



Senate Appropriations Committee

The Monthly Report

September 2015

Pat Browne, Chairman



Total General Fund Revenue for August 2015 was \$1.87 Billion

The Monthly Report compares August's revenue collections against prior year collections because an Official Revenue Estimate has not been certified by the Budget Secretary. The lack of an official revenue estimate is a direct result of the Governor's total veto of the FY 2015-16 budget enacted by the General Assembly. The Official Revenue Estimate is traditionally certified at the time the Governor signs the annual operating budget into law.

Total General Fund revenue for August 2015 was \$1.87 billion, which was \$76.4 million, or 4.3%, higher than General Fund revenue collected in August 2014. General Fund tax revenue (excluding non-tax items such as fines & penalties and Treasury escheats) was 4.1% higher than in August 2014. For the fiscal year-to-date (July-August), total General Fund revenue is 0.9% lower than FY 2014-15, resulting from special fund transfers made in July 2014 that did not recur in this fiscal year. The Independent Fiscal Office (IFO) released its FY 2015-16 General Fund Revenue Estimate on June 15, 2015, and the IFO's estimate anticipates total tax revenue growth of 2.5% over the prior fiscal year. Therefore, with two months completed in the current fiscal year, General Fund tax revenue collections appear to be on track with expectations, but there are variations within tax types that warrant closer inspection.

August 2015 corporation tax collections were \$12.3 million, or 26.7%, higher than last year. Au-

gust is not a particularly important month for corporation tax collections, and so while the 26.7% growth over last August is encouraging, it may not be significant in the context of total annual Sales and Use Tax (SUT) collections. Corporation tax collections are 4.4% higher than last year for the fiscal year-to-date.

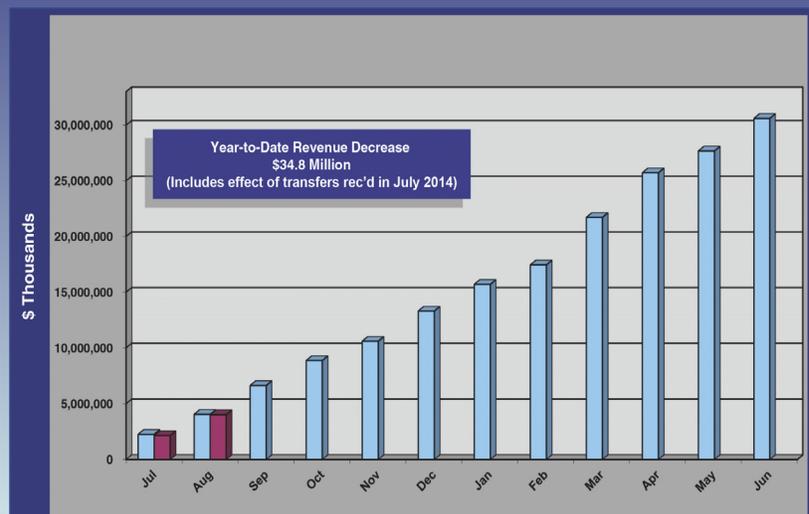
Sales and use tax collections (SUT) were \$14.9 million, or 1.9%, ahead of last August, which is a significant slowdown compared with July's collections. General SUT grew by \$12.2 million, or 1.8%, over last year, while SUT on motor vehicles was \$2.8 million, or 2.3%, more than August 2014. Sales and use tax collections so far during FY 2015-16 are 3.3% ahead of last year. How-

ever, the IFO's FY 2015-16 revenue estimate calls for SUT growth of 3.5% over the entire fiscal year. Therefore, after the first two months of the fiscal year, SUT collections are slightly off pace as compared with the IFO revenue estimate. Because sales and use tax collections make up approximately 32% of all General Fund revenue collections, a small difference in SUT revenue growth has more overall impact on revenue collections than larger differences in other tax types such as corporate net income tax, which makes up only about 9% of General Fund revenues.

Personal income tax (PIT) collections, which make up the largest source of General Fund revenues at

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General Fund Revenue Collections Fiscal Year 2015-2016 Revenue Comparison with Last Year



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approximately 41% of the total, were \$31.4 million, or 4.4%, ahead of last year. PIT withholding was 3.5% higher than last year, while PIT non-withholding was 21.9% more than August 2014. Total PIT collections during FY 2015-16 are 4.7% more than last year at this time. The IFO revenue estimate forecasted PIT revenue growth at 4.8% for FY 2015-16. Therefore, PIT collections thus far this fiscal year are very close to the IFO forecast.

Combined, personal income tax and sales and use tax collections typically make up almost three-quarters of total General Fund revenues. Through August 2015, combined PIT and SUT collections are 4.0% ahead of last year at this time. After two months of collections, General Fund revenues appear to be on track for positive growth, but it is still too early to draw any conclusions for the remainder of the fiscal year.

