



## Senate Appropriations Committee

# The Monthly Report

December 2010

Jake Corman, Chairman



### General Fund Revenues \$4.5 million below estimate

**G**eneral Fund revenue collections for the month ended November 2010 totaled \$1.59 billion, which was \$4.5 million, or 0.3%, below estimate. Fiscal year-to-date collections total \$9.16 billion, which is \$14 million, or 0.2%, above estimate. November is second only to February as the month typically having the least amount of

General Fund revenue collections. There are no major quarterly or annual tax payments due in November.

Personal income tax collections were below estimate by \$22.4 million, or 3.3%, for the month. Despite a slight improvement in October, stubbornly high unemployment continues to impact PIT collections. November 2010 PIT withholding payments of \$632 million

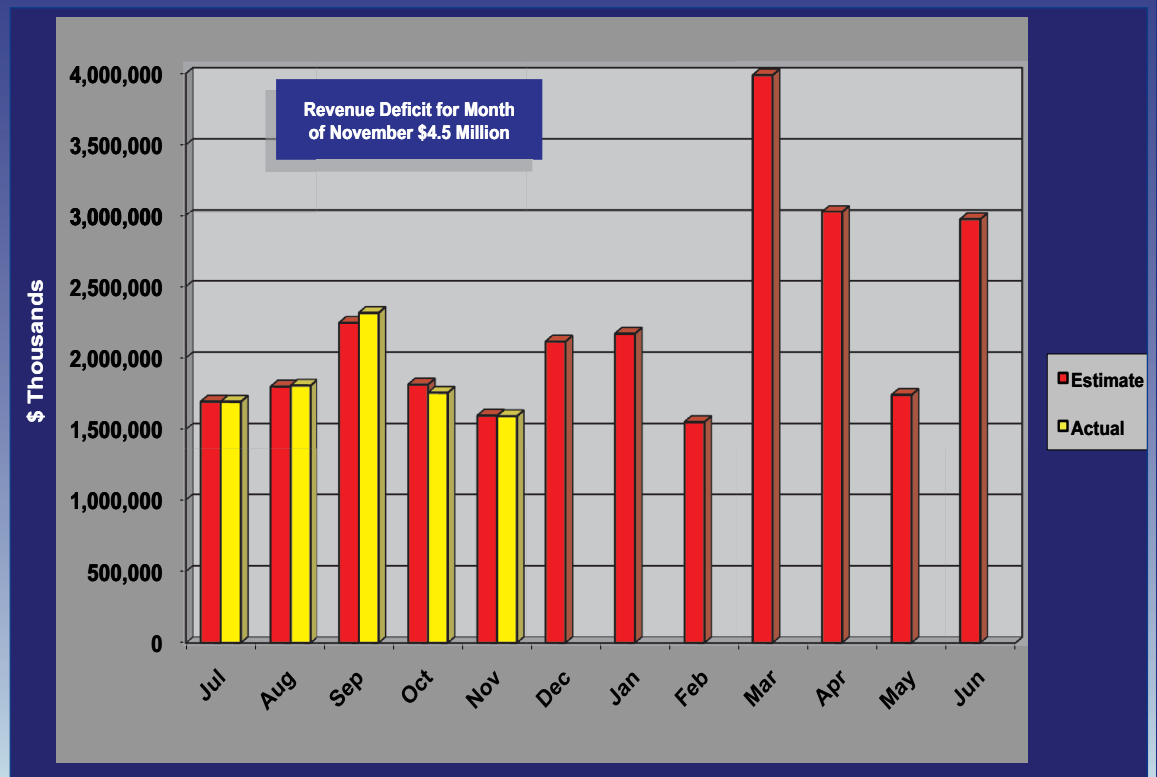
were \$48 million less than last year's PIT withholding collections of \$680 million.

Sales and use tax collections exceeded estimate by \$26.8 million, or 4.2%, for the month. Preliminary reports indicate that holiday shopping sales are ahead of last year, and it appears that vehicle sales are beginning to trend upward as

well. However, with consumers heavily indebted and unemployment high, spending is not as robust as it was before the recession.

