



Pennsylvania Senate
**Appropriations
 Committee**

Senator Pat Browne
 Chairman



April 2017

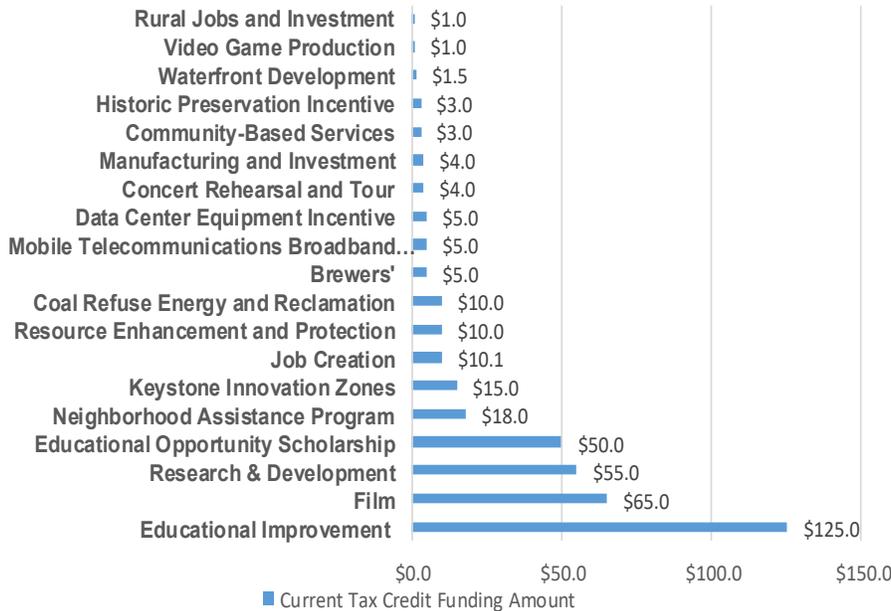
Monthly Report

Governor’s \$100 million Tax Credit Reduction Proposal

As part of his Fiscal Year 2017-18 state budget recommendation, Governor Wolf proposed a \$100 million reduction in the amount available for tax credits by converting the current array of tax credit incentives into a block grant. The Administration has indicated it would give priority to those tax credits with proven results and would limit those it determines to be less effective. Aside from that limited information, the Administration has provided very little detail to show exactly how the block grant proposal would work, what parameters will be used to make decisions regarding which credits will be affected and how much funding specific tax credit programs could lose.

Given the lack of specificity on the proposal, the General Assembly will need to carefully assess the Governor's proposal before determining whether it will become part of the final budget agreement.

Programs Included in Proposed Tax Credit Block Grant
 (Millions)



Inside This Issue

House’s Budget Proposal 2
 Unemployment Numbers Update..... 2
 Governor’s Complement Cap 3
 March Revenue Numbers 4
 Detailed General Fund Revenues 5

Where We Are In The Annual Budget Process

After concluding on March 9th three weeks of hearings on Governor Wolf’s FY 2017-18 budget proposal, the Appropriations Committee is now conducting in-depth reviews of the budget proposal. These reviews are designed to validate assumptions that were used in the development of the budget and to prepare for the Governor’s Spring Budget Update, which is usually provided in May.

Senate Appropriations Staff

- Greg Jordan, Director
- John Guyer, Assistant Director
- Kristi Houtz, Committee Secretary
- Faith Bender (Environment/Labor)
- Tom Diehl (Human Services)
- Tom Horan (Revenue/DCED)
- Russ Miller (Education/Agriculture)
- Bill Witmer (Criminal Justice/Capital)