Other positive signs include realty transfer tax at 29.8%, inheritance tax at 10% and table games tax at 12.7% higher than last year through the month of August. On the other hand, capital stock and franchise tax collections are 39.5% below last year at this time, which is expected because of the continued phase-out of the tax.

Motor License Fund collections are running 7.4% ahead of last year at this time.

Governor's Budget Impasse

The budget impasse is now in its third month, and the negative consequences of the Governor's unprecedented, total veto of House Bill 1192 are becoming more readily apparent. Despite there being no enacted General Fund appropriations, Federal law and recent court rulings require state workers to be paid for hours worked. Through August, more than \$700 million has been spent from the General Fund for wages, salaries and benefits for Executive Branch employees. At the same time, hundreds of millions of dollars of payments due to school districts, local governments, counties, non-profit organizations and vendors have been withheld.

The first two large payments to school districts (totaling approximately \$1.05 billion) were due on July 30 and August 27, 2015. These funds, however, could not be paid because the Governor vetoed HB 1192 entirely, including all funding for basic education. This situation has forced school districts to seek temporary loans and to spend down reserves in order to open and operate during the budget impasse. In addition, thousands of college students and their families are fac-

ing uncertainty and hardship in making tuition payments as PHEAA grants cannot be awarded. Counties and human service providers have also been forced to draw on reserves, limit hiring and, in some cases, curtail services. These are just a few examples of the unnecessary difficulties resulting from the Governor's full budget veto.

Since July 1, we have met and continue to negotiate with the Wolf Administration to put a responsible, balanced and sustainable budget in place for Fiscal Year 2015-16. In an attempt to provide much-needed funding for human service, education and hunger programs, House Republicans attempted to override the Governor's vetoes on a line-by-line basis. Unfortunately, the House was unsuccessful in this regard, and critical funding remains bottlenecked as of the moment. While negotiations on a full-year budget continue, further steps to make funding available are being considered.

The following questions and answers are from a FAQ developed by the Governor's Budget Office regarding the Administration's position on government operations during the budget impasse. These

may prove useful during your day-to-day interactions with constituents.

Will a budget impasse create any risks to the General Public?

ANSWER: No. The Commonwealth will continue operations for all critical functions that impact the health, safety and/or welfare of the citizens of Pennsylvania.

Will a budget impasse affect public access to any Commonwealth operated facilities?

ANSWER : No. The Commonwealth will continue operations for Commonwealth-operated facilities, such as state parks, county assistance offices, prisons, youth development facilities and PennDot locations.

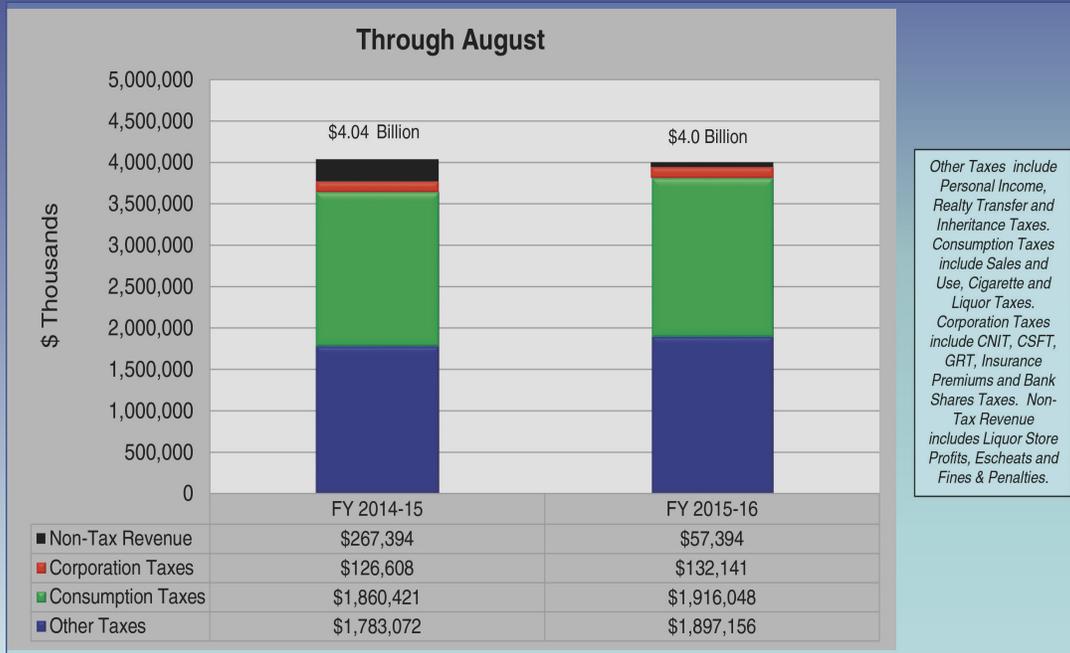
What Commonwealth operations will be impacted by a budget impasse?

