



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 February (FY 2010)**

DATE: March 2, 2010

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 \$2,866.5 million. This amount is \$48.8 million or -1.7 percent below last year and \$16.1 million or 0.6 percent above the general revenue forecast that was released on January 11, 2010.

Year-to-date Gross General Revenues: Year-to-date gross collections total \$3,467.2 million, representing a decrease of \$106.8 million or -3.0 percent below last year. Gross general revenues are \$0.4 million or less than 0.1 percent below the general revenue forecast. The major revenue categories of Individual Income and Gross Receipts (Sales & Use Tax) are fractionally above the revised forecast. They are also below year ago levels by 5.3 percent and 7.8 percent, respectively.

Year-to-date Individual Income Taxes: Year-to-date individual income tax collections total \$1,598.6 million, \$89.0 million or -5.3 percent below FY 2009 collections and \$3.6 million or 0.2 percent above the revised forecast. Collections growth for individual monthly withholding is down -3.0 percent from year ago levels.

Year-to-date individual income tax refunds total \$226.5 million, up \$2.2 million or 1.0 percent compared to last year and \$12.4 million or 5.2 percent below forecast. Lower

than expected refunds account for the majority of net available general revenue above fiscal year to date forecast. However, filing patterns can fluctuate and refunds may accelerate to the forecast in remaining months.

Year-to-date Gross Receipts Collections: Gross receipts consist primarily of sales and use taxes. On a year-to-date basis, gross receipts total \$1,324.6 million, a decrease of \$112.6 million or -7.8 percent below FY 2009 and \$3.7 million or 0.3 percent above forecast.

Year-to-date Corporate Income Taxes: Year-to-date corporate revenues total \$264.2 million, an increase of \$43.7 million or 19.8 percent from year-to-date FY 2009. Collections are down \$1.2 million or -0.5 percent compared to forecast. Several large, non-recurring payments in Corporate Income Tax were anticipated in the forecast and subsequently collected.

Year-to-date corporate income tax refunds total \$44.5 million, up \$1.2 million or 2.8 percent from the comparable year-to-date period last year and \$0.2 million or 0.4 percent above forecast.

FEBRUARY REVENUE SUMMARY

February Net Available General Revenues total \$181.5 million, \$25.9 million or -12.5 percent below last year and \$14.3 million or 8.5 percent above forecast. Collections were down in the two largest collection categories compared to year ago February levels. The amount above forecast this month largely stems from lower than projected refunds paid on Individual Income tax filings.

February Gross General Revenues: February collections total \$365.0 million, a decrease of \$31.0 million or -7.8 percent from last year and \$6.7 million or 1.8 percent below forecast.

February Individual Income Tax collections total \$177.9 million. Collections decreased by \$22.9 million, or -11.4 percent, compared to last year. With respect to the forecast, collections are \$0.4 million or 0.3 percent below forecast. Individual withholding decreased -11.5 percent compared to last year. Significant fluctuations in withholding can be attributed in part to calendar shift of paydays relative to prior year activity.

February Individual Income Tax Refunds total \$134.6 million. Refunds are down \$2.0 million or -1.4 percent from February 2009. This amount is \$16.3 million or -10.8 percent below forecast for the month. Income tax refunds below forecast account for the majority of net available proceeds above forecast for the month. Refunds are being processed as quickly as in FY 2009, however February 2010 had one less processing day as a result of the last day of February occurring on Sunday.

February Gross Receipts Collections: February collections total \$158.1 million, representing a decrease of \$12.2 million or -7.2 percent from from last year. Collections were below monthly forecast levels by \$4.3 million or -2.7 percent.

February Corporate Income Tax collections total \$4.1 million, an increase of \$0.8 million or 25.3 percent from year earlier levels. Collections were above forecast by \$1.2 million or 41.8 percent.

February Corporate Income Tax Refunds total \$3.0 million. This amount is \$2.4 million or -44.7 percent below year ago refunds.

