

March 9, 2010

MEMORANDUM

TO: Representative Luciano “Lucky” Varela, Chairman
Senator John Arthur Smith, Vice Chairman

THRU: David Abbey, Director

FROM: Thomas Clifford, Chief Economist
Becky Gutierrez, Senior Economist
Daniel White, Financial Economist

SUBJECT: March 2010 General Fund Revenue Tracking

Summary:

- The gap between actual revenues and the December consensus forecast grew by about \$20 million over the last month.
- Actual revenue accruals are tracking about \$60 million below forecast.
- The outlook for the March and April corporate and personal income tax return processing season is highly uncertain. Those returns will decide whether the state revenue outlook is in fact seriously worse than the current forecast.

Table 1: Revenue Tracking

- December gross receipts taxes were several million dollars below expectations.
- December net personal income tax was about \$13 million below expectations, mainly due to larger-than-expected refund claims.
- Preliminary net corporate income tax revenue for January was \$18 million below expectations. The combination of film credit claims and refunds offset more than half of the gross revenue.
- Preliminary federal leasing royalties in February were \$10 million higher than expected.
- Total recurring revenue is now tracking \$59.4 million lower than the December 2009 consensus forecast compared with \$39.9 million down in the February tracking report. Weakness in personal and corporate income taxes exceeds strength in oil and gas-related revenues.

Table 2: Year-to-date and Full-year Revenue Growth Rates

- Year-to-date through December, total recurring revenue was down by 22 percent compared with the same period of FY09. A 9 percent decline is forecast for the full year.
- When oil and gas revenues are excluded, total revenue is down by 14 percent compared with a 5 percent decline forecast for the full year.
- General sales taxes – gross receipts and compensating taxes – were down by 14 percent compared with a 7 percent full year forecast decline.
- Personal income tax was down 11 percent compared with 3 percent growth forecast for the full year.
- Corporate income tax was down 90 percent compared with 17 percent decline for the full year. These values were adjusted to reflect accounting changes introduced in the middle of FY09.
- Oil and gas revenues were down 47 percent compared with a 30 percent full year forecast decline.

Figure 1: Taxable gross receipts

- Taxable gross receipts remained well below year-ago levels in the second quarter of FY10.
- Construction remains very weak, and the “Other Services” sector – which includes a wide variety of business types -- is now also down by more than 25 percent.
- Year-over-year comparisons should begin to look more positive beginning in the fourth quarter of the fiscal year, if only because they are compared with a very weak prior period.

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Table 1
FISCAL YEAR 2010 GENERAL FUND MONTHLY REVENUE TRACKING
(dollars in millions; blue font indicates actual revenue, italics indicate preliminary actual revenue)