Senate Appropriations Committee

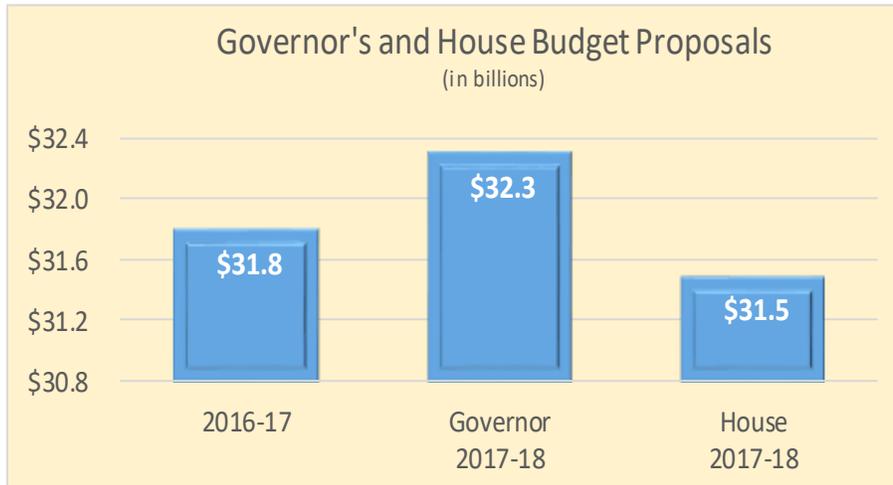
281 Main Capitol Building
 Harrisburg, PA 17120
 Phone: 717-787-1349
 Fax: 717-772-3458
<http://appropriations.pasenategop.com/>

Senator Browne’s District Office

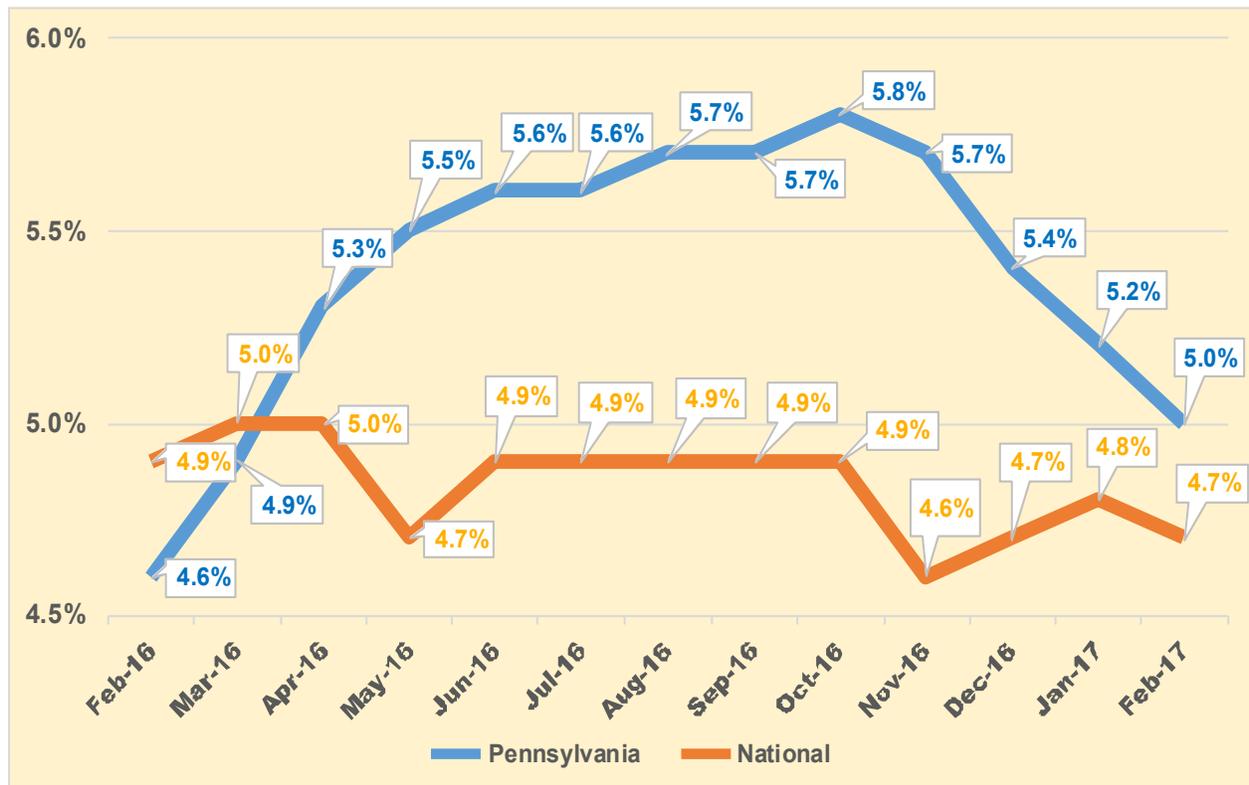
702 W. Hamilton Street, Suite 101
 Allentown, PA 18101
 Phone: 610-821-8468
 Fax: 610-821-6798
www.senatorbrowne.com

