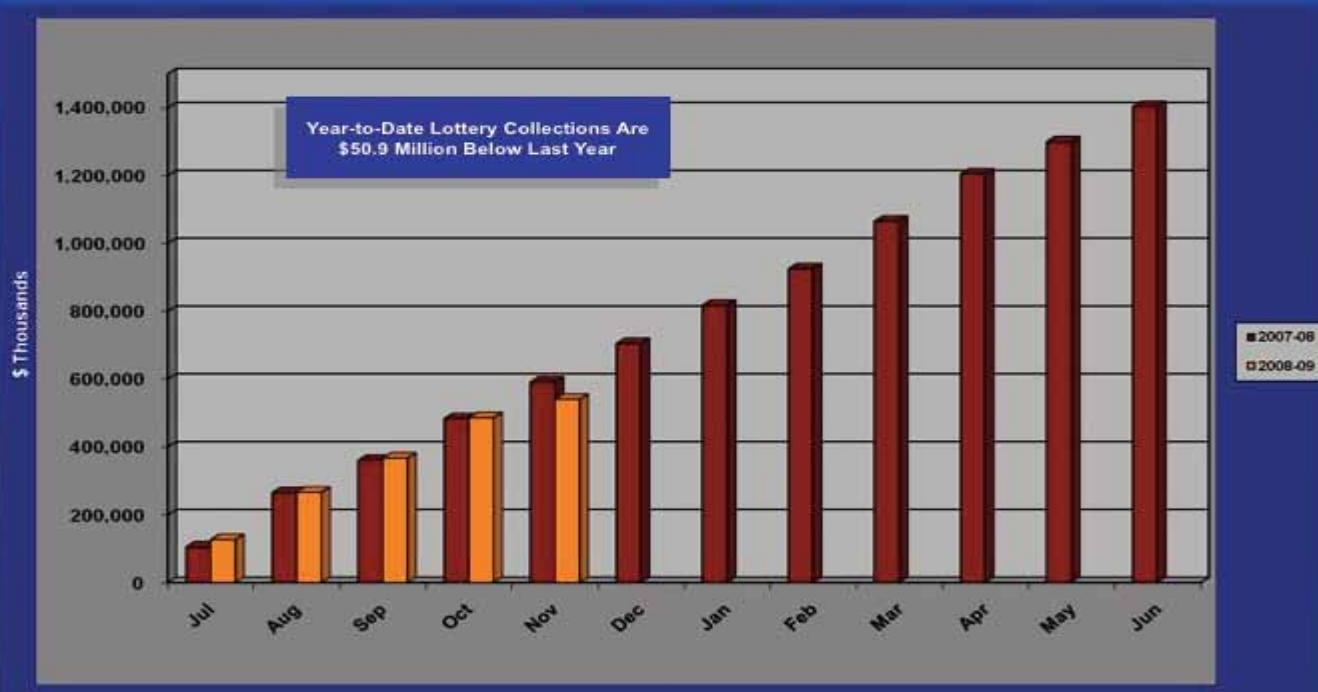


General Fund Tax Collections Fiscal Year 2008-2009 Revenue Comparison with Last Year



