



STATE OF ARKANSAS
**Department of Finance
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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 April (FY 2011)**

DATE: May 3, 2011

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 \$3,783.6 million. This amount is \$190.3 million or 5.3 percent above last year and \$10.3 million or 0.3 percent above the revised general revenue forecast of April 21, 2011. Monthly forecast values and expected growth rates for key sources of revenue for the remaining two months of the fiscal year have been adjusted, even though the total net available amount for the fiscal year was unchanged by the official forecast release. The adjusted growth rates provide a better measure of expected conditions for the remainder of the year.

Individual income tax and gross receipts collections, the two largest sources of general revenue by type, continue to set the pace for growth relative to year ago collections. After ten months into the fiscal year, net available revenues are aligned with the revised official forecast and moderately above year ago levels.

Year-to-date results also reflect performance boosted by lower than expected refunds in both individual and corporate income tax. The likelihood for a reversal of this refund trend later in the filing and processing season now seems remote. That will offset lower expected growth rates in estimated payments and returns.

Year-to-date Gross General Revenues: Year-to-date gross collections total \$4,707.6 million, representing an increase of \$184.1 million or 4.1 percent above last year. Gross general revenues are \$12.1 million or 0.3 percent above the revised general revenue forecast.

Year-to-date Individual Income Taxes: Year-to-date individual income tax collections total \$2,306.2 million, \$148.0 million or 6.9 percent above FY 2010 collections. Collections growth for individual withholding is up 6.3 percent over year ago levels.

Year-to-date individual income tax refunds total \$405.6 million, down \$40.4 million or -9.1 percent compared to last year and \$1.8 million or 0.5 percent above the revised 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 \$1,739.6 million, an increase of \$87.1 million or 5.3 percent above FY 2010 and \$0.5 million above the revised forecast.

Year-to-date Corporate Income Taxes: Year-to-date corporate revenues total \$298.5 million, a decrease of \$55.0 million or -15.5 percent from year-to-date FY 2010. Corporate income is below the revised forecast by \$1.6 million or -0.5 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 \$32.7 million, down \$21.2 million or -39.3 percent compared to the same year-to-date period last year. Corporate refunds are -0.3 percent below the revised forecast. Amounts below forecast in refund categories contributed to higher net available revenue.

APRIL REVENUE SUMMARY

April Net Available General Revenues total \$531.5 million, \$89.8 million or 20.3 percent above year ago levels. The amount is also \$10.3 million or 2.0 percent above the revised monthly forecast linked to the Official Forecast update on April 21, 2011.

April Gross General Revenues: April collections total \$684.3 million, an increase of \$83.1 million or 13.8 percent above year ago levels. Gross collections were also above forecast by \$12.1 million or 1.8 percent.

April Individual Income Tax collections total \$436.7 million, an increase of \$72.0 million or 19.7 percent above year ago levels and \$12.9 million or 3.1 percent above forecast. The largest category of Individual Income Tax (withholding) was above year ago levels by 10.4 percent.

April Individual Income Tax Refunds total \$98.1 million, down \$5.1 million or -5.0 percent compared to last year and \$1.8 million or 1.9 percent above forecast.

April Gross Receipts Collections: April collections total \$173.2 million, an increase of \$6.3 million or 3.8 percent above last year. Gross receipts are above forecast by \$0.5 million or 0.3 percent.

April Corporate Income Tax collections total \$42.6 million, an increase of \$5.0 million or 13.2 percent above year earlier levels, and \$1.6 million or -3.6 percent below forecast. Corporate income tax is a volatile component of general revenue.

April Corporate Income Tax Refunds total \$0.4 million. This amount is \$2.4 million or -85.2 percent below year ago levels.

April Tobacco Tax collections, a small component of general revenue, total \$19.8 million. This amount is \$0.1 million or 0.6 percent above forecast and \$2.9 million or -12.6 percent below year ago levels. 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 \$39.0 million, an increase of \$1.8 million or 4.7 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 April 2011, \$37.7 million was collected and deposited to the fund. After deductions, the net amount is \$36.6 million. The monthly collection is equivalent to a -2.0 percent change from prior year collections.

