

June 23, 2010

**MEMORANDUM**

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

**THROUGH:** David Abbey, Director

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

**SUBJECT:** June 2010 General Fund Revenue Tracking Report Reflecting  
Revenue Accruals Through April 2010

**Summary:**

- Recurring revenue accruals through April<sup>1</sup> are tracking about \$30 million below forecast. Contributions of each major revenue group to the deviation from forecast are illustrated in the following table.

**Table 1**  
**LFC Revenue Tracking FY10**  
**General Fund Revenue Accruals Through April**  
**(Million dollars)**

Revenue	Difference from Forecast
Gross receipts & compensating tax	(\$52.6)
Selective sales taxes	\$1.4
Net personal income tax	(\$20.8)
Net corporate income tax	(\$58.5)
Oil & gas taxes, royalties & bonuses	\$105.7
Investment income	(\$2.3)
Other	(\$2.4)
<b>Total recurring revenue</b>	<b>(\$29.5)</b>
<b>Non-recurring revenue</b>	<b>(\$11.7)</b>
<b>Total revenue</b>	<b>(\$41.2)</b>

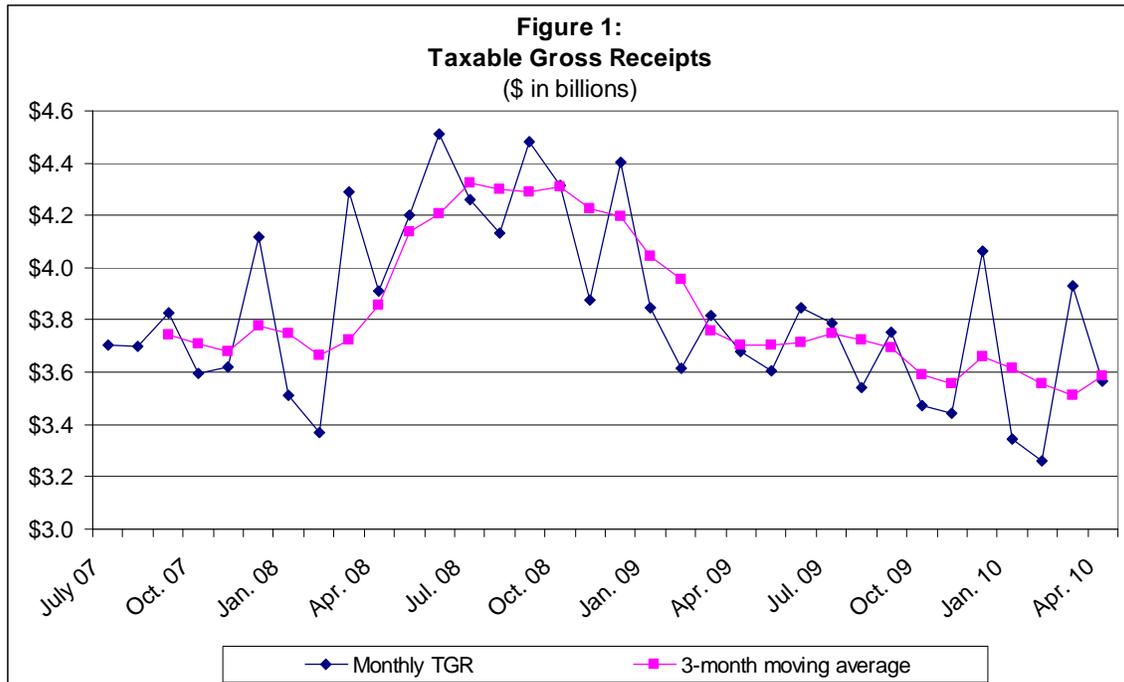
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<sup>1</sup> Accrued revenue for March is available for almost all General Fund revenues but some figures are still preliminary. These include the Insurance Premiums Tax and Oil and Gas School and Conservation Taxes. In addition to these accruals, this report reflects preliminary information on Federal Mineral Leasing royalties for May, State Land Office revenue for May, and Personal and Corporate income tax revenue accruals for May.

