



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

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MEMORANDUM

TO: Richard Weiss, Director
Tim Leathers, Deputy Director

FROM: John Shelnett, Economic Analysis & Tax Research

SUBJECT: **General Revenue Report for August (FY 2015)**

DATE: September 3, 2014

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 \$801.4 million, \$3.4 million or 0.4 percent above year ago levels. After two months into the fiscal year, net available revenue is above forecast by \$2.5 million or 0.3 percent.

The forecast adjusted for a group of one-time audit collections in Sales and Use Tax in the year ago period that amounted to \$13.5 million. Sales tax growth in the latest period was 3.9% above year ago collections after adjusting for this factor in the collection pattern.

Year-to-date Gross General Revenues: Year-to-date gross collections total \$927.8 million, representing an increase of \$17.2 million or 1.9 percent above last year. Gross general revenues are above forecast by \$3.8 million or 0.4 percent.

Year-to-date Individual Income Taxes: Year-to-date individual income tax collections total \$422.4 million, \$26.6 million or 6.7 percent above FY 2014 collections and \$9.0 million or 2.2 percent above forecast. Collections for individual withholding are up 7.3 percent from year ago levels.

Year-to-date individual income tax refunds total \$18.4 million, up \$4.1 million or 29.1 percent compared to last year and \$4.2 million or 29.8 percent above forecast. Amounts above forecast in refund categories decrease net available revenue results.

Year-to-date Sales and Use Tax Collections: On a year-to-date basis, sales and use taxes total \$373.7 million, a decrease of \$6.8 million or -1.8 percent from FY 2014 and \$5.2 million or -1.4 percent below forecast.

Year-to-date Corporate Income Taxes: Year-to-date corporate revenues total \$26.2 million, a decrease of \$6.6 million or -20.2 percent from year-to-date FY 2014. Corporate income is below forecast by \$8.3 million or -24.1 percent.

Year-to-date corporate income tax refunds total \$3.0 million, an increase of \$1.3 million compared to the same year-to-date period last year.

AUGUST REVENUE SUMMARY

August Net Available General Revenues total \$398.3 million, \$10.5 million or 2.7 percent above last year and \$12.3 million or 3.2 percent above forecast.

August results were ahead of forecast in all major categories of collections. A decline in sales tax collections compared to last year was anticipated, to adjust for one-time audit receipts in August 2014. Sales tax growth adjusted for this event was 3.9 percent year over year. Individual Income tax collections were up 10.2 percent, aided by payroll timing effects in the Withholding category. Corporate Income tax collections were 22.2 percent above forecast in an otherwise minor collection month.

Among smaller revenue sources, tobacco was below year ago levels and below forecast. Gaming results exceeded forecast and continued to display double-digit growth over year ago revenue.

August Gross General Revenues: August collections total \$457.0 million, an increase of \$14.0 million or 3.2 percent above last year and \$13.1 million or 2.9 percent above forecast.

August Individual Income Tax collections total \$209.1 million. Collections increased by \$19.3 million, or 10.2 percent compared to last year. With respect to the forecast, collections were \$8.7 million or 4.4 percent above forecast. Individual withholding increased 10.8 percent compared to last year.

August Individual Income Tax Refunds total \$8.1 million, \$1.4 million or 21.9 percent above last year and \$1.8 million or 27.9 percent above forecast. Refund amounts above forecast detract from net available fund results.

August Sales and Use Tax Collections: August collections total \$188.2 million, a decrease of \$6.3 million or -3.3 percent from last year. Collections were above monthly forecast levels by \$2.4 million or 1.3 percent. The forecast reflects one-time collection gains in the prior year.

August Corporate Income Tax collections total \$7.8 million, an increase of \$1.9 million from year ago, and \$1.4 million or 22.2 percent above forecast.

August Corporate Income Tax Refunds total \$1.8 million. This amount is \$0.8 million above year ago levels. Refunds were \$0.7 million above forecast.

August Tobacco Tax collections, a smaller component of general revenue in annual terms, total \$17.5 million. Collections decreased by \$1.7 million or -8.6 percent from year earlier levels and were also below forecast by -\$0.7 million. Monthly changes in tobacco tax collections can be attributed to uneven patterns of stamp sales to wholesale purchasers.

SPECIAL REVENUES OF NOTE

Year-to-date Soft Drink Tax (for Medicaid Program Trust Fund): Year-to-date collections of the dedicated soft drink tax total \$7.5 million, a decrease of -7.4 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 August 2014, \$38.9 million was collected and deposited to the fund. After deductions, the net amount is \$37.7 million. The monthly collection is equivalent to a -4.2 percent decrease from prior year collections.