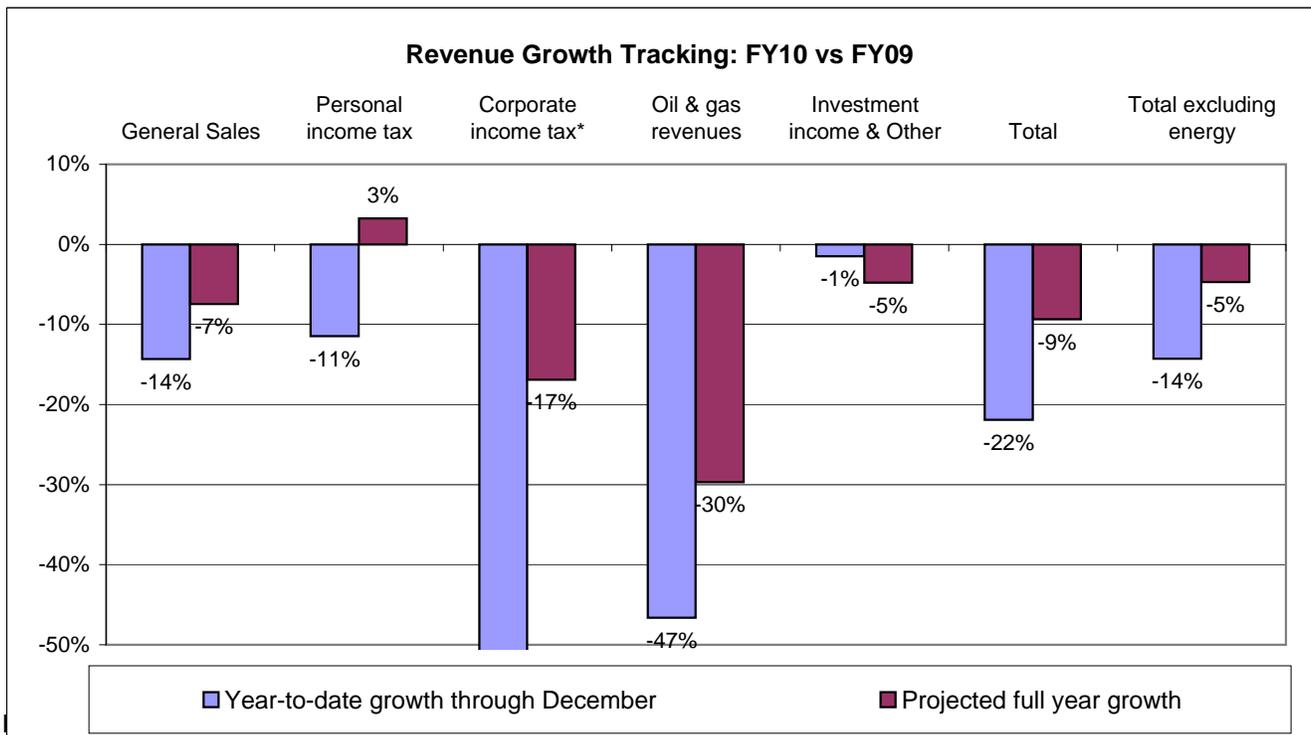
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Row #		ACTUAL REVENUE ACCRUALS						FORECAST REVENUE ACCRUALS						FY10 Actual + Forecast	% Chng FY09	TRACKING ERROR			FY09 Prelim	Row #
		July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June			FY 10	YTD	YTD		
		Act.	Act.	Act.	Act.	Act.	Act.	Est.	Est.	Est.	Est.	Est.	Est.			Dec. 09	Est % Error	\$ Error		
1	Gross Receipts Tax	127.6	140.6	132.7	133.6	137.7	156.4	132.6	131.3	144.5	141.2	148.9	164.0	1,691.2	-7.7%	1,702.0	-0.6%	(10.8)	1,831.9	1
2	Compensating Tax	4.0	3.9	4.6	4.0	4.4	5.0	4.8	4.1	5.8	4.7	4.7	5.6	55.4	-20.8%	58.0	-4.5%	(2.6)	69.9	2
3	TOTAL GENERAL SALES TAXES	131.5	144.5	137.3	137.6	142.0	161.4	137.4	135.4	150.3	145.9	153.6	169.6	1,746.5	-8.2%	1,760.0	-0.8%	(13.5)	1,901.9	3
4	Tobacco Products & Cigarette Taxes	3.2	3.5	4.6	4.1	3.3	3.1	3.3	4.2	3.6	4.3	4.6	4.4	46.3	-6.7%	47.2	-2.0%	(1.0)	49.6	4
5	Liquor Excise Tax	2.1	2.2	2.2	2.2	2.1	2.6	1.4	2.1	2.2	2.0	1.7	2.9	25.7	-0.6%	26.5	-2.9%	(0.8)	25.8	5
6	Insurance Premiums Tax	1.4	34.3	0.3	3.8	31.6	0.4	0.9	26.2	2.9	0.8	35.5	0.2	138.4	13.5%	133.9	3.3%	4.4	121.9	6
7	Fire Protection Fund Reversion	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	21.7	21.7	-29.6%	21.7	0.0%	0.0	30.8	7
8	Motor Vehicle Excise Tax	8.2	8.1	9.2	7.3	5.9	6.4	7.3	6.9	8.1	7.3	7.7	8.1	90.4	-10.1%	92.5	-2.3%	(2.1)	100.5	8
9	Gaming Excise Tax	5.4	5.1	5.0	5.2	4.9	5.1	5.0	5.5	6.0	5.7	6.8	5.6	65.6	-5.2%	65.3	0.5%	0.3	69.2	9
10	Leased Vehicle Surcharge	1.0	0.5	0.7	0.4	0.4	0.3	0.3	0.4	0.4	0.4	0.4	0.6	5.6	15.2%	5.5	3.0%	0.2	4.9	10
11	Other	0.4	0.1	0.2	0.1	0.1	0.0	0.1	0.4	0.1	0.2	0.0	0.2	2.0	197.5%	1.9	3.8%	0.1	0.7	11
12	TOTAL SELECTIVE SALES TAXES	21.8	53.8	22.2	23.1	48.3	18.0	18.3	45.7	23.4	20.7	56.9	43.8	396.0	-1.8%	394.5	0.4%	1.5	403.4	12
