



Pennsylvania Senate Appropriations Committee

Senator Pat Browne
Chairman

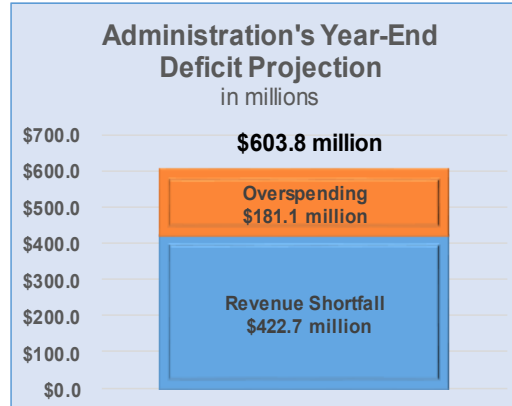


January 2017

Monthly Report

Administration Presents Mid-Year Budget Briefing

On December 14, Budget Secretary Randy Albright presented the Wolf Administration's mid-year budget briefing to members of the General Assembly. Required by statute, the briefing is intended to provide an update of revenue and spending performance for the fiscal year-to-date and a revised projection through the end of the year. During the briefing, Secretary Albright revealed the current fiscal year is likely to close with a deficit of nearly \$604 million.



The deficit is due to a projected \$422.7 million revenue shortfall and \$181.1 million in over-spending. Secretary Albright noted that revenue collections through November were \$261.8 million below projection and that major leading economic indicators, such as growth in Gross Domestic Product (GDP), consumer spending and personal income, had declined since June 2016. Through December, the revenue shortfall has now increased to \$367 million.

Secretary Albright also noted that spending would be higher than enacted levels of \$31.5 billion. Of the \$181.1 million in over-spending, approximately \$170 million is due to Human Services spending, with the remainder due to higher-than-anticipated borrowing costs for the Commonwealth's cash flow loan which is currently \$2.2 billion.

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Global Insight's Economic Outlook

	Real GDP Growth		U.S. Consumer Expenditures		U.S. Personal Income Growth	
	June 2016 Estimate	November 2016 Estimate	June 2016 Estimate	November 2016 Estimate	June 2016 Estimate	November 2016 Estimate
2016	1.9%	1.5%	2.8%	2.6%	4.2%	3.3%
2017	2.6%	2.2%	2.7%	2.5%	4.8%	4.3%
2018	2.6%	2.2%	2.6%	2.5%	5.1%	4.9%

Senate Appropriations Committee

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Where We Are In The Annual Budget Process

The Governor's Budget Office is making final adjustments to the Governor's FY 2017-18 spending plan and has begun production of the Governor's Executive Budget document. In the coming weeks, the Administration will develop related press releases and other briefing materials for the Governor's February 7th budget address.

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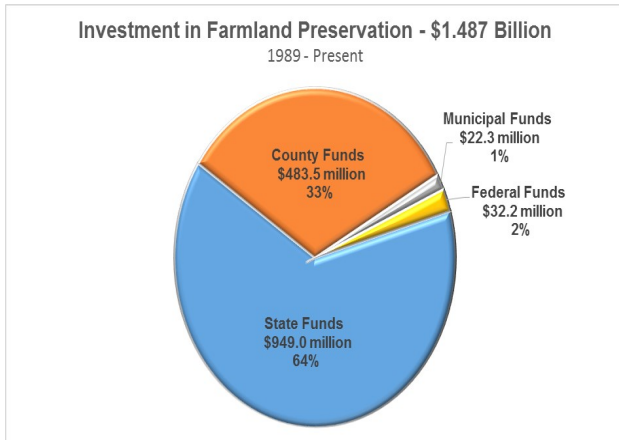
Mid-Year Budget Briefing continued:

While Secretary Albright did not provide an estimate for FY 2017-18, a November projection from the Independent Fiscal Office indicated the deficit will persist. In media briefings released after Secretary Albright's mid-year budget briefing, Governor Wolf indicated he will first implement cost-cutting measures to close any budget gap before considering revenue increases and, if revenue increases are necessary, he will not use broad-based revenue increases to balance the budget. Governor Wolf is scheduled to release his FY 2017-18 budget on February 7.