February Tobacco Tax collections, a small component of general revenue, total \$18.2 million or 25.4 percent above year earlier levels. Collections were 7.4 percent below forecast for the month. 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 \$30.1 million, a decrease of \$2.0 million or -6.1 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 February 2010, \$32.3 million was collected and deposited to the fund. After deductions, the net amount is \$31.4 million. The monthly collection is equivalent to a -5.3 percent decrease from prior year collections.

YEAR TO DATE REPORT, FEBRUARY 2010
(PREPARED BY ECONOMIC ANALYSIS AND TAX RESEARCH, DFA)

THROUGH FEBRUARY 2010
8 Months YTD
Forecast Date: 01/11/2010

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	1,687.6	1,595.0	-92.6	-5.5	1,687.6	1,598.6	-89.0	-5.3	100.2
ESTATE ¹	-1.2	0.0	1.2	0.0	-1.2	0.1	1.2	0.0	0.0
CORPORATE INCOME	220.5	265.4	44.9	20.4	220.5	264.2	43.7	19.8	99.5
GROSS RECEIPTS ²	1,437.2	1,320.9	-116.3	-8.1	1,437.2	1,324.6	-112.6	-7.8	100.3
ALCOHOLIC BEVERAGE ³	19.8	20.3	0.5	2.4	19.8	19.2	-0.6	-3.3	94.5
TOBACCO	101.4	166.0	64.6	63.8	101.4	162.5	61.1	60.3	97.9
INSURANCE	44.0	47.5	3.5	8.1	44.0	46.1	2.2	5.0	97.2
RACING	3.3	2.9	-0.4	-12.9	3.3	2.9	-0.5	-14.0	98.7
GAMES OF SKILL	3.9	4.8	0.9	21.6	3.9	4.9	1.0	24.9	102.8
MISCELLANEOUS ⁴	57.5	44.8	-12.7	-22.1	57.5	44.3	-13.2	-23.0	98.8
TOTAL GROSS	3,574.0	3,467.6	-106.4	-3.0	3,574.0	3,467.2	-106.8	-3.0	100.0
PLUS:									
REVENUE ALLOTMENT RESERVE	3.4	61.0	57.6	1,704.7	3.4	61.0	57.7	1,706.2	100.1
LESS: SCSF/COF ⁵	107.3	104.0	-3.3	-3.0	107.3	104.0	-3.2	-3.0	100.0
IND INCOME TAX REFUNDS	224.3	238.9	14.6	6.5	224.3	226.5	2.2	1.0	94.8
CORP INCOME TAX REFUNDS	43.3	44.3	1.0	2.4	43.3	44.5	1.2	2.8	100.4
CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ECON DEVEL INCENTIVE FUND	10.9	11.4	0.5	4.3	10.9	7.2	-3.7	-34.1	63.2
WATER/SEWER BONDS	4.0	8.8	4.8	120.0	4.0	8.8	4.8	120.0	100.0
COLLEGE SAVINGS BONDS	6.1	5.7	-0.4	-6.2	6.1	5.6	-0.4	-7.2	98.9
CITY/CO. TOURIST	5.4	5.5	0.1	2.8	5.4	5.4	0.1	1.9	99.1
SCHOOL DESEGREGATION	50.3	52.4	2.1	4.2	50.3	52.4	2.1	4.2	100.0
EDUCATIONAL EXCELLENCE	192.2	189.3	-2.9	-1.5	192.2	189.4	-2.8	-1.4	100.0
EDUCATIONAL ADEQUACY	17.0	16.7	-0.3	-1.7	17.0	16.7	-0.2	-1.4	100.3
ELDERLY TRANSPORTATION	1.5	1.2	-0.3	-21.8	1.5	1.2	-0.4	-23.6	97.7
NET AVAILABLE	2,915.2	2,850.4	-64.8	-2.2	2,915.2	2,866.5	-48.8	-1.7	100.6

