

Executive Summary

The Revenue Estimating Conference met on November 6, 2007 to adopt new forecasts for the Gross Receipts Tax and the State Sales Tax on Communications Services. For FY 06-07, actual collections for both the Total Gross Receipts Tax (electricity, gas and communications) and the State Sales Tax on Communications Services were just slightly below the February forecast (about 0.5% lower). For the Gross Receipts Tax, the new forecast is virtually the same as the February forecast for the next two fiscal years and then starts to show moderate increases for all future years in the forecast period. These changes feed directly into the dollars available for PECO appropriations. For the State Sales Tax on Communications Services, collections are forecast to decrease by \$2.18 million in FY 07-08, and then to increase for all the out-years relative to the February forecast. The highlights are detailed below.

(millions)	Gross Receipts Tax All Sources	Gross Receipts Tax on Electricity	Gross Receipts Tax on Gas	Communications Services Tax-Gross Receipts Component	Communications Services Tax-State Tax Component	Additional State Tax on Direct-to-Home Satellite	Local Communications Service Tax
FY 06-07	1067.60	597.50	29.10	441.00	1043.70	53.70	875.42
FY 07-08	1145.07	654.19	31.18	459.70	1109.70	57.30	896.70
FY 08-09	1133.09	625.66	30.03	477.40	1165.70	59.80	931.90
FY 09-10	1170.73	643.43	30.90	496.40	1220.00	62.20	965.10
FY 10-11	1205.86	660.89	30.37	514.60	1275.80	64.70	999.50
FY 11-12	1242.17	680.38	29.99	531.80	1328.70	67.30	1031.60
FY 12-13	1272.59	694.00	29.69	548.90	1382.20	70.00	1063.40
FY 13-14	1319.59	723.78	29.91	565.90	1435.20	72.80	1094.80
FY 14-15	1349.44	736.00	30.40	583.00	1488.50	75.70	1126.50
FY 15-16	1388.06	757.40	30.96	599.70	1540.40	78.70	1157.00
FY 16-17	1425.90	777.29	31.51	617.10	1594.40	81.90	1189.00

DETAILS

Gross Receipts Tax on Electricity...The Conference discussed the recent tax collection pattern since the last estimate. Collections for FY 06-07 were \$2.34 million below the estimate, an error of less than 0.5%. Since the changes in both demand for electricity and price are considered relatively stable for the future years and the collections for FY 06-07 were on target, the February forecast was retained. In addition, the \$48.35 million impact of SB 1060 (which changed the collection due date) is included in the estimate for FY 07-08.

Gross Receipts Tax on Gas Fuels...For FY 2006-07, the actual collection was \$29.10 million, just slightly above the estimate of \$28.40 million. Starting FY 07-08, collections are expected to be maintained around the current level as gas prices moderate. The estimate was only slightly revised.

Communications Services Tax...Tax collections from the Communications Services Tax (CST) have also been very close to the original estimates. For FY 06-07, actual collections for the Gross Receipts component were only \$0.4 million below the estimate, and for the past four months, collections fell below estimate by just \$1.0 million. State Sales Tax CST collections for FY 06-07 were \$7 million below the estimate, and for the past three months, they were shy of the estimate by \$2.1 million. For FY 07-08, the Gross Receipts CST and

the State Sales CST will both see a small decrease of about \$2 million; however, the Gross Receipt Tax CST will show another \$1 million reduction in FY 08-09. After that, both forecast series exhibit healthy growth. Much of the strength is coming from strong demand for cellular phone and Cable TV services.

Additional State Tax on Direct-to-Home Satellite Service and Local Communications Service Tax...The new forecasts for the additional state tax on Direct-to-Home Satellite Service (DHSS) and the local Communications Service Tax are also included in the conference final package. The additional state tax on DHSS is the portion of the tax that is distributed to local governments through the Local Government Half-Cent Clearing Trust Fund. The forecast lowers the estimate to \$57.30 million and \$59.80 million for FY 07-08 and FY 08-09, respectively, from the February forecast. Part of the reason is that the growth rate of DHSS in FY 06-07 dropped to less than 3% from nearly 30% the previous year. Industry growth is expected to be in the single digits throughout the forecast period. The local CST forecast is expected to be \$3 million below the current forecast for FY 07-08, but future years will see stronger growth.