ANSWER : The Commonwealth will continue to make payments and continue operations in all areas that affect the health, safety and protection of Pennsylvanians or as required under Federal Law, state court decisions or the Pennsylvania Constitution, including:

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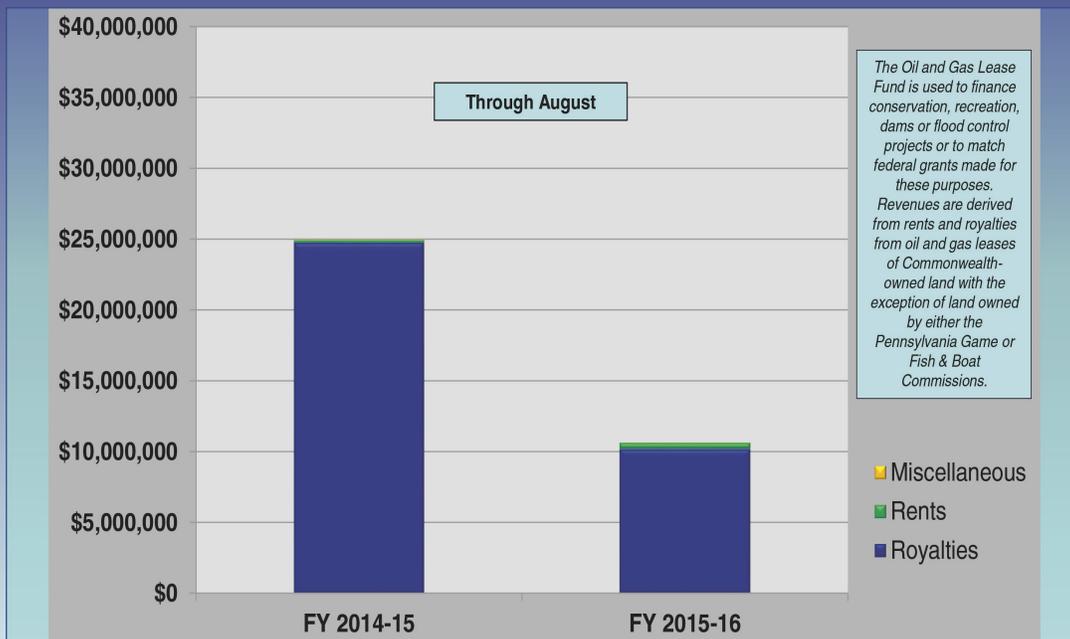


General Fund Year-to-Date Revenue Compared with Prior Year



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Oil and Gas Lease Fund Year-to-Date Revenue Compared with Prior Year



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- Public benefit programs administered by the state, including unemployment compensation, cash assistance support for Women Infants and Children (WIC);
- Health care services paid for through Medical Assistance for hospitals, other healthcare providers and nursing homes, and transportation to medical appointments through the Medical Assistance Transportation Program (MATP);
- Child care subsidy payments;
- Home and community-based services, including attendant care for seniors and people with disabilities;
- Prescription drug coverage under the PACE program;
- Pension programs for Blind and Paralyzed Veterans;
- Medicare Parts A and B premium payments;
- Early intervention, autism and intellectual disability services;
- State Workers' Insurance Fund payments; and
- Commonwealth employee payroll, including pension contributions.

What payments cannot be made during a budget impasse?

ANSWER : Most payments to vendors or to grantees for programs or expenditures incurred during FY 2015-16 that are authorized through the budget will be delayed until a budget is approved.

How will the budget impasse affect education funding?

ANSWER : To the extent these funds must be appropriated by the General Assembly, payments will not be processed until a budget is approved for FY 2015-16.

How will the budget impasse affect existing contracts?

ANSWER : Most state contracts include language addressing this situation, which states that the Commonwealth's obligation to make payments shall be subject to the availability and appropriation of

funds and that contractors may not stop work or refuse to make delivery for non-payment. If the Commonwealth's untimely payment results in a default situation, the contract may pursue remedies set forth.

CAUTIONARY NOTES ON SEVERAL COMMONWEALTH FUNDS

Lottery Fund

In his March budget, the Governor forecast robust FY 2015-16 Lottery Fund revenue growth of 9%, following a 2.5% year-over-year decline in revenue in FY 2014-15. At the time, the Administration cited an expansion of the retailer network, enhanced player convenience and new games as drivers of the expected sales growth. Because the Governor was ultimately unable to achieve that level of revenue growth, HB 1192 included \$125 million of relief for Lottery programs by increasing General Fund appropriations.