House of Representatives Releases Its FY 2017-18 Budget

On April 4th, the House of Representatives passed its Fiscal Year 2017-18 state budget. The House's budget cuts more than \$815 million from the Governor's proposed budget through 6.5% reductions to agency operating budgets and significant reductions and eliminations of discretionary programs. The House's budget does accept the proposed mergers across criminal justice agencies as well as in health and human service agencies in the Governor's proposed budget, but does not appear to accept the Governor's proposal to lease the Farm Show building or to bond finance select grant programs. The House's budget does not rely on any tax increases. No other details on the House's revenue package were available at the time of the printing of this month's newsletter.



Unemployment Numbers: Pennsylvania versus National



Update on Governor's Complement Cap

In early December, Governor Wolf restricted staffing levels to the number of employees Commonwealth agencies had as of December 2, 2016. As noted in Table 1 below, Commonwealth agencies had approximately 74,000 filled positions in early December. Under the revised complement cap, agencies are permitted to fill positions if their staffing levels drop below the December 2, 2016 level or if the Governor's Office grants an exception to the complement cap.

As noted in Table 1, overall filled staffing levels are now nearly 600 positions below December 2, 2016 levels. This drop in filled levels has been driven by Governor Wolf's decision to lay off 500 Labor and Industry employees supported by the Unemployment Compensation Administration Fund at the end of last year.

Table1: Staffing Levels by Source of Funds

| | 12/2/2016 | 12/30/2016 | 1/27/2017 | 2/24/2017 | 3/24/2017 | Difference: March 24 vs. December 2 |
|-------------------------------|---------------|---------------|---------------|---------------|---------------|---|
| General Fund | 52,277 | 52,538 | 52,358 | 52,230 | 52,131 | -146 |
| Motor License Fund | 11,465 | 11,497 | 11,481 | 11,482 | 11,496 | 31 |
| State Lottery Fund | 386 | 390 | 386 | 385 | 385 | -1 |
| UC Administration Fund | 1,853 | 1,432 | 1,405 | 1,389 | 1,382 | -471 |
| Fish Fund | 376 | 377 | 374 | 373 | 371 | -5 |
| Game Fund | 660 | 661 | 656 | 640 | 638 | -22 |
| State Stores Fund | 3,339 | 3,363 | 3,365 | 3,377 | 3,370 | 31 |
| All Other Funds | 3,669 | 3,678 | 3,684 | 3,688 | 3,668 | -1 |
| Total | 74,025 | 73,936 | 73,709 | 73,564 | 73,441 | -584 |

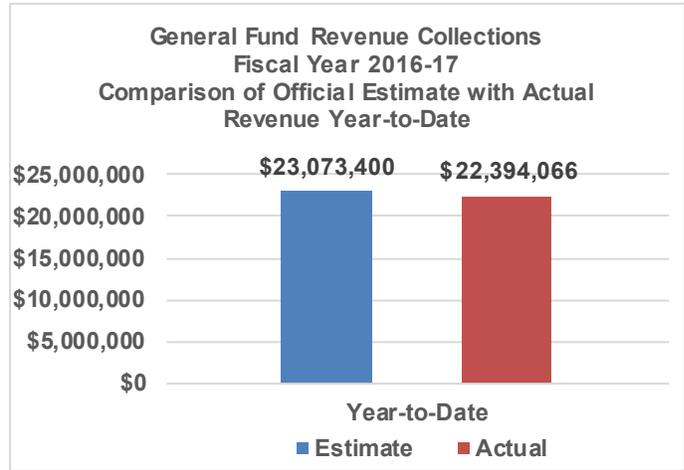
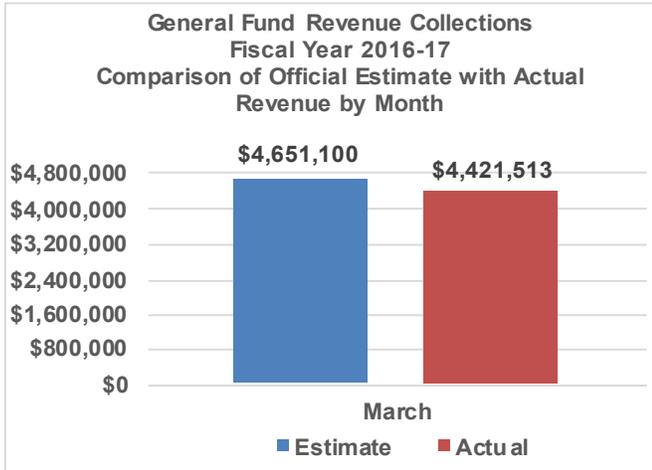
Through the end of December, General Fund agencies continued to fill positions above the December 2, 2016 level, but overall General Fund staffing levels are now below that level by about 150. Some agencies continue to have staffing levels above their complement cap as shown in Table 2.

