



STATE OF ARKANSAS
**Department of Finance
and Administration**

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MEMORANDUM

TO: Richard Weiss, Director
Tim Leathers, Deputy Director

FROM: John Shelnutt, Economic Analysis & Tax Research

SUBJECT: **General Revenue Report for August (FY 2010)**

DATE: September 2, 2009

Copy: Governor's Office
Management Services

YEAR-TO-DATE REVENUE SUMMARY

Year-to-date Net Available General Revenues: Year-to-date net available general revenues total \$753.3 million. This amount is \$31.4 million or 4.3 percent above last year and \$33.2 million or 4.2 percent below the general revenue forecast. The amount below forecast is due primarily to a shortfall in Gross Receipts (Sales and Use Tax). The amount above prior year revenue levels is attributable to the scheduled transfer in July of the \$61.0 million from Revenue Allotment Reserve and the deposit of \$10.0 million from Unclaimed Property proceeds recorded in Miscellaneous Tax.

Year-to-date Gross General Revenues: Year-to-date gross collections total \$810.6 million, representing a decrease of \$23.1 million or -2.8 percent below last year. Gross general revenues are \$23.5 million or -2.8 percent below the general revenue forecast.

Year-to-date Individual Income Taxes: Year-to-date individual income tax collections total \$351.1 million, \$1.1 million or 0.3 percent above FY 2009 collections and \$0.5 million or -0.1 percent below forecast. Collections growth for individual monthly withholding is up 1.7 percent over year ago levels.

Year-to-date individual income tax refunds total \$17.0 million, up \$3.2 million or 23.1 percent compared to last year and \$2.2 million or 14.9 percent above forecast.

Year-to-date Gross Receipts Collections: Gross receipts consist primarily of sales and use taxes. On a year-to-date basis, gross receipts total \$345.7 million, a decrease of \$34.0 million or -8.9 percent below FY 2009 and \$38.4 million or -10.0 percent below forecast.

Year-to-date Corporate Income Taxes: Year-to-date corporate revenues total \$24.4 million, a decrease of \$2.4 million or -8.9 percent from year-to-date FY 2009.

Year-to-date corporate income tax refunds total \$4.1 million, up \$1.6 million or 62.4 percent from the comparable year-to-date period last year and \$1.4 million or 51.9 percent above forecast.

AUGUST REVENUE SUMMARY

August Net Available General Revenues total \$341.3 million, \$9.4 million or -2.7 percent below last year and \$19.5 million or 5.4 percent below forecast.

August Gross General Revenues: August collections total \$404.3 million, a decrease of \$6.7 million or -1.6 percent below last year and \$17.7 million or -4.2 percent below forecast.

August Individual Income Tax collections total \$177.3 million. Collections increased by \$6.5 million, or 3.8 percent, compared to last year. With respect to the forecast, collections are \$5.0 million or 2.9 percent above forecast. Individual withholding increased 6.1 percent compared to last year.

August Individual Income Tax Refunds total \$8.9 million. Refunds are up \$3.2 million or 55.0 percent above August 2008. This amount is 45.6 percent above forecast for the month.

August Gross Receipts Collections: August collections total \$172.9 million, a decrease of \$18.1 million or -9.5 percent from last year. Collections were below monthly forecast levels by \$20.4 million or -10.6 percent.

August Corporate Income Tax collections total \$5.8 million, a decrease of \$5.7 million or -49.7 percent from year earlier levels, and \$5.4 million or -48.5 percent below forecast.

August Corporate Income Tax Refunds total \$2.7 million. This amount is \$1.1 million or 68.4 percent above year ago refunds.

August Tobacco Tax collections, a small component of general revenue, total \$21.5 million or 74.7 percent above year earlier levels. Monthly changes in tobacco tax

collections can be attributed to uneven patterns of stamp sales to wholesale purchasers. Year ago growth comparisons are impacted by tax rate changes that became effective on March 1. Monthly changes in tobacco tax collections can also be attributed to uneven patterns of stamp sales to wholesale purchasers.

SPECIAL REVENUES OF NOTE

Year-to-date Medicaid Program Trust Fund: Year-to-date collections of the dedicated soft drink tax total \$8.8 million, a decrease of \$0.9 million or -9.1 percent below last year.

Educational Adequacy Fund: Act 107 of the Second Extraordinary Session of 2003 increased the state sales and use tax rate from 5.125% to 6.0%, effective March 1, 2004. Effective July 1, 2004 a new sales tax on selected services went into effect in addition to an increase in vending machine decal fees. Act 94 increased the minimum corporate franchise tax and the tax rate, effective for calendar years beginning January 1, 2004.