REVENUE FORECAST SUMMARY FOR FEBRUARY

YEAR-TO-DATE GROSS	\$ 0.4 MILLION OR 0.01% BELOW FORECAST.
YEAR-TO-DATE REFUNDS	\$ 12.2 MILLION OR 4.3% BELOW FORECAST.
YEAR-TO-DATE NET AVAILABLE	\$ 16.1 MILLION OR 0.6% ABOVE FORECAST

SOFT DRINK EXCISE TAX (MEDICAID PROGRAM TRUST FUND)	<u>YTD FY 09</u> 32.1	<u>YTD FY 10</u> 30.1	<u>% CHANGE</u> -6.1
EDUCATIONAL ADEQUACY FUND (NET DEPOSIT)	<u>YTD FY 09</u> 286.6	<u>YTD FY 10</u> 264.4	<u>% CHANGE</u> -7.7

- 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.

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

February 26, 2010
Days Remaining: 0
Forecast date: 01/11/2010

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	200.7	178.3	-22.4	-11.2	200.7	177.9	-22.9	-11.4	99.7
ESTATE ¹	-0.2	0.0	0.2	0.0	-0.2	0.0	0.2	0.0	0.0
CORPORATE INCOME	3.3	2.9	-0.4	-11.7	3.3	4.1	0.8	25.3	141.8
GROSS RECEIPTS ²	170.3	162.4	-7.9	-4.6	170.3	158.1	-12.2	-7.2	97.3
ALCOHOLIC BEVERAGE ³	2.2	2.7	0.5	23.1	2.2	1.9	-0.3	-15.4	68.7
TOBACCO	14.5	19.6	5.1	35.4	14.5	18.2	3.7	25.4	92.6
INSURANCE	1.2	1.2	0.0	1.3	1.2	0.5	-0.6	-53.8	45.6
RACING	0.6	0.5	-0.1	-14.3	0.6	0.5	-0.1	-17.8	95.9
GAMES OF SKILL	0.5	0.6	0.1	10.4	0.5	0.7	0.2	35.0	122.2
MISCELLANEOUS ⁴	2.9	3.5	0.6	20.0	2.9	3.2	0.3	9.5	91.3
TOTAL GROSS	396.0	371.7	-24.3	-6.1	396.0	365.0	-31.0	-7.8	98.2
PLUS:									
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	11.9	11.2	-0.7	-5.8	11.9	11.0	-0.9	-7.9	97.8
IND INC TAX REFUNDS	136.6	150.9	14.3	10.5	136.6	134.6	-2.0	-1.4	89.2
CORP INC TAX REFUNDS	5.4	6.2	0.8	14.8	5.4	3.0	-2.4	-44.7	48.1
CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ECON DEVEL INCENTIVE FUND	2.8	3.0	0.2	7.2	2.8	1.7	-1.1	-38.8	57.1
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	5.2	6.3	1.1	21.2	5.2	6.3	1.1	21.2	100.0
EDUCATIONAL EXCELLENCE	24.0	23.6	-0.4	-1.8	24.0	23.7	-0.3	-1.4	100.3
EDUCATIONAL ADEQUACY	2.1	2.1	0.0	-1.1	2.1	2.1	0.0	-1.4	99.7
ELDERLY TRANSPORTATION	0.2	0.1	-0.1	-55.7	0.2	0.1	-0.1	-42.5	129.8
NET AVAILABLE	207.3	167.2	-40.1	-19.4	207.3	181.5	-25.9	-12.5	108.5

REVENUE FORECAST SUMMARY FOR FEBRUARY

FEBRUARY GROSS \$ 6.7 MILLION OR 1.8% BELOW FORECAST.
FEBRUARY NET AVAILABLE \$ 14.3 MILLION OR 8.5% ABOVE FORECAST

EDUCATIONAL ADEQUACY FUND (NET DEPOSIT, MONTH-TO-DATE)	Feb 09	Feb 10	% CH
	33.1	31.4	-5.3

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- 3) Alcoholic Beverage does not include 10% Mixed Drink and 3% Beverage Excise.
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