

# The Monthly Report

April 2016

Pat Browne, Chairman

## General Fund Revenue Collections, \$86.7 Million, or 2.0%, Above the Monthly Estimate

**G**eneral Fund revenue collections for the month ended March 2016 totaled \$4.49 billion, which was \$86.7 million, or 2.0%, above the monthly estimate. Fiscal year-to-date collections total \$22.2 billion, which is \$147.4 million, or 0.7%, above estimate for the year. Fiscal year-to-date General Fund revenue collections are \$529 million, or 2.4%, ahead of last year at this time. March is typically the largest revenue collection month of the year.

Corporate net income (CNI) tax collections were \$17.1 million, or 3.7%, below estimate for the month. Regular (i.e. annual) CNI tax payments were over estimate by \$17.2 million, or 9.7%. However, quarterly estimated payments due in March were \$34.3 million, or 11.9%, below estimate. March is the first quarterly installment month for calendar year tax filers. Other quarterly payments for the 2016 tax year will be due in June, September and December. The weakness in March quarterly payments could translate into weak quarterly payments in June when the second quarterly installment for 2016 is due.

Gross receipts tax (GRT) revenues were above estimate by \$70.2 million, or 6.0%, for the month, and GRT revenues are \$78.1 million ahead of estimate for the year. Most GRT is collected in March, and it appears that the \$1.29 billion in revenues collected thus far this year will be enough to end a three-year trend of declining gross receipts tax revenues. In fact, FY 2015-16 GRT revenues were expected to decline by 1.9%

from FY 2014-15. However, at the end of March, GRT revenues are 4.0% more than revenues at this same time last year.

Financial institutions tax (i.e. bank shares tax) was below the monthly estimate by \$8.6 million, or 2.9%, for March. The overwhelming majority of the tax is due in March, and so the shortfall will not be repeated in the remaining months of the fiscal year. The Governor has proposed to increase the bank shares tax rate from 0.89% to 0.99% for 2016 to achieve the revenue neutrality intended with the enactment of Act 52 of 2013.

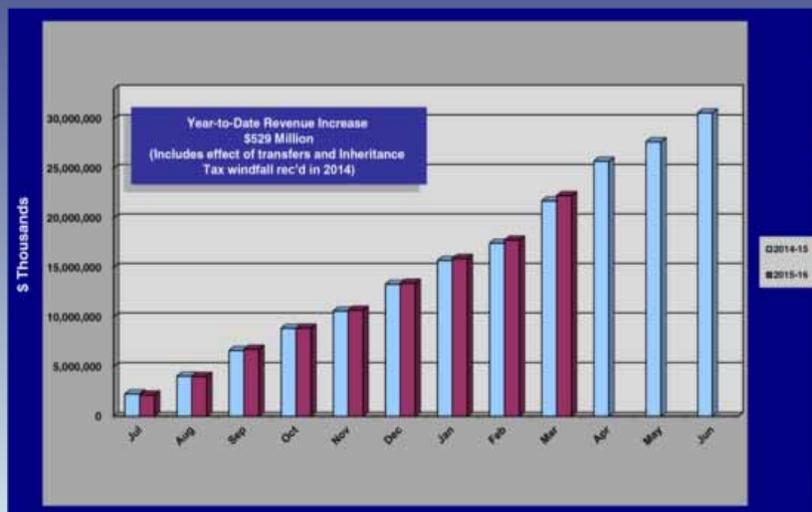
Sales and use tax collections (SUT) were over estimate by \$24.6 million, or 3.4%, for the month. General sales and use tax was \$23.1 million, or 3.8%, above estimate, while sales tax

on motor vehicles beat the estimate by \$1.5 million, or 1.3%. Total sales and use tax collections to-date for FY 2015-16 exceed the estimate by \$27.8 million, or 0.4%. SUT collections are 3.6% ahead of last year. The Governor's Official Estimate predicted 3.5% annual growth.

Personal income tax collections (PIT) were below estimate by \$1.6 million, or 0.1%, for the month. March 2016 employers' withholding collections totaled \$962.3 million, which was \$4.7 million, or 0.5%, above estimate. Individual estimated PIT collections were above estimate by \$3 million, but PIT payments on annual tax returns were \$9.4 million lower than expected. The bulk of PIT annual payments will be due by April 15.

