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**Department of Finance
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M E M O R A N D U M

TO: Richard Weiss, Director
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FROM: John Shelnutt, Economic Analysis & Tax Research

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

DATE: October 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 \$1,163.6 million. This amount is \$39.7 million or -3.3 percent below last year and \$89.0 million or 7.1 percent below the general revenue forecast. The amount below forecast is due to a mix of declines across all the major revenue categories. In percentage terms Corporate Income is below forecast the most (-22.1 percent), but Gross Receipts are down by a greater amount in dollar terms (-\$61.6 million).

Year-to-date Gross General Revenues: Year-to-date gross collections total \$1,274.7 million, representing a decrease of \$99.6 million or -7.2 percent below last year. Gross general revenues are \$86.8 million or -6.4 percent below the general revenue forecast.

Year-to-date Individual Income Taxes: Year-to-date individual income tax collections total \$577.9 million, \$38.4 million or -6.2 percent below FY 2009 collections and \$26.3 million or -4.4 percent below forecast. Collections growth for individual monthly withholding is also down -2.1 percent from year ago levels.

Year-to-date individual income tax refunds total \$24.0 million, up \$2.8 million or 13.1 percent compared to last year and \$1.3 million or 5.6 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 \$508.4 million, a decrease of \$54.7 million or -9.7 percent below FY 2009 and \$61.6 million or -10.8 percent below forecast.

Year-to-date Corporate Income Taxes: Year-to-date corporate revenues total \$70.1 million, a decrease of \$20.7 million or -22.8 percent from year-to-date FY 2009. Collections are also down \$19.9 million or -22.1 percent compared to forecast.

Year-to-date corporate income tax refunds total \$5.2 million, down \$1.2 million or -18.7 percent from the comparable year-to-date period last year and \$1.7 million or -24.6 percent below forecast.

SEPTEMBER REVENUE SUMMARY

September Net Available General Revenues total \$410.3 million, \$71.0 million or -14.8 percent below last year and \$55.8 million or -12.0 percent below forecast.

September Gross General Revenues: September collections total \$464.2 million, a decrease of \$76.5 million or -14.2 percent below last year and \$63.2 million or -12.0 percent below forecast.

September Individual Income Tax collections total \$226.8 million. Collections decreased by \$39.5 million, or -14.8 percent, compared to last year. With respect to the forecast, collections are \$25.8 million or -10.2 percent below forecast. Individual withholding decreased 9.1 percent compared to last year.

September Individual Income Tax Refunds total \$7.0 million. Refunds are down \$0.4 million or -5.6 percent below September 2008. This amount is 11.9 percent below forecast for the month.

September Gross Receipts Collections: September collections total \$162.7 million, a decrease of \$20.8 million or -11.3 percent from last year. Collections were below monthly forecast levels by \$23.2 million or -12.5 percent.

September Corporate Income Tax collections total \$45.7 million, a decrease of \$18.3 million or -28.6 percent from year earlier levels, and \$17.8 million or -28.0 percent below forecast.

September Corporate Income Tax Refunds total \$1.1 million. This amount is \$2.8 million or -71.5 percent below year ago refunds.

September Tobacco Tax collections, a small component of general revenue, total \$20.7 million or 77.0 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.

SPECIAL REVENUES OF NOTE

Year-to-date Medicaid Program Trust Fund: Year-to-date collections of the dedicated soft drink tax total \$12.7 million, a decrease of \$0.9 million or -6.9 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 September 2009, \$33.5 million was collected and deposited to the fund. After deductions, the net amount is \$32.5 million. The monthly collection is equivalent to a -10.6 percent decrease from prior year collections.