13	Withholding	87.6	68.6	79.9	80.5	68.1	105.5	73.1	74.3	83.7	74.0	71.9	83.0	950.4	-0.7%	950.2	0.0%	0.2	956.9	13
14	Final Settlements & Estimated Payments	24.3	12.0	36.1	13.5	8.2	13.0	43.7	8.1	79.0	50.0	42.2	28.9	359.1	-3.2%	385.0	-6.7%	(25.9)	371.1	14
15	Oil and Gas Withholding Tax	0.3	-0.1	1.1	6.4	0.0	0.4	5.7	0.7	4.3	3.5	0.8	7.5	30.6	18.3%	30.0	2.1%	0.6	25.9	15
16	Fiduciary Tax	0.0	0.3	-0.1	-3.0	-0.6	0.9	0.2	-0.1	1.0	1.7	1.1	0.1	1.6	-88.6%	5.0	-68.9%	(3.4)	13.7	16
17	GROSS PERSONAL INCOME TAX	112.3	80.9	117.0	97.4	75.6	119.8	122.7	83.1	168.0	129.2	116.1	119.6	1,341.7	-1.9%	1,370.2	-2.1%	(28.5)	1,367.2	17
18	Less: Refunds, distributions to other funds	8.4	7.7	12.7	23.6	8.1	102.2	75.5	68.2	52.8	26.8	15.6	9.4	410.8	0.5%	380.7	7.9%	30.1	408.7	18
19	NET PERSONAL INCOME TAX	103.8	73.2	104.3	73.9	67.5	17.7	47.2	14.9	115.2	102.4	100.6	110.1	931.0	-2.9%	989.5	-5.9%	(58.5)	958.5	19
20	NET CORPORATE INCOME TAX	-2.7	1.0	-1.4	32.6	-9.0	-8.4	12.6	0.7	5.8	31.5	24.8	31.2	118.8	-26.9%	160.0	-25.7%	(41.2)	162.5	20
22	Oil and Gas School Tax	22.6	25.0	21.3	26.4	28.3	27.3	26.2	24.1	24.2	24.0	24.3	24.1	297.8	-19.6%	290.8	2.4%	7.0	370.4	22
23	Oil Conservation Tax	1.1	1.3	1.1	1.3	1.4	1.4	1.4	1.3	1.3	1.3	1.3	1.3	15.5	-14.8%	15.3	1.9%	0.3	18.3	23
24	Resources Excise Tax	0.6	0.3	1.3	0.8	0.7	1.2	0.8	0.9	0.4	1.2	1.1	0.9	10.2	-9.1%	10.0	2.1%	0.2	11.2	24
25	Natural Gas Processors Tax	3.5	2.9	4.2	3.7	3.5	3.3	3.2	3.3	3.4	3.4	3.8	3.2	41.2	2.2%	41.0	0.6%	0.2	40.3	25
26	TOTAL MINERAL PROD. TAXES	27.9	29.5	27.9	32.3	33.9	33.3	31.5	29.5	29.3	29.9	30.4	29.5	364.8	-17.1%	357.1	2.2%	7.7	440.2	26
27	LICENSE FEES	2.2	1.9	1.9	1.8	1.9	7.5	5.8	4.8	8.1	10.5	2.9	2.8	52.2	4.1%	47.5	9.8%	4.7	50.1	27
