



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

**OFFICE OF THE DIRECTOR
Economic Analysis & Tax Research**
1509 West Seventh Street, Room 404
Post Office Box 3278
Little Rock, Arkansas 72203-3278
Phone: (501) 682-1688
Fax: (501) 682-1086
<http://www.dfa.arkansas.gov>

MEMORANDUM

TO: Larry Walther, Director
Tim Leathers, Deputy Director

FROM: John Shelnutt, Economic Analysis & Tax Research

SUBJECT: **General Revenue Report for June and FY 2016 Summary**

DATE: July 5, 2016

Copy: Governor's Office
Management Services

FISCAL YEAR 2016 REVENUE SUMMARY

Fiscal Year 2016 Net Available General Revenues and Surplus: Fiscal year 2016 net available general revenue collections total \$5,367.8 million. This amount is \$117.3 million or 2.2 percent above prior year results and 2.7 percent above forecast. The resulting year-end surplus is \$177.4 million or 3.4 percent above the net available-for-distribution amount (budgeted) for fiscal year 2016. All categories of the general revenue budget were funded during the year.

Notable Activity:

The fiscal year ended above forecast as a result of improving growth in net Individual Income Tax collections after refunds. The net gain was 4.4 percent over year ago and 3.0 percent or \$82.1 million above forecast. Net Corporate Income tax collections after refunds also added to results above forecast. The Net Corporate revenue was forecast to be down -13.1 percent from FY 2015. The actual results were -7.0 percent below prior year and 6.9 percent or \$27 million above forecast.

Sales and Use tax collections grew \$92.2 million or 4.2 percent over last year, including the effects of Sales tax refunds of \$9.8 million in court settlement payments. Comparison with prior year Sales Tax results is affected by the one-time court

settlement in June 2015 of \$28.7 million for sand and other proppants used in hydraulic fracturing for natural gas. Collections were \$15.4 million or -0.7 percent below forecast.

Among smaller collections categories, tobacco tax collections were above year ago collections and above forecast (+\$9.5 million). Revenue from Games of Skill was up 18.0 percent over prior year and also above forecast (+\$2.7 million).

Notable one-time collection effects in FY 2016 consisted of \$4.5 million from a deposit from the Attorney General's Office and \$8.1 million from the cessation of operations of the Arkansas Comprehensive Health Insurance Pool. Both deposits to general revenue were recorded in Miscellaneous Revenue in the report.

Fiscal Year 2016 Gross General Revenues: Fiscal year 2016 gross collections total \$6,451.5 million, representing a decrease of \$19.2 million or -0.3 percent below last year. Gross general revenues were \$42.6 million or 0.7 percent above forecast.

Fiscal Year 2016 Individual Income Taxes: Fiscal year 2016 individual income tax collections total \$3,148.3 million, \$40.2 million or -1.3 percent below FY 2015 collections and \$16.0 million or 0.5 percent above forecast. Net revenue results with refunds factored in were \$82.1 million above forecast and 4.4 percent above prior year results.

Fiscal Year 2016 individual income tax refunds total \$366.8 million, \$157.5 million or -30.0 percent below last year and \$66.1 million or -15.3 percent below forecast.

Fiscal Year 2016 Sales and Use Collections: Fiscal year 2016 Sales and Use tax collections total \$2,290.0 million, an increase of \$92.2 million or 4.2 percent over FY 2015 and \$15.4 million or -0.7 percent below forecast. Comparisons to prior year results are affected by the \$28.7 million court settlement (sales tax refund) on sand and other proppants used in hydraulic fracturing for natural gas refunded last June.

Fiscal Year 2016 Corporate Income Taxes: Fiscal year corporate collections total \$486.7 million, a decrease of \$6.4 million or -1.3 percent below FY 2015. Collections came in \$17.7 million or 3.8 percent above forecast. Net Corporate Income tax revenue after refunds was \$27.0 million above forecast.

Fiscal Year 2016 Corporate income tax refunds total \$68.9 million, \$25.3 million or 58.1 percent above last year and \$9.3 million below the general revenue forecast. Amounts below forecast in refund categories contribute to net general revenue results.

JUNE REVENUE SUMMARY

June Net Available General Revenues total \$541.7 million, \$45.3 million or -7.7 percent below last year. Net general revenues were \$36.7 million or 7.3 percent above forecast for the month.

Notable Activity:

Net available funds in June benefited primarily from Corporate Income tax collections, contributing \$14.4 million above forecast.

The other major income categories contributed smaller amounts above forecast. Sales and Use tax collections added \$2.6 million and Individual Income tax added \$2.3 million.

