

**January 10, 2011**

**MEMORANDUM**

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

**THROUGH: David Abbey, Director**

**FROM: Julie Anna Golebiewski, Economist  
Leila Burrows, Economist**

**SUBJECT: January 2011 General Fund Revenue Tracking Report Reflecting  
Revenue Accruals through October 2010**

**Table 1: General Fund Revenue Accruals:**

- LFC reports fiscal year to date revenues of \$1.67 billion, up 8.5% from the same period last year. This compares to the anticipated full-year growth of 7.6% from the December forecast.
- The Personal Income Tax has not yet shown the growth anticipated in the revenue forecast, but beginning in January 2011, the revenue is expected to jump by approximately \$60 million due to the repeal of the deduction for state and local taxes<sup>1</sup>.
- Oil and gas revenues appear much higher than anticipated, but this is driven by low oil and gas prices at the beginning of FY10. Oil and gas prices jumped mid-FY10, so the year-over-year revenue growth is expected to level off as the fiscal year progresses.
- The Corporate Income Tax shows year-to-date growth of 68.24%, but this does not factor in additional cash receipts for the months of November and December.

**Table 2: FY11 Revenue Tracking:**

- Actual recurring revenue accruals through October<sup>2</sup> are tracking approximately \$62 million more than forecast.
- The major contributor to the surplus is the Corporate Income Tax, with revenues in October and November exceeding expectations by \$32.9 million. However, Corporate Income Tax revenues are highly volatile; this is compounded in net Corporate Income Tax receipts, which reflect credits for film and other uses.
- The Personal Income Tax and Insurance Premiums Tax contributed \$8 million and \$13 million to the surplus, respectively.

---

<sup>1</sup> Please note that Table 2 shows Personal Income Tax revenue \$8 million higher than forecast; distribution of the forecast across months in Table 2 reflects the standard Personal Income Tax payment schedule and accounts for the change in monthly accrual based on the change in statute.

<sup>2</sup> Accrued revenue for October is available for almost all General Fund revenues but some figures are still preliminary. In addition to these accruals, this report reflects preliminary information on Federal Mineral Leasing royalties for November and December, and Corporate Income Tax for November.

- With the exceptions of the Personal Income Tax, Corporate Income Tax, Insurance Premiums Tax, and Federal Mineral Leasing, each tax shows only minor deviations from the forecast, and these differences tend to offset one another.

### **Outlook for the Remainder of FY11:**

- In December, cash receipts for the Corporate Income Tax were almost 100% higher than cash receipts in December 2009. This growth rate is consistent with previous months and may indicate resurgence in corporate income. Though, film tax credits were only \$1.2 million for the first quarter of the fiscal year, so Corporate Income Tax revenues may dampen as more credits are claimed.
- The Gross Receipts Tax, Compensating Tax and Withholding are tracking ahead of forecast, and cash receipts in December appear to be consistent with this trend<sup>3</sup>.

### **Figure 1: Taxable gross receipts trends:**

- Taxable gross receipts in the months of August, September, and October showed growth rates of 6.3, 9.8, and 0.6<sup>4</sup> percent, respectively, compared to the same months last year.
- During the first four months of FY11, the industries showing the most growth are Information and Cultural Services, Educational Services, Mining and Oil and Gas Extraction, and Transportation and Warehousing.
- Industries that have continued to decline include Construction, and Finance and Insurance.
- The three month moving average of taxable gross receipts has trended up in recent months, and year-over-year growth continues to be positive.

---

<sup>3</sup> Cash receipts generally reflect activity from the previous month.

<sup>4</sup> One-time non-current period factors decreased the growth rate from 4.4% to 0.6%.

