

January 2010 Analysis of Revenue Collections

January Revenues

Department of Revenue tracked tax collections were down \$1.286 billion or -12.9% year to date.

Individual categories year to date are as follows:

- Income taxes were down \$641 million or -12.3%.
- Sales and Use Tax collections decreased by \$447 million or -13.7%.
- Corporate Income Tax collections decreased \$59.5 million or -16.8%.
- Total Motor Fuel Tax collections declined \$91 million or -16.5%. Motor Fuel excise taxes were up by .7% suggesting that people are buying roughly the same amount of gas as the previous fiscal year.

Revenue Trajectory

January was a closely watched month for two reasons. First, it has historically been the largest month in terms of revenue collections (approximately 11% of annual revenues are collected in January). Second, it was in January of 2009 that the lagging economy caught up with revenue collections and pushed it to 2005 levels (which resulted in revenue estimate revisions and thus budget reductions). Since then, revenues have tracked at 2005 levels, which would have been sufficient to make budget if we continued at this rate; however, January 2010 collections brought the state for the time to below **2004** levels.

As of January, we have now surpassed the \$1.4 billion shortfall built into the Governor's Amended Budget Revenue estimate by approximately \$200 million which means that we will have to *grow* in future months to make budget (see Table 1). Please see the next section for more details on the Governor's Revenue Estimate.

Table 1: FY2010 Estimated Shortfall		
	DOR Tracked	All State General Funds (Incl. MFT)
FY09 Revenues YTD	\$9,976,072,000	\$10,554,802,418
FY10 Revenues YTD	\$8,690,129,000	\$9,167,133,035
Revenue Deficit	-\$1,285,943,000	-\$1,387,669,383
Growth Built into FY10 General Estimate (Over FY09) That Will Not Be Realized	-\$304,116,664	-\$227,585,390
Estimated FY2010 Amd. Shortfall	-\$1,590,059,664	-\$1,615,254,773
FY10A Governor Estimated Shortfall	-\$1,354,782,253	-\$1,437,717,124
Difference from Estimated FY10 Amd. Shortfall	-\$235,277,411	-\$177,537,649

Revenue Estimate

With the release of the Governor's budget recommendation came a new revenue estimate. The new revenue estimate projects a \$1.355 billion shortfall in State General Funds (if looking at just DOR tracked funds. The shortfall is \$1.438 in funds tracked by the Office of the Treasury) compared to the FY10 General Budget passed last April. As noted above, the state has already exceeded this shortfall as of January 2010 and will need to make up ground to compensate.

In FY11 the Governor projects 3.58% percent in revenue collections growth. The remainder of the growth is reliant on new fees and other initiatives including securitizing GEFA loans (\$288 million) and implementing a fee on managed care organizations and hospitals (\$345 million) among other things. Overall, the Governor projects that there will be 8.12% growth over his FY10 Amended Budget.

Table 1: Revenue Estimates

	Dept of Revenue Tracked	All State General Funds (Incl. MFT)
FY09 Actual	\$15,625,304,936	\$16,766,661,804
FY2010		
FY10 Budget (HB119)	\$15,929,421,600	\$16,994,247,194
FY10 Amd. Governor Rec.	\$14,574,639,347	\$15,556,530,070
Difference from FY09 Actual	-\$1,050,665,589	-\$1,210,131,734
% Change from FY09 Actual	-6.72%	-7.22%
Difference from FY10 Budget - "Shortfall"	-\$1,354,782,253	-\$1,437,717,124
FY2011		
FY11 Gen. Governor Rec.	\$15,176,621,202	\$16,820,097,463
Difference from FY10 Amd. Governor Rec.		\$1,263,567,393
% Change from FY10 Amd. Governor Rec.		8.12%

The Table above shows the revenue estimates for both Department of Revenue tracked funds, which matches to the monthly press release from the Governor, and all state general funds, which matches to the actual revenue estimates reported in the bond prospectus and in the budget itself. These latter funds are reported in spreadsheets sent out by the Office of Treasury and Financial Services (OTFS) each month.

SBEO charts follow DOR tracked revenues since this is what is reported in the press.

Reserves

Currently, the state has \$103.6 million in reserves that have not been committed in the FY10 budget. This is the equivalent of about 2 ½ days of state operations. In FY2009 the state had 19 days of operations in reserves and in FY2008 it had 31 days.