Senate Appropriations Committee, Jake Corman, Chairman

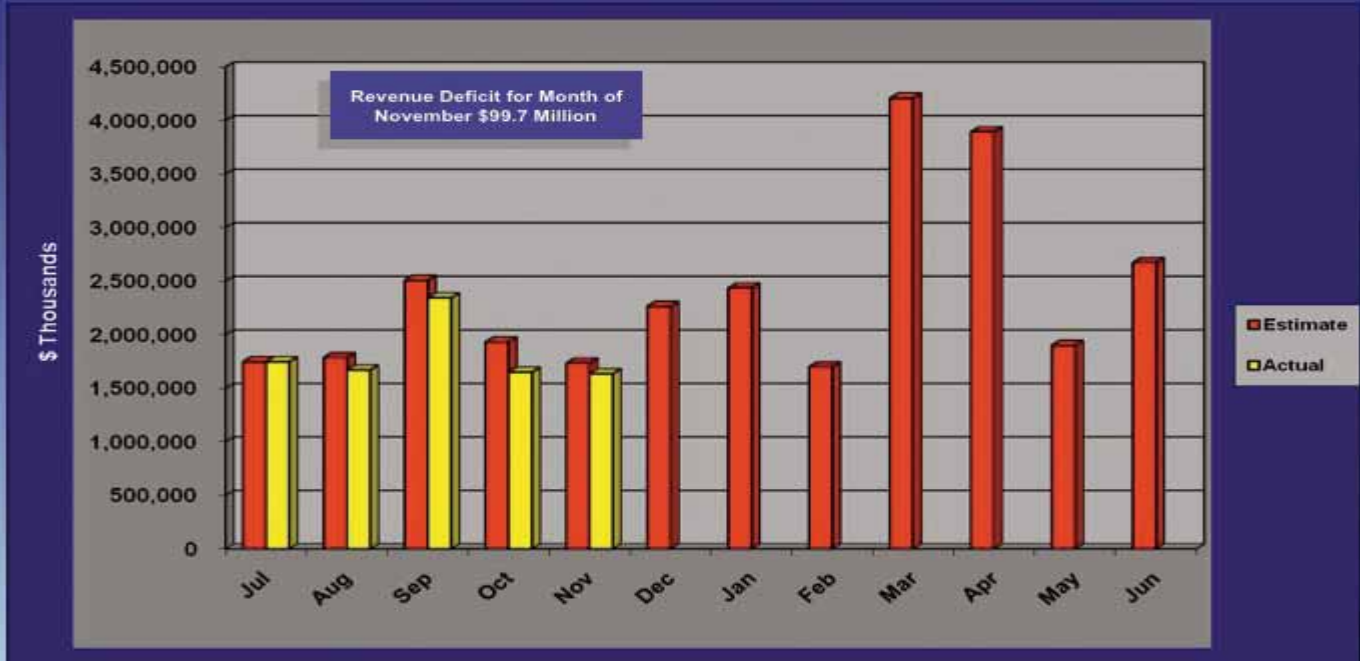
Lottery Fund Fiscal Year 2008-2009 Comparison