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**General Fund Tax Collections**  
Fiscal Year 2010-2011  
Comparison of Official Estimate with Actual Revenue by Month



Senate Appropriations Committee, Jake Corman, Chairman



Corporation tax collections were below estimate by \$6.6 million for November. Realty Transfer Tax collections were below estimate by \$4.7 million

for the month and are below estimate by 21% for the year.

Motor License Fund collections were \$10.3 million above estimate for the month of

November. The Motor License Fund is \$43.4 million above estimate for the year.

## Pension Reform Bill Enacted

**T**he Senate pension reform proposal was signed into law by the Governor on November 23, 2010 as Act 120.

The legislation addresses the impending spike in public pension costs for state and school employees and provides \$3 billion in savings to Pennsylvania's public pension systems as compared to existing law. In addition, the Senate-approved bill saves more than \$33 billion from the pension bill approved by the House of Representatives.

The rate spike is addressed through:

- a re-amortization of both the SERS and PSERS unfunded liabilities;
- increasing the smoothing periods over which investment gains and losses are recognized in an effort to reduce volatility in the employer contribution rate; and
- modifying employer contribution requirements by imposing limits, referred to as "collars" on the rate at which employer contributions may rise from year to year. Collars for fiscal years beginning July 1, 2011, 2012 and 2013 are 3.0%, 3.5% and 4.5% respectively.

The combined effect of these changes is to reduce the projected employer contribution rate for FY 2012-13 from 28.71% of payroll to 12.22% for PSERS and from 26.71% to 11.5% for SERS. The reduction in General Fund employer contributions for FY 2012-13 is estimated at \$1.004 billion for PSERS and \$482 million for SERS. This "re-financing" of our public pension obligation smoothes the rapid escalation in employer contribution rates and enables us to manage the transition to higher rates during difficult fiscal times.

Act 120 also makes reforms in the area of plan design and pension benefits for new state and school employees. These reforms, which are intended to reduce future year costs include:

- reducing pension benefits to pre-2001 levels. Annuities for new members would be based on an accrual rate of 2%;
- increasing new employee contribution levels to 7.5% of payroll for PSERS and 6.25% for SERS;
- increasing the retirement age for new employees to 65 with three years of service or any combination of age and service that totals 92 with at

