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M E M O R A N D U M

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

SUBJECT: **General Revenue Report for August (FY 2012)**

DATE: September 2, 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 \$750.7 million, \$7.6 million or 1.0 percent above year ago levels. After two months into the fiscal year, net available revenue is below forecast by \$9.3 million or -1.2 percent.

Among major revenue categories, sales tax collections (gross receipts) are down relative to forecast and both individual and corporate income taxes are above forecast. Business transactions in sales and use tax account for much of the weakness relative to forecast and year ago levels in each of the first two reporting months. Generally weak retail sales and new tax exemptions also underlie the growth comparison compared to year ago. The forecast anticipated the new tax exemptions and weak retail conditions with a conservative forecast. However, our research indicates that significant one-time business transactions added over \$5.0 million to collections last year causing most of the volatility in current measures of collections growth.

Year-to-date Gross General Revenues: Year-to-date gross collections total \$862.5 million, representing an increase of \$5.5 million or 0.6 percent above last year. Gross general revenues are below forecast by \$12.8 million or -1.5 percent.

Year-to-date Individual Income Taxes: Year-to-date individual income tax collections total \$385.5 million, \$15.4 million or 4.2 percent above FY 2011 collections and \$5.3 million or 1.4 percent above forecast. Collections growth for individual withholding is up 4.2 percent over year ago levels.

Year-to-date individual income tax refunds total \$13.9 million, down \$1.7 million or -10.8 percent compared to last year and \$2.1 million or -13.4 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 \$364.2 million, a decrease of \$12.0 million or -3.2 percent from FY 2011 and \$24.0 million or -6.2 percent below forecast.

Year-to-date Corporate Income Taxes: Year-to-date corporate revenues total \$30.6 million, an increase of \$1.8 million or 6.2 percent from year-to-date FY 2011. Corporate income is above forecast by \$1.5 million or 5.1 percent.

Year-to-date corporate income tax refunds total \$2.9 million, or flat compared to the comparable year-to-date period last year.

AUGUST REVENUE SUMMARY

August Net Available General Revenues total \$373.7 million, \$1.2 million or 0.3 percent above last year and \$6.9 million or -1.8 percent below forecast.

Results within major revenue lines were mixed as individual income exceeded forecast and year ago collections. The decline in sales tax (gross receipts) relative to year ago and forecast accounts for most of the forecast shortfall this month. Variability in business transactions accounted for most of the shortfall. Corporate income tax was also below last year and below forecast in an otherwise small collection month for this revenue category.

August Gross General Revenues: August collections total \$427.6 million, a decrease of \$3.5 million or -0.8 percent from last year and \$9.2 million or -2.1 percent below forecast.

August Individual Income Tax collections total \$192.0 million. Collections increased by \$3.1 million, or 1.6 percent, compared to last year. With respect to the forecast, collections are \$2.7 million or 1.4 percent above forecast. Individual withholding expanded 0.9 percent compared to last year.

August Individual Income Tax Refunds total \$6.6 million, \$0.7 million or 11.1 percent above last year and \$0.5 million or 8.0 percent above forecast.

August Gross Receipts Collections: August collections total \$182.9 million, a decrease of \$5.0 million or -2.6 percent from last year. Collections were below monthly forecast levels by \$11.0 million or -5.7 percent.

August Corporate Income Tax collections total \$5.4 million, a decrease of \$0.4 million or -6.7 percent from year earlier levels, and \$0.6 million or -9.8 percent below forecast.

August Corporate Income Tax Refunds total \$0.9 million. This amount is \$0.7 million or -42.9 percent below year ago levels.

August Tobacco Tax collections, a small component of general revenue, total \$18.8 million or -11.2 percent below year earlier levels, and \$0.3 million or -1.3 percent below 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 \$8.5 million, a fractional increase of 0.1 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 2011, \$37.4 million was collected and deposited to the fund. After deductions, the net amount is \$36.2 million. The monthly collection is equivalent to a -2.7 percent decrease from prior year collections.

