

Executive Summary

The Revenue Estimating Conference met on February 28, 2011 to adopt a new forecast for the Gross Receipts Tax and the State Sales Tax on Communications Services. In the past three months since the December conference, actual collections for the Gross Receipts Tax (derived from the tax on electricity, gas and communications) were \$5.37 million below the December estimate, while collections of the State Sales Communications Service Tax was \$10.7 million lower than the level estimated at the last conference. Compared to the December conference result, the new forecast for Gross Receipts Tax shows a decrease of about 1% in each of the future years, while the new State Sales Tax on Communications Services forecast has a reduction of roughly 1.2% to 2% in all out years. In addition, a special Communications Service tax refund of \$158.15 million is expected to take place in FY 2011-12. This special refund will have a negative impact on the available dollars of Gross-Receipts Communications Service Tax (CST), State Sales Tax on Communications Services, and Local CST.

The changes in the Gross Receipts Tax feed directly into the dollars available for PECO appropriations. 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
FY 10-11	1087.17	618.39	32.64	436.14	1000.60	56.48	808.99
FY 11-12	1085.93*	643.96	26.35	415.62*	933.01*	57.91	751.45*
FY 12-13	1150.61	677.75	25.92	446.94	1030.32	59.50	816.73
FY 13-14	1199.53	715.29	27.07	453.17	1065.03	61.38	834.93
FY 14-15	1243.99	747.40	28.37	468.22	1100.42	63.22	854.69
FY 15-16	1289.50	781.08	29.62	478.79	1134.12	65.11	873.44
FY 16-17	1335.05	814.25	30.74	490.06	1168.96	67.07	893.50
FY 17-18	1377.50	845.04	31.74	500.72	1201.90	69.08	912.28
FY 18-19	1421.06	877.07	32.72	511.26	1234.24	71.15	930.77
FY 19-20	1463.39	907.77	33.65	521.97	1266.56	73.29	949.50
*The impact of the special refund is included.							

Gross Receipts Tax on Electricity... The Conference discussed the tax collection pattern since the last estimate was adopted. Collections for the past three months (electricity and gas combined) were \$4.65 million below the last estimate, leading to an error of about 3% over the three-month period. The shortage was mainly due to weakened consumption and stabilized electricity price.

The new forecast has considered factors affecting both the price of and demand for electricity: from 2010 on, the generation fuel cost will continue to stabilize, and the electricity demand will decrease in FY 2010-11 and then increases gradually thereafter. The combination of price and consumption drives a revenue forecast for FY 2010-11 that is \$4.83 million lower than the last estimate. From FY 2011-12 on, collections for all years are projected to be slightly lower than those of the last estimate, with the annual reductions ranging from \$0.17 million to \$8.47 million (with FY 2019-20 being an exception with a collection that is \$3.36 million higher than the December estimate). During this period, both demand and price stabilize at levels lower than those anticipated at the December conference.

Gross Receipts Tax on Gas Fuels... Natural gas prices decreased significantly in FY 2009-10 and will further decrease in FY 2010-11, but the lagged DOR gas price index has helped stabilize tax collections. In keeping with the lagged nature of the DOR price index and future gas price changes, the new estimates are very close to the last estimates for the entire forecast period, with the forecast difference being less than \$1 million in all forecast years except FY 2019-20.

Communications Services Tax (CST)... For the past three months, the Gross Receipts Tax component of the CST was \$0.72 million (about 0.7%) lower and the State Sales Tax component was \$10.7 million (about 4.1%) lower than expected. In FY 2010-11, collections for the Gross Receipts Tax component of the CST are projected to be \$4.36 million lower, and the collections for the State Sales Tax component of the CST are projected to be \$11.52 million lower than the December forecast expectations. In FY 2011-12, the expected impact of the special refund will be \$26.15 million against the Gross-Receipts CST and \$75 million against the State Sales CST, making that year's collections of Gross-Receipts CST \$30.65 million lower and the State-Sales CST \$90.18 million lower, than the December estimates. Thereafter, each year shows a reduction of around 1% to 2% for the both the Gross Receipts Tax component and the State Sales Tax component of the CST, from the level projected by the December conference. The reduced collections are mainly attributable to the competition in the wireless market, as well as the refund-related correction that has reduced the tax base for the Communications Service Tax.

Additional State Tax on Direct-to-Home Satellite Service and Local Communications Service Tax... The conference final package also includes estimates for the additional state tax on Direct-to-Home Satellite Services (DHSS) and the Local Communications Service Tax. Collections from DHSS are distributed to local governments through the Local Government Half-Cent Clearing Trust Fund. For the entire forecast period, DHSS collections are expected to be slightly lower than those expected in the last forecast, while the Local CST forecast deducts about \$17 million to \$27 million from the December estimates for each out-year in the forecast period. Fiscal Year 2011-12 is further skewed by the inclusion of the \$57 million refund in that year.