Investment in Farmland Preservation

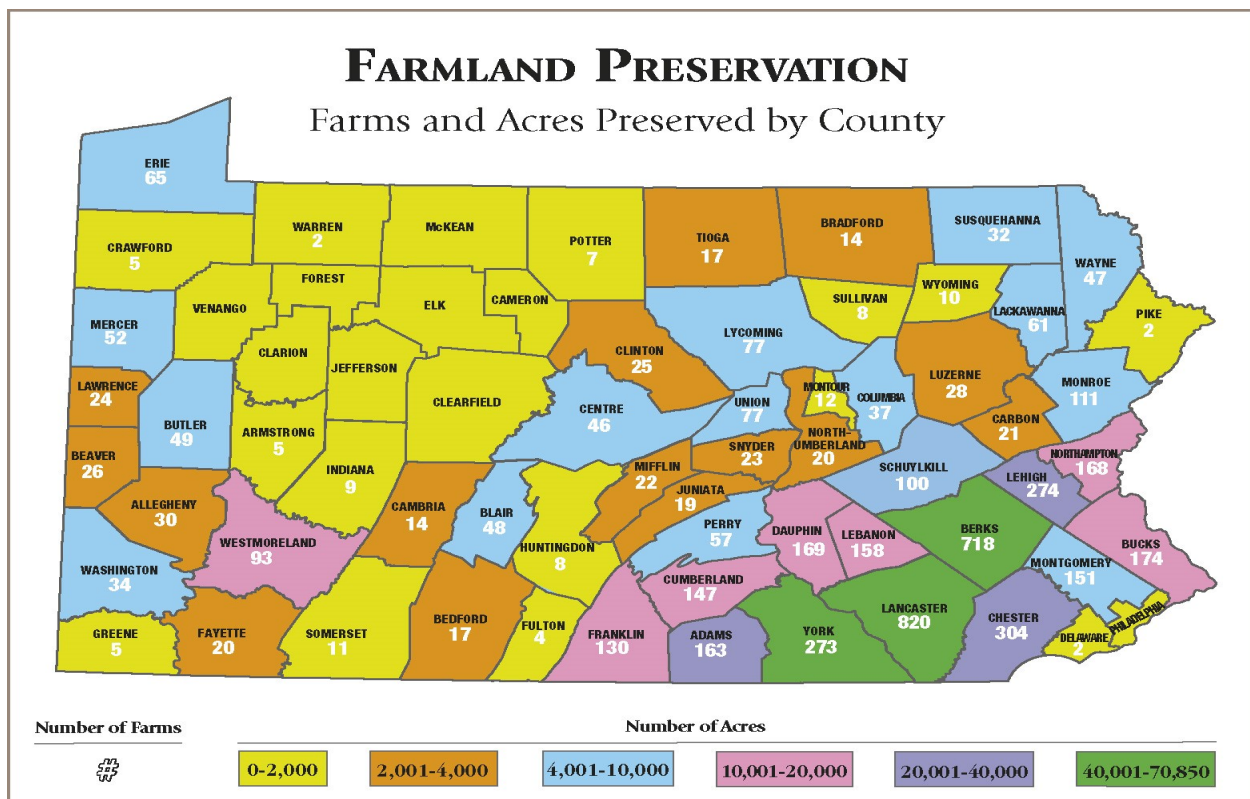
The Pennsylvania Farmland Preservation Program was created to help strengthen Pennsylvania's agricultural economy and permanently protect quality farmland. The program enables the purchase of conservation easements from farmers and prevents development or improvements of the land for purposes other than agricultural production.

The program was approved by the Legislature in 1988. As of December 2016, 5,045 farms have been preserved through the program totaling more than 528,656 acres in 58 of the Commonwealth's 67 counties. The chart below depicts the number of farms and acres preserved under the program by county.



The State provides funding for the program through annual transfers of cigarette tax revenues and Environmental Stewardship Fund monies. In FY 2016-17, \$36.2 million is estimated to be transferred for the program, \$25.5 million from cigarette tax revenues and \$10.7 million from Environmental Stewardship Fund monies. This funding level represents an increase of \$5 million over the FY 2015-16 funding level.

