



Revenue Tracker

September Revenues Show First Quarter Growth in 2011-12

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Overview

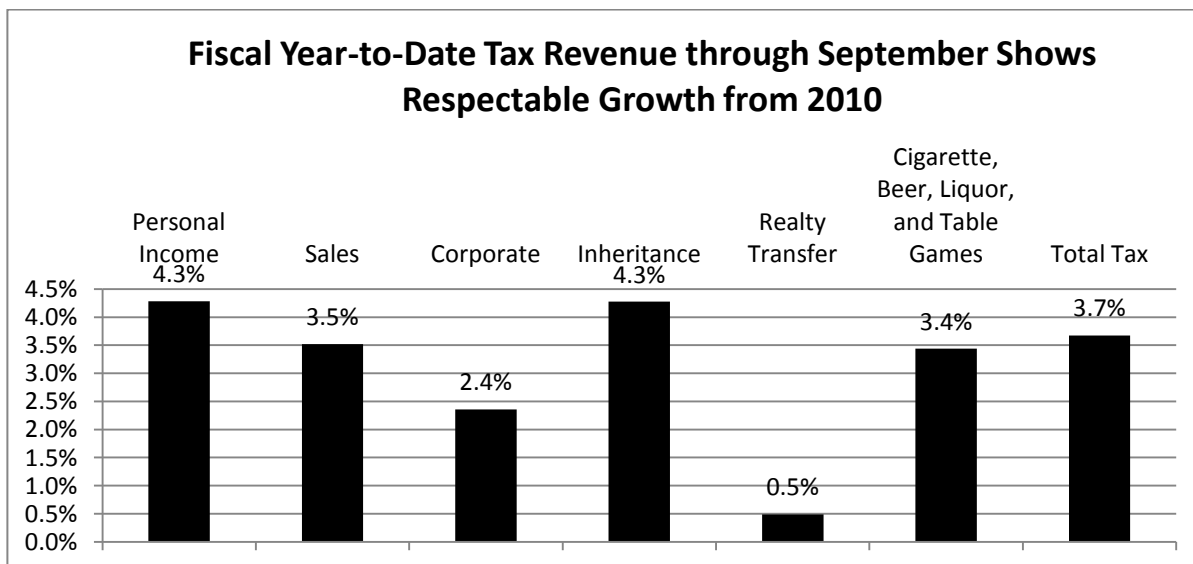
Some policymakers are concerned that Pennsylvania tax collections are trailing official revenue targets for the first three months of the 2011-12 Fiscal Year. However, Pennsylvania’s revenue collections for the first quarter (July, August and September) are running ahead of the same three-month period in 2010-11. While actual tax collections are below official estimates, some of that underperformance may be attributed to a change in the way those revenue estimates were made. The 2011-12 estimates predict a larger share of annual revenue coming in during the first half of the fiscal year than revenue estimates of the past several years. If 2011-12 collection patterns are similar to most recent years, such a change may make budget “shortfalls” more common in the first half of the fiscal year, followed by surpluses in the second half.

2011-12 Revenue Collections Show Growth Over 2010-11

State revenue collections for the first three months of the 2011-12 Fiscal Year showed growth over 2010-11, reflecting a stubbornly slow but continued economic recovery.

Tax collections in July, August and September were \$205 million, or 3.7%, higher than for the same three months in 2010-11. All three of the major tax types are running ahead of 2010-11. Sales tax collections are \$75 million, or 3.5%, higher. Personal income tax revenue for the period was \$95 million, or 4.3%, higher than last year, and corporate tax revenue was \$14 million, or 2.4%, higher.

Tax revenue grew by 3.7% in the first three months of the fiscal year, which is slightly ahead of estimated growth of 3.3% for the fiscal year. Growth occurred in all major categories of tax collections.