Among smaller revenue sources, Tobacco was above forecast (+\$3.0 million) and Games of Skill was also above forecast (+\$0.2 million).

June Gross General Revenues: June collections total \$624.2 million, a decrease of \$46.1 million or -6.9 percent below last year and \$27.7 million or 4.6 percent above the monthly forecast.

June Individual Income Tax collections total \$270.2 million. Collections decreased by \$9.2 million, or -3.3 percent, compared to last year. Collections exceeded forecast for the month by 0.9 percent. Withholding tax from payrolls declined by -1.3 percent below year ago levels.

June Individual Income Tax Refunds total \$33.0 million. This amount is \$0.8 million or 2.4 percent above year ago refunds and \$6.9 million above the monthly forecast.

June Sales and Use Collections: June collections total \$194.9 million, an increase of \$35.5 million or 22.2 percent above last year. Collections exceeded forecast by \$2.6 million or 1.3 percent. Comparison to year ago levels is impacted by the court settlement of \$28.7 million last June for sand and other proppants used in hydraulic fracturing for natural gas.

June Corporate Income Tax collections total \$85.0 million, an increase of \$4.6 million or 5.8 percent from year earlier levels, and \$14.4 million or 20.3 percent above forecast.

June Corporate Income Tax Refunds total \$0.8 million. This amount is \$1.1 million below year ago refunds.

June Tobacco Tax collections, a small component of general revenue, total \$19.8 million or 4.9 percent above year earlier levels. Monthly changes in tobacco tax collections can be attributed to uneven patterns of stamp sales to wholesale purchasers.

SPECIAL REVENUES OF NOTE

Fiscal Year 2016 Soft Drink Tax (for Medicaid Program Trust Fund): Fiscal year 2016 collections of the dedicated soft drink tax total \$45.9 million, an increase of \$4.0 million or 9.6 percent from 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 June 2016, \$41.8 million was collected and deposited to the fund. After deductions, the net amount is \$40.5 million. The monthly collection is equivalent to a 19.5 percent increase from prior year collections. Fiscal year net collections total \$477.0 million, compared to \$460.2 million last year. This represents a 3.7 percent fiscal year increase from prior year collections.

JUNE 2016 YEAR-TO-DATE GENERAL REVENUE REPORT
ECONOMIC ANALYSIS AND TAX RESEARCH, DFA

FORECAST DATE: 2/1/2016

MILLIONS OF \$

	CHANGE FROM FORECAST				CHANGE FROM LAST YEAR		
	ACTUAL FY15	FORECAST FY16	ACTUAL FY16	DOLLAR DIFFERENCE	PERCENT DIFFERENCE	DOLLAR DIFFERENCE	PERCENT DIFFERENCE
INDIVIDUAL INCOME	3,188.5	3,132.3	3,148.3	16.0	0.5	-40.2	-1.3
CORPORATE INCOME	493.1	469.0	486.7	17.7	3.8	-6.4	-1.3
SALES AND USE	2,197.8	2,305.4	2,290.0	-15.4	-0.7	92.2	4.2
ALCOHOLIC BEVERAGE	55.1	55.6	56.7	1.1	2.0	1.7	3.0
TOBACCO	218.5	214.0	223.5	9.5	4.5	5.0	2.3
INSURANCE	169.3	97.4	101.8	4.4	4.6	-67.5	-39.8
RACING	2.7	2.6	2.5	-0.1	-4.2	-0.2	-6.5
GAMES OF SKILL	47.3	53.2	55.9	2.7	5.0	8.5	18.0
MISCELLANEOUS ¹	98.4	79.4	86.1	6.7	8.4	-12.4	-12.6
TOTAL GROSS	6,470.7	6,408.9	6,451.5	42.6	0.7	-19.2	-0.3
LESS: SCSF/COF ²	205.3	205.1	206.3	1.2	0.6	1.0	0.5
INDIV INCOME TAX REFUNDS	524.3	432.9	366.8	-66.1	-15.3	-157.5	-30.0
CORP INCOME TAX REFUNDS	43.6	78.2	68.9	-9.3	-11.9	25.3	58.1
CLAIMS	0.0	10.0	0.0	-10.0	-100.0	0.0	0.0
ECON DEVEL INCENTIVE FUND	11.4	23.4	9.4	-14.0	-59.7	-2.0	-17.2
WATER/SEWER BONDS	14.8	14.8	14.8	0.0	0.0	0.0	0.0
COLLEGE SAVINGS BONDS	22.1	24.0	23.2	-0.8	-3.3	1.1	4.8
CITY & COUNTY TOURIST	2.8	1.0	1.0	0.0	4.7	-1.8	-62.6
SCHOOL DESEGREGATION	72.1	65.8	65.8	0.0	0.0	-6.3	-8.7
EDUCATIONAL EXCELLENCE	297.4	300.8	300.8	0.0	0.0	3.4	1.1
EDUCATIONAL ADEQUACY	26.3	26.6	26.6	0.0	0.0	0.3	1.1
TOTAL DEDUCTIONS	1,220.2	1,182.6	1,083.7	-98.9	-8.4	-136.5	-11.2
NET AVAILABLE	5,250.5	5,226.3	5,367.8	141.5	2.7	117.3	2.2
LESS: SURPLUS	191.6	35.9	177.4				
NET AVAILABLE DISTRIBUTION	5,058.9	5,190.4	5,190.4	0.0	0.0	131.5	2.6

