

## Executive Summary

The Revenue Estimating Conference met on February 28, 2008 to adopt a new forecast for the Gross Receipts Tax and the State Sales Tax on Communication Services. Compared to the November conference estimate, the new Gross Receipts Tax forecast shows a moderate decrease for the current year and all but one of the future years in the forecast period. The exception is FY 2010-11 where the new forecast is just \$580,000 greater. These changes feed directly into the dollars available for PECO appropriations. For the State Sales Tax on Communication Services, the new forecast also shows a downturn for the current fiscal year and each of the forecast years in comparison to the November forecast. The highlights are detailed below.

	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
<b>FY 07-08</b>	1138.18	650.69	30.19	457.31	1096.94	56.38	893.88
<b>FY 08-09</b>	1122.16	620.35	31.29	470.52	1146.61	59.14	916.16
<b>FY 09-10</b>	1163.75	646.73	32.11	484.91	1197.46	61.86	943.02
<b>FY 10-11</b>	1206.44	673.59	32.26	500.59	1247.40	64.83	972.31
<b>FY 11-12</b>	1236.41	688.31	31.97	516.14	1296.14	68.21	1000.80
<b>FY 12-13</b>	1270.41	706.99	31.31	532.11	1346.27	71.72	1027.03
<b>FY 13-14</b>	1306.21	727.07	31.01	548.14	1393.69	75.26	1053.18
<b>FY 14-15</b>	1343.23	747.25	31.25	564.72	1442.61	78.87	1080.23
<b>FY 15-16</b>	1380.73	768.01	31.62	581.10	1491.46	82.27	1105.85
<b>FY 16-17</b>	1418.02	788.48	31.89	597.65	1540.47	85.70	1131.59
<b>FY 17-18</b>	1447.88	801.41	32.15	614.33	1587.23	89.36	1161.61

**Gross Receipts Tax on Electricity...** The Conference discussed the recent tax collection pattern since the last estimate was adopted at the November 2007 meeting. Collections for the past three months (as of the end of January 2008) were \$1.4 million above the estimate. This error was about 0.2% of the November 2007 estimate.

In the new forecast, the 2008 electricity price will be about 1% lower than 2007, resulting in a slightly weaker forecast for the current fiscal year. For FY 2008-09, stable fuel costs and a soft demand reduce the growth rate on electric collections (-4.7%) relative to the current year. This leads to a decrease of \$5.3 million over the November estimate.

For the rest of the forecast years, collections resume positive growth as the demand gets stronger and fuel prices increase in the future years, adding money to the November estimate.

**Gross Receipts Tax on Gas Fuels...** For FY 2007-08, the new forecast is \$1 million lower than the current estimate. After the current fiscal year, collections are expected to be slightly higher than the current level (\$30.2 million) as gas prices moderate.

**Communications Services Tax...** Tax collections from the Communications Services Tax (CST) have been lower than expected. For the past three months (as of the end of January 2008), the Gross Receipts Tax component of the CST was under the November estimate by \$1.7 million, and the State Sales Tax component was under the November estimate by \$4.5 million. Relative to the November forecast for FY 2007-08, the anticipated collection for the Gross Receipts component was reduced by \$2.4 million and the State Sales Tax CST component was lowered by \$12.8 million. For each of the remaining forecast years, Gross Receipts CST and the State Sales CST will both see steady decreases. Much of the weakness is coming from moderating demand for cellular phone services and Cable TV, coupled with the continuing decrease in the residential landline telephony sector.

**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 estimates to \$56.4 million and \$59.1 million for FY 2007-08 and FY 2008-09, respectively. Part of the reason is that the DHSS growth rate fell below 3% in FY 2006-07 after achieving nearly 30% in the previous year, and future growth is expected to be in the single digits. The forecast for the local CST is \$2.8 million below the November estimate for FY 2007-08, and the future years will also see weaker growth than the November estimate.

**Gross Receipts Tax**  
Forecast Comparison  
February 28, 2008

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	1069.94	9.6%			
FY07-08	1145.07	7.0%	1138.18	6.4%	-6.89
FY08-09	1133.09	-1.0%	1122.16	-1.4%	-10.93
FY09-10	1170.73	3.3%	1163.75	3.7%	-6.98
FY10-11	1205.86	3.0%	1206.44	3.7%	0.58
FY11-12	1242.17	3.0%	1236.41	2.5%	-5.76
FY12-13	1272.59	2.4%	1270.41	2.7%	-2.18
FY13-14	1319.59	3.7%	1306.21	2.8%	-13.38
FY14-15	1349.44	2.3%	1343.23	2.8%	-6.21
FY15-16	1388.06	2.9%	1380.73	2.8%	-7.33
FY16-17	1425.90	0.03	1418.02	2.7%	-7.88
FY17-18	N/A	N/A	1447.88	2.1%	N/A

**Gross Receipts Tax**  
Forecast Comparison  
February 28, 2008

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%			
FY07-08	654.19	9.1%	650.69	8.5%	-3.50
FY08-09	625.66	-4.4%	620.35	-4.7%	-5.31
FY09-10	643.43	2.8%	646.73	4.3%	3.30
FY10-11	660.89	2.7%	673.59	4.2%	12.70
FY11-12	680.38	2.9%	688.31	2.2%	7.93
FY12-13	694.00	2.0%	706.99	2.7%	12.99
FY13-14	723.78	4.3%	727.07	2.8%	3.29
FY14-15	736.00	1.7%	747.25	2.8%	11.25
FY15-16	757.40	2.9%	768.01	2.8%	10.61
FY16-17	777.29	2.6%	788.48	2.7%	11.19
FY17-18	N/A	N/A	801.41	1.6%	N/A