The additional revenues are deposited as special revenues to the Educational Adequacy Fund to be used to fulfill the financial obligations of the state to provide an adequate educational system. In August 2009, \$35.5 million was collected and deposited to the fund. After deductions, the net amount is \$34.5 million. The monthly collection is equivalent to a -10.1 percent decrease from prior year collections.

YEAR TO DATE REPORT, AUGUST 2009
(PREPARED BY ECONOMIC ANALYSIS AND TAX RESEARCH, DFA)

THROUGH AUGUST 2009
2 Months YTD
Forecast Date: 4/27/2009

MILLIONS OF DOLLARS

	ACTUAL FY 2009	FORECAST FY 2010	INCREASE		ACTUAL FY 2009	ACTUAL FY 2010	INCREASE		ACTUAL AS % OF FORECAST
			AMOUNT	PERCENT			AMOUNT	PERCENT	
INDIVIDUAL INCOME	350.0	351.6	1.6	0.4	350.0	351.1	1.1	0.3	99.9
ESTATE ¹	-0.4	0.0	0.4	0.0	-0.4	0.0	0.4	0.0	0.0
CORPORATE INCOME	26.8	26.5	-0.3	-1.2	26.8	24.4	-2.4	-8.9	92.2
GROSS RECEIPTS ²	379.7	384.1	4.4	1.2	379.7	345.7	-34.0	-8.9	90.0
ALCOHOLIC BEVERAGE ³	5.6	5.0	-0.6	-10.7	5.6	5.6	0.0	-0.5	111.4
TOBACCO	25.6	35.3	9.7	38.1	25.6	43.1	17.5	68.5	122.0
INSURANCE	17.1	21.0	3.9	22.6	17.1	20.7	3.6	21.0	98.7
RACING	0.8	0.7	-0.1	-8.2	0.8	0.7	-0.1	-9.9	98.1
GAMES OF SKILL	1.0	1.2	0.2	23.4	1.0	1.2	0.2	20.4	97.5
MISCELLANEOUS ⁴	27.5	8.7	-18.8	-68.3	27.5	18.0	-9.4	-34.4	207.3
TOTAL GROSS	833.6	834.1	0.5	0.1	833.6	810.6	-23.1	-2.8	97.2
PLUS:									
UNCLAIMED PROP. FUND	0.0	10.0	10.0	0.0	0.0	0.0	0.0	0.0	0.0
REVENUE ALLOTMENT RESERVE	3.4	61.0	57.6	1,704.7	3.4	61.0	57.7	1706.2	100.1
LESS: SCSF/COF ⁵	25.0	25.1	0.1	0.3	25.0	24.3	-0.7	-2.8	96.9
IND INCOME TAX REFUNDS	13.8	14.8	1.0	7.1	13.8	17.0	3.2	23.1	114.9
CORP INCOME TAX REFUNDS	2.5	2.7	0.2	6.9	2.5	4.1	1.6	62.4	151.9
CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ECON DEVEL INCENTIVE FUND	1.7	3.9	2.2	130.8	1.7	1.8	0.2	8.9	47.2
WATER/SEWER BONDS	1.0	2.2	1.2	120.0	1.0	2.2	1.2	120.0	100.0
COLLEGE SAVINGS BONDS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
CITY/CO. TOURIST	1.8	1.7	-0.1	-4.7	1.8	1.8	0.0	1.9	106.9
SCHOOL DESEGREGATION	16.6	15.2	-1.4	-8.4	16.6	15.2	-1.4	-8.4	100.0
EDUCATIONAL EXCELLENCE	48.0	48.3	0.3	0.5	48.0	47.3	-0.7	-1.4	98.0
EDUCATIONAL ADEQUACY	4.2	4.3	0.1	1.2	4.2	4.2	-0.1	-1.4	97.3
ELDERLY TRANSPORTATION	0.4	0.4	0.0	4.5	0.4	0.3	-0.1	-18.7	77.7
NET AVAILABLE	721.9	786.5	64.6	8.9	721.9	753.3	31.4	4.3	95.8

REVENUE FORECAST SUMMARY FOR AUGUST

YEAR-TO-DATE GROSS	\$ 23.5 MILLION OR 2.8% BELOW FORECAST.
YEAR-TO-DATE REFUNDS	\$ 3.6 MILLION OR 20.6% ABOVE FORECAST.
YEAR-TO-DATE NET AVAILABLE	\$ 33.2 MILLION OR 4.2% BELOW FORECAST