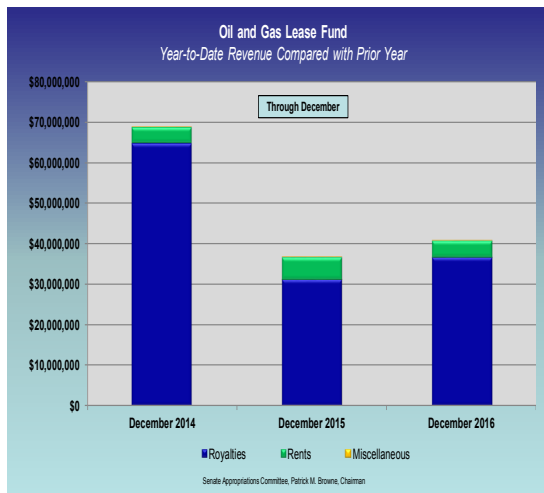
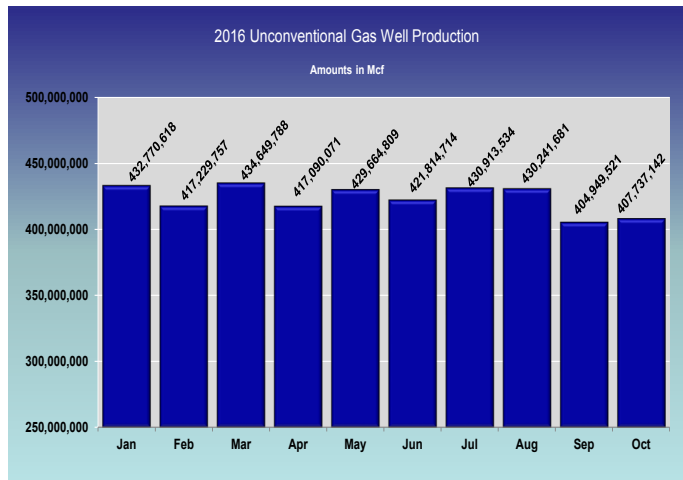
Since the inception of the program, \$1.487 billion in total has been invested to preserve farmland in Pennsylvania. The pie chart above depicts total invested by source of funding since the inception of the program.



Unconventional Gas Production Update

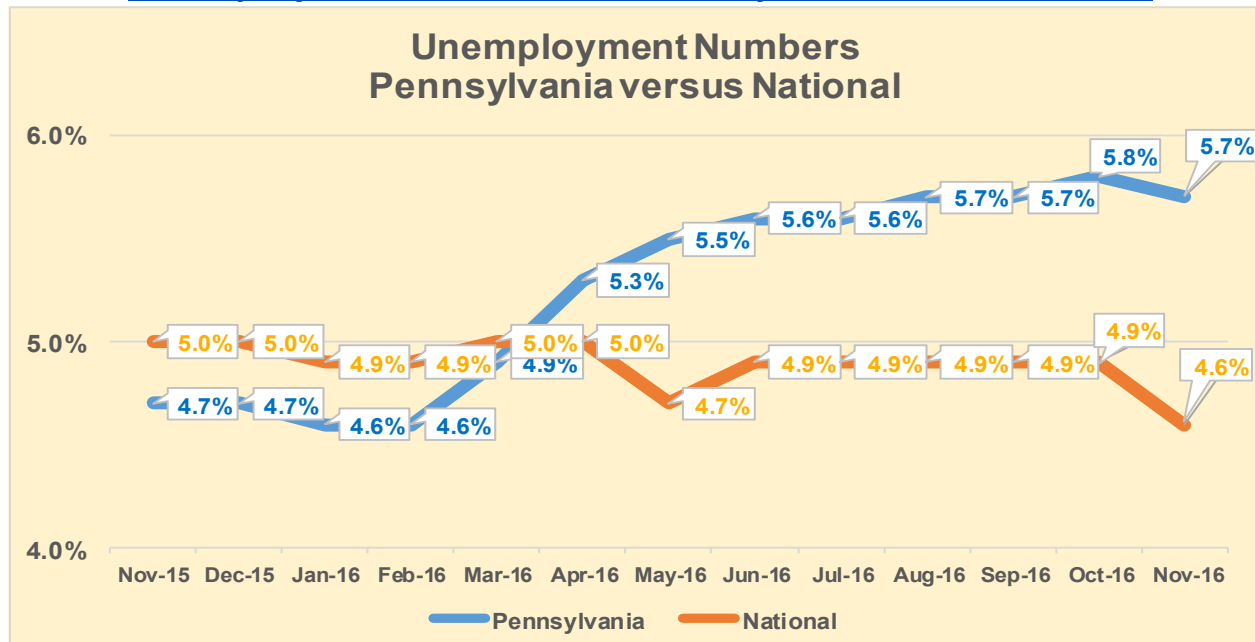
Over the last year, unconventional natural gas production in Pennsylvania has remained relatively constant, ranging from 432.7 billion cubic feet in January to 407.7 billion cubic feet in October. The relatively small decline of six percent in production could be attributed to a general decline in productivity as wells mature which has not been offset by newer, higher-producing wells.