*Continued...*

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



Senate Appropriations Committee, Pat Browne, Chairman



Hopefully, the lackluster performance in March annual PIT collections will pick up in April.

Realty transfer tax (RTT) collections underperformed the estimate by \$3.3 million, or 9.6%, for the month. RTT is now \$5.4 million, or 1.5%, above estimate for the year. Inheritance tax collections were ahead of the estimate by \$11.6 million for the month, or 13.5%, and they are now \$31.3 million, or 4.7%, above estimate for the year. Cigarette tax revenue exceeded the estimate by \$2.7 million for the month, and liquor tax collections were \$362,626 higher than estimate. Table games tax revenue exceeded the monthly estimate by \$83,627, or 1.0%.

General Fund non-tax revenue col-

lections were ahead of the estimate by \$25.5 million.

The year-to-date revenue surplus, as stated above, is \$147.4 million, which is certainly good news. An examination of the past several fiscal years indicates that in years where there was a revenue surplus in March those fiscal years ended with a surplus. In all cases, except FY 2007-08 which was the beginning of the economic downturn, the year-end surplus was increased from the March surplus amount. The review of this historical data does not reveal any pattern that would enable us to reliably project a June 30, 2016 surplus.

We are cautiously optimistic that the current revenue surplus may increase modestly by year's end. A sig-

nificant increase in the surplus is not anticipated because sales tax and PIT receipts are not significantly outperforming the estimate and weak PIT annual payments in March could carry over into April. In addition, the bulk of the March surplus was in the gross receipts tax which will not recur in coming months. Revenue receipts are monitored on a daily basis, and committee staff will prepare updated forecasts for fiscal years 2015-16 and 2016-17 throughout the remainder of the fiscal year.

Motor License Fund collections were \$22.6 million, or 9.2%, higher than the estimate for the month of March. The Motor License Fund is now \$10.8 million, or 0.6%, below estimate for the year

## Budget Becomes Law Without Governor's Signature, Fiscal Code Vetoed

Governor Wolf allowed the supplemental budget approved by the Legislature last month to become law without his signature. This is an unprecedented phenomena which has not occurred in several decades. Media reported that Governor Shapp was, perhaps, the last Governor to permit a budget to become law without his signature.

Governor Wolf did, however, veto the Fiscal Code, which is an integral part of the budget that provides direction for the intended disbursement of certain funds including the Basic Education Subsidy.

The veto of the Fiscal Code has some very real world consequences. First and foremost, because the Fiscal Code provided authority for certain fund transfers and revenues to the General Fund, the Governor's veto places the Fiscal Year 2015-16 budget out of balance by about \$110 million. The Governor's action means the Commonwealth now fails to meet the constitutional obligation to enact a

balanced budget.

Governor Wolf has also cut \$439 million from schools:

- \$150 million in increased school funding is now frozen because the fiscal code contained the funding formula. Without this language, there is no authority to disburse the additional funds.
- \$289 million that was to address the state's commitment to provide reimbursements for school construction and renovations projects – commonly referred to as PLANCON (Planning and Construction Workbook).
- After-school learning for low-income students.
- Mobile science and math education programs.
- Community college operating expenses.
- Career and Technical Education Equipment Grants.

Other items in the Fiscal Code vetoed by the Governor:

- \$25.759 million in funding that was to come from the Race Horse De-

velopment Fund to support the following:

- The Farm Show – \$5 million
- Animal Health Commission – \$5.35 million
- Pennsylvania Laboratory Lab System – \$5.309 million
- Pennsylvania Fairs – \$4 million
- State Racing Commission for the costs of oversight of the race horse industry – \$6.1 million
- The transfer of \$2.5 million from liquor sales to the Department of Drug and Alcohol Programs.
- Grants for hospitals, schools, businesses and municipalities to gain access to natural gas.
- Automatic payments to counties for child welfare in the event of a budget impasse.
- Funds for Marketing and Tourism Promotion.
- Allocation of funds for Pennsylvania's two associations for the blind.
- A program providing high school students with disabilities with work-



based learning experiences.