Table 2: Select Agency Staffing Levels

| Individual Agency View (Select Agencies) | Filled Positions Above / (Below) December Complement Cap | 12/2/2016 | 3/24/2017 |
|---|---|-----------|-----------|
| Probation and Parole | 23 | 1,252.00 | 1,275.00 |
| State | 7 | 456.00 | 463.00 |
| Education | 5 | 440.00 | 445.00 |
| Revenue | 1 | 1,460.00 | 1,461.00 |
| DCED | 0 | 285.00 | 285.00 |
| Environmental Protection | (6) | 1,818.60 | 1,812.60 |
| General Services | (9) | 755.00 | 746.00 |
| Corrections | (13) | 15,431.20 | 15,418.20 |
| Military and Veterans Affairs | (18) | 2,387.95 | 2,370.02 |

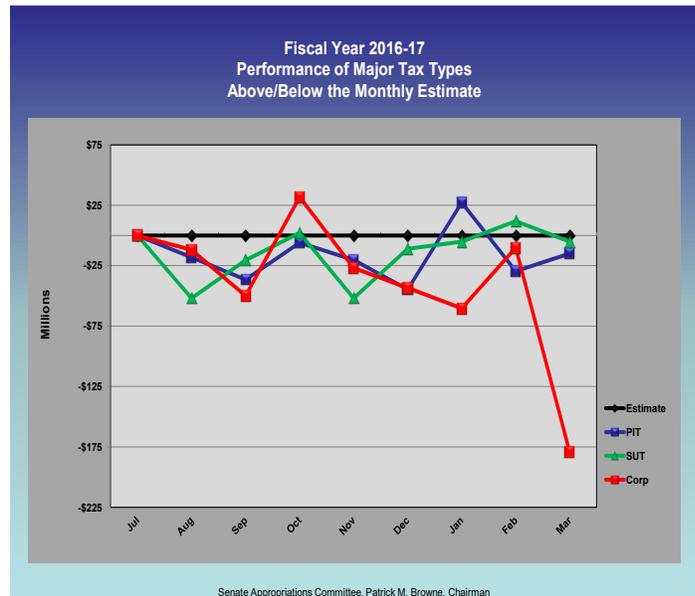
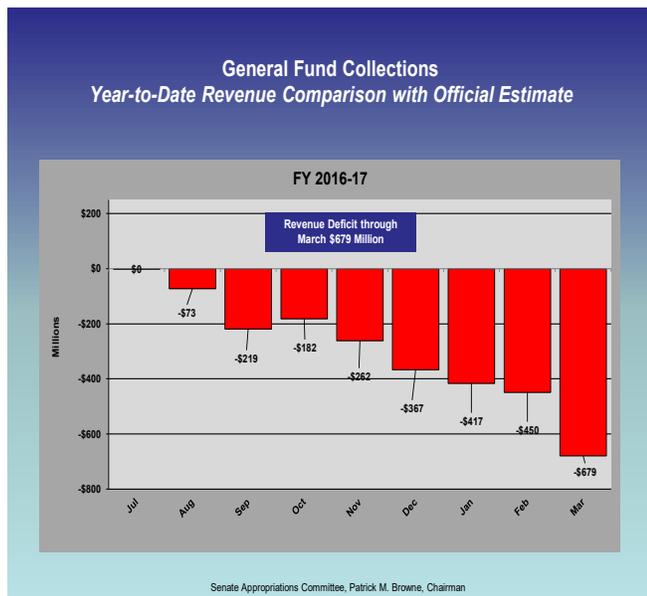
The Administration indicated the December 2, 2016 staffing levels became the basis for developing the Governor's FY 2017-18 budget proposal and that no vacant positions were funded in the Governor's request. While our committee has not completed its in-depth review of the Governor's proposal, early analysis has discovered funded vacant positions throughout agency budget materials. Based on the continuing poor revenue performance, we are not likely to be able to budget for positions above the Governor's December 2, 2016 level.

