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M E M O R A N D U M

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

SUBJECT: **General Revenue Report for November (FY 2011)**

DATE: December 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 \$1,880.5 million, \$25.4 million or 1.4 percent above forecast. After five months into the fiscal year, revenue collections continue to outpace both the forecast and year ago levels.

Net Available General Revenue growth continues primarily from the two most economically significant revenue categories of Gross Receipts tax (Sales and Use tax) and Withholding Income tax. The Gross Receipts tax was up 7.8 percent over last year representing broad-based gains across consumer and business spending. Withholding income tax from payrolls was up 4.7 percent in the year-to-date period over the same period a year ago. Overall collections growth was up 2.4 percent, reflecting rebound from weakness in year ago collections. Collections growth adjusted for one-time events is notably higher since corporate income tax included \$60 million one-time audit payments last year.

Year-to-date Gross General Revenues: Year-to-date gross collections total \$2,198.7 million, representing an increase of \$51.0 million or 2.4 percent above last year. Gross general revenues are \$13.9 million or 0.6 percent above the general revenue forecast.

Year-to-date Individual Income Taxes: Year-to-date individual income tax collections total \$989.9 million, \$29.9 million or 3.1 percent above FY 2010 collections. Collections growth for individual withholding is up 4.7 percent over year ago levels and 3.7 percent above forecast.

Year-to-date individual income tax refunds total \$49.8 million, down \$9.3 million or -15.8 percent compared to last year and \$7.5 million or 13.0 percent below forecast. Amounts below forecast in refund categories contributed to higher net available revenue.

Year-to-date Gross Receipts Collections: Gross receipts consist primarily of sales and use taxes. On a year-to-date basis, gross receipts total \$891.9 million, an increase of \$64.7 million or 7.8 percent above FY 2010 and \$8.1 million or 0.9 percent above forecast.

Year-to-date Corporate Income Taxes: Year-to-date corporate revenues total \$128.9 million, a decrease of \$35.1 million or -21.4 percent from year-to-date FY 2010. Corporate income is above forecast by \$9.6 million or 8.0 percent. Decline compared to year ago levels is due to large, one-time gains in the prior year.

Year-to-date corporate income tax refunds total \$19.7 million, down \$11.1 million or -36.0 percent compared to the same year-to-date period last year. Corporate refunds are 16.3 percent below forecast for the year year-to-date period.

NOVEMBER REVENUE SUMMARY

November Net Available General Revenues total \$344.4 million, \$47.2 million or -12.0 percent below year ago levels and \$3.4 million, or -1.0 percent below the monthly forecast. Net revenue is below year ago levels due to the effect of large, one-time collections last year in Corporate Income tax. Among the two dominant collection categories that correlate with economic conditions, sales tax (gross receipts) was slightly over forecast with 8.3 percent year-over-year growth and income tax withholding was down slightly due to variance caused by payroll timing shift reflected this month. Smaller collection categories were mostly above forecast.

November Gross General Revenues: November collections total \$415.1 million, a decrease of \$65.5 million or -13.6 percent below year ago levels. This decline is due to the effect of one time collections described above. Gross collections were also below forecast by \$5.2 million or -1.2 percent.

November Individual Income Tax collections total \$189.7 million, a decrease of \$1.0 million or -0.5 percent from year ago levels and \$3.3 million or -1.7 percent below forecast. The largest category of Individual Income Tax (withholding) was below

forecast by \$2.4 million or 1.3 percent and below year ago levels by -0.8 percent. Monthly fluctuations in withholding income tax collections are partly attributable to payroll timing shifts in month-to-month comparisons and relative to prior year pattern. The monthly forecast anticipates some of this calendar effect.

November Individual Income Tax Refunds total \$8.2 million, down \$6.2 million or -43.1 percent compared to last year and \$0.9 million or -10.1 percent below forecast. Amounts below forecast in refund categories contributed to higher than forecast net available revenue.

November Gross Receipts Collections: November collections total \$168.7 million, an increase of \$13.0 million or 8.3 percent above last year extending this trend to eight consecutive months. Gross receipts are above forecast by \$0.7 million or 0.4 percent. Large percentage gains over prior year levels continue to be derived from recovery by business and consumer spending from depressed levels in the year ago period.

November Corporate Income Tax collections total \$8.7 million, a decrease of \$75.1 million or -89.6 percent below year earlier levels, and \$1.6 million or 15.7 percent below forecast. The year ago comparison is impacted by large, one-time \$60 million audit collection events in the prior year. Corporate income tax is a volatile component of general revenue.

November Corporate Income Tax Refunds total \$12.7 million. This amount is \$9.7 million or -43.3 percent below year ago levels.