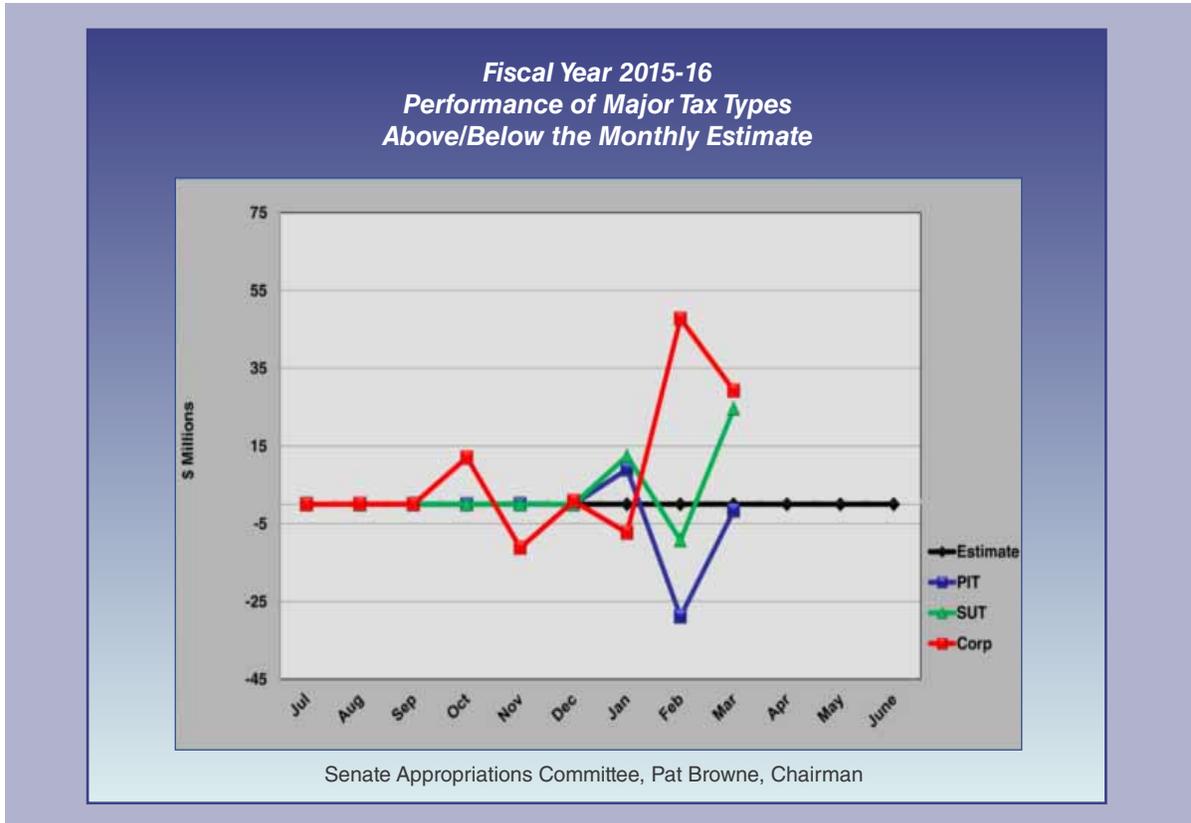
- Veterans' workforce development.

Many of these items were agreed-to by the Legislature and the Administration. In the case of PLANCON, the methodology was actually devel-

oped by the Governor's policy director at the time. What we have seen is a willingness for the Governor to leverage his policy and fiscal goals against the needs of citizens, schools, students and parents.

Subsequent to the Governor's veto

of the fiscal code, the administration has requested the General Assembly to re-enact several of the vetoed provisions. That request can only be interpreted as proof positive of the faulty decision making related to the veto.