REVENUE FORECAST SUMMARY FOR JUNE

YEAR-TO-DATE GROSS	\$ 42.6 MILLION OR 0.7% ABOVE FORECAST
YEAR-TO-DATE NET AVAILABLE	\$ 141.5 MILLION OR 2.7% ABOVE FORECAST

1) Miscellaneous includes severance, corporate franchise, real estate transfer, dyed diesel, and other miscellaneous taxes.

2) State Central Services Fund and Constitutional Officers Fund.

JUNE 2016 GENERAL REVENUE REPORT
ECONOMIC ANALYSIS AND TAX RESEARCH, DFA

FORECAST DATE: 2/1/2016

MILLIONS OF \$

	CHANGE FROM FORECAST				CHANGE FROM LAST YEAR		
	ACTUAL JUNE FY15	FORECAST JUNE FY16	ACTUAL JUNE FY16	DOLLAR DIFFERENCE	PERCENT DIFFERENCE	DOLLAR DIFFERENCE	PERCENT DIFFERENCE
INDIVIDUAL INCOME	279.5	267.9	270.2	2.3	0.9	-9.2	-3.3
CORPORATE INCOME	80.3	70.6	85.0	14.4	20.3	4.6	5.8
SALES AND USE	159.4	192.3	194.9	2.6	1.3	35.5	22.2
ALCOHOLIC BEVERAGE	7.1	6.2	7.0	0.8	12.7	-0.1	-1.9
TOBACCO	18.9	16.8	19.8	3.0	18.0	0.9	4.9
INSURANCE	100.4	33.1	37.9	4.8	14.4	-62.5	-62.3
RACING	0.2	0.2	0.1	-0.1	-40.6	-0.1	-34.4
GAMES OF SKILL	4.7	4.6	4.8	0.2	3.4	0.0	0.9
MISCELLANEOUS ¹	19.8	4.8	4.6	-0.2	-4.3	-15.2	-76.8
TOTAL GROSS	670.3	596.5	624.2	27.7	4.6	-46.1	-6.9
LESS: SCSF/COF ²	19.7	19.1	19.8	0.7	3.7	0.1	0.6
INDIV INCOME TAX REFUNDS	32.3	26.1	33.0	6.9	26.5	0.8	2.4
CORP INCOME TAX REFUNDS	1.9	4.0	0.8	-3.2	-79.8	-1.1	-57.8
CLAIMS	0.0	10.0	0.0	-10.0	-100.0	0.0	0.0
ECON DEVEL INCENTIVE FUND	1.3	3.8	0.4	-3.4	-89.7	-0.9	-69.2
WATER/SEWER BONDS	1.2	1.2	1.2	0.0	0.0	0.0	0.0
COLLEGE SAVINGS BONDS	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
SCHOOL DESEGREGATION	0.0	0.0	0.0	0.0	0.0	0.0	-100.0
EDUCATIONAL EXCELLENCE	24.8	25.0	25.1	0.1	0.3	0.3	1.1
EDUCATIONAL ADEQUACY	2.2	2.3	2.2	-0.1	-3.6	0.0	1.1
TOTAL DEDUCTIONS	83.3	91.5	82.5	-9.0	-9.8	-0.8	-0.9
NET AVAILABLE	587.0	505.0	541.7	36.7	7.3	-45.3	-7.7

REVENUE FORECAST SUMMARY FOR JUNE

JUNE GROSS	\$ 27.7 MILLION OR 4.6% ABOVE FORECAST
JUNE NET AVAILABLE	\$ 36.7 MILLION OR 7.3% ABOVE FORECAST

1) Miscellaneous includes severance, corporate franchise, real estate transfer, dyed diesel, and other miscellaneous taxes.

2) State Central Services Fund and Constitutional Officers Fund.