Gross Receipts Tax
Forecast Comparison
November 6, 2007

Total Collections

YEAR	Old Forecast		New Forecast		Diff.
	\$ Mil	%chg	\$ Mil	%chg	
FY87-88	217.85	6.6%			
FY88-89	227.62	4.5%			
FY89-90	290.02	27.4%			
FY90-91	333.57	15.0%			
FY91-92	391.38	17.3%			
FY92-93	447.83	14.4%			
FY93-94	459.38	2.6%			
FY94-95	506.84	10.3%			
FY95-96	543.13	7.2%			
FY96-97	572.11	5.3%			
FY97-98	593.39	3.7%			
FY98-99	639.27	7.7%			
FY99-00	669.18	4.7%			
FY00-01	722.91	8.0%			
FY01-02	779.49	7.8%			
FY02-03	786.03	0.8%			
FY03-04	826.59	5.2%			
FY04-05	882.15	6.7%			
FY05-06	975.79	10.6%			
FY06-07	1069.64	9.6%	1067.60	9.4%	-2.04
FY07-08	1146.93	7.2%	1145.07	7.3%	-1.86
FY08-09	1133.75	-1.1%	1133.09	-1.0%	-0.66
FY09-10	1165.45	2.8%	1170.73	3.3%	5.28
FY10-11	1196.32	2.6%	1205.86	3.0%	9.54
FY11-12	1227.84	2.6%	1242.17	3.0%	14.33
FY12-13	1254.05	2.1%	1272.59	2.4%	18.54
FY13-14	1296.56	3.4%	1319.59	3.7%	23.03
FY14-15	1321.51	1.9%	1349.44	2.3%	27.93
FY15-16	1356.20	2.6%	1388.06	2.9%	31.86
FY16-17	1389.10	0.02	1425.90	2.7%	36.80

Gross Receipts Tax
Forecast Comparison
November 6, 2007

Collections on Electricity

YEAR	Old Forecast		New Forecast**		Diff.
	\$ Mil	%chg	\$ Mil	%chg	
FY87-88	130.56	5.1%			
FY88-89	136.57	4.6%			
FY89-90	169.14	23.8%			
FY90-91	190.58	12.7%			
FY91-92	230.52	21.0%			
FY92-93	258.67	12.2%			
FY93-94	259.29	0.2%			
FY94-95	274.09	5.7%			
FY95-96	296.01	8.0%			
FY96-97	294.31	-0.6%			
FY97-98	308.67	4.9%			
FY98-99	324.50	5.1%			
FY99-00	309.42	-4.6%			
FY00-01	353.54	14.3%			
FY01-02	374.08	5.8%			
FY02-03	388.60	3.9%			
FY03-04	425.00	9.4%			
FY04-05	453.25	6.6%			
FY05-06	524.33	15.7%			
FY06-07	599.84	14.4%	597.50	14.0%	-2.34
FY07-08	654.19	9.1%	654.19	9.5%	0.00
FY08-09	625.66	-4.4%	625.66	-4.4%	0.00
FY09-10	643.43	2.8%	643.43	2.8%	0.00
FY10-11	660.89	2.7%	660.89	2.7%	0.00
FY11-12	680.38	2.9%	680.38	2.9%	0.00
FY12-13	694.00	2.0%	694.00	2.0%	0.00
FY13-14	723.78	4.3%	723.78	4.3%	0.00
FY14-15	736.00	1.7%	736.00	1.7%	0.00
FY15-16	757.40	2.9%	757.40	2.9%	0.00
FY16-17	777.29	2.6%	777.29	2.6%	0.00