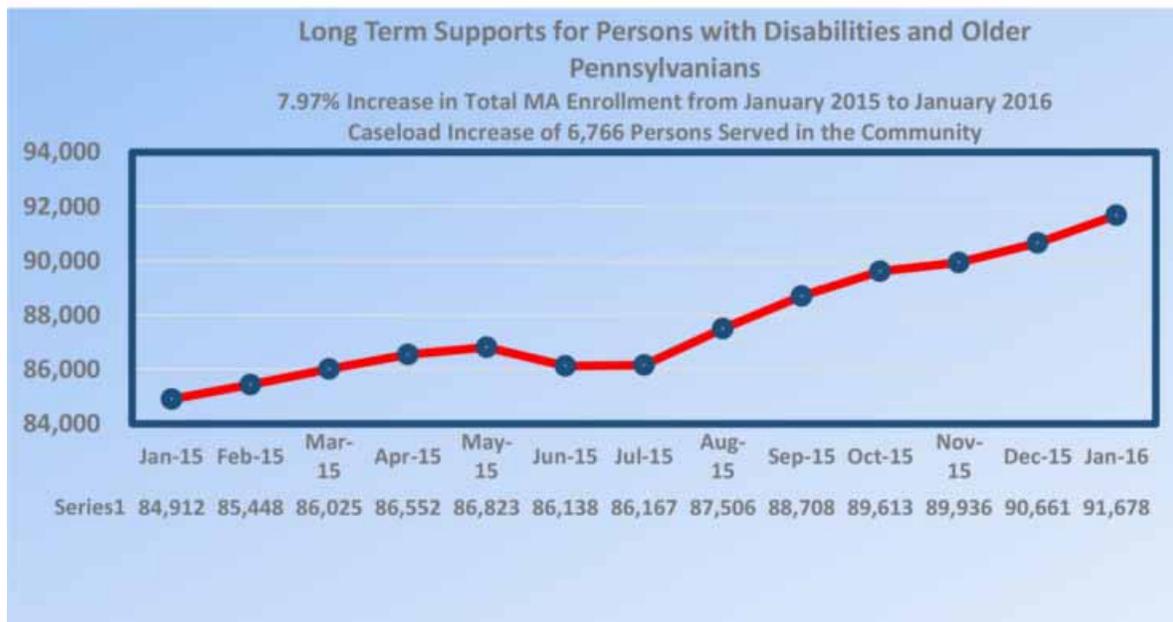


### General Fund Filled Staff Levels (Under Governor's Jurisdiction)

	12/26/2014	3/27/2015	12/31/2015	1/29/2016	2/26/2016	3/25/2016	Difference: 3/25/2016 vs. 3/27/2015	Difference: 3/25/2016 vs. 12/26/2014
<b>Corrections</b>	14,573.60	14,653.54	14,990.54	14,976.61	14,971.54	14,899.54	246.00	325.94
<b>State Police</b>	5,688.00	5,725.00	5,907.00	5,823.00	5,805.00	5,837.00	112.00	149.00
<b>Human Services</b>	15,782.70	15,877.20	15,968.70	15,983.80	15,982.30	16,003.80	126.60	221.10
<b>All Other</b>	11,717.82	11,676.85	11,613.06	11,602.14	11,575.38	11,549.47	-127.38	-168.35
<b>Total</b>	<b>47,762.12</b>	<b>47,932.59</b>	<b>48,479.30</b>	<b>48,385.55</b>	<b>48,334.22</b>	<b>48,289.81</b>	<b>357.22</b>	<b>527.69</b>
<b>Difference from prior month</b>		80.13	-59.23	-93.75	-51.33	-44.41		