Revenue Estimating Conference

Gross Receipts Tax and Communications Services

February 28, 2011

Gross Receipts Tax
Forecast Comparison
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Total Collections

YEAR	Old Forecast		New Forecast		Diff.	Special Refund (Legal Settlement)	Total Forecast		
	\$ Mil	%chg	\$ Mil	%chg		\$ Mil	\$ Mil	%chg	Diff.
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	1067.60	9.4%							
FY07-08	1125.96	5.5%							
FY08-09	1126.22	0.0%							
FY09-10	1097.66	-2.5%							
FY10-11	1095.37	-0.2%	1087.17	-1.0%	-8.20		1087.17	-1.0%	-8.20
FY11-12	1122.38	2.5%	1112.08	2.3%	-10.30	-26.15	1085.93	-0.1%	-36.45
FY12-13	1165.11	3.8%	1150.61	3.5%	-14.50		1150.61	6.0%	-14.50
FY13-14	1211.96	4.0%	1199.53	4.3%	-12.43		1199.53	4.3%	-12.43
FY14-15	1258.87	3.9%	1243.99	3.7%	-14.88		1243.99	3.7%	-14.88
FY15-16	1304.05	3.6%	1289.50	3.7%	-14.55		1289.50	3.7%	-14.55
FY16-17	1348.02	3.4%	1335.05	3.5%	-12.97		1335.05	3.5%	-12.97
FY17-18	1390.24	3.1%	1377.50	3.2%	-12.74		1377.50	3.2%	-12.74
FY18-19	1432.04	3.0%	1421.06	3.2%	-10.98		1421.06	3.2%	-10.98
FY19-20	1471.70	2.8%	1463.39	3.0%	-8.32		1463.39	3.0%	-8.32

Gross Receipts Tax
Forecast Comparison
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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	597.50	14.0%			
FY07-08	639.21	7.0%			
FY08-09	623.71	-2.4%			
FY09-10	633.05	1.5%			
FY10-11	623.22	-1.6%	618.39	-2.3%	-4.83
FY11-12	649.81	4.3%	643.96	4.1%	-5.85
FY12-13	685.69	5.5%	677.75	5.2%	-7.94
FY13-14	721.72	5.3%	715.29	5.5%	-6.43
FY14-15	755.87	4.7%	747.40	4.5%	-8.47
FY15-16	787.13	4.1%	781.08	4.5%	-6.05
FY16-17	817.91	3.9%	814.25	4.2%	-3.66
FY17-18	847.68	3.6%	845.04	3.8%	-2.64
FY18-19	877.24	3.5%	877.07	3.8%	-0.17
FY19-20	904.41	3.1%	907.77	3.5%	3.36

Gross Receipts Tax
Forecast Comparison
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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	30.90	6.2%			
FY08-09	29.41	-4.8%			
FY09-10	32.91	11.9%			
FY10-11	31.65	-3.8%	32.64	-0.8%	0.99
FY11-12	26.30	-16.9%	26.35	-19.3%	0.05
FY12-13	25.50	-3.0%	25.92	-1.6%	0.42
FY13-14	26.56	4.2%	27.07	4.4%	0.51
FY14-15	28.31	6.6%	28.37	4.8%	0.06
FY15-16	29.92	5.7%	29.62	4.4%	-0.30
FY16-17	30.89	3.2%	30.74	3.8%	-0.15
FY17-18	32.25	4.4%	31.74	3.3%	-0.51
FY18-19	33.64	4.3%	32.72	3.1%	-0.92
FY19-20	34.96	3.9%	33.65	2.8%	-1.31

Gross Receipts Tax
Forecast Comparison
February 28, 2011

Transfer from Communications Services Tax

YEAR	Old Forecast		New Forecast			Special Refund (Legal Settlement) \$ Mil	Total Forecast		
	\$ Mil	%chg	\$ Mil	%chg	Diff.		\$ Mil	%chg	Diff.
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	455.86	3.4%							
FY08-09	473.10	3.8%							
FY09-10	431.70	-8.8%							
FY10-11	440.50	2.0%	436.14	1.0%	-4.36		436.14	1.0%	-4.36
FY11-12	446.27	1.3%	441.77	1.3%	-4.50	-26.15	415.62	-4.7%	-30.65
FY12-13	453.92	1.7%	446.94	1.2%	-6.98		446.94	7.5%	-6.98
FY13-14	463.68	2.2%	457.17	2.3%	-6.51		457.17	2.3%	-6.51
FY14-15	474.69	2.4%	468.22	2.4%	-6.47		468.22	2.4%	-6.47
FY15-16	487.00	2.6%	478.79	2.3%	-8.21		478.79	2.3%	-8.21
FY16-17	499.22	2.5%	490.06	2.4%	-9.16		490.06	2.4%	-9.16
FY17-18	510.31	2.2%	500.72	2.2%	-9.59		500.72	2.2%	-9.59
FY18-19	521.16	2.1%	511.26	2.1%	-9.89		511.26	2.1%	-9.89
FY19-20	532.33	2.1%	521.97	2.1%	-10.36		521.97	2.1%	-10.36