Gross Receipts Tax
Forecast Comparison
November 6, 2007

Collections on Gas Fuels

YEAR	Old Forecast		New Forecast		Diff.
	\$ Mil	%chg	\$ Mil	%chg	
FY87-88	6.51	15.8%			
FY88-89	5.69	-12.6%			
FY89-90	10.38	82.4%			
FY90-91	12.31	18.6%			
FY91-92	11.97	-2.8%			
FY92-93	12.74	6.4%			
FY93-94	10.92	-14.3%			
FY94-95	11.03	1.0%			
FY95-96	13.68	24.0%			
FY96-97	11.97	-12.5%			
FY97-98	12.41	3.7%			
FY98-99	10.17	-18.0%			
FY99-00	10.71	5.3%			
FY00-01	16.65	55.5%			
FY01-02	13.74	-17.5%			
FY02-03	14.39	4.7%			
FY03-04	18.52	28.7%			
FY04-05	23.21	25.3%			
FY05-06	28.55	23.0%			
FY06-07	28.40	-0.5%	29.10	1.9%	0.70
FY07-08	30.25	6.5%	31.18	7.1%	0.93
FY08-09	29.30	-3.1%	30.03	-3.7%	0.73
FY09-10	28.60	-2.4%	30.90	2.9%	2.30
FY10-11	28.50	-0.3%	30.37	-1.7%	1.87
FY11-12	28.50	0.0%	29.99	-1.3%	1.49
FY12-13	28.70	0.7%	29.69	-1.0%	0.99
FY13-14	29.20	1.7%	29.91	0.7%	0.71
FY14-15	30.00	2.7%	30.44	1.8%	0.44
FY15-16	31.20	4.0%	30.96	1.7%	-0.24
FY16-17	32.00	0.03	31.51	0.02	-0.49

Gross Receipts Tax
Forecast Comparison
November 6, 2007

Transfer from Communications Services Tax

YEAR	Old Forecast		New Forecast		Diff.
	\$ Mil	%chg	\$ Mil	%chg	
FY87-88	80.78	8.4%			
FY88-89	85.35	5.7%			
FY89-90	110.50	29.5%			
FY90-91	130.68	18.3%			
FY91-92	148.89	13.9%			
FY92-93	176.41	18.5%			
FY93-94	189.17	7.2%			
FY94-95	221.72	17.2%			
FY95-96	233.44	5.3%			
FY96-97	265.83	13.9%			
FY97-98	272.31	2.4%			
FY98-99	304.60	11.9%			
FY99-00	349.05	14.6%			
FY00-01	352.72	1.1%			
FY01-02	391.67	11.0%			
FY02-03	383.04	-2.2%			
FY03-04	383.07	0.0%			
FY04-05	405.69	5.9%			
FY05-06	422.91	4.2%			
FY06-07	441.40	4.4%	441.00	4.3%	-0.40
FY07-08	462.49	4.8%	459.70	4.2%	-2.79
FY08-09	478.79	3.5%	477.40	3.9%	-1.39
FY09-10	493.42	3.1%	496.40	4.0%	2.98
FY10-11	506.93	2.7%	514.60	3.7%	7.67
FY11-12	518.96	2.4%	531.80	3.3%	12.84
FY12-13	531.35	2.4%	548.90	3.2%	17.55
FY13-14	543.58	2.3%	565.90	3.1%	22.32
FY14-15	555.51	2.2%	583.00	3.0%	27.49
FY15-16	567.60	2.2%	599.70	2.9%	32.10
FY16-17	579.81	2.2%	617.10	2.9%	37.29

State Sales Tax
Forecast Comparison
November 6, 2007

Transfer from Communications Services Tax

YEAR	Old Forecast		New Forecast		Diff.
	\$ Mil	%chg	\$ Mil	%chg	
FY87-88					
FY88-89					
FY89-90					
FY90-91					
FY91-92					
FY92-93					
FY93-94					
FY94-95					
FY95-96					
FY96-97					
FY97-98					
FY98-99					
FY99-00					
FY00-01					
FY01-02	526.50	#N/A			
FY02-03	817.10	55.2%			
FY03-04	863.50	5.7%			
FY04-05	944.10	9.3%			
FY05-06	1007.20	6.7%			
FY06-07	1050.70	4.3%	1043.70	3.6%	-7.00
FY07-08	1111.88	5.8%	1109.70	6.3%	-2.18
FY08-09	1160.42	4.4%	1165.70	5.0%	5.28
FY09-10	1204.68	3.8%	1220.00	4.7%	15.32
FY10-11	1242.78	3.2%	1275.80	4.6%	33.02
FY11-12	1278.78	2.9%	1328.70	4.1%	49.92
FY12-13	1312.25	2.6%	1382.20	4.0%	69.95
FY13-14	1347.26	2.7%	1435.20	3.8%	87.94
FY14-15	1380.89	2.5%	1488.50	3.7%	107.61
FY15-16	1413.03	2.3%	1540.40	3.5%	127.37
FY16-17	1444.85	2.3%	1594.40	3.5%	149.55