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

THROUGH AUGUST 2011
2 Months YTD
Forecast Date: 04/21/2011

MILLIONS OF DOLLARS

	CURRENT YEAR				CURRENT YEAR TO DATE				ACTUAL AS % OF FORECAST
	ACTUAL FY 2011	FORECAST FY 2012	INCREASE		ACTUAL FY 2011	ACTUAL FY 2012	INCREASE		
			AMOUNT	PERCENT			AMOUNT	PERCENT	
INDIVIDUAL INCOME	370.1	380.2	10.1	2.7	370.1	385.5	15.4	4.2	101.4
CORPORATE INCOME	28.8	29.1	0.3	1.0	28.8	30.6	1.8	6.2	105.1
GROSS RECEIPTS ¹	376.2	388.2	12.0	3.2	376.2	364.2	-12.0	-3.2	93.8
ALCOHOLIC BEVERAGE ²	6.2	6.0	-0.2	-3.5	6.2	5.9	-0.3	-4.7	98.8
TOBACCO	41.6	38.2	-3.4	-8.1	41.6	42.3	0.7	1.7	110.7
INSURANCE	22.3	21.3	-1.0	-4.4	22.3	20.1	-2.1	-9.6	94.6
RACING	0.7	0.6	-0.1	-8.6	0.7	0.6	-0.1	-11.4	97.0
GAMES OF SKILL	1.7	2.2	0.5	26.0	1.7	3.9	2.1	122.2	176.4
MISCELLANEOUS ³	9.3	9.5	0.2	1.8	9.3	9.3	0.0	0.0	98.2
TOTAL GROSS	856.9	875.3	18.4	2.1	856.9	862.5	5.5	0.6	98.5
LESS: SCSF/COF ⁴	25.7	28.9	3.2	12.4	25.7	28.5	2.8	10.7	98.5
IND INCOME TAX REFUNDS	15.5	16.0	0.5	3.0	15.5	13.9	-1.7	-10.8	86.6
CORP INCOME TAX REFUNDS	2.9	3.1	0.2	6.8	2.9	2.9	0.0	0.8	94.4
CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ECON DEVEL INCENTIVE FUND	1.5	4.0	2.5	167.8	1.5	3.6	2.1	141.3	90.1
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	0.0	0.0	0.0	0.0	0.0	0.0
CITY/CO. TOURIST	1.3	1.3	0.0	-1.4	1.3	1.3	0.0	-0.1	101.4
SCHOOL DESEGREGATION	15.2	8.0	-7.2	-47.4	15.2	8.0	-7.2	-47.4	100.0
EDUCATIONAL EXCELLENCE	44.8	47.0	2.2	5.0	44.8	46.7	1.9	4.2	99.3
EDUCATIONAL ADEQUACY	4.0	4.0	0.0	1.1	4.0	4.1	0.2	4.2	103.1
ELDERLY TRANSPORTATION	0.3	0.4	0.1	33.4	0.3	0.2	-0.1	-46.6	40.0
NET AVAILABLE	743.1	760.0	16.9	2.3	743.1	750.7	7.6	1.0	98.8

REVENUE FORECAST SUMMARY FOR AUGUST

YEAR-TO-DATE GROSS	\$ 12.8 MILLION OR 1.5% BELOW FORECAST.
YEAR-TO-DATE REFUNDS	\$ 2.3 MILLION OR 12.2% BELOW FORECAST.
YEAR-TO-DATE NET AVAILABLE	\$ 9.3 MILLION OR 1.2% BELOW FORECAST

SOFT DRINK EXCISE TAX (MEDICAID PROGRAM TRUST FUND)	<u>YTD FY 11</u> 8.5	<u>YTD FY 12</u> 8.5	<u>% CHANGE</u> 0.1
EDUCATIONAL ADEQUACY FUND (NET COLLECTIONS)	<u>YTD FY 11</u> 74.7	<u>YTD FY 12</u> 72.3	<u>% CHANGE</u> -3.2

- 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.

August 31, 2011
Days Remaining: 0
Forecast date: 04/21/2011

CURRENT MONTH

	ACTUAL FY 2011	FORECAST FY 2012	CHANGE AMOUNT	PERCENT	ACTUAL FY 2011	ACTUAL FY 2012	CHANGE AMOUNT	PERCENT	ACTUAL AS % OF FORECAST
INDIVIDUAL INCOME	188.9	189.3	0.4	0.2	188.9	192.0	3.1	1.6	101.4
CORPORATE INCOME	5.8	6.0	0.2	3.5	5.8	5.4	-0.4	-6.7	90.2
GROSS RECEIPTS ¹	187.9	193.9	6.0	3.2	187.9	182.9	-5.0	-2.6	94.3
ALCOHOLIC BEVERAGE ²	2.4	2.6	0.2	10.1	2.4	2.2	-0.2	-7.1	84.4
TOBACCO	21.2	19.1	-2.1	-10.0	21.2	18.8	-2.4	-11.2	98.7
INSURANCE	19.2	19.8	0.6	3.0	19.2	19.4	0.2	1.0	98.1
RACING	0.5	0.4	-0.1	-14.0	0.5	0.3	-0.2	-33.7	77.1
GAMES OF SKILL	0.9	1.1	0.2	19.4	0.9	2.0	1.1	120.4	184.5
MISCELLANEOUS ³	4.3	4.6	0.3	7.5	4.3	4.5	0.3	5.9	98.5
TOTAL GROSS	431.1	436.8	5.7	1.3	431.1	427.6	-3.5	-0.8	97.9
LESS: (SCSF/COF) ⁴	12.9	14.4	1.5	11.3	12.9	14.1	1.2	9.1	98.0
IND INC TAX REFUNDS	5.9	6.1	0.2	2.9	5.9	6.6	0.7	11.1	108.0
CORP INC TAX REFUNDS	1.6	1.7	0.1	7.5	1.6	0.9	-0.7	-42.9	53.1
CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ECON DEVEL INCENTIVE FUND	1.2	2.0	0.8	60.4	1.2	0.6	-0.7	-53.2	29.2
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	11.0	5.0	-6.0	-54.5	11.0	5.0	-6.0	-54.5	100.0
EDUCATIONAL EXCELLENCE	22.4	23.5	1.1	5.0	22.4	23.3	1.0	4.2	99.3
EDUCATIONAL ADEQUACY	2.0	2.0	0.0	1.1	2.0	2.1	0.1	4.2	103.1
ELDERLY TRANSPORTATION	0.2	0.2	0.0	24.6	0.2	0.0	-0.2	-100.0	0.0
NET AVAILABLE	372.6	380.6	8.0	2.2	372.6	373.7	1.2	0.3	98.2

AUGUST GROSS	\$ 9.2 MILLION OR 2.1% BELOW FORECAST.
AUGUST NET AVAILABLE	\$ 6.9 MILLION OR 1.8% BELOW FORECAST

EDUCATIONAL ADEQUACY FUND (NET DEPOSIT, MONTH-TO-DATE)	<u>Aug 10</u> 37.2	<u>Aug 11</u> 36.2	<u>% CH</u> -2.7
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- 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.