November Tobacco Tax collections, a small component of general revenue, total \$20.0 million. This amount is \$0.5 million or 2.4 percent above forecast. 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 Medicaid Program Trust Fund: Year-to-date collections of the dedicated soft drink tax total \$20.3 million, an increase of \$0.5 million or 2.2 percent above 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 November 2010, \$35.0 million was collected and deposited to the fund. After deductions, the net amount is \$34.0 million. The monthly collection is equivalent to an 8.4 percent increase from prior year collections.

C: /FISCNOT/November FY 2011
Attachment (2)

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

THROUGH NOVEMBER 2010
5 Months YTD
Forecast Date: 05/04/2010

MILLIONS OF DOLLARS

	CURRENT YEAR				CURRENT YEAR TO DATE				ACTUAL AS % OF FORECAST
	ACTUAL FY 2010	FORECAST FY 2011	INCREASE AMOUNT PERCENT		ACTUAL FY 2010	ACTUAL FY 2011	INCREASE AMOUNT PERCENT		
INDIVIDUAL INCOME	959.9	999.2	39.3	4.1	959.9	989.9	29.9	3.1	99.1
CORPORATE INCOME	164.0	119.3	-44.7	-27.3	164.0	128.9	-35.1	-21.4	108.0
GROSS RECEIPTS ¹	827.2	883.8	56.6	6.8	827.2	891.9	64.7	7.8	100.9
ALCOHOLIC BEVERAGE ²	12.6	13.8	1.2	9.6	12.6	13.6	1.0	8.0	98.6
TOBACCO	106.7	97.5	-9.2	-8.6	106.7	103.0	-3.7	-3.4	105.6
INSURANCE	44.3	46.2	1.9	4.2	44.3	44.5	0.1	0.3	96.2
RACING	1.8	1.7	-0.1	-3.6	1.8	1.6	-0.2	-11.6	91.7
GAMES OF SKILL	3.0	2.6	-0.4	-13.3	3.0	4.6	1.6	53.0	176.6
MISCELLANEOUS ³	28.2	20.7	-7.5	-26.5	28.2	20.8	-7.3	-26.0	100.7
TOTAL GROSS	2,147.7	2,184.8	37.1	1.7	2,147.7	2,198.7	51.0	2.4	100.6
PLUS:									
REVENUE ALLOTMENT RESERVE	61.0	0.0	-61.0	-100.0	61.0	0.0	-61.0	-100.0	0.0
LESS: SCSF/COF ⁴	64.4	65.6	1.2	1.8	64.4	66.0	1.5	2.4	100.5
IND INCOME TAX REFUNDS	59.2	57.3	-1.9	-3.2	59.2	49.8	-9.3	-15.8	87.0
CORP INCOME TAX REFUNDS	30.8	23.6	-7.2	-23.5	30.8	19.7	-11.1	-36.0	83.7
CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ECON DEVEL INCENTIVE FUND	5.3	10.0	4.7	88.7	5.3	9.3	4.0	75.5	93.1
WATER/SEWER BONDS	5.5	6.5	1.0	18.2	5.5	6.5	1.0	18.2	100.0
COLLEGE SAVINGS BONDS	5.6	5.7	0.1	1.1	5.6	5.7	0.1	1.5	100.3
CITY/CO. TOURIST	3.6	2.7	-0.9	-25.7	3.6	2.6	-1.0	-27.4	97.7
SCHOOL DESEGREGATION	35.9	35.9	0.0	0.0	35.9	35.9	0.0	0.0	100.0
EDUCATIONAL EXCELLENCE	118.4	111.4	-7.0	-5.9	118.4	111.9	-6.5	-5.4	100.5
EDUCATIONAL ADEQUACY	10.5	10.0	-0.5	-4.4	10.5	9.9	-0.6	-5.4	98.9
ELDERLY TRANSPORTATION	0.8	1.0	0.2	29.0	0.8	0.7	0.0	-5.8	73.0
NET AVAILABLE	1,868.7	1,855.1	-13.6	-0.7	1,868.7	1,880.5	11.9	0.6	101.4

REVENUE FORECAST SUMMARY FOR NOVEMBER

YEAR-TO-DATE GROSS	\$ 13.9 MILLION OR 0.6% ABOVE FORECAST.
YEAR-TO-DATE REFUNDS	\$ 11.3 MILLION OR 14.0% BELOW FORECAST.
YEAR-TO-DATE NET AVAILABLE	\$ 25.4 MILLION OR 1.4% ABOVE FORECAST

SOFT DRINK EXCISE TAX (MEDICAID PROGRAM TRUST FUND)	<u>YTD FY 10</u> 19.8	<u>YTD FY 11</u> 20.3	<u>% CHANGE</u> 2.2
EDUCATIONAL ADEQUACY FUND (NET COLLECTIONS)	<u>YTD FY 10</u> 165.7	<u>YTD FY 11</u> 178.2	<u>% CHANGE</u> 7.5

- 1) Gross Receipts includes the sales, use, 10% mixed drink, 3% beverage excise, vehicle rental, short-term rental, residential moving, and wholesale vending taxes.
- 2) Alcoholic Beverage does not include 10% Mixed Drink and 3% Beverage Excise.
- 3) Miscellaneous includes severance, corporate franchise, real estate transfer, dyed diesel, and various other miscellaneous taxes.
- 4) State Central Services Fund and Constitutional Officers Fund.

