



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 June and FY 2009 Summary**

DATE: July 2, 2009 Copy: Governor's Office
Management Services

FISCAL YEAR 2009 REVENUE SUMMARY

Fiscal Year 2009 Net Available General Revenues: Fiscal year 2009 net available general revenues total \$4,434.7 million. This amount is \$23.7 million or 0.5 percent above forecast. The amount is also \$94.5 million or -2.1 percent below last year.

Contributions to forecast attainment from collections were most notable in Corporate Income, followed by Tobacco Tax collections and Alcoholic Beverage. Corporate Income was boosted in the first half of the fiscal year and declined in June. Tobacco Tax collections were boosted by the tax changes effective March 1, 2009 and significant stockpiling of tobacco stamps noted prior to the State and Federal tobacco tax increases that began in March and April, respectively.

Notably, the largest sources of general revenue, Individual Income and Gross Receipts (Sales and Use Tax) underperformed the forecast over the fiscal year and both fell below year ago levels. The losses in these major categories in percentage terms were compensated by gains in much smaller categories of revenue.

The decline in Net Available funds in FY 2009 from FY 2008 marks one of the few annual declines in revenue year-over-year in decades. In recent years, the only other annual decline in revenues occurred in FY 2002.

Fiscal Year 2009 Gross General Revenues: Fiscal year 2009 gross collections total \$5,561.2 million, representing a decrease of \$13.8 million or -0.2 percent below last year. Gross general revenues are \$23.0 million or 0.4 percent above forecast.

The following collections are compared against the November forecast.

Fiscal Year 2009 Individual Income Taxes: Fiscal year 2009 individual income tax collections total \$2,705.5 million, \$57.4 million or -2.1 percent below FY 2008 collections and \$22.3 million or -0.8 percent below forecast. Collections for individual monthly withholding, the largest component of individual income tax, were \$2,092.5 million, representing a 1.2 percent increase over last year and 2.1 percent above forecasted levels. Collections for estimated payments were below forecast at \$374.2 million or -12.3 percent below forecast. Estimated payments were down sharply in the second half of FY 2009, reflecting major shifts in forward-looking estimates of tax liability for tax year 2009. Both withholding and estimated payments benefited from non-recurring business transactions during the year.

Fiscal Year 2009 individual income tax refunds total \$466.5 million, \$48.5 million or 11.6 percent above last year and \$9.8 million or 2.2 percent above forecast.

Fiscal Year 2009 Gross Receipts Collections: Gross receipts consist primarily of sales and use taxes. Fiscal year 2009 gross receipts total \$2,097.3 million, a decrease of \$25.9 million or -1.2 percent below FY 2008 and \$50.2 million or -2.3 percent below forecast. Decline in collections relative to FY 2008 reflects economic weakness in the collection base.

Fiscal Year 2009 Corporate Income Taxes: Fiscal year corporate revenues total \$382.6 million, an increase of \$28.6 million or 8.1 percent above FY 2008. Collections came in \$72.8 million or 23.5 percent above forecast. Corporate estimated payments grew 10.2 percent above year ago levels.

Fiscal Year 2009 Corporate income tax refunds total \$59.7 million, \$23.6 million or 65.3 percent above last year and \$8.1 million above the general revenue forecast.

JUNE REVENUE SUMMARY

June Net Available General Revenues total \$435.0 million, \$55.9 million or -11.4 percent below last year and \$20.4 million or -4.5 percent below forecast. Net available funds were pulled lower by the one month offset in timing for the final \$5.4 million transfer for school desegregation.

June Gross General Revenues: June collections total \$499.8 million, a decrease of \$44.7 million or -8.2 percent below last year and \$30.2 million or 5.7 percent below forecast.

June Individual Income Tax collections total \$231.2 million. Collections decreased by \$31.2 million, or -11.9 percent, compared to last year. With respect to the forecast, collections are \$26.2 million or -10.2 percent below forecast.

June Individual Income Tax Refunds total \$11.6 million. This amount is \$3.2 million or -21.6 percent below year ago refunds.

June Gross Receipts Collections: June collections total \$158.1 million, a decrease of \$22.6 million or -12.5 percent from last year. Collections were below monthly forecast levels by \$22.2 million or 12.3 percent.

June Corporate Income Tax collections total \$48.9 million, a decrease of \$5.5 million or 10.2 percent from year earlier levels, and \$4.6 million or 10.4 percent above forecast.

June Corporate Income Tax Refunds total \$3.4 million. This amount is \$1.5 million or 74.9 percent above year ago refunds.

June Tobacco Tax collections, a small component of general revenue, total \$20.8 million or 68.0 percent above year earlier levels. Year ago growth comparisons are impacted by tax rate changes that became effective on March 1.