Despite a reduction of \$180 million, or 11%, from the Governor's March revenue estimates, weekly Lottery Fund revenues have been \$2 million below the revised estimate this fiscal year, on average. While it is too early to predict a year-end shortfall, the year-to-date

performance requires that our Appropriations staff closely monitor collections. Large Powerball and MegaMillions jackpots, along with robust, year-end holiday sales, can have a dramatic impact on Lottery revenues.

Oil and Gas Lease Fund

Shortly after the Governor vetoed HB 1192, the Wolf Administration indicated gas royalties from the Oil and Gas Lease Fund would be lower than projected due to declines in natural gas prices. Gas royalties from State Forest lands are the predominant revenue source for the Oil and Gas Lease Fund and have dropped precipitously in tandem with natural gas prices. Following two months of significant declines in royalty revenues, the Budget Secretary recently requested \$45 million from the Commonwealth's General Fund to support Department of Conservation and Natural Resources programs that normally receive Oil and Gas funding. Through August, Oil and Gas Lease Fund revenues are nearly 60% below collections for the same period last fiscal year. Ongoing budget negotiations will determine if this funding can be provided or if alternative options will need to be developed.





Appropriations Committee Monthly Revenue Report

REVENUE SOURCES	August 2015 Actual	August 2014 Actual	% Change vs. Prior Year	YTD Actual	Prior YTD Actual	% Change vs. Prior Year
TOTAL - GENERAL FUND	1,867,624,461	1,791,271,704	4.3%	4,002,739,414	4,037,496,170	-0.9%
TOTAL - NON-TAX REVENUE	19,517,836	15,779,786	23.7%	57,393,734	267,394,426	-78.5%
TOTAL - TAX REVENUE	1,848,106,625	1,775,491,918	4.1%	3,945,345,680	3,770,101,744	4.6%
TOTAL - Corporation Taxes	58,062,435	45,812,475	26.7%	132,140,976	126,608,493	4.4%
Accelerated Deposits	(32,181)	1,123,312	-102.9%	(51,881)	1,717,662	-103.0%
Corp. Net Income	43,799,220	32,448,517	35.0%	107,005,287	92,094,596	16.2%
Cap. Stock & Franchise	5,142,096	5,675,121	-9.4%	10,237,406	16,919,407	-39.5%
Gross Receipts	6,816,756	4,162,893	63.8%	12,124,185	12,539,154	-3.3%
PURTA	92,864	283,568	-67.3%	98,364	292,068	-66.3%
Insurance Premiums	980,094	1,385,916	-29.3%	1,384,745	1,643,441	-15.7%
Financial Institutions	588,576	503,863	16.8%	594,956	883,396	-32.7%
Other Selective Bus. Taxes	675,010	229,285	194.4%	747,913	518,768	44.2%
TOTAL - Consumption Taxes	920,929,402	907,255,256	1.5%	1,916,048,341	1,860,421,340	3.0%
Sales and Use	804,778,931	789,837,558	1.9%	1,706,700,067	1,651,800,985	3.3%
General (net of transfers)	683,500,017	671,334,268	1.8%	1,463,293,338	1,409,841,961	3.8%
Motor Vehicle Sales	121,278,914	118,503,290	2.3%	243,406,729	241,959,024	0.6%
Cigarette Tax	87,091,024	87,482,966	-0.4%	149,716,733	150,324,771	-0.4%
Malt Beverage	2,350,627	2,436,261	-3.5%	4,831,675	4,667,615	3.5%
Liquor	26,708,820	27,498,471	-2.9%	54,799,866	53,627,970	2.2%
TOTAL - Other Taxes	869,114,788	822,424,187	5.7%	1,897,156,363	1,783,071,911	6.4%
Personal Income	742,611,198	711,163,138	4.4%	1,619,518,378	1,547,073,266	4.7%
Withholding	697,189,992	673,891,060	3.5%	1,520,593,525	1,463,144,620	3.9%
Non-Withholding	45,421,207	37,272,078	21.9%	98,924,853	83,928,646	17.9%
Realty Transfer	47,601,770	36,045,268	32.1%	100,542,355	77,456,990	29.8%
Inheritance & Estate	71,921,079	66,298,715	8.5%	156,498,844	142,253,621	10.0%
Minor & Repealed	(1,028,371)	48,944	-2201.1%	2,762,267	469,047	488.9%
Table Games	8,009,112	8,868,123	-9.7%	17,834,518	15,818,986	12.7%