of Lottery Ticket Deposits with Last Year



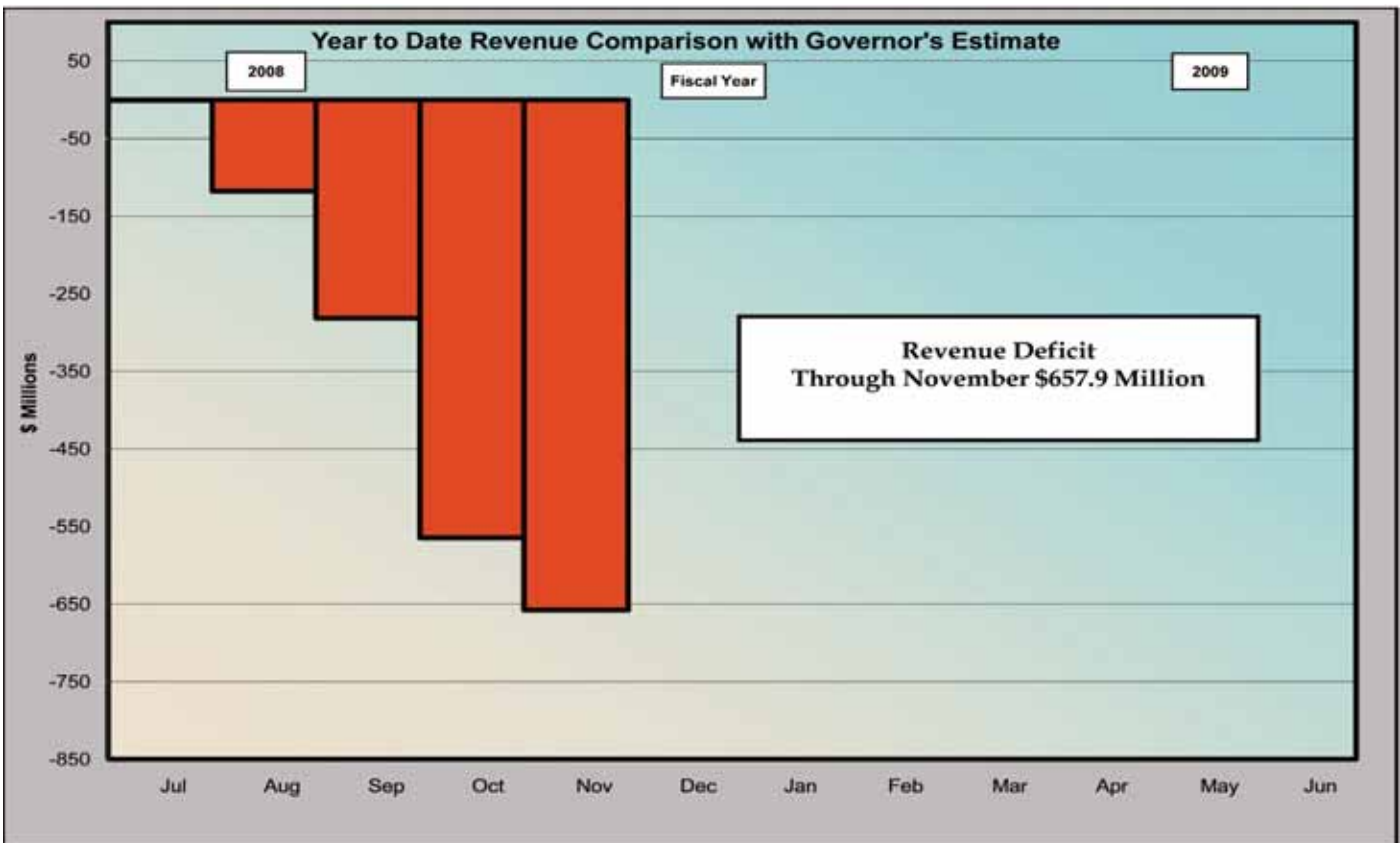
Senate Appropriations Committee, Jake Corman, Chairman