SPECIAL REVENUES OF NOTE

Fiscal Year 2009 Medicaid Program Trust Fund: Fiscal year 2009 collections of the dedicated soft drink tax total \$47.6 million, an increase of \$1.1 million or 2.4 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 June 2009, \$38.2 million was collected and deposited to the fund. After deductions, the net amount is \$37.1 million. The monthly collection is equivalent to a -10.0 percent decrease from prior year collections. Fiscal year net collections total \$433.1 million, compared to \$438.7 million last year. This represents a -1.3 percent fiscal year decrease from prior year collections.

C: /FISCNOT/June FY 2009
Attachment (2)

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

THROUGH JUNE 2009
12 Months YTD
Forecast Date: 11/13/2008

MILLIONS OF DOLLARS

	ACTUAL FY 2008	FORECAST FY 2009	INCREASE		ACTUAL FY 2008	ACTUAL FY 2009	INCREASE		ACTUAL AS % OF FORECAST
			AMOUNT	PERCENT			AMOUNT	PERCENT	
INDIVIDUAL INCOME	2,762.9	2,727.8	-35.1	-1.3	2,762.9	2,705.5	-57.4	-2.1	99.2
ESTATE ¹	-0.5	-0.5	0.0	-7.2	-0.5	-1.1	-0.6	109.4	225.7
CORPORATE INCOME	354.0	309.8	-44.2	-12.5	354.0	382.6	28.6	8.1	123.5
GROSS RECEIPTS ²	2,123.2	2,147.5	24.3	1.1	2,123.2	2,097.3	-25.9	-1.2	97.7
ALCOHOLIC BEVERAGE ³	28.3	28.9	0.6	2.0	28.3	30.6	2.3	8.3	106.1
TOBACCO	141.0	140.1	-0.9	-0.6	141.0	164.6	23.6	16.7	117.5
INSURANCE	95.2	97.8	2.6	2.7	95.2	97.8	2.6	2.7	100.0
RACING	5.2	5.2	0.0	0.0	5.2	5.1	-0.1	-1.0	99.0
GAMES OF SKILL	5.6	7.4	1.8	32.2	5.6	6.2	0.6	10.7	83.7
MISCELLANEOUS ⁴	60.1	74.2	14.1	23.4	60.1	72.5	12.3	20.5	97.7
TOTAL GROSS	5,575.0	5,538.2	-36.8	-0.7	5,575.0	5,561.2	-13.8	-0.2	100.4
PLUS:									
PROP. TAX RELIEF TR. FUND	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
REVENUE ALLOTMENT RESERVE	4.7	3.4	-1.4	-28.7	4.7	3.4	-1.4	-28.7	100.0
LESS: SCSF/COF ⁵	167.0	166.1	-1.0	-0.6	167.0	166.7	-0.4	-0.2	100.4
IND INCOME TAX REFUNDS	418.0	456.7	38.7	9.3	418.0	466.5	48.5	11.6	102.2
CORP INCOME TAX REFUNDS	36.1	51.6	15.5	42.9	36.1	59.7	23.6	65.3	115.6
CLAIMS	0.0	10.0	10.0	0.0	0.0	0.0	0.0	0.0	0.0
ECON DEVEL INCENTIVE FUND	10.3	23.4	13.1	126.5	10.3	15.0	4.6	45.0	64.0
WATER/SEWER BONDS	2.4	6.0	3.6	150.0	2.4	6.0	3.6	150.0	100.0
COLLEGE SAVINGS BONDS	23.8	24.0	0.2	0.8	23.8	23.9	0.1	0.5	99.7
CITY/CO. TOURIST	7.2	7.1	-0.1	-2.0	7.2	7.1	-0.1	-1.5	100.5
SCHOOL DESEGREGATION	58.7	69.8	11.1	18.9	58.7	69.3	10.6	18.0	99.2
EDUCATIONAL EXCELLENCE	298.4	288.2	-10.2	-3.4	298.4	288.2	-10.2	-3.4	100.0
EDUCATIONAL ADEQUACY	26.4	25.5	-0.9	-3.3	26.4	25.5	-0.9	-3.4	99.9
ELDERLY TRANSPORTATION	2.1	2.2	0.1	3.8	2.1	2.0	-0.1	-5.1	91.4
NET AVAILABLE	4,529.2	4,411.0	-118.2	-2.6	4,529.2	4,434.7	-94.5	-2.1	100.5
LESS: SURPLUS TO ALLOTMENT RESERVE FUND	-176.5	0.0			-176.5	0.0			
NET AVAILABLE DISTRIBUTION	4,352.7	4,411.0	58.3	1.3	4,352.7	4,434.7	82.0	1.9	

REVENUE FORECAST SUMMARY FOR JUNE

YEAR-TO-DATE GROSS	\$ 23.0 MILLION OR 0.4% ABOVE FORECAST.
YEAR-TO-DATE REFUNDS	\$ 17.9 MILLION OR 3.5% ABOVE FORECAST.
YEAR-TO-DATE NET AVAILABLE	\$ 23.7 MILLION OR 0.5% ABOVE FORECAST

SOFT DRINK EXCISE TAX (MEDICAID PROGRAM TRUST FUND)	<u>YTD FY 08</u> 46.5	<u>YTD FY 09</u> 47.6	<u>% CHANGE</u> 2.4
EDUCATIONAL ADEQUACY FUND (NET DEPOSIT)	<u>YTD FY 08</u> 438.7	<u>YTD FY 09</u> 433.1	<u>% CHANGE</u> -1.3

- 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.