C: /FISCNOT/August FY 2015
Attachments (2)

YEAR TO DATE REPORT, AUGUST 2014
(PREPARED BY ECONOMIC ANALYSIS AND TAX RESEARCH, DFA)

THROUGH AUGUST 2014
2 Months YTD
Forecast Date: 07/15/2014

MILLIONS OF DOLLARS

| | CURRENT YEAR | | | | CURRENT YEAR TO DATE | | | | ACTUAL AS % OF FORECAST |
|-----------------------------|-------------------|---------------------|-------------------------------|--------|----------------------|-------------------|-------------------------------|--------|-------------------------------|
| | ACTUAL FY 2014 | FORECAST FY 2015 | INCREASE AMOUNT PERCENT | | ACTUAL FY 2014 | ACTUAL FY 2015 | INCREASE AMOUNT PERCENT | | |
| INDIVIDUAL INCOME | 395.8 | 413.4 | 17.6 | 4.4 | 395.8 | 422.4 | 26.6 | 6.7 | 102.2 |
| CORPORATE INCOME | 32.8 | 34.5 | 1.7 | 5.1 | 32.8 | 26.2 | -6.6 | -20.2 | 75.9 |
| SALES AND USE | 380.5 | 378.9 | -1.6 | -0.4 | 380.5 | 373.7 | -6.8 | -1.8 | 98.6 |
| ALCOHOLIC BEVERAGE | 9.4 | 9.4 | 0.0 | 0.1 | 9.4 | 10.0 | 0.6 | 6.8 | 106.7 |
| TOBACCO | 38.4 | 36.4 | -2.0 | -5.1 | 38.4 | 38.5 | 0.2 | 0.4 | 105.9 |
| INSURANCE | 20.7 | 20.6 | -0.1 | -0.5 | 20.7 | 20.7 | 0.0 | -0.1 | 100.3 |
| RACING | 0.4 | 0.4 | 0.0 | -3.2 | 0.4 | 0.4 | 0.0 | -1.5 | 101.7 |
| GAMES OF SKILL | 6.3 | 6.5 | 0.2 | 2.4 | 6.3 | 6.8 | 0.5 | 7.4 | 104.9 |
| MISCELLANEOUS ¹ | 26.3 | 23.9 | -2.4 | -9.1 | 26.3 | 29.1 | 2.8 | 10.7 | 121.7 |
| TOTAL GROSS | 910.6 | 924.0 | 13.4 | 1.5 | 910.6 | 927.8 | 17.2 | 1.9 | 100.4 |
| LESS: SCSF/COF ² | 30.1 | 29.6 | -0.5 | -1.5 | 30.1 | 29.7 | -0.4 | -1.2 | 100.3 |
| IND INCOME TAX REFUNDS | 14.3 | 14.2 | -0.1 | -0.5 | 14.3 | 18.4 | 4.1 | 29.1 | 129.8 |
| CORP INCOME TAX REFUNDS | 1.8 | 2.0 | 0.2 | 13.1 | 1.8 | 3.0 | 1.3 | 71.0 | 151.2 |
| CLAIMS | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| ECON DEVEL INCENTIVE FUND | 2.5 | 3.8 | 1.3 | 53.1 | 2.5 | 0.0 | -2.5 | -100.0 | 0.0 |
| WATER/SEWER BONDS | 2.6 | 2.6 | 0.0 | 0.0 | 2.6 | 2.6 | 0.0 | 0.0 | 100.0 |
| COLLEGE SAVINGS BONDS | 0.0 | 0.0 | 0.0 | -100.0 | 0.0 | 0.0 | 0.0 | -45.8 | 0.0 |
| CITY/CO. TOURIST | 0.7 | 0.7 | 0.0 | -0.2 | 0.7 | 0.7 | 0.0 | -0.2 | 100.0 |
| SCHOOL DESEGREGATION | 8.0 | 18.0 | 10.0 | 125.0 | 8.0 | 17.9 | 9.9 | 124.3 | 99.7 |
| EDUCATIONAL EXCELLENCE | 48.4 | 49.8 | 1.4 | 2.9 | 48.4 | 49.6 | 1.2 | 2.4 | 99.5 |
| EDUCATIONAL ADEQUACY | 4.3 | 4.4 | 0.1 | 2.8 | 4.3 | 4.4 | 0.1 | 2.4 | 99.6 |
| NET AVAILABLE | 798.0 | 798.9 | 0.9 | 0.1 | 798.0 | 801.4 | 3.4 | 0.4 | 100.3 |

REVENUE FORECAST SUMMARY FOR AUGUST

| | |
|----------------------------|---------------------------------------|
| YEAR-TO-DATE GROSS | \$ 3.8 MILLION OR 0.4% ABOVE FORECAST |
| YEAR-TO-DATE NET AVAILABLE | \$ 2.5 MILLION OR 0.3% ABOVE FORECAST |

| | | | |
|-------------------------------|------------------|------------------|-----------------|
| SOFT DRINK EXCISE TAX | <u>YTD FY 14</u> | <u>YTD FY 15</u> | <u>% CHANGE</u> |
| (MEDICAID PROGRAM TRUST FUND) | 8.1 | 7.5 | -7.4 |
| EDUCATIONAL ADEQUACY FUND | <u>YTD FY 14</u> | <u>YTD FY 15</u> | <u>% CHANGE</u> |
| (NET COLLECTIONS) | 77.3 | 75.7 | -2.1 |

- 1) Miscellaneous includes severance, corporate franchise, real estate transfer, dyed diesel, and various other miscellaneous taxes.
2) State Central Services Fund and Constitutional Officers Fund.