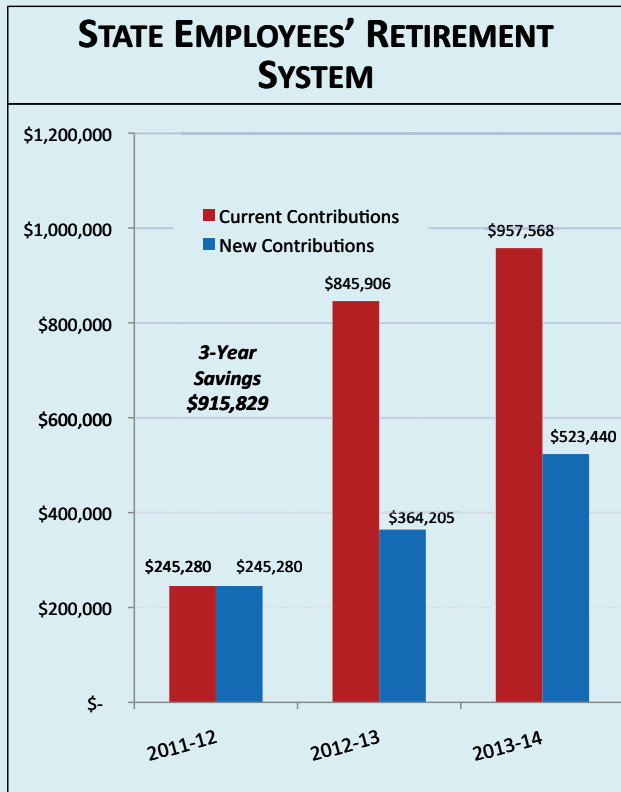
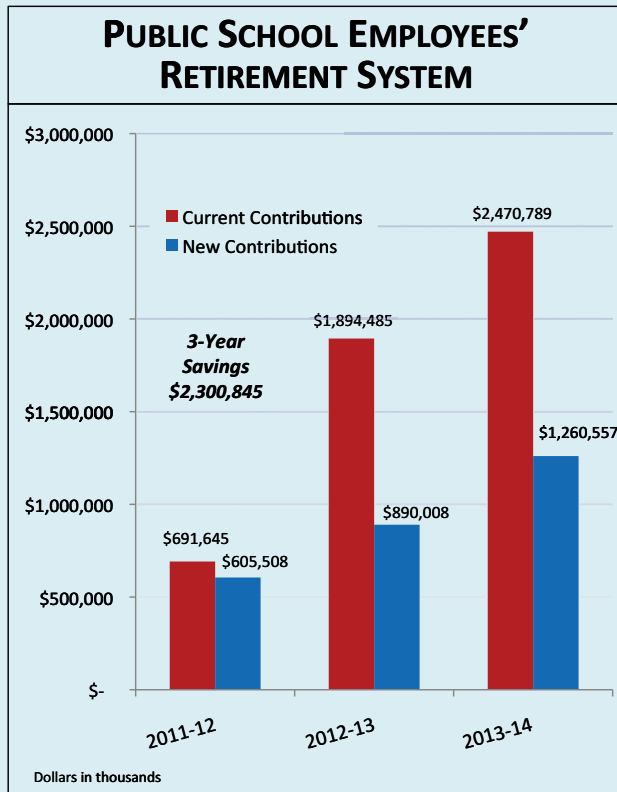
least 35 years of credited service;

- Increasing the vesting period for new employees from five to ten years; and
- Establishing a shared risk contribution rate whereby the employee contribution rate for new employees would increase in the event that the investment performance of the funds does meet the investment earnings assumptions.

In addressing the pension funding crisis, Act 120 strikes a compromise that is fair to both taxpayers and public employees. The changes to the pension laws provide important savings that will protect the future of the Pennsylvania Public School Employees' and State Employees' retirement systems. Our ultimate responsibility is to protect the pension benefits earned by public employees without imposing an excess burden on taxpayers. Act 120 realizes these goals by stabilizing our state and school employee pension systems and mitigating the rate spike to ensure that the Commonwealth can meet its short-term and long-term pension obligations.



## ESTIMATED CHANGE IN STATE SHARE OF RETIREMENT CONTRIBUTIONS UNDER HOUSE BILL 2497 – ACT 120



## Pennsylvania's Unemployment Rate drops to 8.8%

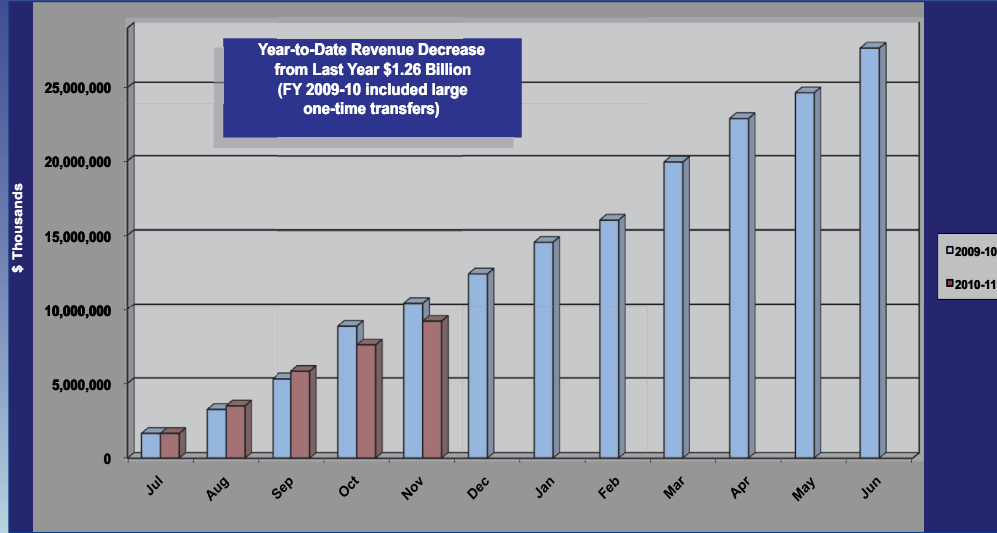
**T** Pennsylvania's statewide unemployment rate fell two-tenths to 8.8 percent in October—substantially below the national rate of 9.6 percent. This marks the first time since February 2010 that the Commonwealth's unemployment rate has dipped below 9.0 percent.