SOFT DRINK EXCISE TAX (MEDICAID PROGRAM TRUST FUND)	<u>YTD FY 09</u> 9.7	<u>YTD FY 10</u> 8.8	<u>% CHANGE</u> -9.1
EDUCATIONAL ADEQUACY FUND (NET DEPOSIT)	<u>YTD FY 09</u> 75.8	<u>YTD FY 10</u> 69.4	<u>% CHANGE</u> -8.4

- 1) Effective January 1, 2005, the federal estate tax credit was abolished, effectively ending state tax collections in FY06.
- 2) Gross Receipts includes the sales, use, 10% mixed drink, 3% beverage excise, vehicle rental, short-term rental, residential moving, and wholesale vending taxes.
- 3) Alcoholic Beverage does not include 10% Mixed Drink and 3% Beverage Excise.
- 4) Miscellaneous includes severance, corporate franchise, real estate transfer, dyed diesel, and various other miscellaneous taxes.
- 5) State Central Services Fund and Constitutional Officers Fund.

AUGUST GENERAL REVENUE REPORT
(ECONOMIC ANALYSIS AND TAX RESEARCH, DFA)
(682-1688 for further information)

August 31, 2009
Days Remaining: 0
Forecast date: 04/27/2009

MILLIONS OF \$

	CURRENT MONTH				CURRENT MONTH TO DATE				ACTUAL AS % OF FORECAST
	ACTUAL FY 2009	FORECAST FY 2010	CHANGE AMOUNT	PERCENT	ACTUAL FY 2009	ACTUAL FY 2010	CHANGE AMOUNT	PERCENT	
INDIVIDUAL INCOME	170.8	172.3	1.5	0.9	170.8	177.3	6.5	3.8	102.9
ESTATE ¹	-0.3	0.0	0.3	0.0	-0.3	0.0	0.3	0.0	0.0
CORPORATE INCOME	11.5	11.2	-0.3	-2.3	11.5	5.8	-5.7	-49.7	51.5
GROSS RECEIPTS ²	191.0	193.3	2.3	1.2	191.0	172.9	-18.1	-9.5	89.4
ALCOHOLIC BEVERAGE ³	2.4	2.4	0.0	1.9	2.4	2.4	0.1	2.3	100.3
TOBACCO	12.3	17.6	5.3	43.1	12.3	21.5	9.2	74.7	122.0
INSURANCE	15.8	20.0	4.2	26.9	15.8	20.0	4.3	27.0	100.1
RACING	0.5	0.4	-0.1	-22.3	0.5	0.4	-0.1	-13.1	111.8
GAMES OF SKILL	0.5	0.6	0.1	21.3	0.5	0.6	0.1	21.7	100.3
MISCELLANEOUS ⁴	6.7	4.2	-2.5	-36.9	6.7	3.4	-3.3	-49.5	80.2
TOTAL GROSS	411.0	422.0	11.0	2.7	411.0	404.3	-6.7	-1.6	95.8
PLUS:									
UNCLAIMED PROP. FUND	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
REV. ALLOTMENT RESERVE	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
LESS: 3% (SCSF/COF) ⁵	12.3	12.7	0.4	2.9	12.3	12.1	-0.2	-1.7	95.5
IND INC TAX REFUNDS	5.7	6.1	0.4	6.4	5.7	8.9	3.2	55.0	145.6
CORP INC TAX REFUNDS	1.6	1.7	0.1	6.6	1.6	2.7	1.1	68.4	158.0
CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ECON DEVEL INCENTIVE FUND	1.5	2.0	0.5	37.1	1.5	1.3	-0.2	-10.9	65.0
WATER/SEWER BONDS	0.5	1.1	0.6	120.0	0.5	1.1	0.6	120.0	100.0
COLLEGE SAVINGS BONDS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
CITY & COUNTY TOURIST	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
SCHOOL DESEGREGATION	12.4	11.0	-1.4	-11.3	12.4	11.0	-1.4	-11.3	100.0
EDUCATIONAL EXCELLENCE	24.0	24.2	0.2	0.7	24.0	23.7	-0.3	-1.4	97.8
EDUCATIONAL ADEQUACY	2.1	2.2	0.1	3.6	2.1	2.1	0.0	-1.4	95.1
ELDERLY TRANSPORTATION	0.2	0.2	0.0	8.6	0.2	0.2	0.0	-16.0	77.4
NET AVAILABLE	350.7	360.8	10.1	2.9	350.7	341.3	-9.4	-2.7	94.6

EDUCATIONAL ADEQUACY FUND (NET DEPOSIT, MONTH-TO-DATE)	Aug 08 38.4	Aug 09 34.5	% CH -10.1
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