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

THROUGH SEPTEMBER 2009
3 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 | 616.3 | 604.2 | -12.1 | -2.0 | 616.3 | 577.9 | -38.4 | -6.2 | 95.6 |
| ESTATE ¹ | -0.5 | 0.0 | 0.5 | 0.0 | -0.5 | 0.0 | 0.5 | 0.0 | 0.0 |
| CORPORATE INCOME | 90.8 | 90.0 | -0.8 | -0.9 | 90.8 | 70.1 | -20.7 | -22.8 | 77.9 |
| GROSS RECEIPTS ² | 563.1 | 570.0 | 6.9 | 1.2 | 563.1 | 508.4 | -54.7 | -9.7 | 89.2 |
| ALCOHOLIC BEVERAGE ³ | 7.9 | 7.3 | -0.6 | -7.6 | 7.9 | 7.9 | 0.0 | -0.3 | 107.9 |
| TOBACCO | 37.3 | 52.9 | 15.6 | 42.0 | 37.3 | 63.8 | 26.5 | 71.2 | 120.6 |
| INSURANCE | 22.1 | 22.1 | 0.0 | -0.1 | 22.1 | 21.7 | -0.4 | -1.9 | 98.2 |
| RACING | 1.1 | 1.1 | 0.0 | 1.6 | 1.1 | 1.0 | 0.0 | -3.5 | 95.0 |
| GAMES OF SKILL | 1.5 | 1.8 | 0.3 | 20.9 | 1.5 | 1.8 | 0.3 | 19.1 | 98.5 |
| MISCELLANEOUS ⁴ | 34.7 | 12.1 | -22.6 | -65.2 | 34.7 | 22.1 | -12.6 | -36.4 | 182.5 |
| TOTAL GROSS | 1,374.3 | 1,361.5 | -12.8 | -0.9 | 1,374.3 | 1,274.7 | -99.6 | -7.2 | 93.6 |
| 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 | 41.2 | 40.9 | -0.3 | -0.8 | 41.2 | 38.2 | -3.0 | -7.3 | 93.5 |
| IND INCOME TAX REFUNDS | 21.2 | 22.7 | 1.5 | 7.1 | 21.2 | 24.0 | 2.8 | 13.1 | 105.6 |
| CORP INCOME TAX REFUNDS | 6.4 | 6.9 | 0.5 | 7.7 | 6.4 | 5.2 | -1.2 | -18.7 | 75.4 |
| CLAIMS | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| ECON DEVEL INCENTIVE FUND | 2.7 | 5.8 | 3.1 | 114.8 | 2.7 | 2.7 | 0.0 | -1.3 | 45.9 |
| WATER/SEWER BONDS | 1.5 | 3.3 | 1.8 | 120.0 | 1.5 | 3.3 | 1.8 | 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 | 20.6 | 19.2 | -1.4 | -6.8 | 20.6 | 19.2 | -1.4 | -6.8 | 100.0 |
| EDUCATIONAL EXCELLENCE | 72.1 | 72.4 | 0.3 | 0.5 | 72.1 | 71.0 | -1.0 | -1.4 | 98.1 |
| EDUCATIONAL ADEQUACY | 6.4 | 6.4 | 0.0 | 0.5 | 6.4 | 6.3 | -0.1 | -1.4 | 98.1 |
| ELDERLY TRANSPORTATION | 0.6 | 0.6 | 0.0 | 6.0 | 0.6 | 0.5 | -0.1 | -18.4 | 77.0 |
| NET AVAILABLE | 1,203.3 | 1,252.6 | 49.3 | 4.1 | 1,203.3 | 1,163.6 | -39.7 | -3.3 | 92.9 |

REVENUE FORECAST SUMMARY FOR SEPTEMBER

| | |
|----------------------------|---|
| YEAR-TO-DATE GROSS | \$ 86.8 MILLION OR 6.4% BELOW FORECAST. |
| YEAR-TO-DATE REFUNDS | \$ 0.4 MILLION OR 1.4% BELOW FORECAST. |
| YEAR-TO-DATE NET AVAILABLE | \$ 89.0 MILLION OR 7.1% BELOW FORECAST |

| | | | |
|--|---------------------------|---------------------------|-------------------------|
| SOFT DRINK EXCISE TAX (MEDICAID PROGRAM TRUST FUND) | <u>YTD FY 09</u> 13.6 | <u>YTD FY 10</u> 12.7 | <u>% CHANGE</u> -6.9 |
| EDUCATIONAL ADEQUACY FUND (NET DEPOSIT) | <u>YTD FY 09</u> 112.1 | <u>YTD FY 10</u> 101.9 | <u>% CHANGE</u> -9.1 |

- 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.