YEAR TO DATE REPORT, APRIL 2011
(PREPARED BY ECONOMIC ANALYSIS AND TAX RESEARCH, DFA)

THROUGH APRIL 2011
10 Months YTD
Forecast Date: 04/21/2011

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	2,158.2	2,293.3	135.1	6.3	2,158.2	2,306.2	148.0	6.9	100.6
CORPORATE INCOME	353.5	300.1	-53.4	-15.1	353.5	298.5	-55.0	-15.5	99.5
GROSS RECEIPTS ¹	1,652.6	1,739.1	86.6	5.2	1,652.6	1,739.6	87.1	5.3	100.0
ALCOHOLIC BEVERAGE ²	23.9	25.4	1.5	6.4	23.9	25.4	1.5	6.4	100.0
TOBACCO	204.3	199.5	-4.8	-2.4	204.3	199.6	-4.7	-2.3	100.1
INSURANCE	65.4	66.9	1.5	2.4	65.4	66.9	1.5	2.4	100.0
RACING	3.7	3.3	-0.4	-9.8	3.7	3.2	-0.5	-13.9	95.5
GAMES OF SKILL	6.8	11.0	4.2	60.6	6.8	11.0	4.2	60.7	100.0
MISCELLANEOUS ³	55.2	56.9	1.7	3.0	55.2	57.2	2.0	3.6	100.5
TOTAL GROSS	4,523.5	4,695.5	172.0	3.8	4,523.5	4,707.6	184.1	4.1	100.3
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	135.9	140.9	5.0	3.7	135.9	141.2	5.4	4.0	100.2
IND INCOME TAX REFUNDS	446.0	403.8	-42.2	-9.5	446.0	405.6	-40.4	-9.1	100.5
CORP INCOME TAX REFUNDS	53.9	32.8	-21.1	-39.1	53.9	32.7	-21.2	-39.3	99.7
CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ECON DEVEL INCENTIVE FUND	7.4	11.2	3.8	51.8	7.4	10.8	3.4	46.3	96.4
WATER/SEWER BONDS	10.9	12.5	1.6	14.7	10.9	12.5	1.6	14.7	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	7.3	5.3	-2.0	-27.1	7.3	5.3	-2.0	-27.4	99.5
SCHOOL DESEGREGATION	65.1	65.1	0.0	0.0	65.1	65.1	0.0	0.0	100.0
EDUCATIONAL EXCELLENCE	236.7	223.8	-12.9	-5.5	236.7	223.8	-12.9	-5.4	100.0
EDUCATIONAL ADEQUACY	20.9	19.7	-1.2	-5.9	20.9	19.8	-1.1	-5.4	100.4
ELDERLY TRANSPORTATION	1.5	1.4	-0.1	-4.9	1.5	1.4	0.0	-3.3	101.7
NET AVAILABLE	3,593.4	3,773.3	179.9	5.0	3,593.4	3,783.6	190.3	5.3	100.3

REVENUE FORECAST SUMMARY FOR APRIL

YEAR-TO-DATE GROSS	\$ 12.1 MILLION OR 0.3% ABOVE FORECAST.
YEAR-TO-DATE REFUNDS	\$ 1.7 MILLION OR 0.4% ABOVE FORECAST.
YEAR-TO-DATE NET AVAILABLE	\$ 10.3 MILLION OR 0.3% ABOVE FORECAST

SOFT DRINK EXCISE TAX (MEDICAID PROGRAM TRUST FUND)	<u>YTD FY 10</u> 37.2	<u>YTD FY 11</u> 39.0	<u>% CHANGE</u> 4.7
EDUCATIONAL ADEQUACY FUND (NET COLLECTIONS)	<u>YTD FY 10</u> 333.9	<u>YTD FY 11</u> 348.8	<u>% CHANGE</u> 4.5

- 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.

April 29, 2011
Days Remaining: 0
Forecast date: 04/21/2011

CURRENT MONTH

CURRENT MONTH TO DATE

REVENUE FORECAST SUMMARY FOR APRIL

EDUCATIONAL ADEQUACY FUND (NET DEPOSIT, MONTH-TO-DATE)	<u>April 10</u> 37.4	<u>April 11</u> 36.6	<u>% CH</u> -2.0
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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.