State Sales Tax
Forecast Comparison
November 6, 2007

Percent of Gross Receipts CST Base

YEAR	Old Forecast		New Forecast		Diff.
	%	%chg	%	%chg	
FY87-88					
FY88-89					
FY89-90					
FY90-91					
FY91-92					
FY92-93					
FY93-94					
FY94-95					
FY95-96					
FY96-97					
FY97-98					
FY98-99					
FY99-00					
FY00-01					
FY01-02	0.47	#N/A			
FY02-03	0.74	58.7%			
FY03-04	0.79	5.7%			
FY04-05	81.1%	3.2%			
FY05-06	83.0%	2.3%			
FY06-07	83.0%	-0.1%	82.5%	-0.6%	-0.5%
FY07-08	83.8%	1.0%	84.1%	2.0%	0.3%
FY08-09	84.5%	0.8%	85.1%	1.2%	0.6%
FY09-10	85.1%	0.7%	85.7%	0.7%	0.6%
FY10-11	85.4%	0.4%	86.4%	0.9%	1.0%
FY11-12	85.9%	0.5%	87.1%	0.8%	1.2%
FY12-13	86.1%	0.2%	87.8%	0.8%	1.7%
FY13-14	86.4%	0.4%	88.4%	0.7%	2.0%
FY14-15	86.6%	0.3%	89.0%	0.7%	2.3%
FY15-16	86.8%	0.1%	89.5%	0.6%	2.8%
FY16-17	86.9%	0.1%	90.0%	0.6%	3.2%

Additional State Tax on Direct-to-Home Satellite
Forecast Comparison
November 6, 2007

YEAR	Old Forecast		New Forecast		Diff.
	\$ Mil	%chg	\$ Mil	%chg	
FY87-88					
FY88-89					
FY89-90					
FY90-91					
FY91-92					
FY92-93					
FY93-94					
FY94-95					
FY95-96					
FY96-97					
FY97-98					
FY98-99					
FY99-00					
FY00-01					
FY01-02	14.06	#N/A			
FY02-03	21.12	50.2%			
FY03-04	35.25	66.9%			
FY04-05	40.18	14.0%			
FY05-06	52.19	29.9%			
FY06-07	55.90	7.1%	53.70	2.9%	-2.20
FY07-08	62.20	11.3%	57.30	6.7%	-4.90
FY08-09	68.40	10.0%	59.80	4.4%	-8.60
FY09-10	74.60	9.1%	62.20	4.0%	-12.40
FY10-11	80.50	7.9%	64.70	4.0%	-15.80
FY11-12	86.20	7.1%	67.30	4.0%	-18.90
FY12-13	91.30	5.9%	70.00	4.0%	-21.30
FY13-14	95.90	5.0%	72.80	4.0%	-23.10
FY14-15	100.70	5.0%	75.70	4.0%	-25.00
FY15-16	105.70	5.0%	78.70	4.0%	-27.00
FY16-17	110.00	4.1%	81.90	4.1%	-28.10

Local Communications Service Tax
Forecast Comparison
November 6, 2007

YEAR -----	Old Forecast		New Forecast		Diff. -----
	\$ Mil -----	%chg -----	\$ Mil -----	%chg -----	
FY87-88					
FY88-89					
FY89-90					
FY90-91					
FY91-92					
FY92-93					
FY93-94					
FY94-95					
FY95-96					
FY96-97					
FY97-98					
FY98-99					
FY99-00					
FY00-01					
FY01-02	426.65	#N/A			
FY02-03	739.34	73.3%			
FY03-04	711.73	-3.7%			
FY04-05	802.44	12.7%			
FY05-06	843.31	5.1%			
FY06-07	863.07	2.3%	875.42	3.8%	12.35
FY07-08	899.76	4.3%	896.70	2.4%	-3.06
FY08-09	926.45	3.0%	931.90	3.9%	5.45
FY09-10	949.61	2.5%	965.10	3.6%	15.49
FY10-11	970.79	2.2%	999.50	3.6%	28.71
FY11-12	989.08	1.9%	1031.60	3.2%	42.52
FY12-13	1008.87	2.0%	1063.40	3.1%	54.53
FY13-14	1028.98	2.0%	1094.80	3.0%	65.82
FY14-15	1048.19	1.9%	1126.50	2.9%	78.31
FY15-16	1067.48	1.8%	1157.00	2.7%	89.52
FY16-17	1087.89	1.9%	1189.00	2.8%	101.11