- The gap between actual recurring revenue and the December consensus forecast fell by about \$5 million over the last month. Improvement is due mainly to oil and gas taxes, royalties and bonuses which continue to come in above forecast.
- In response to amended tax returns, April accruals of Gross Receipts Tax (“GRT”) were increased by \$9 million. However, this distribution is likely to be reversed in coming months, so the actual weakness in GRT is greater than indicated in the current tracking report.<sup>2</sup>

**Table 2: FY10 Revenue Tracking**

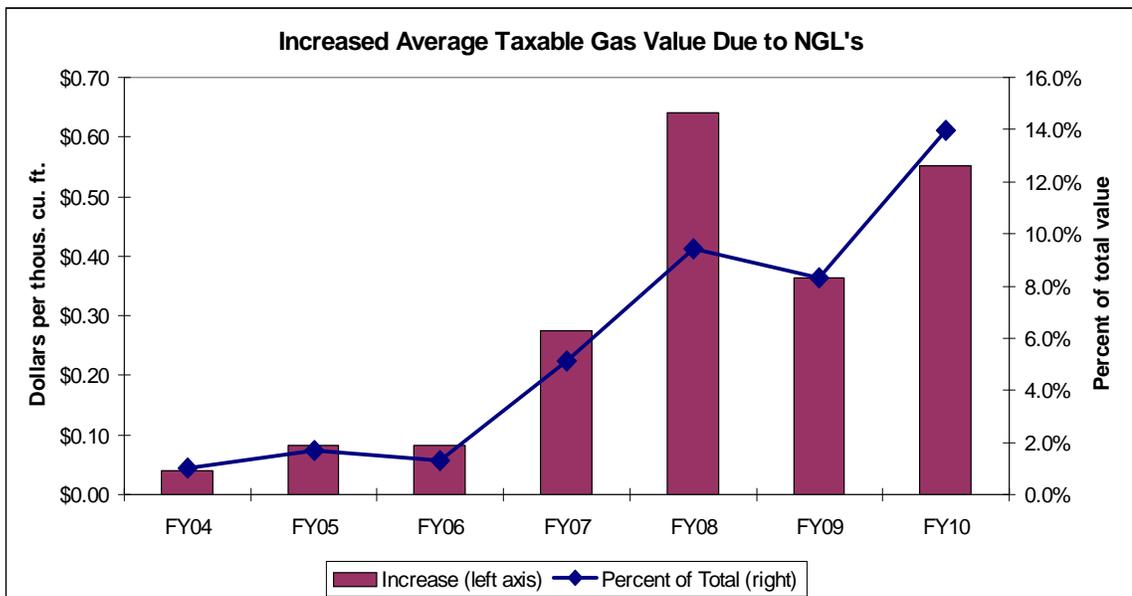
- April GRT revenue accruals were complicated by large amendments to prior period tax returns for the second straight month. According to the Taxation and Revenue Department, April GRT revenue was overstated by approximately \$9 million because of prior period revisions that will be reversed in subsequent months. Thus, although the tracking error for GRT appears to have decreased by about \$7 million, that will likely be reversed before the end of this fiscal year.
- Figure 1 illustrates recent trends in taxable gross receipts (TGR), the tax base for the GRT. Excluding the April adjustments for amendments to prior period tax returns, GRT returns for April activity fell sharply from March and were down by 2.5 percent compared with April 2009. The three month moving average, which smoothes out monthly fluctuations, is 3.3 percent below the year-ago level.



<sup>2</sup> According to TRD, adjustments to April distributions will most likely be revised as the review process for the tax return amendments is completed. The ultimate net impact on general fund revenue will not be known for several months.

- Personal Income Tax (“PIT”) withholding distributions are tracking well above forecast, increasing by 4.7 percent compared with a forecast decrease of just under 1 percent. This comparison overstates the actual increase in tax liabilities because accrual adjustments at the beginning of FY09 reduced apparent liability. In addition, delayed reporting of FY09 liabilities resulted in a shift of some tax from FY09 to FY10. When both fiscal years are adjusted for these effects, FY10 Withholding is down about 0.7 percent compared with FY09 liabilities.
- PIT final and estimated payments in April – and preliminary amounts for May – continue to come in below forecast. Refund payments were \$22.4 million in April, slightly below forecast, but the year-to-date total remains above forecast and not far below last year’s record levels. After the changes to withholding, it now appears that net PIT for the full year will be about \$21 million or 2.1 percent below forecast.
- Corporate income tax revenue in April and May was below expectations, bringing the year-to-date shortfall from forecast to \$58.5 million or 36.6 percent below forecast. Film credit approvals were \$61 million for the fiscal year through April. This compares with a forecast of \$65 million for the full year.
- State Land Office revenue from oil and gas bonus payments was \$6 million, compared with a forecast of \$1.2 million. Land Office revenue is on track to increase by as much as 70 percent compared with FY09. Oil and gas school tax accruals for March were \$7.5 million higher than expected. These revenues continue to benefit from higher values for natural gas liquids. Figure 2 illustrates the increase in net taxable natural gas value attributable to the increased value of natural gas liquids in recent years. The information was developed from a new report from the ONGARD system.