Revenues Come Up Short of Projections Again for Month of March



General Fund revenue collections for the month ended **March 2017** totaled **\$4.42 billion**, which was **\$229.6 million**, or **4.9%**, **below the monthly estimate**. Fiscal year-to-date collections total **\$22.4 billion**, which is **\$679.3 million**, or **2.9%**, below estimate for the year. March is typically the largest revenue collection month of the year.

| **In Thousands | March 2017 Actual | March 2017 Estimated | Over/under Estimate | Fiscal Year-to-Date Actual | Fiscal Year-to-Date Estimated | Over/Under Estimate |
|---------------------------|-------------------|----------------------|-------------------------|----------------------------|-------------------------------|-------------------------|
| Corporation Taxes | \$2,243,397 | \$2,422,300 | \$178.9 million or 7.4% | \$3,696,286 | \$4,046,300 | \$350.0 million or 8.7% |
| Sales and Use | \$760,619 | \$765,800 | \$5.2 million or 0.7% | \$7,356,801 | \$7,488,500 | \$131.7 million or 1.8% |
| Personal Income Tax (PIT) | \$1,162,078 | \$1,177,200 | \$15.1 million or 1.3% | \$8,684,833 | \$8,828,100 | \$143.3 million or 1.6% |
| Cigarette Tax | \$108,572 | \$104,700 | \$3.9 million or 3.7% | \$923,472 | \$960,900 | \$37.4 million or 3.9% |
| Other Tobacco Products | \$8,644 | \$6,200 | \$2.4 million or 39.4% | \$53,215 | \$40,700 | \$12.5 million or 30.7% |
| Liquor Tax | \$29,747 | \$30,500 | \$753 thousand or 2.5% | \$273,992 | \$280,800 | \$6.8 million or 2.4% |
| Realty Transfer Tax (RTT) | \$33,436 | \$41,200 | \$7.8 million or 18.8% | \$343,182 | \$401,300 | \$58.1 million or 14.5% |
| Inheritance & Estate Tax | \$92,878 | \$84,400 | \$8.5 million or 10.0% | \$691,367 | \$706,000 | \$14.6 million or 2.1% |
| Non-Tax Revenues | \$45,840 | \$92,000 | \$46.2 million or 50.2% | \$338,595 | \$311,300 | \$27.3 million or 8.8% |



General and Motor License Fund Revenue Detail

Fiscal Year 2016-17

Senate Appropriations Committee Monthly Revenue Report

(\$ thousands)