**Table 1**  
**General Fund Revenue Accruals: FY11 vs FY10**  
**(dollar amounts in millions)**

Revenue Category	Fiscal Year-to-Date Through October		Year-to-Date Growth	Projected Full-Year Growth: December 2010 Forecast
	FY11	FY10		
General Sales Taxes	\$614.5	\$550.9	11.54%	6.50%
Personal Income Tax	\$355.8	\$355.2	0.17%	10.30%
Corporate Income Tax*	\$49.8	\$29.6	68.24%	75.90%
Oil & Gas Revenues**	\$253.4	\$232.7	8.90%	-1.80%
Investment Income & Other	\$397.2	\$370.8	7.12%	2.32%
<b>Total Recurring Revenue</b>	<b>\$1,670.7</b>	<b>\$1,539.2</b>	<b>8.54%</b>	<b>7.60%</b>
<b>Total Recurring Excluding Oil &amp; Gas</b>	<b>\$1,417.3</b>	<b>\$1,306.5</b>	<b>8.48%</b>	<b>9.50%</b>

Notes:

\*Only includes July through October; does not include preliminary November estimate.

\*\*FY11 year-to-date amount includes forecast for October 2010.

**Table 2**  
**FISCAL YEAR 2011 GENERAL FUND MONTHLY REVENUE TRACKING: Preliminary July through October Accruals**  
(dollars in millions; italics indicate preliminary actual revenue)

