

Executive Summary

The Revenue Estimating Conference met on December 6, 2010 to adopt a new forecast for the Gross Receipts Tax and the sales tax component of the Communications Services Tax. In the four months since the July conference, actual collections for the Gross Receipts Tax (derived from the tax on electricity, gas and communications) were \$18.8 million below the July estimate, while collections of the sales tax component of the Communications Services Tax were \$27.1 million lower than the level estimated at the last conference. The new forecast for the Gross Receipts Tax is lower by about \$35.5 million per year compared to the July conference results. Showing a similar pattern, the forecast for the sales tax component of the Communications Services Tax is lower by just under \$95 million per year. 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	1095.37	623.22	31.65	440.50	1012.12	56.65	825.86
FY 11-12	1122.38	649.81	26.30	446.27	1023.19	58.13	823.75
FY 12-13	1165.11	685.69	25.50	453.92	1051.02	59.87	836.63
FY 13-14	1211.96	721.72	26.56	463.68	1083.06	61.67	853.65
FY 14-15	1258.87	755.87	28.31	474.69	1117.86	63.52	873.11
FY 15-16	1304.05	787.13	29.92	487.00	1154.14	65.43	895.15
FY 16-17	1348.02	817.91	30.89	499.22	1188.65	67.39	917.24
FY 17-18	1390.24	847.68	32.25	510.31	1220.27	69.41	937.01
FY 18-19	1432.04	877.24	33.64	521.16	1250.98	71.49	956.23
FY 19-20	1471.70	904.41	34.96	532.33	1282.26	73.64	976.04

Gross Receipts Tax on Electricity... The Conference discussed the tax collection pattern since the last estimate was adopted. Collections for the four months since the last conference (electricity and gas combined) were running \$12.3 million below the last estimate, leading to an error of about 4.8% over the four-month period. The shortage was mainly due to weakened consumption and stabilized prices for electricity.

The new forecast has considered factors affecting both the price of and demand for electricity: fuel costs continue to stabilize and the demand for electricity decreases in FY 2010-11 before increasing gradually. The combination of price and consumption drives a revenue forecast for FY 2010-11 that is \$16.2 million lower than the last estimate. From FY 2011-12 on, future collections are projected to be lower than the estimates contained in the last forecast, with reductions ranging from \$14 million to \$20 million, as both demand and price stabilize at lower levels than anticipated at the July conference.

Gross Receipts Tax on Gas Fuels... While natural gas prices decreased significantly in FY 2009-10 and will further decrease in FY 2010-11, the lagged DOR gas price index has helped stabilize tax collections from gas fuels. The new estimates are very close to the last estimates for the entire forecast period. Between FY 2011-12 to FY 2013-14, annual reductions (caused by price changes) are projected to range between \$0.6 million to \$1 million.

Communications Services Tax (CST)... For the past four months, the Gross Receipts Tax component of the CST was \$6.4 million (about 4.3%) lower than expected, and the state sales tax component was \$27.1 million (about 7.4%) lower. For FY 2010-11, collections for the Gross Receipts Tax component of the CST are projected to be \$19.3 million lower than the July forecast, and collections for the state sales tax component of the CST are estimated to be \$86.6 million lower. Compared to the July forecast, each future year of the Gross Receipts Tax component of the CST has been reduced by approximately \$18 million, and each future year of the State Sales Tax component of the CST has been reduced by roughly \$95 million. The reduced estimates are mainly related to increased competition in the wireless market, as well as future tax base changes arising from an AT&T settlement agreement [see AT&T Mobility ETF Settlement; UNITED STATES DISTRICT COURT DISTRICT OF NEW JERSEY; Civil Action No. 07-05325 (JLL)]. While the future impact on the respective revenue streams has been taken into account, the forecast does not contain the cash impact of the related, pending refund requests that could total as much as \$158.8 million. If approved by the Department of Revenue, the refunds will affect the Gross Receipts Tax, the State Communications Services Tax, and the Local Communications Services Tax. This impact should occur within the next eighteen months.