The decline in the number of newly drilled wells continues a trend that is the result of suppressed gas prices in Pennsylvania's spot markets. Last year's average NYMEX price was \$2.46, compared to Pennsylvania's average spot price of \$1.57.

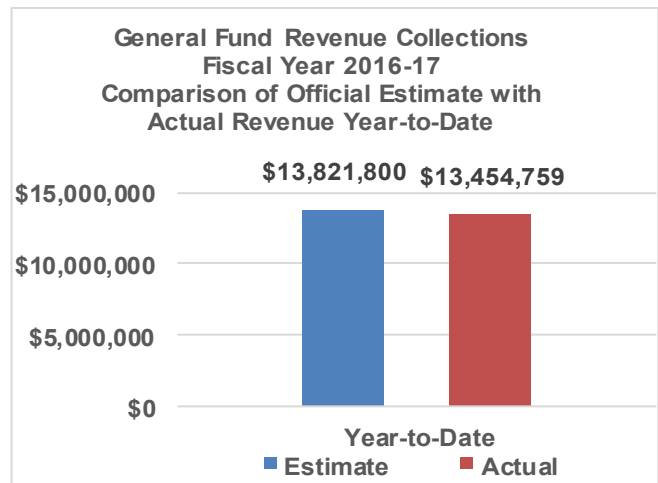
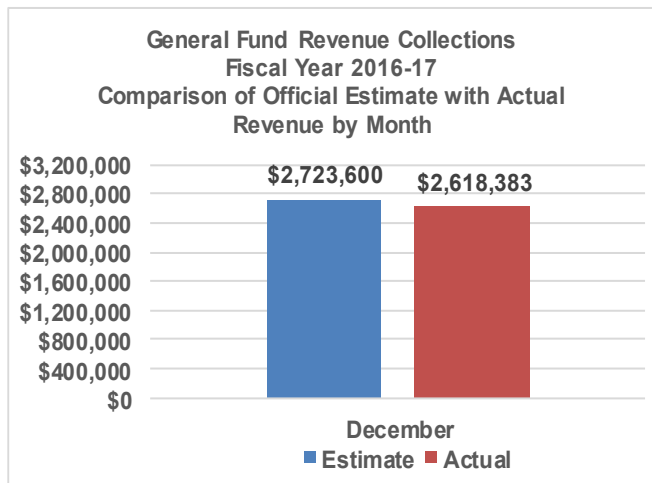


While the low price of natural gas has reduced the demand for new drilling, it has also reduced the amount of revenue the Commonwealth receives in the Oil and Gas Lease Fund because royalty revenues are tied to the spot price. For the first six months of FY 2014-15, the Commonwealth received \$64.7 million in royalty revenue from gas production on the state's forest lands. Over the same timeframe in FY 2015-16, that revenue dropped by more than 50% to \$31.1 million. This year, royalty revenues have recovered somewhat to \$36.7 million but still remain 45% below FY 2014-15 levels. Because the Commonwealth relies on gas royalty revenue to fund a significant portion of the Department of Conservation and Natural Resources' (DCNR) operations, the Commonwealth needed to increase annual General Fund appropriations to DCNR by more than \$90 million since FY 2014-15.

