

APRIL 2004



Monthly
REPORT
TO THE
PEOPLE
on the
Fiscal Status
of the
Commonwealth

From the
SENATE DEMOCRATIC
APPROPRIATIONS
COMMITTEE

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Charting the Commonwealth's Surplus

As of the end of March, the Commonwealth now has an official General Fund surplus of \$31 million. The Commonwealth collected \$120 million more in March than was anticipated under the revised certified revenue estimates. At the end of February, according to official estimates, there was an \$88 million deficit.

This reversal from deficit to surplus is exactly what we predicted would happen in the inaugural issue of *Report to the People* last month. The monthly distribution created after the December recertification is still hiding the true revenue picture, at least temporarily. This month, however, it is hiding less than it did last month. The surplus for the year to date is actually \$110 million

Official Surplus:
\$31.7 Million

Real Surplus:
\$110 Million

Appropriations Estimate
of June 30 Surplus:
\$300 Million

March is an important business tax collection month, because most corporations are paying their estimated taxes for the first quarter. This March, more than \$1.8 billion was collected from businesses. This amount was slightly below official estimates for business taxes, but this shortfall is entirely due to just one tax — the gross receipts tax, which was expanded to include cell phone receipts in December, and therefore lacked a reliable track record on which to base estimates.

As predicted in last month's issue of *Report to the People*, corporate net income tax receipts were at least \$30 million higher than the official estimates. Collections will be higher again in both April and June by at least that amount.

(An arcane tax collection fact : Businesses usually pay all of their state taxes with one check or one electronic funds transfer. Not until the middle of the next month is the money credited to the specific tax for which it was paid. Therefore, it is difficult to say with certainty exactly how much over estimate each category of business tax is at this point. There is still \$55 million of corporate tax receipts not yet attributed to any specific business tax.)

Other taxes were also substantially ahead of official estimates. Sales tax collections were \$25 million above estimates for March. Income tax collections were \$34

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million above estimates. Last month, collections of miscellaneous revenue were below estimate by \$43.8 million. This was due to a shortfall of revenue from the change in the escheated property that was made as part of the December tax bill. This month, miscellaneous revenue was \$46.8 million above

estimates. So the February short-fall was just a matter of timing and not one of lost revenue.

The chart below shows the components of March's \$120 million surplus when compared against official estimates.