28	Land Grant Perm. Fund Distributions	36.4	36.4	36.4	36.4	36.4	36.4	36.4	36.4	36.4	36.4	36.4	36.3	436.7	0.7%	436.5	0.0%	0.2	433.5	28
29	State Treasurer's Earnings	3.5	1.8	1.6	1.0	1.4	5.4	2.6	3.2	2.5	0.3	3.4	-4.1	22.4	-66.9%	21.5	4.2%	0.9	67.8	29
30	Severance Tax Perm. Fund Distributions	15.6	15.6	15.6	15.6	15.6	15.6	15.6	15.6	15.6	15.6	15.6	15.6	187.1	-2.2%	187.1	0.0%	(0.0)	191.3	30
31	TOTAL INVESTMENT EARNINGS	55.5	53.8	53.6	53.0	53.4	57.4	54.6	55.2	54.5	52.2	55.3	47.7	646.2	-6.7%	645.1	0.2%	1.1	692.5	31
32	Federal Mineral Leasing Royalties	22.8	22.5	23.8	27.2	27.5	19.9	34.6	34.7	27.3	28.5	26.6	29.3	324.8	-36.0%	301.0	7.9%	23.8	507.2	32
33	State Land Office Bonuses, Rents	1.6	6.0	9.5	4.7	5.9	4.7	6.4	1.2	1.2	1.2	1.2	1.3	45.2	24.1%	33.8	33.8%	11.4	36.4	33
34	TOTAL RENTS & ROYALTIES	24.4	28.5	33.3	32.0	33.5	24.7	41.0	35.9	28.6	29.7	27.8	30.6	370.0	-31.9%	334.8	10.5%	35.2	543.7	34
35	TRIBAL REVENUE SHARING	0.1	0.0	16.2	0.1	0.0	15.2	0.9	0.0	14.2	0.7	6.2	10.0	63.5	-2.9%	63.1	0.6%	0.4	65.4	35
36	MISCELLANEOUS RECEIPTS	1.4	1.1	1.4	2.0	1.4	1.5	2.8	1.5	3.4	5.9	2.5	17.1	42.1	-5.1%	41.8	0.7%	0.3	44.3	36
37	REVERSIONS	0.0	0.0	0.0	1.0	3.7	1.7	3.8	1.5	2.6	2.3	1.6	14.7	32.9	-42.5%	30.0	9.7%	2.9	57.3	37
38	TOTAL RECURRING REVENUE	365.9	387.4	396.7	389.3	376.8	329.9	356.1	325.2	435.2	431.7	462.5	507.1	4,764.0	-10.4%	4,823.3	-1.2%	(59.4)	5,319.8	38
39	SB29 - Laws 2009 SS, Chapter 7	0.0	0.0	0.0	0.0	0.0	103.3	0.0	0.0	0.0	0.0	0.0	32.8	136.1	NA	136.1	NA	0.0	0.0	39
40	Non-Recurring	0.0	0.0	0.1	0.3	0.5	0.4	0.0	0.0	0.0	0.0	0.0	0.0	1.4	NA	0.0	NA	1.4	425.6	40
41	TOTAL NON-RECURRING REVENUE	0.0	0.0	0.1	0.3	0.5	103.7	0.0	0.0	0.0	0.0	0.0	32.8	137.5	NA	136.1	NA	1.4	425.6	41
42	GRAND TOTAL REVENUE	365.9	387.4	396.8	389.6	377.3	433.6	356.1	325.2	435.2	431.7	462.5	540.0	4,901.4	-14.7%	4,959.4	-1.2%	(58.0)	5,745.4	42