Additional State Tax on Direct-to-Home Satellite Service and Local Communications Services Tax...

The conference final package also includes estimates for the state tax on Direct-to-Home Satellite Services (DHSS) and the Local Communications Services 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 of the last forecast, while the Local CST forecast loses about \$22 million to \$33 million from the July estimates for each out-year in the forecast period.

Revenue Estimating Conference
Gross Receipts Tax and Communications Services Tax

December 6, 2010

Note: This forecast does not contain the cash impact of pending refund requests that could total as much as \$158.8 million over the next 18 months. If approved by the Department of Revenue, the refunds will affect the Gross Receipts Tax, the State Communications Services Tax, and the Local Communications Services Tax.

Gross Receipts Tax
Forecast Comparison
December 6, 2010

Total Collections

YEAR	Old Forecast		New Forecast		
	\$ Mil	%chg	\$ 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	1130.61	3.0%	1095.37	-0.2%	-35.24
FY11-12	1153.93	2.1%	1122.38	2.5%	-31.55
FY12-13	1197.94	3.8%	1165.11	3.8%	-32.83
FY13-14	1242.86	3.7%	1211.96	4.0%	-30.90
FY14-15	1292.44	4.0%	1258.87	3.9%	-33.57
FY15-16	1339.28	3.6%	1304.05	3.6%	-35.23
FY16-17	1385.39	3.4%	1348.02	3.4%	-37.38
FY17-18	1429.83	3.2%	1390.24	3.1%	-39.59
FY18-19	1472.06	3.0%	1432.04	3.0%	-40.02
FY19-20	1509.82	2.6%	1471.70	2.8%	-38.12

Gross Receipts Tax
Forecast Comparison
December 6, 2010

Collections on Electricity

YEAR	Old Forecast		New Forecast		
	\$ Mil	%chg	\$ Mil	%chg	Diff.
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	639.46	1.0%	623.22	-1.6%	-16.24
FY11-12	665.70	4.1%	649.81	4.3%	-15.89
FY12-13	702.22	5.5%	685.69	5.5%	-16.53
FY13-14	735.73	4.8%	721.72	5.3%	-14.01
FY14-15	770.91	4.8%	755.87	4.7%	-15.04
FY15-16	803.60	4.2%	787.13	4.1%	-16.47
FY16-17	836.00	4.0%	817.91	3.9%	-18.09
FY17-18	867.47	3.8%	847.68	3.6%	-19.79
FY18-19	897.11	3.4%	877.24	3.5%	-19.87
FY19-20	921.99	2.8%	904.41	3.1%	-17.58

Gross Receipts Tax
Forecast Comparison
December 6, 2010

Collections on Gas Fuels

YEAR	Old Forecast		New Forecast		
	\$ Mil	%chg	\$ Mil	%chg	Diff.
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	31.31	-4.9%	31.65	-3.8%	0.34
FY11-12	27.10	-13.4%	26.30	-16.9%	-0.80
FY12-13	26.53	-2.1%	25.50	-3.0%	-1.03
FY13-14	27.20	2.5%	26.56	4.2%	-0.64
FY14-15	28.31	4.1%	28.31	6.6%	0.00
FY15-16	29.84	5.4%	29.92	5.7%	0.08
FY16-17	30.86	3.4%	30.89	3.2%	0.03
FY17-18	32.31	4.7%	32.25	4.4%	-0.06
FY18-19	33.63	4.1%	33.64	4.3%	0.01
FY19-20	34.90	3.8%	34.96	3.9%	0.06

Gross Receipts Tax
Forecast Comparison
December 6, 2010

Transfer from Communications Services Tax

YEAR	Old Forecast		New Forecast		
	\$ Mil	%chg	\$ 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	459.84	6.5%	440.50	2.0%	-19.34
FY11-12	461.13	0.3%	446.27	1.3%	-14.86
FY12-13	469.19	1.7%	453.92	1.7%	-15.27
FY13-14	479.93	2.3%	463.68	2.2%	-16.25
FY14-15	493.22	2.8%	474.69	2.4%	-18.53
FY15-16	505.84	2.6%	487.00	2.6%	-18.84
FY16-17	518.53	2.5%	499.22	2.5%	-19.31
FY17-18	530.05	2.2%	510.31	2.2%	-19.74
FY18-19	541.32	2.1%	521.16	2.1%	-20.16
FY19-20	552.93	2.1%	532.33	2.1%	-20.60