1/11/11 3:46 PM

Row #	PRELIM ACTUAL ACCRUALS				FORECAST REVENUE ACCRUALS								FY11 Actual + Forecast	% Chng FY10	TRACKING ERROR			FY10 Prelim	Row #	
	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June			FY 11	YTD	YTD			
	Est.	Est.	Est.	Est.	Est.	Est.	Est.	Est.	Est.	Est.	Est.	Est.			Dec. 10 Est	% Error	\$ Error			
1	Gross Receipts Tax	137.9	149.9	161.9	141.0	141.1	161.4	137.0	130.2	132.9	143.2	134.6	169.7	1,740.8	6.5%	1,740.0	0.0%	0.8	1,634.4	1
2	Compensating Tax	4.0	7.3	5.7	6.8	5.3	6.0	3.8	4.7	6.6	5.0	4.5	6.3	66.2	30.0%	64.5	2.6%	1.7	50.9	2
3	<b>TOTAL GENERAL SALES TAXES</b>	141.9	157.2	167.6	147.9	146.4	167.5	140.8	134.9	139.5	148.2	139.2	176.0	1,807.0	7.2%	1,804.5	0.1%	2.5	1,685.3	3
4	Tobacco Products & Cigarette Taxes	9.2	7.3	7.6	6.0	5.9	5.2	5.7	5.9	5.5	8.0	5.9	8.5	80.9	76.8%	81.0	-0.2%	(0.1)	45.7	4
5	Liquor Excise Tax	2.0	2.2	2.2	2.2	1.9	2.9	1.4	1.8	2.2	2.1	1.7	2.7	25.1	-1.9%	25.5	-1.5%	(0.4)	25.6	5
6	Insurance Premiums Tax	0.6	32.5	12.7	4.9	34.8	0.5	1.1	29.1	1.1	1.3	27.3	4.7	150.4	15.4%	137.3	9.6%	13.1	130.3	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	18.3	18.3	266.3%	18.3	0.0%	0.0	5.0	7
8	Motor Vehicle Excise Tax	8.4	8.7	8.7	8.5	7.4	7.1	7.9	7.4	8.9	7.8	8.5	8.7	98.0	6.2%	98.3	-0.3%	(0.3)	92.3	8
9	Gaming Excise Tax	5.6	5.4	5.3	5.4	4.5	6.2	4.9	5.4	5.8	5.6	6.7	5.3	66.1	1.4%	64.9	1.8%	1.2	65.1	9
10	Leased Vehicle Surcharge	0.5	0.5	0.5	0.5	0.5	0.4	0.4	0.4	0.5	0.5	0.5	0.6	5.7	1.0%	5.8	-1.6%	(0.1)	5.7	10
11	Other	0.1	0.0	-0.3	0.1	0.3	0.3	0.5	0.5	0.3	0.3	0.2	0.6	2.8	-11.3%	3.0	-5.7%	(0.2)	3.2	11
12	<b>TOTAL SELECTIVE SALES TAXES</b>	\$26.4	\$56.6	\$36.5	\$27.7	\$55.3	\$22.5	\$21.9	\$50.4	\$24.2	\$25.6	\$50.7	\$49.4	447.3	19.9%	434.1	3.0%	13.2	372.9	12
13	Withholding	84.4	77.0	86.1	89.6	77.6	113.2	77.6	79.5	102.0	78.8	78.1	97.7	1,041.6	2.1%	1,035.4	0.6%	6.2	1,020.1	13
14	Final Settlements & Estimated Payments	0.2	9.3	34.4	9.7	10.0	13.3	79.9	1.2	20.1	74.6	35.9	58.7	347.3	13.4%	343.6	1.1%	3.7	306.4	14
15	Oil and Gas Withholding Tax	0.0	0.4	0.1	6.1	0.6	5.6	3.8	0.5	4.6	3.8	0.3	7.3	33.0	5.3%	33.0	0.0%	0.0	31.3	15
16	Fiduciary Tax	-0.1	0.2	-0.7	0.2	0.0	0.2	0.0	-0.1	0.4	0.7	0.5	0.0	1.2	-193.2%	1.0	24.6%	0.2	(1.3)	16
17	<b>GROSS PERSONAL INCOME TAX</b>	84.5	86.9	119.9	105.6	88.2	132.3	161.2	81.1	127.0	157.9	114.9	163.7	1,423.1	4.9%	1,413.0	0.7%	10.1	1,356.5	17
	Transfer to PIT Suspense	8.3	7.8	9.2	9.1	5.6	79.7	67.8	61.2	47.3	23.9	13.8	8.1	341.8	-10.4%	340.0	0.5%	1.8	381.7	
	Refunds/Adj/TAA Suspense	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	#DIV/0!	0.0	#DIV/0!	0.0	0.0	
	Retiree Health Care	1.5	1.5	1.5	1.5	1.2	1.2	1.2	1.2	1.2	1.2	1.3	1.3	15.9	-0.4%	15.6	1.7%	0.3	15.9	
	Legislative Retirement	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	2.4	0.0%	2.4	0.0%	0.0	2.4	
18	Less: Refunds, distributions to other funds	10.0	9.5	10.8	10.8	7.0	81.1	69.3	62.7	48.8	25.3	15.2	9.7	360.1	-10.0%	358.0	0.6%	2.1	400.0	18