**Figure 2**



**Table 3 and Figure 3: Year-to-date and Full-year Revenue Growth Rates**

- Year-to-date through April, total recurring revenue was down by 15 percent compared with the same period of FY09. A 9 percent decline is 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 1 percent compared with 4 percent growth forecast for the full year.
- Corporate income tax was down 66 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 25 percent compared with a 30 percent full year forecast decline.

**Outlook for the Remainder of FY10:**

- The recent trajectory of oil and gas prices suggests that oil and gas taxes, royalties and bonus payments will come in slightly above forecast amounts in the remainder of the fiscal year.
- GRT accruals are likely to fall as recent amendments are reversed.
- Given the uncertainty in these expectations, we expect end-of-year revenue will fall somewhere in a range of \$25 to \$75 million less than the current consensus forecast.

**Table 2**  
**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		FY10 Actual + Forecast	% Chng FY09	TRACKING ERROR			FY09 Actual	Row #
		July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June			FY 10	YTD	YTD		
		Act.	Act.	Act.	Act.	Act.	Act.	Act.	Act.	Act.	Act.	Est.	Est.			Dec. 09	Adj. % Error	\$ Error		
1	Gross Receipts Tax	127.6	140.6	132.7	133.6	137.7	156.4	133.3	129.0	103.2	148.1	148.9	164.0	1,655.1	-9.7%	1,702.0	-2.8%	(46.9)	1,831.9	1
2	Compensating Tax	4.0	3.9	4.6	4.0	4.4	5.0	2.8	3.7	5.8	3.9	4.7	5.6	52.3	-25.3%	58.0	-9.9%	(5.7)	69.9	2
3	<b>TOTAL GENERAL SALES TAXES</b>	<b>131.5</b>	<b>144.5</b>	<b>137.3</b>	<b>137.6</b>	<b>142.0</b>	<b>161.4</b>	<b>136.1</b>	<b>132.7</b>	<b>109.0</b>	<b>152.0</b>	<b>153.6</b>	<b>169.6</b>	<b>1,707.4</b>	<b>-10.2%</b>	<b>1,760.0</b>	<b>-3.0%</b>	<b>(52.6)</b>	<b>1,901.9</b>	<b>3</b>
4	Tobacco Products & Cigarette Taxes	3.2	3.5	4.6	4.1	3.3	3.1	4.1	2.8	3.9	4.2	4.6	4.4	45.8	-7.6%	47.2	-3.0%	(1.4)	49.6	4
5	Liquor Excise Tax	2.1	2.2	2.2	2.2	2.1	2.6	1.5	1.8	2.1	2.1	1.7	2.9	25.5	-1.2%	26.5	-3.6%	(0.9)	25.8	5
6	Insurance Premiums Tax	1.4	34.3	0.3	3.8	31.6	0.4	1.0	29.3	-1.9	0.8	35.5	0.2	136.7	12.1%	133.9	2.1%	2.7	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	6.9	6.9	8.5	8.0	7.7	8.1	91.1	-9.3%	92.5	-1.5%	(1.4)	100.5	8
9	Gaming Excise Tax	5.4	5.1	5.0	5.2	4.9	5.1	5.5	5.8	6.0	5.9	6.8	5.6	66.5	-4.0%	65.3	1.8%	1.2	69.2	9