Unemployment Numbers for Pennsylvania and the Nation

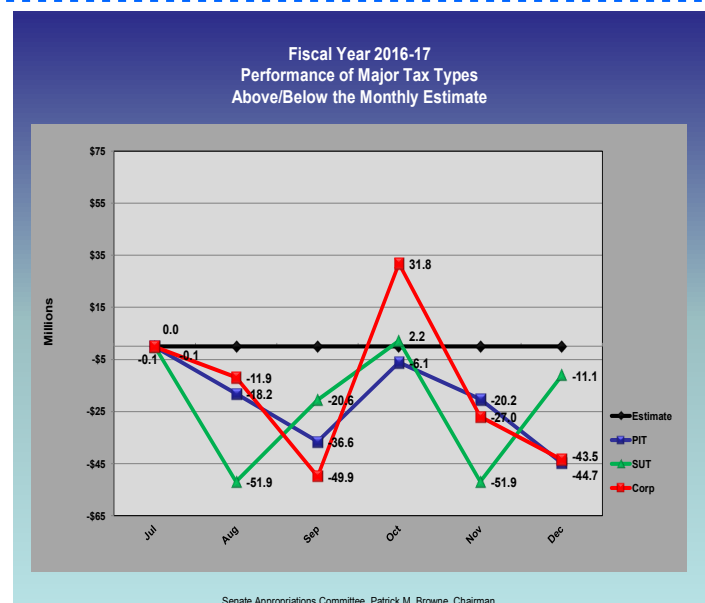
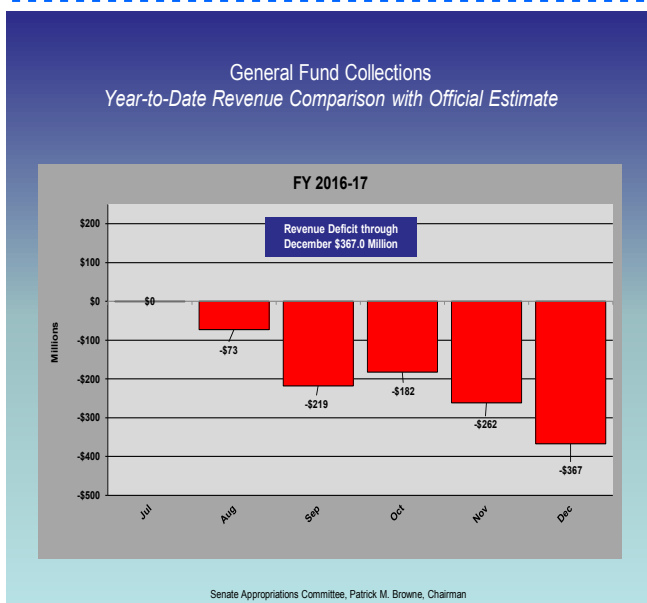


Revenues Come Up Short of Projections for Month of December



General Fund revenue collections for the month ended December 2016 totaled **\$2.6 billion**, which was **\$105.2 million**, or **3.9%**, below estimate for the month. Fiscal year-to-date collections total **\$13.5 billion**, which is **\$367.0 million**, or **2.7%**, below estimate for the year.

**In Thousands	December 2016 Estimate	December 2016 Actual	Over/Under Estimate	Fiscal Year-to-Date Estimate	Fiscal Year-to-Date Actual	Over/Under Estimate
Corporation Tax	\$510,200	\$466,722	\$43.5 million or 8.5%	\$1,374,400	\$1,273,899	\$100.5 million or 7.3%
Sales & Use Tax (SUT)	\$851,900	\$840,776	\$11.1 million or 1.3%	\$5,114,000	\$4,980,706	\$133.3 million or 2.6%
Personal Income Tax (PIT)	\$1,007,100	\$961,351	\$44.7 million or 4.4%	\$5,559,800	\$5,433,902	\$125.9 million or 2.3%
Cigarette Tax	\$128,200	\$118,409	\$9.8 million or 7.6%	\$681,300	\$653,314	\$28 million or 4.1%
Other Tobacco Products	\$2,100	\$4,497	\$2.4 million or 114.3%	\$2,100	\$5,353	\$3.3 million or 157.1%
Liquor Tax	\$45,900	\$46,684	\$784,000 or 1.7%	\$195,400	\$193,314	\$2.1 million or 1.2%
Realty Transfer Tax (RTT)	\$51,600	\$44,896	\$6.7 million or 13.0%	\$278,900	\$244,216	\$34.7 million or 12.4%
Inheritance Tax	\$80,800	\$84,547	\$3.7 million or 4.5%	\$463,700	\$452,955	\$10.7 million or 2.3%
Non-Tax Revenues	\$32,000	\$37,248	\$5.2 million or 16.3%	\$92,600	\$146,981	\$54.4 million or 58.8%