19	<b>NET PERSONAL INCOME TAX</b>	74.5	77.4	109.0	94.8	81.2	51.2	92.0	18.4	78.3	132.6	99.7	154.0	1,063.1	11.1%	1,055.0	0.8%	8.0	956.5	19
20	<b>NET CORPORATE INCOME TAX</b>	0.0	2.6	3.7	43.6	35.8	7.9	38.0	7.5	4.5	43.0	25.1	41.3	252.9	102.2%	220.0	15.0%	32.9	125.1	20
22	Oil and Gas School Tax	27.8	29.5	26.7	26.6	27.4	29.3	31.1	28.3	31.9	26.5	24.3	20.9	330.3	1.8%	328.5	0.5%	1.8	324.5	22
23	Oil Conservation Tax	1.4	1.5	1.4	0.1	1.4	1.4	1.4	1.3	1.3	1.4	1.4	1.4	15.3	-6.4%	16.7	-8.4%	(1.4)	16.4	23
24	Resources Excise Tax	0.6	0.5	1.0	1.1	0.8	1.0	0.7	0.8	0.6	1.2	1.2	0.7	10.2	8.4%	10.0	1.5%	0.2	9.4	24
25	Natural Gas Processors Tax	1.6	1.6	1.6	1.6	1.4	1.4	1.3	1.3	1.4	1.9	1.4	1.4	18.0	-55.4%	17.9	0.7%	0.1	40.4	25
26	<b>TOTAL MINERAL PROD. TAXES</b>	31.4	33.0	30.7	29.3	31.1	33.2	34.6	31.7	35.2	30.9	28.3	24.3	373.8	-4.3%	373.1	0.2%	0.7	390.7	26
27	<b>LICENSE FEES</b>	2.5	2.2	2.3	1.8	1.9	3.9	4.7	3.7	6.6	15.3	3.6	3.2	51.7	2.7%	52.0	-0.6%	-0.3	50.3	27
28	Land Grant Perm. Fund Distributions	37.2	37.2	37.2	37.2	37.1	37.1	37.1	37.1	37.1	37.1	37.1	37.1	445.3	1.9%	445.2	0.0%	0.1	437.1	28
29	State Treasurer's Earnings	0.0	0.0	0.0	1.9	0.9	2.4	0.4	4.4	1.1	-1.2	2.7	5.0	17.5	-21.0%	16.2	7.9%	1.3	22.1	29
30	Severance Tax Perm. Fund Distributions	15.4	15.4	15.4	15.4	15.4	15.4	15.4	15.4	15.4	15.4	15.4	15.4	184.6	-1.3%	184.6	0.0%	(0.0)	187.1	30
31	<b>TOTAL INVESTMENT EARNINGS</b>	52.5	52.5	52.6	54.4	53.4	54.9	52.9	56.8	53.6	51.2	55.1	57.5	647.4	0.2%	646.0	0.2%	1.4	646.3	31
32	Federal Mineral Leasing Royalties	29.8	39.1	28.8	36.6	31.6	33.4	31.8	28.4	31.3	28.2	26.0	28.4	373.3	5.1%	368.2	1.4%	5.1	355.3	32
33	State Land Office Bonuses, Rents	1.8	3.4	5.9	13.4	6.2	5.4	3.7	3.1	3.6	3.9	3.6	4.8	58.8	-13.1%	58.8	0.0%	0.0	67.7	33
34	<b>TOTAL RENTS &amp; ROYALTIES</b>	31.6	42.5	34.7	50.0	37.8	38.7	35.5	31.5	34.9	32.1	29.7	33.1	432.1	2.1%	427.0	1.2%	5.1	423.0	34
35	<b>TRIBAL REVENUE SHARING</b>	0.1	0.1	16.4	0.1	0.0	15.5	0.0	0.1	16.7	0.1	0.2	15.9	65.0	1.4%	65.4	-0.6%	(0.4)	64.1	35
36	<b>MISCELLANEOUS RECEIPTS</b>	1.2	4.4	1.4	1.4	1.4	1.6	2.3	1.6	2.7	2.5	1.6	24.5	46.5	4.9%	47.1	-1.2%	(0.6)	44.4	36
37	<b>REVERSIONS</b>	0.0	0.0	0.5	0.6	0.3	2.8	4.6	1.0	4.2	3.3	3.1	18.5	39.1	-49.2%	40.0	-2.4%	(0.9)	76.8	37
38	<b>TOTAL RECURRING REVENUE</b>	362.0	428.5	455.4	451.5	444.5	399.7	427.3	337.6	400.3	484.9	436.2	597.8	5,225.7	8.1%	5,164.2	1.2%	61.5	4,835.3	38
39	Amnesty	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.1	2.1	NA	2.1	NA	0.0	0.0	39
46	Non-Recurring	0.1	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.3	NA	0.0	NA	0.3	438.9	46
47	<b>TOTAL NON-RECURRING REVENUE</b>	0.1	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.1	2.4	NA	2.1	NA	0.3	438.9	47
48	<b>GRAND TOTAL REVENUE</b>	362.1	428.7	455.4	451.5	444.5	399.7	427.3	337.6	400.3	484.9	436.2	599.9	5,228.1	-0.9%	5,166.3	1.2%	61.8	5,274.2	48

### Figure 1. Taxable Gross Receipts