The PA Department of Labor & Industry reported that October unemployment was down 10,000 to the lowest level in a year. Total non-farm jobs are up 48,000 from October 2009, including a 3,000 net increase in manufacturing jobs — that sector's first over-the-year growth in a decade.

Pennsylvania's unemployment rate has been at or below the national rate for 91 of the past 94 months.

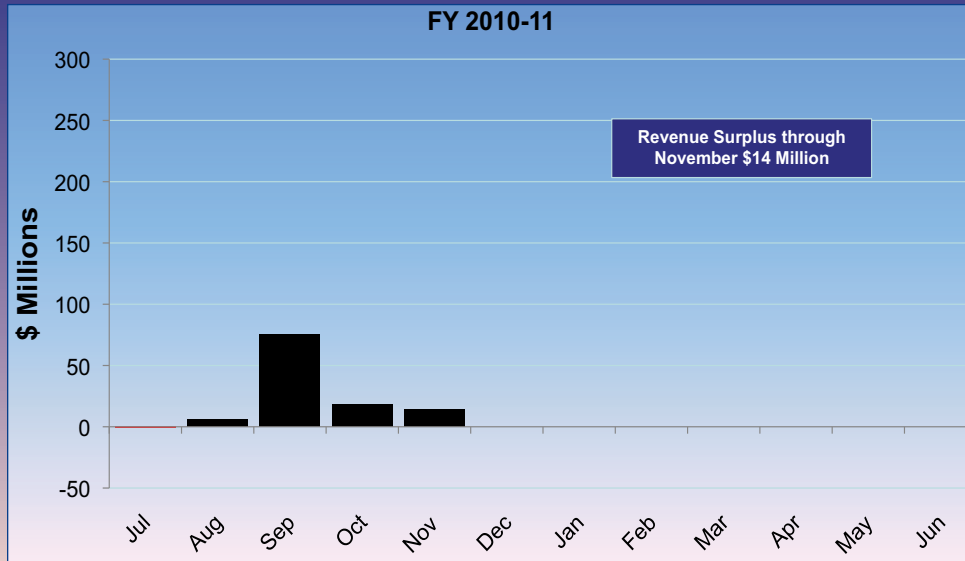


## General Fund Tax Collections Fiscal Year 2010-2011 Revenue Comparison with Last Year



Senate Appropriations Committee, Jake Corman, Chairman

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



Senate Appropriations Committee, Jake Corman, Chairman



## Appropriations Committee Monthly Revenue Report

REVENUE SOURCES	YTD FY 2009-10	November 2010 Actual	November 2010 Estimated	Surplus/ (Deficit)	YTD Actual	YTD Estimated	Surplus/ (Deficit)
<b>TOTAL - GENERAL FUND</b>	<b>10,422,734</b>	<b>1,591,723</b>	<b>1,596,200</b>	<b>(4,477)</b>	<b>9,162,823</b>	<b>9,148,800</b>	<b>14,023</b>
TOTAL - NON-TAX REVENUE	1,883,159	18,695	15,800	2,895	276,689	282,400	(5,711)
TOTAL - TAX REVENUE	8,539,576	1,573,029	1,580,400	(7,371)	8,886,133	8,866,400	19,733
<b>TOTAL - Corporation Taxes</b>	<b>722,531</b>	<b>48,330</b>	<b>54,900</b>	<b>(6,570)</b>	<b>769,094</b>	<b>713,300</b>	<b>55,794</b>
Accelerated Deposits	5,265	(805)	0	(805)	1,850	0	1,850
Corp. Net Income	464,674	31,842	38,200	(6,358)	521,823	504,900	16,923
Cap. Stock & Franchise	184,721	14,242	15,500	(1,258)	209,691	193,400	16,291
Gross Receipts	6,893	1,722	300	1,422	18,355	4,900	13,455
PURTA	1,466	28	100	(72)	2,151	900	1,251
Insurance Premiums	49,459	799	200	599	4,378	2,600	1,778
Financial Institutions	7,761	379	500	(121)	9,520	3,500	6,020
Other Selective Bus. Taxes	2,294	123	100	23	1,326	3,100	(1,774)
<b>TOTAL - Consumption Taxes</b>	<b>3,798,239</b>	<b>776,396</b>	<b>752,400</b>	<b>23,996</b>	<b>4,082,316</b>	<b>4,003,200</b>	<b>79,116</b>