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

June 30, 2009
Days Remaining: 0
Forecast date: 11/13/2008

MILLIONS OF \$

	<u>CURRENT MONTH</u>				<u>CURRENT MONTH TO DATE</u>				
	ACTUAL FY 2008	FORECAST FY 2009	CHANGE AMOUNT PERCENT		ACTUAL FY 2008	ACTUAL FY 2009	CHANGE AMOUNT PERCENT		ACTUAL AS % OF FORECAST
INDIVIDUAL INCOME	262.4	257.4	-5.0	-1.9	262.4	231.2	-31.2	-11.9	89.8
ESTATE ¹	-0.1	0.0	0.1	0.0	-0.1	0.0	0.1	0.0	0.0
CORPORATE INCOME	54.4	44.3	-10.1	-18.6	54.4	48.9	-5.5	-10.2	110.4
GROSS RECEIPTS ²	180.8	180.3	-0.5	-0.3	180.8	158.1	-22.6	-12.5	87.7
ALCOHOLIC BEVERAGE ³	2.8	3.0	0.2	8.8	2.8	3.6	0.8	28.9	118.5
TOBACCO	12.4	11.9	-0.5	-3.9	12.4	20.8	8.4	68.0	174.8
INSURANCE	26.1	27.9	1.8	7.0	26.1	32.5	6.5	24.8	116.6
RACING	0.4	0.4	0.0	-2.4	0.4	0.4	0.0	2.9	105.4
GAMES OF SKILL	0.5	0.7	0.2	32.5	0.5	0.6	0.1	20.4	90.9
MISCELLANEOUS ⁴	4.7	4.1	-0.6	-13.0	4.7	3.5	-1.2	-24.7	86.6
TOTAL GROSS	544.4	530.0	-14.4	-2.7	544.4	499.8	-44.7	-8.2	94.3
PLUS:									
PROP. TAX RELIEF TR. 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	16.1	15.9	-0.2	-1.4	16.1	14.8	-1.3	-8.2	93.1
IND INC TAX REFUNDS	14.8	16.3	1.5	9.9	14.8	11.6	-3.2	-21.6	71.3
CORP INC TAX REFUNDS	2.0	2.9	0.9	48.4	2.0	3.4	1.5	74.9	117.8
CLAIMS	0.0	10.0	10.0	0.0	0.0	0.0	0.0	0.0	0.0
ECON DEVEL INCENTIVE FUND	0.5	2.5	2.0	366.6	0.5	2.8	2.2	413.5	110.1
WATER/SEWER BONDS	0.2	0.5	0.3	150.0	0.2	0.5	0.3	150.0	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	-7.3	0.0	7.3	-100.0	-7.3	5.4	12.7	-173.4	0.0
EDUCATIONAL EXCELLENCE	24.9	24.1	-0.8	-3.1	24.9	24.0	-0.8	-3.4	99.7
EDUCATIONAL ADEQUACY	2.2	2.2	0.0	0.1	2.2	2.1	-0.1	-3.4	96.5
ELDERLY TRANSPORTATION	0.2	0.2	0.0	11.0	0.2	0.2	0.0	-11.0	80.2
NET AVAILABLE	490.9	455.4	-35.5	-7.2	490.9	435.0	-55.9	-11.4	95.5

EDUCATIONAL ADEQUACY FUND (NET DEPOSIT, MONTH-TO-DATE)	<u>June 08</u> 41.2	<u>June 09</u> 37.1	<u>% CH</u> -10.0
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- 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.
- 5) State Central Services Fund and Constitutional Officers Fund.



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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 July (FY 2010)**

DATE: August 4, 2009

Copy: Governor's Office
Management Services

JULY REVENUE SUMMARY

July Net Available General Revenues total \$412.0 million, \$40.7 million or 11.0 percent above last year and \$13.7 million or 3.2 percent below forecast. Included in the collections is a deposit to general revenue of \$10.0 million in unclaimed property proceeds recorded in the report as miscellaneous collections. Also, a transfer to general revenue of \$61.0 million from Revenue Allotment Reserve as mandated in Act 1441 of 2009 took place in July.