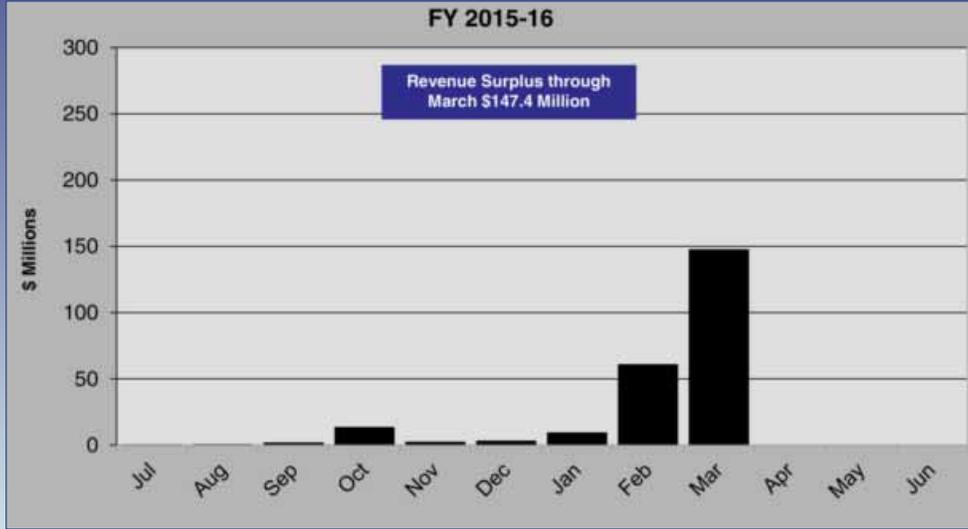


Now that the budget for FY 2015-16 is essentially completed, we must focus on analyzing the spending needs for FY 2016-17. An integral part of the process is the development of a cost-to-carry budget for FY 2016-17 with a careful examination of the cost drivers. Perhaps the largest cost driver in the budget is the Department of Human Services and in particular the Medical Assistance program. Pennsylvania's demographics indicate that we will see increased pressure in our long-term care and home and community-based services programs as our population ages. The following charts show some perspective as to how caseloads have increased over the past year. The increases result from a combination of additional persons becoming eligible for medical assistance under the Affordable Care Act and a shift away from more expensive nursing home care for the elderly and disabled.



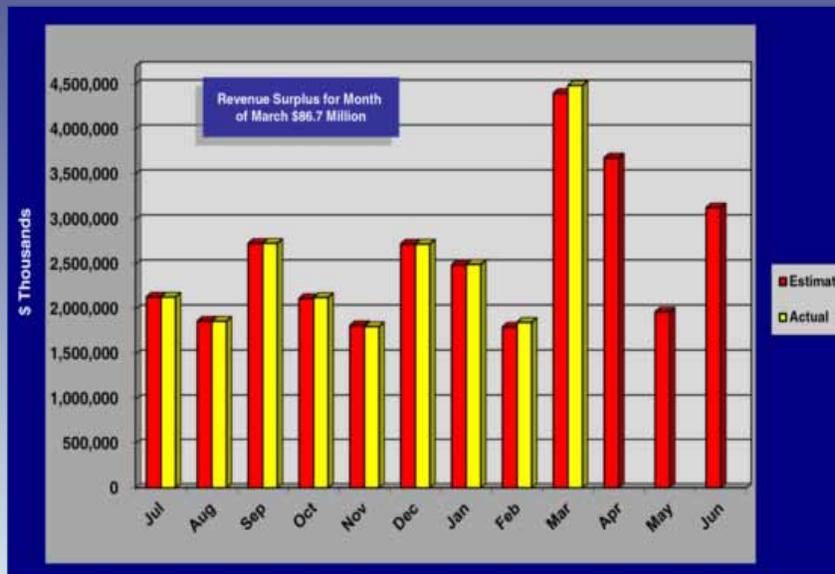


### General Fund Tax Collections Year-to-Date Revenue Comparison with Official Estimate



Senate Appropriations Committee, Pat Browne, Chairman

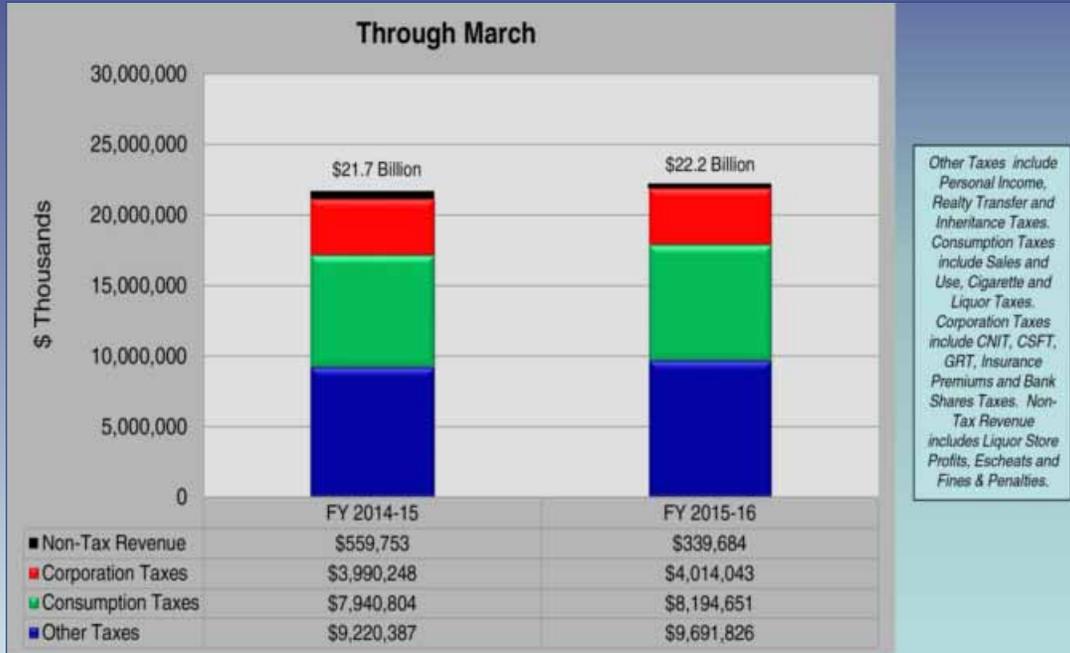
### General Fund Tax Collections Fiscal Year 2015-16 Comparison of Official Estimate with Actual Revenue by Month