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

August 29, 2014
Days Remaining: 0
Forecast date: 07/15/2014

MILLIONS OF \$

| | <u>CURRENT MONTH</u> | | | | <u>CURRENT MONTH TO DATE</u> | | | | |
|-------------------------------|----------------------|---------------------|------------------|---------|------------------------------|-------------------|------------------|---------|-------------------------------|
| | ACTUAL FY 2014 | FORECAST FY 2015 | CHANGE AMOUNT | PERCENT | ACTUAL FY 2014 | ACTUAL FY 2015 | CHANGE AMOUNT | PERCENT | ACTUAL AS % OF FORECAST |
| INDIVIDUAL INCOME | 189.9 | 200.4 | 10.5 | 5.6 | 189.9 | 209.1 | 19.3 | 10.2 | 104.4 |
| CORPORATE INCOME | 5.9 | 6.4 | 0.5 | 7.9 | 5.9 | 7.8 | 1.9 | 31.9 | 122.2 |
| SALES AND USE | 194.5 | 185.8 | -8.7 | -4.5 | 194.5 | 188.2 | -6.3 | -3.3 | 101.3 |
| ALCOHOLIC BEVERAGE | 4.1 | 4.2 | 0.1 | 1.8 | 4.1 | 4.3 | 0.2 | 4.3 | 102.5 |
| TOBACCO | 19.2 | 18.2 | -1.0 | -5.1 | 19.2 | 17.5 | -1.7 | -8.6 | 96.3 |
| INSURANCE | 19.6 | 19.6 | 0.0 | -0.2 | 19.6 | 19.7 | 0.0 | 0.2 | 100.3 |
| RACING | 0.2 | 0.2 | 0.0 | 15.8 | 0.2 | 0.2 | 0.1 | 30.2 | 112.5 |
| GAMES OF SKILL | 3.2 | 3.3 | 0.1 | 3.3 | 3.2 | 3.5 | 0.3 | 10.3 | 106.7 |
| MISCELLANEOUS ¹ | 6.4 | 5.8 | -0.6 | -9.1 | 6.4 | 6.6 | 0.2 | 3.5 | 113.8 |
| TOTAL GROSS | 443.0 | 443.9 | 0.9 | 0.2 | 443.0 | 457.0 | 14.0 | 3.2 | 102.9 |
| LESS: (SCSF/COF) ² | 14.6 | 14.2 | -0.4 | -2.9 | 14.6 | 14.6 | 0.0 | 0.0 | 103.0 |
| IND INC TAX REFUNDS | 6.6 | 6.3 | -0.3 | -4.7 | 6.6 | 8.1 | 1.4 | 21.9 | 127.9 |
| CORP INC TAX REFUNDS | 1.0 | 1.1 | 0.1 | 15.0 | 1.0 | 1.8 | 0.8 | 83.1 | 159.2 |
| CLAIMS | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| ECON DEVEL INCENTIVE FUND | 0.3 | 1.9 | 1.6 | 473.7 | 0.3 | 0.0 | -0.3 | -100.0 | 0.0 |
| WATER/SEWER BONDS | 1.3 | 1.3 | 0.0 | 0.0 | 1.3 | 1.3 | 0.0 | 0.0 | 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 | 5.0 | 6.0 | 1.0 | 20.0 | 5.0 | 6.0 | 1.0 | 19.6 | 99.7 |
| EDUCATIONAL EXCELLENCE | 24.2 | 24.9 | 0.7 | 2.9 | 24.2 | 24.8 | 0.6 | 2.4 | 99.5 |
| EDUCATIONAL ADEQUACY | 2.1 | 2.2 | 0.1 | 2.8 | 2.1 | 2.2 | 0.1 | 2.4 | 99.6 |
| NET AVAILABLE | 387.8 | 386.0 | -1.8 | -0.5 | 387.8 | 398.3 | 10.5 | 2.7 | 103.2 |

REVENUE FORECAST SUMMARY FOR AUGUST

| | |
|----------------------|--|
| AUGUST GROSS | \$ 13.1 MILLION OR 2.9% ABOVE FORECAST |
| AUGUST NET AVAILABLE | \$ 12.3 MILLION OR 3.2% ABOVE FORECAST |

| | | | |
|---|-------------------------|-------------------------|---------------------|
| EDUCATIONAL ADEQUACY FUND (NET DEPOSIT, MONTH-TO-DATE) | <u>Aug FY14</u> 39.4 | <u>Aug FY15</u> 37.7 | <u>% CH</u> -4.2 |
|---|-------------------------|-------------------------|---------------------|

- 1) Miscellaneous includes severance, corporate franchise, real estate transfer, dyed diesel, and various other miscellaneous taxes.
2) State Central Services Fund and Constitutional Officers Fund.