10	Leased Vehicle Surcharge	1.0	0.5	0.7	0.4	0.4	0.3	0.3	0.3	0.4	0.4	0.4	0.6	5.7	16.4%	5.5	4.1%	0.2	4.9	10
11	Other	0.4	0.1	0.2	0.1	0.1	0.0	0.8	0.3	0.2	0.2	0.0	0.2	2.7	313.2%	1.9	44.1%	0.8	0.7	11
12	<b>TOTAL SELECTIVE SALES TAXES</b>	<b>21.8</b>	<b>53.8</b>	<b>22.2</b>	<b>23.1</b>	<b>48.3</b>	<b>18.0</b>	<b>20.1</b>	<b>47.2</b>	<b>19.1</b>	<b>21.5</b>	<b>56.9</b>	<b>43.8</b>	<b>395.9</b>	<b>-1.9%</b>	<b>394.5</b>	<b>0.4%</b>	<b>1.4</b>	<b>403.4</b>	<b>12</b>
13	Withholding	87.6	68.6	79.9	80.5	68.1	105.5	70.7	70.7	141.9	77.3	71.9	83.0	1,005.8	5.1%	950.2	5.9%	55.6	956.9	13
14	Final Settlements & Estimated Payments	24.3	12.0	36.1	13.5	8.2	13.0	43.7	8.0	18.3	64.3	29.3	65.6	336.3	-9.4%	393.0	-14.4%	(56.7)	371.1	14
15	Oil and Gas Withholding Tax	0.3	-0.1	1.1	6.4	0.0	0.4	5.7	0.5	0.4	7.1	1.4	7.5	30.8	18.8%	30.0	2.6%	0.8	25.9	15
16	Fiduciary Tax	0.0	0.3	-0.1	-3.0	-0.6	0.9	0.0	0.0	0.6	-0.4	1.1	0.1	(1.1)	-108.2%	5.0	-122.3%	(6.1)	13.7	16
17	<b>GROSS PERSONAL INCOME TAX</b>	<b>112.3</b>	<b>80.9</b>	<b>117.0</b>	<b>97.4</b>	<b>75.6</b>	<b>119.8</b>	<b>120.1</b>	<b>79.2</b>	<b>161.2</b>	<b>148.2</b>	<b>103.8</b>	<b>156.3</b>	<b>1,371.8</b>	<b>0.3%</b>	<b>1,378.2</b>	<b>-0.5%</b>	<b>(6.4)</b>	<b>1,367.2</b>	<b>17</b>
18	Less: Refunds, distributions to other funds	8.4	7.7	12.7	23.6	8.1	102.2	79.2	56.4	47.9	24.0	15.6	9.4	395.1	-3.3%	380.7	3.8%	14.4	408.7	18
19	<b>NET PERSONAL INCOME TAX</b>	<b>103.8</b>	<b>73.2</b>	<b>104.3</b>	<b>73.9</b>	<b>67.5</b>	<b>17.7</b>	<b>40.8</b>	<b>22.8</b>	<b>113.2</b>	<b>124.3</b>	<b>88.2</b>	<b>146.8</b>	<b>976.7</b>	<b>1.9%</b>	<b>997.5</b>	<b>-2.1%</b>	<b>(20.8)</b>	<b>958.5</b>	<b>19</b>
20	<b>NET CORPORATE INCOME TAX</b>	<b>-2.7</b>	<b>1.0</b>	<b>-1.4</b>	<b>32.6</b>	<b>-9.0</b>	<b>-8.4</b>	<b>12.6</b>	<b>5.3</b>	<b>11.9</b>	<b>11.7</b>	<b>16.6</b>	<b>31.2</b>	<b>101.5</b>	<b>-37.5%</b>	<b>160.0</b>	<b>-36.6%</b>	<b>(58.5)</b>	<b>162.5</b>	<b>20</b>
22	Oil and Gas School Tax	22.6	25.0	21.3	26.4	28.3	29.7	34.7	28.3	31.7	24.0	24.3	24.1	320.6	-13.4%	290.8	10.2%	29.8	370.4	22
23	Oil Conservation Tax	1.1	1.3	1.1	1.3	1.4	1.5	1.7	1.4	1.6	1.3	1.3	1.3	16.3	-10.5%	15.3	7.0%	1.1	18.3	23
24	Resources Excise Tax	0.6	0.3	1.3	0.8	0.7	1.2	0.8	0.7	0.8	0.8	1.1	0.9	10.0	-11.2%	10.0	-0.2%	(0.0)	11.2	24
25	Natural Gas Processors Tax	3.5	2.9	4.2	3.7	3.5	3.3	3.2	3.0	3.3	3.3	3.8	3.2	40.9	1.4%	41.0	-0.3%	(0.1)	40.3	25