Senate Appropriations Committee, Pat Browne, Chairman

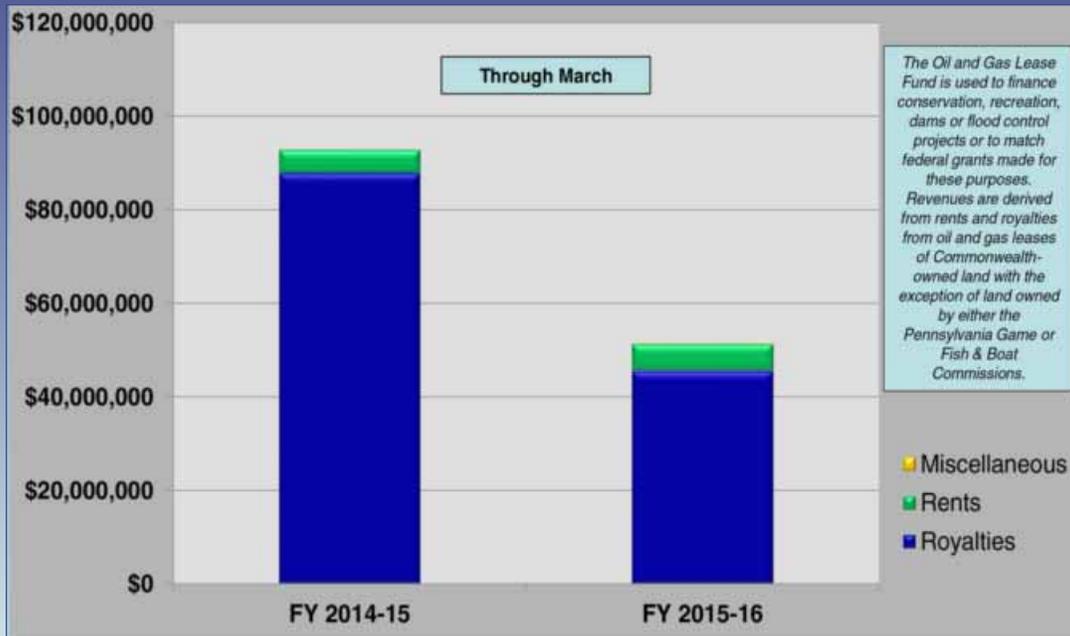


## General Fund Year-to-Date Revenue Compared with Prior Year



Senate Appropriations Committee, Pat Browne, Chairman

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



Senate Appropriations Committee, Pat Browne, Chairman



## Appropriations Committee Monthly Revenue Report

REVENUE SOURCES	YTD FY 2014-15	March 2016 Actual	March 2016 Estimated	Surplus/ (Deficit)	YTD Actual	YTD Estimated	Surplus/ (Deficit)
<b>TOTAL - GENERAL FUND</b>	<b>21,711,193</b>	<b>4,486,001</b>	<b>4,399,300</b>	<b>86,701</b>	<b>22,240,204</b>	<b>22,092,800</b>	<b>147,404</b>
<b>TOTAL - NON-TAX REVENUE</b>	<b>559,753</b>	<b>93,693</b>	<b>68,200</b>	<b>25,493</b>	<b>339,684</b>	<b>303,800</b>	<b>35,884</b>
<b>TOTAL - TAX REVENUE</b>	<b>21,151,439</b>	<b>4,392,309</b>	<b>4,331,100</b>	<b>61,209</b>	<b>21,900,520</b>	<b>21,789,000</b>	<b>111,520</b>
<b>TOTAL - Corporation Taxes</b>	<b>3,990,248</b>	<b>2,357,633</b>	<b>2,328,400</b>	<b>29,233</b>	<b>4,014,043</b>	<b>3,941,600</b>	<b>72,443</b>
Accelerated Deposits	23,725	1,733	0	1,733	1,922	0	1,922
Corp. Net Income	1,898,164	450,141	467,200	(17,059)	1,867,157	1,870,000	(2,843)
Cap. Stock & Franchise	149,667	6,096	2,600	3,496	111,974	102,600	9,374
Gross Receipts	1,237,992	1,243,313	1,173,100	70,213	1,286,980	1,208,900	78,080
PURTA	2,072	6	0	6	2,779	2,700	79
Insurance Premiums	394,563	366,679	387,800	(21,121)	415,339	433,600	(18,261)
Financial Institutions	280,893	288,770	297,400	(8,630)	324,798	321,500	3,298
Other Selective Bus. Taxes	3,173	896	300	596	3,096	2,300	796
<b>TOTAL - Consumption Taxes</b>	<b>7,940,804</b>	<b>849,192</b>	<b>821,300</b>	<b>27,892</b>	<b>8,194,651</b>	<b>8,168,400</b>	<b>26,251</b>
Sales and Use	6,990,920	745,319	720,700	24,619	7,243,486	7,215,700	27,786