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



Senate Appropriations Committee, Jake Corman, Chairman



Appropriations Committee Monthly Revenue Report

Appropriations Committee Monthly Revenue Report

| Account: | Revenue | (Dollars in Thousands) | | | | | |
|------------------------------|--------------------|---------------------------|----------------------|----------------------|-------------------------------|----------------------|----------------------|
| | 2007-08 | For the month of November | | | For the year through November | | |
| | thru November | Revenue | Official Estimate | Surplus (Deficit) | Revenue | Official Estimate | Surplus (Deficit) |
| CORPORATE TAXES: | | | | | | | |
| Clearing Account | (\$6,949) | \$1,361 | \$0 | \$1,361 | \$2,390 | \$0 | \$2,390 |
| Corp. Net Income | \$649,978 | \$34,863 | \$52,200 | (\$17,337) | \$555,822 | \$640,600 | (\$84,778) |
| Cap. Stock & Franchise | \$307,907 | \$13,362 | \$26,000 | (\$12,638) | \$236,601 | \$306,400 | (\$69,799) |
| Gross Receipts | \$18,545 | \$260 | \$300 | (\$40) | \$8,686 | \$6,600 | \$2,086 |
| PURTA | \$2,279 | \$0 | \$100 | (\$100) | \$1,763 | \$2,300 | (\$537) |
| Insurance Premiums | \$1,418 | \$203 | \$400 | (\$197) | \$1,484 | \$2,600 | (\$1,116) |
| Financial Institutions | \$10,756 | \$499 | \$600 | (\$101) | \$5,917 | \$3,700 | \$2,217 |
| Other Selective Bus. Taxes | \$3,142 | \$85 | \$200 | (\$115) | \$3,086 | \$3,000 | \$86 |
| CORPORATE TAX TOTAL | \$987,076 | \$50,633 | \$79,800 | (\$29,167) | \$815,749 | \$965,200 | (\$149,451) |
| CONSUMPTION TAXES: | | | | | | | |
| Sales, Use & Occupation Tax | \$3,608,950 | \$646,070 | \$673,000 | (\$26,930) | \$3,576,051 | \$3,691,900 | (\$115,849) |
| -Motor Vehicle Sales | \$483,518 | \$56,442 | \$75,200 | (\$18,758) | \$424,223 | \$471,000 | (\$46,777) |
| -General (net of transfers) | \$3,125,432 | \$589,628 | \$597,800 | (\$8,172) | \$3,151,829 | \$3,220,900 | (\$69,071) |
| Cigarette Tax | \$337,201 | \$68,958 | \$71,600 | (\$2,642) | \$334,510 | \$340,700 | (\$6,190) |
| Malt Beverage Tax | \$12,330 | \$2,179 | \$2,300 | (\$121) | \$11,739 | \$11,700 | \$39 |
| Liquor Tax | \$89,979 | \$19,707 | \$21,500 | (\$1,793) | \$94,135 | \$100,800 | (\$6,665) |
| CONSUMPTION TAX TOTAL | \$4,048,460 | \$736,914 | \$768,400 | (\$31,486) | \$4,016,435 | \$4,145,100 | (\$128,665) |
| OTHER TAXES: | | | | | | | |
| Personal Income Tax | \$3,673,483 | \$763,398 | \$769,300 | (\$5,902) | \$3,849,327 | \$3,925,900 | (\$76,573) |
| -Withheld PIT | \$3,101,136 | \$736,060 | \$738,200 | (\$2,140) | \$3,248,744 | \$3,309,400 | (\$60,656) |
| -Quarterly & Annual PIT | \$572,347 | \$27,338 | \$31,100 | (\$3,762) | \$600,583 | \$616,500 | (\$15,917) |
| Realty Transfer Tax | \$221,390 | \$24,181 | \$28,600 | (\$4,419) | \$157,232 | \$184,900 | (\$27,668) |
| Inheritance & Estate Tax | \$339,251 | \$60,338 | \$62,100 | (\$1,762) | \$330,587 | \$354,900 | (\$24,313) |
| Minor & Repealed | \$1,009 | \$2,414 | \$300 | \$2,114 | \$3,360 | \$1,300 | \$2,060 |
| OTHER TAXES TOTAL | \$4,235,133 | \$850,331 | \$860,300 | (\$9,969) | \$4,340,506 | \$4,467,000 | (\$126,494) |
| GENERAL FUND TAXES | \$9,270,669 | \$1,637,877 | \$1,708,500 | (\$70,623) | \$9,172,689 | \$9,577,300 | (\$404,611) |
| NON-TAX REVENUES | \$187,486 | (\$3,568) | \$25,500 | (\$29,068) | (\$123,958) | \$129,300 | (\$253,258) |
| GENERAL FUND | \$9,458,155 | \$1,634,309 | \$1,734,000 | (\$99,691) | \$9,048,732 | \$9,706,600 | (\$657,868) |
| MOTOR LICENSE FUND: | | | | | | | |
| Liquid Fuels Tax | \$257,536 | \$51,289 | \$53,220 | (\$1,931) | \$193,659 | \$214,085 | (\$20,426) |
| Fuels Use Tax | \$67,973 | \$13,971 | \$13,540 | \$431 | \$69,016 | \$69,980 | (\$964) |
| Motor Carriers Road Tax | \$11,179 | \$386 | \$2,770 | (\$2,384) | \$12,437 | \$11,800 | \$637 |
| Alternate Fuels | \$522 | \$0 | \$10 | (\$10) | \$87 | \$90 | (\$3) |
| Oil Company Franchise Tax | \$195,891 | \$39,881 | \$41,030 | (\$1,149) | \$206,124 | \$202,010 | \$4,114 |
| Licenses and Fees | \$334,380 | \$47,232 | \$54,280 | (\$7,048) | \$321,361 | \$350,010 | (\$28,649) |
| Other Motor Receipts | \$169,435 | (\$23,534) | \$130,000 | (\$153,534) | \$280,426 | \$282,210 | (\$1,784) |
| Miscellaneous | \$53,863 | (\$23,088) | \$5,230 | (\$28,318) | (\$47,719) | \$17,660 | (\$65,379) |
| MOTOR FUND | \$1,090,779 | \$106,138 | \$300,080 | (\$193,942) | \$1,035,391 | \$1,147,845 | (\$112,454) |