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

November 30, 2010
Days Remaining: 0
Forecast date: 05/04/2010

MILLIONS OF \$

	CURRENT MONTH				CURRENT MONTH TO DATE				ACTUAL AS % OF FORECAST
	ACTUAL FY 2010	FORECAST FY 2011	CHANGE AMOUNT	PERCENT	ACTUAL FY 2010	ACTUAL FY 2011	CHANGE AMOUNT	PERCENT	
INDIVIDUAL INCOME	190.7	193.0	2.3	1.2	190.7	189.7	-1.0	-0.5	98.3
CORPORATE INCOME	83.8	10.3	-73.5	-87.7	83.8	8.7	-75.1	-89.6	84.3
GROSS RECEIPTS ¹	155.7	168.0	12.3	7.9	155.7	168.7	13.0	8.3	100.4
ALCOHOLIC BEVERAGE ²	2.3	2.6	0.3	11.8	2.3	2.3	0.0	0.6	89.9
TOBACCO	22.6	19.5	-3.1	-13.8	22.6	20.0	-2.7	-11.7	102.4
INSURANCE	21.7	22.7	1.0	4.4	21.7	20.8	-0.9	-4.2	91.7
RACING	0.4	0.4	0.0	-8.0	0.4	0.4	0.0	-1.6	106.9
GAMES OF SKILL	0.6	0.6	0.0	-5.2	0.6	1.0	0.3	55.1	163.6
MISCELLANEOUS ³	2.6	3.2	0.6	21.6	2.6	3.5	0.9	33.9	110.1
TOTAL GROSS	480.7	420.3	-60.4	-12.6	480.7	415.1	-65.5	-13.6	98.8
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) ⁴	14.4	12.6	-1.8	-12.6	14.4	12.5	-2.0	-13.6	98.8
IND INC TAX REFUNDS	14.4	9.1	-5.3	-36.7	14.4	8.2	-6.2	-43.1	89.9
CORP INC TAX REFUNDS	22.4	12.2	-10.2	-45.6	22.4	12.7	-9.7	-43.3	104.2
CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ECON DEVEL INCENTIVE FUND	0.0	2.0	2.0	0.0	0.0	0.6	0.6	0.0	32.2
WATER/SEWER BONDS	1.1	1.3	0.2	18.2	1.1	1.3	0.2	18.2	100.0
COLLEGE SAVINGS BONDS	5.6	5.7	0.1	1.1	5.6	5.7	0.1	1.1	100.0
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	5.2	0.0	0.0	5.2	5.2	0.0	0.0	100.0
EDUCATIONAL EXCELLENCE	23.7	22.2	-1.5	-6.2	23.7	22.4	-1.3	-5.4	100.8
EDUCATIONAL ADEQUACY	2.1	2.0	-0.1	-4.4	2.1	2.0	-0.1	-5.4	98.9
ELDERLY TRANSPORTATION	0.2	0.2	0.0	20.5	0.2	0.1	0.0	-17.7	68.4
NET AVAILABLE	391.6	347.8	-43.8	-11.2	391.6	344.4	-47.2	-12.0	99.0

REVENUE FORECAST SUMMARY FOR NOVEMBER

NOVEMBER GROSS \$ 5.2 MILLION OR 1.2% BELOW FORECAST.
NOVEMBER NET AVAILABLE \$ 3.4 MILLION OR 1.0% BELOW FORECAST

EDUCATIONAL ADEQUACY FUND (NET DEPOSIT, MONTH-TO-DATE)	Nov 09 31.4	Nov 10 34.0	% CH 8.4
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- 1) Gross Receipts includes the sales, use, 10% mixed drink, 3% beverage excise, vehicle rental, short-term rental, residential moving, and wholesale vending taxes.
- 2) Alcoholic Beverage does not include 10% Mixed Drink and 3% Beverage Excise.
- 3) Miscellaneous includes estate tax, severance, corporate franchise, real estate transfer, dyed diesel, and various other miscellaneous taxes.
- 4) State Central Services Fund and Constitutional Officers Fund.