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

September 30, 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 | 266.2 | 252.6 | -13.6 | -5.1 | 266.2 | 226.8 | -39.5 | -14.8 | 89.8 |
| ESTATE ¹ | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| CORPORATE INCOME | 64.0 | 63.5 | -0.5 | -0.8 | 64.0 | 45.7 | -18.3 | -28.6 | 72.0 |
| GROSS RECEIPTS ² | 183.4 | 185.9 | 2.5 | 1.4 | 183.4 | 162.7 | -20.8 | -11.3 | 87.5 |
| ALCOHOLIC BEVERAGE ³ | 2.3 | 2.3 | 0.0 | -0.3 | 2.3 | 2.3 | 0.0 | 0.2 | 100.5 |
| TOBACCO | 11.7 | 17.6 | 5.9 | 50.3 | 11.7 | 20.7 | 9.0 | 77.0 | 117.8 |
| INSURANCE | 5.0 | 1.1 | -3.9 | -78.0 | 5.0 | 1.0 | -4.0 | -80.3 | 89.3 |
| RACING | 0.3 | 0.4 | 0.1 | 25.0 | 0.3 | 0.4 | 0.0 | 11.8 | 89.5 |
| GAMES OF SKILL | 0.5 | 0.6 | 0.1 | 16.2 | 0.5 | 0.6 | 0.1 | 16.7 | 100.4 |
| MISCELLANEOUS ⁴ | 7.3 | 3.4 | -3.9 | -53.1 | 7.3 | 4.0 | -3.2 | -44.2 | 119.1 |
| TOTAL GROSS | 540.7 | 527.4 | -13.3 | -2.5 | 540.7 | 464.2 | -76.5 | -14.2 | 88.0 |
| 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 | 16.2 | 15.8 | -0.4 | -2.6 | 16.2 | 13.9 | -2.3 | -14.2 | 88.1 |
| IND INC TAX REFUNDS | 7.4 | 7.9 | 0.5 | 7.1 | 7.4 | 7.0 | -0.4 | -5.6 | 88.1 |
| CORP INC TAX REFUNDS | 3.9 | 4.2 | 0.3 | 8.3 | 3.9 | 1.1 | -2.8 | -71.5 | 26.3 |
| CLAIMS | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| ECON DEVEL INCENTIVE FUND | 1.0 | 1.9 | 0.9 | 88.0 | 1.0 | 0.8 | -0.2 | -18.4 | 43.4 |
| 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 | 4.0 | 4.0 | 0.0 | 0.0 | 4.0 | 4.0 | 0.0 | 0.0 | 100.0 |
| EDUCATIONAL EXCELLENCE | 24.0 | 24.1 | 0.1 | 0.3 | 24.0 | 23.7 | -0.3 | -1.4 | 98.2 |
| EDUCATIONAL ADEQUACY | 2.1 | 2.1 | 0.0 | -1.1 | 2.1 | 2.1 | 0.0 | -1.4 | 99.7 |
| ELDERLY TRANSPORTATION | 0.2 | 0.2 | 0.0 | 9.1 | 0.2 | 0.2 | 0.0 | -17.8 | 75.4 |
| NET AVAILABLE | 481.4 | 466.1 | -15.3 | -3.2 | 481.4 | 410.3 | -71.0 | -14.8 | 88.0 |

| | | | |
|---|-----------------|-----------------|---------------|
| EDUCATIONAL ADEQUACY FUND (NET DEPOSIT, MONTH-TO-DATE) | Sept 08 36.4 | Sept 09 32.5 | % CH -10.6 |
|---|-----------------|-----------------|---------------|

- 1) Effective January 1, 2005, the federal estate tax credit is 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.
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