26	<b>TOTAL MINERAL PROD. TAXES</b>	<b>27.9</b>	<b>29.5</b>	<b>27.9</b>	<b>32.3</b>	<b>33.9</b>	<b>35.7</b>	<b>40.4</b>	<b>33.4</b>	<b>37.4</b>	<b>29.4</b>	<b>30.4</b>	<b>29.5</b>	<b>387.8</b>	<b>-11.9%</b>	<b>357.1</b>	<b>8.6%</b>	<b>30.7</b>	<b>440.2</b>	<b>26</b>
27	<b>LICENSE FEES</b>	<b>2.2</b>	<b>1.9</b>	<b>1.9</b>	<b>1.8</b>	<b>1.9</b>	<b>7.5</b>	<b>1.9</b>	<b>4.1</b>	<b>7.7</b>	<b>13.9</b>	<b>2.9</b>	<b>2.8</b>	<b>50.5</b>	<b>0.7%</b>	<b>47.5</b>	<b>6.2%</b>	<b>3.0</b>	<b>50.1</b>	<b>27</b>
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	436.9	0.8%	436.5	0.1%	0.4	433.5	28
29	State Treasurer's Earnings	3.5	1.8	1.6	1.0	1.4	5.4	0.1	1.2	3.5	0.3	3.4	-4.1	18.8	-72.2%	21.5	-12.5%	(2.7)	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	<b>TOTAL INVESTMENT EARNINGS</b>	<b>55.5</b>	<b>53.8</b>	<b>53.6</b>	<b>53.0</b>	<b>53.4</b>	<b>57.4</b>	<b>52.1</b>	<b>53.2</b>	<b>55.5</b>	<b>52.3</b>	<b>55.3</b>	<b>47.7</b>	<b>642.8</b>	<b>-7.2%</b>	<b>645.1</b>	<b>-0.4%</b>	<b>(2.3)</b>	<b>692.5</b>	<b>31</b>
32	Federal Mineral Leasing Royalties	22.8	22.5	23.8	27.2	27.5	19.9	34.6	34.7	35.5	37.3	34.4	29.3	349.6	-31.1%	301.0	16.1%	48.6	507.2	32
33	State Land Office Bonuses, Rents	1.6	6.0	9.5	4.7	5.9	4.7	6.4	4.8	6.8	2.3	6.0	1.3	60.3	65.4%	33.8	78.3%	26.5	36.4	33
34	<b>TOTAL RENTS &amp; ROYALTIES</b>	<b>24.4</b>	<b>28.5</b>	<b>33.3</b>	<b>32.0</b>	<b>33.5</b>	<b>24.7</b>	<b>41.1</b>	<b>39.5</b>	<b>42.3</b>	<b>39.6</b>	<b>40.4</b>	<b>30.6</b>	<b>409.8</b>	<b>-24.6%</b>	<b>334.8</b>	<b>22.4%</b>	<b>75.0</b>	<b>543.7</b>	<b>34</b>
35	<b>TRIBAL REVENUE SHARING</b>	<b>0.1</b>	<b>0.0</b>	<b>16.2</b>	<b>0.1</b>	<b>0.0</b>	<b>15.6</b>	<b>0.2</b>	<b>0.0</b>	<b>15.4</b>	<b>0.0</b>	<b>6.2</b>	<b>10.0</b>	<b>63.7</b>	<b>-2.7%</b>	<b>63.1</b>	<b>0.9%</b>	<b>0.6</b>	<b>65.4</b>	<b>35</b>
36	<b>MISCELLANEOUS RECEIPTS</b>	<b>1.4</b>	<b>1.1</b>	<b>1.4</b>	<b>2.0</b>	<b>1.4</b>	<b>1.5</b>	<b>3.1</b>	<b>1.3</b>	<b>2.5</b>	<b>1.4</b>	<b>2.5</b>	<b>17.1</b>	<b>36.8</b>	<b>-17.1%</b>	<b>41.8</b>	<b>-12.0%</b>	<b>(5.0)</b>	<b>44.3</b>	<b>36</b>
37	<b>REVERSIONS</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>1.0</b>	<b>3.7</b>	<b>1.7</b>	<b>0.7</b>	<b>5.2</b>	<b>0.2</b>	<b>0.3</b>	<b>1.6</b>	<b>14.7</b>	<b>29.1</b>	<b>-49.2%</b>	<b>30.0</b>	<b>-2.9%</b>	<b>(0.9)</b>	<b>57.3</b>	<b>37</b>
38	<b>TOTAL RECURRING REVENUE</b>	<b>365.9</b>	<b>387.4</b>	<b>396.7</b>	<b>389.3</b>	<b>376.8</b>	<b>332.8</b>	<b>349.1</b>	<b>344.7</b>	<b>414.3</b>	<b>446.4</b>	<b>454.6</b>	<b>543.8</b>	<b>4,801.8</b>	<b>-9.7%</b>	<b>4,831.3</b>	<b>-0.6%</b>	<b>(29.5)</b>	<b>5,319.8</b>	<b>38</b>