General and Motor License Fund Revenue Detail

Fiscal Year 2016-17

Senate Appropriations Committee Monthly Revenue Report

(\$ thousands)

REVENUE SOURCES	YTD FY 2015-16	December 2016 Actual	December 2016 Estimated	Surplus/ (Deficit)	YTD Actual	YTD Estimated	Surplus/ (Deficit)
TOTAL - GENERAL FUND	13,400,566	2,618,383	2,723,600	(105,217)	13,454,759	13,821,800	(367,041)
TOTAL - NON-TAX REVENUE	144,057	37,248	32,000	5,248	146,981	92,600	54,381
TOTAL - TAX REVENUE	13,256,509	2,581,135	2,691,600	(110,465)	13,307,778	13,729,200	(421,422)
TOTAL - Corporation Taxes	1,401,791	466,722	510,200	(43,478)	1,273,899	1,374,400	(100,501)
Accelerated Deposits	2,573	883	0	883	1,478	0	1,478
Corp. Net Income	1,234,857	452,473	504,900	(52,427)	1,183,755	1,300,000	(116,245)
Cap. Stock & Franchise	87,186	(2,225)	(8,200)	5,975	29,399	15,800	13,599
Gross Receipts	30,839	7,671	3,700	3,971	32,495	27,300	5,195
PURTA	2,709	7	0	7	2,308	2,700	(392)
Insurance Premiums	5,820	1,332	1,000	332	4,310	4,000	310
Financial Institutions	34,744	6,583	8,800	(2,217)	20,155	24,600	(4,445)
Other Selective Bus. Taxes	3,064	\$0	\$0	\$0	\$0	\$0	\$0
TOTAL - Consumption Taxes	5,620,364	1,012,139	1,029,800	(17,661)	5,845,477	6,005,400	(159,923)
Sales and Use	4,939,632	840,776	851,900	(11,124)	4,980,706	5,114,000	(133,294)
General (net of transfers)	4,248,181	739,301	735,700	3,601	4,301,659	4,400,200	(98,541)
Motor Vehicle Sales	691,451	101,475	116,200	(14,725)	679,047	713,800	(34,753)
Cigarette Tax	482,943	118,409	128,200	(9,791)	653,315	681,300	(27,985)
Other Tobacco Products	N/A	4,497	2,100	2,397	5,353	2,100	3,253
Malt Beverage	13,057	1,774	1,700	74	12,788	12,600	188
Liquor	184,733	46,684	45,900	784	193,315	195,400	(2,085)
TOTAL - Other Taxes	6,234,354	1,102,274	1,151,600	(49,326)	6,188,402	6,349,400	(160,998)
Personal Income	5,465,068	962,351	1,007,100	(44,749)	5,433,902	5,559,800	(125,898)
Withholding	4,629,747	798,774	823,600	(24,826)	4,660,939	4,738,300	(77,361)
Non-Withholding	835,320	163,577	183,500	(19,923)	772,963	821,500	(48,537)
Realty Transfer	248,393	44,896	51,600	(6,704)	244,217	278,900	(34,683)
Inheritance & Estate	449,677	84,547	80,800	3,747	452,955	463,700	(10,745)
Minor & Repealed	22,566	(460)	300	(760)	(1,309)	(12,600)	11,291
Table Games	48,651	10,939	11,800	(861)	58,637	59,600	(963)
TOTAL - MOTOR LICENSE FUND	1,274,006	188,021	193,340	(5,319)	1,280,160	1,293,350	(13,190)
TOTAL - Liquid Fuels Taxes	837,628	121,308	126,500	(5,192)	845,146	849,000	(3,854)
Liquid Fuels	(871)	12	0	12	57	0	57
Fuels	38	0	0	0	0	0	0
Motor Carriers/IFTA	46,454	3,453	4,000	(547)	47,973	45,800	2,173
Alternative Fuels	4,956	854	900	(46)	5,068	5,400	(332)
Oil Company Franchise	787,051	116,989	121,600	(4,611)	792,047	797,800	(5,753)
TOTAL - Licenses, Fees & Other	436,378	66,713	66,840	(127)	435,014	444,350	(9,336)
Licenses and Fees	424,412	64,042	65,000	(958)	424,805	434,400	(9,595)
Other Motor Receipts	11,966	2,671	1,840	831	10,209	9,950	259