Despite the robust growth, Pennsylvania's revenue performance was slightly lower than Corbett administration projections for the first three months of the 2011-12 Fiscal Year. Total General Fund revenues were \$215 million, or 3.5%, less than estimates. Tax collections were \$221.5 million, or 3.7%, lower than projections, and non-tax revenue collections came in \$6.5 million above estimate. Through September, personal income, sales, corporate, inheritance, and realty transfer taxes were all below 2011-12 estimates. Shortfalls ranged from 1% to 13%. The major category of "other taxes" (which includes cigarette, malt beverage, liquor, and table game taxes) and non-tax revenue all exceeded revenue estimates through September.

Revenue Estimate Methodology Differs in New Fiscal Year

The revenue numbers for the first quarter of 2011-12 show some discrepancy: on the one hand, growth exceeds the 3.3% needed to meet revenue targets for the year, but on the other, revenue remains below the Corbett administration's monthly revenue estimates for the year. One explanation may be found in the estimate itself: the share of revenue estimated in the first three months of the fiscal year is higher than in previous years. The Corbett administration's 2011-12 estimate has a larger share of revenue coming in during the first half of the fiscal year and a smaller share coming in during the second half than every fiscal year revenue estimate since 2006-07.

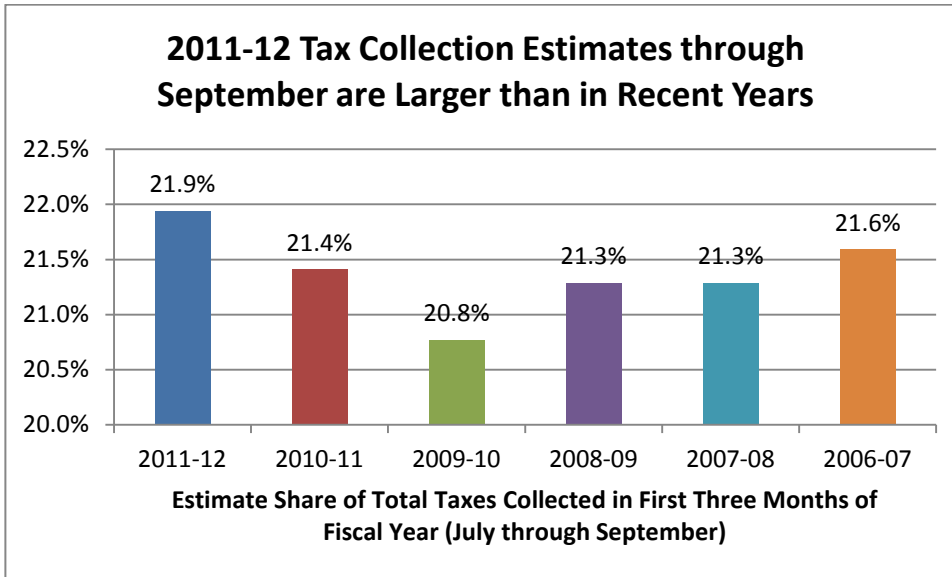
For example, the highest-grossing revenue months are always September, December, March, April and June. For the 2011-12 Fiscal Year, September and December estimates are a larger share of the total and the March, April and June estimates are a smaller share of the total than in prior years.

Compared to actual tax collection patterns for the past five fiscal years, the 2011-12 estimate has a larger share of revenue coming in during the first half of the fiscal year than all years but 2008-09, when tax collections foundered in the wake of the Great Recession.

Using Past Years' Methodology Meets Revenue Targets

In 2011-12, tax collections for July, August and September were estimated to equal 21.9% of the fiscal year's total collections, while estimates for the same periods in the previous three fiscal years were 21.3% (2008-09), 20.8% (2009-10), and 21.4% (2010-11).

Even small differences in revenue distributions can have a large effect. If tax collections through September were estimated to equal 21.2% of total collections (an average of the previous three years of monthly estimates), then year-end tax collections would be right on target, rather than falling below estimate.



September Revenues Show Slow, Steady Growth

Three months into the fiscal year, we continue to see slow, steady growth of tax collections over the previous year. This is one positive sign that Pennsylvania's economy continues to recover from the Great Recession.

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