State Sales Tax
Forecast Comparison
December 6, 2010

Transfer from Communications Services Tax

YEAR	Old Forecast		New Forecast		
	\$ 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	1098.68	1.7%	1012.12	-6.4%	-86.56
FY11-12	1108.56	0.9%	1023.19	1.1%	-85.37
FY12-13	1137.92	2.6%	1051.02	2.7%	-86.89
FY13-14	1171.68	3.0%	1083.06	3.0%	-88.62
FY14-15	1211.80	3.4%	1117.86	3.2%	-93.94
FY15-16	1249.44	3.1%	1154.14	3.2%	-95.30
FY16-17	1286.80	3.0%	1188.65	3.0%	-98.15
FY17-18	1321.03	2.7%	1220.27	2.7%	-100.76
FY18-19	1354.28	2.5%	1250.98	2.5%	-103.30
FY19-20	1388.14	2.5%	1282.26	2.5%	-105.88

State Sales Tax
Forecast Comparison
December 6, 2010

Percent of Gross Receipts CST Base

YEAR	Old Forecast		New Forecast		
	%	%chg	%	%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	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	0.876	1.6%	0.838	-2.8%	-0.04
FY11-12	0.897	2.4%	0.851	1.5%	-0.05
FY12-13	0.905	1.0%	0.860	1.1%	-0.05
FY13-14	0.912	0.7%	0.868	1.0%	-0.04
FY14-15	0.918	0.7%	0.876	0.9%	-0.04
FY15-16	0.923	0.6%	0.882	0.7%	-0.04
FY16-17	0.928	0.5%	0.886	0.5%	-0.04
FY17-18	0.932	0.5%	0.890	0.5%	-0.04
FY18-19	0.936	0.4%	0.894	0.4%	-0.04
FY19-20	0.940	0.4%	0.897	0.4%	-0.04

Additional State Tax on Direct-to-Home Satellite
Forecast Comparison
December 6, 2010

page 7

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	57.29	3.0%	56.65	1.9%	-0.64
FY11-12	58.91	2.8%	58.13	2.6%	-0.78
FY12-13	60.67	3.0%	59.87	3.0%	-0.80
FY13-14	62.49	3.0%	61.67	3.0%	-0.82
FY14-15	64.37	3.0%	63.52	3.0%	-0.85
FY15-16	66.30	3.0%	65.43	3.0%	-0.87
FY16-17	68.29	3.0%	67.39	3.0%	-0.90
FY17-18	70.34	3.0%	69.41	3.0%	-0.93
FY18-19	72.45	3.0%	71.49	3.0%	-0.96
FY19-20	74.62	3.0%	73.64	3.0%	-0.98

Local Communications Service Tax
Forecast Comparison
December 6, 2010

page 8

YEAR	Old Forecast		New Forecast		
	\$ 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	858.15	-0.5%	825.86	-4.3%	-32.29
FY11-12	845.68	-1.5%	823.75	-0.3%	-21.94
FY12-13	859.61	1.6%	836.63	1.6%	-22.98
FY13-14	878.78	2.2%	853.65	2.0%	-25.13
FY14-15	902.93	2.7%	873.11	2.3%	-29.83
FY15-16	925.71	2.5%	895.15	2.5%	-30.56
FY16-17	948.56	2.5%	917.24	2.5%	-31.32
FY17-18	969.00	2.2%	937.01	2.2%	-31.99
FY18-19	988.88	2.1%	956.23	2.1%	-32.65
FY19-20	1009.36	2.1%	976.04	2.1%	-33.32