July Gross General Revenues: July collections total \$406.3 million, a decrease of \$16.4 million or -3.9 percent below last year and \$5.8 million or -1.4 percent below forecast. The comparison includes \$3.7 million less in deposits to general revenue from unclaimed property proceeds compared to July of last year. The deposit of unclaimed property proceeds was \$10.0 million this month.

July Individual Income Tax collections total \$173.8 million. Collections decreased by \$5.4 million, or -3.0 percent, compared to last year. With respect to the forecast, collections are \$5.5 million or -3.1 percent below forecast. Individual withholding declined 2.6 percent compared to last year.

July Individual Income Tax Refunds total \$8.1 million. Refunds were flat compared to July 2008. This amount is \$0.6 million or 6.6 percent below forecast for the month.

July Gross Receipts Collections: July collections total \$172.8 million, a decrease of \$15.9 million or -8.4 percent below last year. Collections were also below monthly forecast levels by \$18.0 million or -9.4 percent.

July Corporate Income Tax collections total \$18.7 million, an increase of \$3.3 million or 21.5 percent above year earlier levels, and \$3.4 million or 22.0 percent above forecast.

July Corporate Income Tax Refunds total \$1.4 million. This amount is \$0.5 million or 52.1 percent above year ago levels.

July Tobacco Tax collections, a small component of general revenue, total \$21.6 million or 62.9 percent above year earlier levels. 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 \$4.8 million, a decrease of \$0.6 million or 11.0 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 July 2009, \$35.9 million was collected and deposited to the fund. After deductions, the net amount is \$34.9 million. The monthly collection is equivalent to a -6.7 percent decrease from prior year collections.

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

July 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	CHANGE PERCENT	ACTUAL FY 2009	ACTUAL FY 2010	CHANGE AMOUNT	CHANGE PERCENT	
INDIVIDUAL INCOME	179.2	179.3	0.1	0.0	179.2	173.8	-5.4	-3.0	96.9
ESTATE ¹	-0.1	0.0	0.1	0.0	-0.1	0.0	0.1	0.0	0.0
CORPORATE INCOME	15.4	15.3	-0.1	-0.4	15.4	18.7	3.3	21.5	122.0
GROSS RECEIPTS ²	188.7	190.8	2.1	1.1	188.7	172.8	-15.9	-8.4	90.6
ALCOHOLIC BEVERAGE ³	3.2	2.6	-0.6	-19.8	3.2	3.2	-0.1	-2.5	121.6
TOBACCO	13.3	17.7	4.4	33.5	13.3	21.6	8.3	62.9	122.0
INSURANCE	1.4	1.0	-0.4	-26.8	1.4	0.7	-0.7	-48.1	70.9
RACING	0.2	0.3	0.1	21.0	0.2	0.2	0.0	-3.4	79.8
GAMES OF SKILL	0.5	0.6	0.1	25.5	0.5	0.6	0.1	19.0	94.8
MISCELLANEOUS ⁴	20.8	4.5	-16.3	-78.4	20.8	14.7	-6.2	-29.5	326.0
TOTAL GROSS	422.6	412.1	-10.5	-2.5	422.6	406.3	-16.4	-3.9	98.6
PLUS:									
UNCLAIMED PROP. FUND ⁵	0.0	10.0	10.0	0.0	0.0	0.0	0.0	0.0	0.0
REV. ALLOTMENT RESERVE	3.4	61.0	57.6	1704.7	3.4	61.0	57.7	1706.2	100.1
LESS: 3% (SCSF/COF) ⁶	12.7	12.4	-0.3	-2.2	12.7	12.2	-0.5	-3.9	98.3
IND INC TAX REFUNDS	8.1	8.7	0.6	7.6	8.1	8.1	0.0	0.5	93.4
CORP INC TAX REFUNDS	0.9	1.0	0.1	7.5	0.9	1.4	0.5	52.1	141.5
CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ECON DEVEL INCENTIVE FUND	0.2	1.9	1.7	721.5	0.2	0.5	0.3	133.8	28.5
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	1.8	1.7	-0.1	-4.7	1.8	1.8	0.0	1.9	106.9
SCHOOL DESEGREGATION	4.2	4.2	0.0	0.0	4.2	4.2	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	0.8	0.2	0.2	0.0	-21.3	78.1
NET AVAILABLE	371.2	425.7	54.5	14.7	371.2	412.0	40.7	11.0	96.8

EDUCATIONAL ADEQUACY FUND (NET DEPOSIT, MONTH-TO-DATE)	July 08 37.4	July 09 34.9	% CH -6.7
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- 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.
- 5) The \$10.0 million forecasted for Unclaimed Property is reflected in the Miscellaneous line item.
- 6) State Central Services Fund and Constitutional Officers Fund.