**Gross Receipts Tax**  
Forecast Comparison  
February 28, 2008

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	29.10	1.9%			
FY07-08	31.18	7.1%	30.19	3.7%	-0.99
FY08-09	30.03	-3.7%	31.29	3.7%	1.26
FY09-10	30.90	2.9%	32.11	2.6%	1.21
FY10-11	30.37	-1.7%	32.26	0.5%	1.89
FY11-12	29.99	-1.3%	31.97	-0.9%	1.98
FY12-13	29.69	-1.0%	31.31	-2.1%	1.62
FY13-14	29.91	0.7%	31.01	-1.0%	1.10
FY14-15	30.44	1.8%	31.25	0.8%	0.81
FY15-16	30.96	1.7%	31.62	1.2%	0.66
FY16-17	31.51	0.02	31.89	0.9%	0.38
FY17-18	N/A	N/A	32.15	0.8%	N/A

**Gross Receipts Tax**  
Forecast Comparison  
February 28, 2008

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	441.00	4.3%			
FY07-08	459.70	4.2%	457.31	3.7%	-2.39
FY08-09	477.40	3.9%	470.52	2.9%	-6.88
FY09-10	496.40	4.0%	484.91	3.1%	-11.49
FY10-11	514.60	3.7%	500.59	3.2%	-14.01
FY11-12	531.80	3.3%	516.14	3.1%	-15.66
FY12-13	548.90	3.2%	532.11	3.1%	-16.79
FY13-14	565.90	3.1%	548.14	3.0%	-17.76
FY14-15	583.00	3.0%	564.72	3.0%	-18.28
FY15-16	599.70	2.9%	581.10	2.9%	-18.60
FY16-17	617.10	2.9%	597.65	2.8%	-19.45
FY17-18	N/A	N/A	614.33	2.8%	N/A

**State Sales Tax**  
Forecast Comparison  
February 28, 2008

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	1043.70	3.6%			
FY07-08	1109.70	6.3%	1096.94	5.1%	-12.76
FY08-09	1165.70	5.0%	1146.61	4.5%	-19.09
FY09-10	1220.00	4.7%	1197.46	4.4%	-22.54
FY10-11	1275.80	4.6%	1247.40	4.2%	-28.40
FY11-12	1328.70	4.1%	1296.14	3.9%	-32.56
FY12-13	1382.20	4.0%	1346.27	3.9%	-35.93
FY13-14	1435.20	3.8%	1393.69	3.5%	-41.51
FY14-15	1488.50	3.7%	1442.61	3.5%	-45.89
FY15-16	1540.40	3.5%	1491.46	3.4%	-48.94
FY16-17	1594.40	3.5%	1540.47	3.3%	-53.93
FY17-18	N/A	N/A	1587.23	3.0%	N/A

**State Sales Tax**  
Forecast Comparison  
February 28, 2008

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	82.5%	-0.6%			
FY07-08	84.1%	2.0%	83.6%	1.4%	-0.5%
FY08-09	85.1%	1.2%	84.9%	1.6%	-0.2%
FY09-10	85.7%	0.7%	86.1%	1.3%	0.4%
FY10-11	86.4%	0.9%	86.8%	0.9%	0.4%
FY11-12	87.1%	0.8%	87.5%	0.8%	0.4%
FY12-13	87.8%	0.8%	88.2%	0.7%	0.4%
FY13-14	88.4%	0.7%	88.6%	0.5%	0.2%
FY14-15	89.0%	0.7%	89.0%	0.5%	0.0%
FY15-16	89.5%	0.6%	89.5%	0.5%	-0.1%
FY16-17	90.0%	0.6%	89.8%	0.4%	-0.2%
FY17-18	N/A	N/A	90.0%	0.2%	N/A



**Additional State Tax on Direct-to-Home Satellite**  
Forecast Comparison  
February 28, 2008

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	53.70	2.9%			
FY07-08	57.30	6.7%	56.38	5.0%	-0.92
FY08-09	59.80	4.4%	59.14	4.9%	-0.66
FY09-10	62.20	4.0%	61.86	4.6%	-0.34
FY10-11	64.70	4.0%	64.83	4.8%	0.13
FY11-12	67.30	4.0%	68.21	5.2%	0.91
FY12-13	70.00	4.0%	71.72	5.1%	1.72
FY13-14	72.80	4.0%	75.26	4.9%	2.46
FY14-15	75.70	4.0%	78.87	4.8%	3.17
FY15-16	78.70	4.0%	82.27	4.3%	3.57
FY16-17	81.90	4.1%	85.70	4.2%	3.80
FY17-18	N/A	N/A	89.36	4.3%	N/A

**Local Communications Service Tax**  
Forecast Comparison  
February 28, 2008

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	875.42	3.8%			
FY07-08	896.70	2.4%	893.88	2.1%	-2.82
FY08-09	931.90	3.9%	916.16	2.5%	-15.74
FY09-10	965.10	3.6%	943.02	2.9%	-22.08
FY10-11	999.50	3.6%	972.31	3.1%	-27.19
FY11-12	1031.60	3.2%	1000.80	2.9%	-30.80
FY12-13	1063.40	3.1%	1027.03	2.6%	-36.37
FY13-14	1094.80	3.0%	1053.18	2.5%	-41.62
FY14-15	1126.50	2.9%	1080.23	2.6%	-46.27
FY15-16	1157.00	2.7%	1105.85	2.4%	-51.15
FY16-17	1189.00	2.8%	1131.59	2.3%	-57.41
FY17-18	N/A	N/A	1161.61	2.7%	N/A