State Sales Tax
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Transfer from Communications Services Tax

YEAR	Old Forecast		New Forecast		Diff.	Special Refund (Legal Settlement) \$ Mil	Total Forecast		
	\$ Mil	%chg	\$ Mil	%chg			\$ Mil	%chg	Diff.
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	1090.02	4.4%							
FY08-09	1075.57	-1.3%							
FY09-10	1080.85	0.5%							
FY10-11	1012.12	-6.4%	1000.60	-7.4%	-11.52		1000.60	-7.4%	-11.52
FY11-12	1023.19	1.1%	1008.01	0.7%	-15.18	-75.00	933.01	-6.8%	-90.18
FY12-13	1051.02	2.7%	1030.32	2.2%	-20.70		1030.32	10.4%	-20.70
FY13-14	1083.06	3.0%	1065.03	3.4%	-18.03		1065.03	3.4%	-18.03
FY14-15	1117.86	3.2%	1100.42	3.3%	-17.44		1100.42	3.3%	-17.44
FY15-16	1154.14	3.2%	1134.12	3.1%	-20.02		1134.12	3.1%	-20.02
FY16-17	1188.65	3.0%	1168.96	3.1%	-19.69		1168.96	3.1%	-19.69
FY17-18	1220.27	2.7%	1201.90	2.8%	-18.37		1201.90	2.8%	-18.37
FY18-19	1250.98	2.5%	1234.24	2.7%	-16.75		1234.24	2.7%	-16.75
FY19-20	1282.26	2.5%	1266.56	2.6%	-15.70		1266.56	2.6%	-15.70

State Sales Tax
Forecast Comparison
February 28, 2011

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	0.81	3.2%			
FY05-06	0.83	2.3%			
FY06-07	0.82	-0.6%			
FY07-08	0.82	-0.6%			
FY08-09	0.776	-5.4%			
FY09-10	0.862	11.1%			
FY10-11	0.838	-2.8%	0.837	-2.9%	0.00
FY11-12	0.851	1.5%	0.846	1.1%	0.00
FY12-13	0.860	1.1%	0.855	1.1%	0.00
FY13-14	0.868	1.0%	0.865	1.2%	0.00
FY14-15	0.876	0.9%	0.874	1.0%	0.00
FY15-16	0.882	0.7%	0.881	0.9%	0.00
FY16-17	0.886	0.5%	0.888	0.8%	0.00
FY17-18	0.890	0.5%	0.894	0.7%	0.00
FY18-19	0.894	0.4%	0.899	0.6%	0.01
FY19-20	0.897	0.4%	0.904	0.6%	0.01

Additional State Tax on Direct-to-Home Satellite

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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	56.63	5.5%			
FY08-09	58.54	3.4%			
FY09-10	55.60	-5.0%			
FY10-11	56.65	1.9%	56.48	1.6%	-0.17
FY11-12	58.13	2.6%	57.91	2.5%	-0.22
FY12-13	59.87	3.0%	59.59	2.9%	-0.28
FY13-14	61.67	3.0%	61.38	3.0%	-0.29
FY14-15	63.52	3.0%	63.22	3.0%	-0.30
FY15-16	65.43	3.0%	65.11	3.0%	-0.32
FY16-17	67.39	3.0%	67.07	3.0%	-0.32
FY17-18	69.41	3.0%	69.08	3.0%	-0.33
FY18-19	71.49	3.0%	71.15	3.0%	-0.34
FY19-20	73.64	3.0%	73.29	3.0%	-0.35

Local Communications Service Tax

Forecast Comparison

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YEAR	Old Forecast		New Forecast		Diff.	Special Refund (Legal Settlement)	Total Forecast		
	\$ Mil	%chg	\$ Mil	%chg			\$ Mil	%chg	Diff.
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	888.47	1.5%							
FY08-09	915.76	3.1%							
FY09-10	862.69	-5.8%							
FY10-11	825.86	-4.3%	808.99	-6.2%	-16.87		808.99	-6.2%	-16.87
FY11-12	823.75	-0.3%	808.45	-0.1%	-15.29	-57.00	751.45	-7.1%	-72.29
FY12-13	836.63	1.6%	816.73	1.0%	-19.90		816.73	8.7%	-19.90
FY13-14	853.65	2.0%	834.93	2.2%	-18.73		834.93	2.2%	-18.73
FY14-15	873.11	2.3%	854.69	2.4%	-18.41		854.69	2.4%	-18.41
FY15-16	895.15	2.5%	873.44	2.2%	-21.71		873.44	2.2%	-21.71
FY16-17	917.24	2.5%	893.50	2.3%	-23.73		893.50	2.3%	-23.73
FY17-18	937.01	2.2%	912.28	2.1%	-24.73		912.28	2.1%	-24.73
FY18-19	956.23	2.1%	930.77	2.0%	-25.46		930.77	2.0%	-25.46
FY19-20	976.04	2.1%	949.50	2.0%	-26.53		949.50	2.0%	-26.53