Sales and Use	3,337,018	661,200	634,400	26,800	3,493,172	3,421,900	71,272
General (net of transfers)	2,918,846	575,224	561,700	13,524	3,045,921	3,011,500	34,421
Motor Vehicle Sales	418,172	85,976	72,700	13,276	447,250	410,400	36,850
Cigarette Tax	342,310	90,837	93,600	(2,763)	465,679	458,100	7,579
Malt Beverage	12,001	2,077	2,100	(23)	11,766	11,700	66
Liquor	106,909	22,282	22,300	(18)	111,699	111,500	199
<b>TOTAL - Other Taxes</b>	<b>4,018,806</b>	<b>748,303</b>	<b>773,100</b>	<b>(24,797)</b>	<b>4,034,724</b>	<b>4,149,900</b>	<b>(115,176)</b>
Personal Income	3,583,929	657,035	679,400	(22,365)	3,574,263	3,651,900	(77,637)
Withholding	3,103,150	631,942	645,100	(13,158)	3,137,838	3,143,000	(5,162)
Non-Withholding	480,778	25,093	34,300	(9,207)	436,425	508,900	(72,475)
Realty Transfer	132,641	20,579	25,300	(4,721)	123,418	156,300	(32,882)
Inheritance & Estate	301,129	65,597	61,800	3,797	313,726	313,600	126
Minor & Repealed	1,108	204	400	(196)	1,540	700	840
Table Games		4,888	6,200	(1,312)	21,777	27,400	(5,623)
<b>TOTAL - MOTOR LICENSE FUND</b>	<b>1,103,177</b>	<b>169,025</b>	<b>158,730</b>	<b>10,295</b>	<b>1,007,644</b>	<b>964,290</b>	<b>43,354</b>
<b>TOTAL - Liquid Fuels Taxes</b>	<b>502,517</b>	<b>101,317</b>	<b>100,190</b>	<b>1,127</b>	<b>528,340</b>	<b>499,460</b>	<b>28,880</b>
Liquid Fuels	235,178	45,536	47,900	(2,364)	250,071	238,380	11,691
Fuels	61,860	13,657	12,490	1,167	66,219	62,510	3,709
Motor Carriers/IFTA	13,234	2,022	2,040	(18)	14,301	12,050	2,251
Alternative Fuels	84	0	20	(20)	102	100	2
Oil Company Franchise	192,161	40,102	37,740	2,362	197,647	186,420	11,227
<b>TOTAL - Licenses, Fees &amp; Other</b>	<b>600,660</b>	<b>67,708</b>	<b>58,540</b>	<b>9,168</b>	<b>479,304</b>	<b>464,830</b>	<b>14,474</b>
Licenses and Fees	320,746	59,371	52,950	6,421	332,257	322,140	10,117
Other Motor Receipts	279,914	8,337	5,590	2,747	147,047	142,690	4,357