| REVENUE SOURCES | YTD FY 2015-16 | March 2017 Actual | March 2017 Estimated | Surplus/ (Deficit) | YTD Actual | YTD Estimated | Surplus/ (Deficit) |
|---|-------------------|----------------------|-------------------------|-----------------------|-------------------|-------------------|-----------------------|
| TOTAL - GENERAL FUND | 22,240,204 | 4,421,513 | 4,651,100 | (229,587) | 22,394,066 | 23,073,400 | (679,334) |
| TOTAL - NON-TAX REVENUE | 339,684 | 45,840 | 92,000 | (46,160) | 338,595 | 311,300 | 27,295 |
| TOTAL - TAX REVENUE | 21,900,520 | 4,375,673 | 4,559,100 | (183,427) | 22,055,472 | 22,762,100 | (706,628) |
| TOTAL - Corporation Taxes | 4,014,043 | 2,243,397 | 2,422,300 | (178,903) | 3,696,286 | 4,046,300 | (350,014) |
| Accelerated Deposits | 1,922 | 1,219 | 0 | 1,219 | 2,944 | 0 | 2,944 |
| Corp. Net Income | 1,867,157 | 457,475 | 484,300 | (26,825) | 1,738,153 | 1,974,900 | (236,747) |
| Cap. Stock & Franchise | 111,974 | (5,190) | (7,300) | 2,110 | 29,763 | 9,600 | 20,163 |
| Gross Receipts | 1,286,980 | 1,159,104 | 1,231,400 | (72,296) | 1,206,423 | 1,269,300 | (62,877) |
| PURTA | 2,779 | 563 | 0 | 563 | 2,907 | 2,800 | 107 |
| Insurance Premiums | 415,339 | 342,454 | 385,200 | (42,746) | 405,404 | 432,900 | (27,496) |
| Financial Institutions | 324,798 | 287,772 | 328,700 | (40,928) | 310,692 | 356,800 | (46,108) |
| Other Selective Bus. Taxes | 3,096 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| TOTAL - Consumption Taxes | 8,194,651 | 909,144 | 909,000 | 144 | 8,625,505 | 8,788,800 | (163,295) |
| Sales and Use | 7,243,486 | 760,619 | 765,800 | (5,181) | 7,356,801 | 7,488,500 | (131,699) |
| General (net of transfers) | 6,254,719 | 639,008 | 645,600 | (6,592) | 6,351,506 | 6,458,400 | (106,894) |
| Motor Vehicle Sales | 988,767 | 121,611 | 120,200 | 1,411 | 1,005,295 | 1,030,100 | (24,805) |
| Cigarette Tax | 668,915 | 108,572 | 104,700 | 3,872 | 923,472 | 960,900 | (37,428) |
| Other Tobacco Products | 0 | 8,644 | 6,200 | 2,444 | 53,215 | 40,700 | 12,515 |
| Malt Beverage | 18,495 | 1,562 | 1,800 | (238) | 18,025 | 17,900 | 125 |
| Liquor | 263,755 | 29,747 | 30,500 | (753) | 273,992 | 280,800 | (6,808) |
| TOTAL - Other Taxes | 9,691,826 | 1,223,132 | 1,227,800 | (4,668) | 9,733,680 | 9,927,000 | (193,320) |
| Personal Income | 8,595,117 | 1,162,078 | 1,177,200 | (15,122) | 8,684,833 | 8,828,100 | (143,267) |
| Withholding | 7,118,067 | 1,004,881 | 1,018,800 | (13,919) | 7,258,149 | 7,352,200 | (94,051) |
| Non-Withholding | 1,477,050 | 157,197 | 158,400 | (1,203) | 1,426,685 | 1,475,900 | (49,215) |
| Realty Transfer | 356,462 | 33,436 | 41,200 | (7,764) | 343,182 | 401,300 | (58,118) |
| Inheritance & Estate | 702,372 | 92,878 | 84,400 | 8,478 | 691,367 | 706,000 | (14,633) |
| Minor & Repealed | (36,928) | (77,450) | (87,000) | 9,550 | (75,201) | (98,800) | 23,599 |
| Table Games | 74,804 | 12,190 | 12,000 | 190 | 89,499 | 90,400 | (901) |
| TOTAL - MOTOR LICENSE FUND | 1,938,090 | 236,571 | 238,810 | (2,239) | 1,957,023 | 1,977,330 | (20,307) |
| TOTAL - Liquid Fuels Taxes | 1,229,836 | 114,162 | 126,500 | (12,338) | 1,261,329 | 1,270,900 | (9,571) |
| Liquid Fuels | (852) | 1 | 0 | 1 | 59 | 0 | 59 |
| Fuels | 38 | 0 | 0 | 0 | 0 | 0 | 0 |
| Motor Carriers/IFTA | 72,063 | 2,564 | 5,000 | (2,436) | 71,753 | 74,900 | (3,147) |
| Alternative Fuels | 7,055 | 1,031 | 900 | 131 | 7,897 | 8,100 | (203) |
| Oil Company Franchise | 1,151,532 | 110,567 | 120,600 | (10,033) | 1,181,620 | 1,187,900 | (6,280) |
| TOTAL - Licenses, Fees & Other | 708,253 | 122,409 | 112,310 | 10,099 | 695,694 | 706,430 | (10,736) |
| Licenses and Fees | 676,103 | 114,343 | 105,200 | 9,143 | 677,010 | 684,900 | (7,890) |
| Other Motor Receipts | 32,150 | 8,066 | 7,110 | 956 | 18,684 | 21,530 | (2,846) |