General (net of transfers)	6,025,917	628,538	605,400	23,138	6,254,719	6,220,500	34,219
Motor Vehicle Sales	965,003	116,781	115,300	1,481	988,767	995,200	(6,433)
Cigarette Tax	678,907	73,922	71,200	2,722	668,915	672,100	(3,185)
Malt Beverage	17,733	1,889	1,700	189	18,495	18,200	295
Liquor	253,344	28,063	27,700	363	263,755	262,400	1,355
<b>TOTAL - Other Taxes</b>	<b>9,220,387</b>	<b>1,185,483</b>	<b>1,181,400</b>	<b>4,083</b>	<b>9,691,826</b>	<b>9,679,000</b>	<b>12,826</b>
Personal Income	8,114,514	1,107,872	1,109,500	(1,628)	8,595,117	8,616,600	(21,483)
Withholding	6,832,102	962,333	957,600	4,733	7,118,067	7,168,400	(50,333)
Non-Withholding	1,282,412	145,539	151,900	(6,361)	1,477,050	1,448,200	28,850
Realty Transfer	302,365	31,367	34,700	(3,333)	356,462	351,100	5,362
Inheritance & Estate	739,449	97,519	85,900	11,619	702,372	671,100	31,272
Minor & Repealed	(7,809)	(59,558)	(56,900)	(2,658)	(36,928)	(35,000)	(1,928)
Table Games	71,565	8,284	8,200	84	74,804	75,200	(396)
<b>TOTAL - MOTOR LICENSE FUND</b>	<b>1,900,979</b>	<b>268,575</b>	<b>245,960</b>	<b>22,615</b>	<b>1,938,090</b>	<b>1,948,880</b>	<b>(10,790)</b>
<b>TOTAL - Liquid Fuels Taxes</b>	<b>1,170,936</b>	<b>120,853</b>	<b>119,400</b>	<b>1,453</b>	<b>1,229,836</b>	<b>1,243,000</b>	<b>(13,164)</b>
Liquid Fuels	4,500	2	100	(98)	(852)	(600)	(252)
Fuels	3	0	0	0	38	0	38
Motor Carriers/IFTA	55,354	4,429	7,200	(2,771)	72,063	68,700	3,363
Alternative Fuels	2,356	766	400	366	7,055	6,200	855
Oil Company Franchise	1,108,723	115,656	111,700	3,956	1,151,532	1,168,700	(17,168)
<b>TOTAL - Licenses, Fees &amp; Other</b>	<b>730,042</b>	<b>143,382</b>	<b>102,760</b>	<b>40,622</b>	<b>692,561</b>	<b>671,680</b>	<b>20,881</b>
Licenses and Fees	561,427	131,267	100,800	30,467	676,103	664,100	12,003
Other Motor Receipts	80,990	12,116	1,960	10,156	16,458	7,580	8,878
Other Motor Receipts	258,447	10,233	2,040	8,193	98,274	88,400	9,874