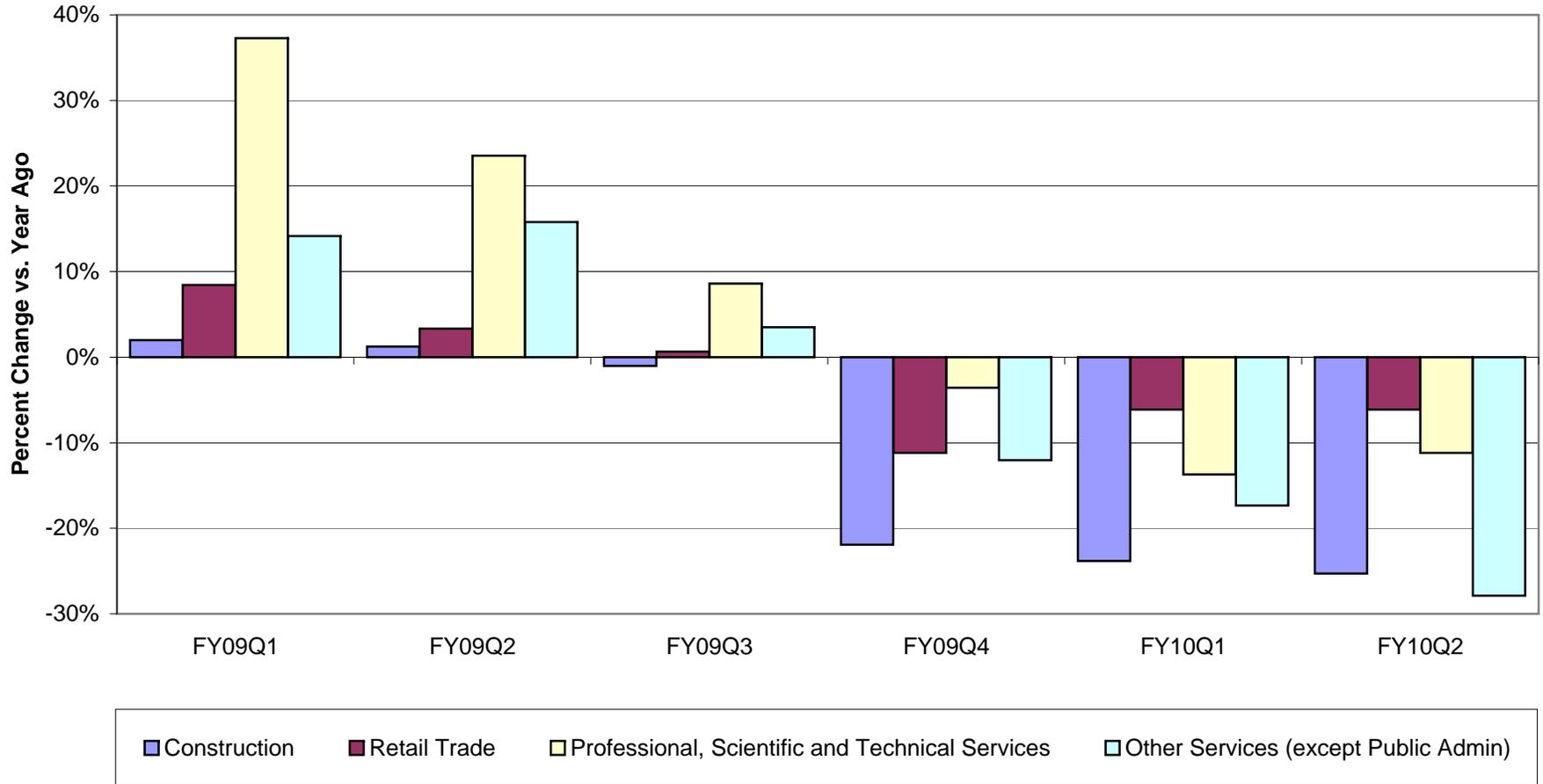
Table 2
General Fund Revenue Accruals Growth FY10 vs. FY09
(dollar amounts in millions)

Revenue Category	Fiscal Year-to-Date through December		Year-to-date growth	Projected full year growth: December 2009 Forecast
	FY09	FY10		
General sales taxes	\$997.1	\$854.3	-14%	-7%
Personal income tax	\$497.5	\$440.5	-11%	3%
Corporate income tax*	\$118.2	\$12.2	-90%	-17%
Oil & gas revenues	\$676.3	\$361.0	-47%	-30%
Investment income & other	\$587.0	\$578.3	-1%	-5%
Total recurring revenue	\$2,876.1	\$2,246.3	-22%	-9%
Total excluding oil & gas	\$2,199.8	\$1,885.3	-14%	-5%

*FY09 pattern of distributions adjusted to exclude accrual method changes during the year.



**FIGURE 1:
Taxable Gross Receipts by Industry**



NOTE: These four sectors made up 61% of total taxable gross receipts in FY09.