39	HB3 - Laws 2009 SS, Chapter 2	0.0	0.0	0.0	0.0	0.0	33.3	5.0	0.1	1.2	0.0	0.0	68.2	107.8	NA	107.8	NA	0.0	0.0	39
40	HB16 - Laws 2009 SS, Chapter 4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.7	0.0	0.0	0.0	0.7	NA	0.7	NA	0.0	0.0	40
41	HB17 - Laws 2009 SS, Chapter 5	0.0	0.0	0.0	0.0	0.0	0.0	3.7	0.0	0.0	0.0	0.0	0.0	3.7	NA	3.7	NA	0.0	0.0	41
42	SB29 - Laws 2009 SS, Chapter 7	0.0	0.0	0.0	0.0	0.0	103.3	6.0	0.0	0.0	0.0	0.0	0.0	109.3	NA	109.0	NA	0.2	0.0	42
43	SB182 - Laws 2010, Chapter 105	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	13.2	0.0	114.2	127.4	NA	141.1	NA	-13.7	0.0	43
44	Executive Orders & Furloughs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	87.6	87.6	NA	87.6	NA	0.0	0.0	44
45	2009 SS Reserve Transfers	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	115.0	115.0	NA	115.0	NA	0.0	0.0	45
46	Non-Recurring	0.0	0.0	0.1	0.3	0.5	0.4	0.4	0.0	0.0	0.0	0.0	0.0	1.8	NA	0.0	NA	1.8	425.6	46
47	<b>TOTAL NON-RECURRING REVENUE</b>	<b>0.0</b>	<b>0.0</b>	<b>0.1</b>	<b>0.3</b>	<b>0.5</b>	<b>137.0</b>	<b>15.1</b>	<b>0.7</b>	<b>1.2</b>	<b>13.2</b>	<b>0.0</b>	<b>385.1</b>	<b>553.3</b>	<b>NA</b>	<b>565.0</b>	<b>NA</b>	<b>(11.7)</b>	<b>425.6</b>	<b>47</b>
48	<b>GRAND TOTAL REVENUE</b>	<b>365.9</b>	<b>387.4</b>	<b>396.8</b>	<b>389.6</b>	<b>377.3</b>	<b>469.8</b>	<b>364.2</b>	<b>345.4</b>	<b>415.4</b>	<b>459.6</b>	<b>454.6</b>	<b>928.9</b>	<b>5,355.1</b>	<b>-6.8%</b>	<b>5,396.3</b>	<b>-0.8%</b>	<b>(41.2)</b>	<b>5,745.4</b>	<b>48</b>

**Table 3**  
**General Fund Revenue Accruals: FY10 vs FY09**  
(dollar amounts in millions)

Revenue Category	Fiscal Year-to-Date Through April		Year-to-Date Growth	Projected Full-Year Growth: December 2009 Forecast
	FY09	FY10		
General Sales Taxes	\$1,588.3	\$1,384.2	-13%	-7%
Personal Income Tax	\$741.9	\$741.6	0%	4%
Corporate Income Tax*	\$156.8	\$53.7	-66%	-17%
Oil & Gas Revenues**	\$890.7	\$666.7	-25%	-30%
Investment Income & Other	\$1,085.1	\$957.1	-12%	-5%
<b>Total Recurring Revenue</b>	<b>\$4,462.7</b>	<b>\$3,803.4</b>	<b>-15%</b>	<b>-9%</b>
<b>Total Recurring Excluding Oil &amp; Gas</b>	<b>\$3,572.0</b>	<b>\$3,136.7</b>	<b>-12%</b>	<b>-5%</b>

Notes:

\*FY09 timing adjusted to exclude accrual method changes implemented during the year.

\*\*FY10 year-to-date amount includes forecast for April 2010.

