



Pennsylvania Senate Appropriations Committee

Senator Pat Browne
Chairman



May 2018

Monthly Report

April Revenues Better Than They Appear

General Fund revenue collections for the month of April missed the estimate by \$57.6 million, but the result is not as bad as it seems considering the dynamics of April collections and estimates. The revenue estimate for the month of April included \$30 million of anticipated iGaming license fees, but the Pennsylvania Gaming Control Board has indicated that these fees will not be received until next fiscal year. Also, April's revenue estimate included \$85.1 million of Liquor Store Profits revenue, but the transfer was made earlier than expected in February. As a result, April's revenues were likely going to be short of estimate by \$115.1 million in non-tax revenues before the month even started. Tax revenue collections were actually \$33.3 million above estimate for the month.

The strong year-over-year growth in sales tax and personal income tax reflects consumer spending, job creation and wage growth patterns that are important indicators of healthy General Fund revenue collections going forward.

April General Fund Revenue vs. Estimate:

- General Fund revenue collections of \$3.75 billion were below the monthly estimate by \$57.6 million, or 1.5%
- General Fund tax revenues were above estimate by \$33.3 million, or 0.9%
- Non-tax revenues missed the estimate by \$90.9 million, or 31.3%

Fiscal Year 2017-18 vs. the Official Revenue Estimate To-Date:

- Total General Fund revenues are \$164.1 million, or 0.6%, higher than the Official Revenue Estimate through the month of April
- General Fund tax revenue is \$47.8 million, or 0.2%, less than estimate
- Corporation taxes are \$143.6 million, or 3.4%, short of the estimate
- Sales and use taxes (SUT) are \$21.5 million, or 0.3%, above the estimate

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MEMORIAL DAY



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April Revenues Better Than They Appear Continued....

- ◇ General SUT collections are \$44.6 million, or 0.6%, above estimate
- ◇ SUT collections on motor vehicle sales are \$23.1 million, or 2%, below estimate
- Personal income tax (PIT) collections exceed the estimate by \$124 million, or 1.1%
 - ◇ Withheld PIT is \$21.3 million, or 0.3%, above the estimate
 - ◇ Non-withheld PIT (annual & estimated payments) is \$102.7 million, or 3.6%, ahead of estimate
- Non-tax revenues are \$211.9 million, or 9.4%, over estimate

Fiscal Year 2017-18 vs. Fiscal Year 2016-17:

- Total General Fund revenues through April are \$3.2 billion higher than last year at this time (includes revenue bonds and transfers)
- General Fund tax revenue is \$1.3 billion, or 5.2%, higher
- Non-tax revenues are \$1.9 billion more than last fiscal year through April (includes revenue bonds and transfers)

Motor License Fund:

- Motor License Fund revenues exceed the estimate by \$68.4 million, or 2.9%, through April
- Motor License Fund revenues are \$210.5 million, or 9.4%, more than last fiscal year at this time

Senator Brooks' Depreciation Bill Passes Senate

Senate Bill 1056 (Brooks) was passed in the Senate by an overwhelming vote of 42-7 on April 24, 2018. The much-needed legislation would allow C-corporations doing business in Pennsylvania to spur economic growth and business investment by reversing the Pennsylvania Department of Revenue's controversial *Corporation Tax Bulletin 2017-2*, which disallows all depreciation deductions with regard to property for which a taxpayer claims bonus depreciation on its federal tax return until the property is sold or otherwise disposed of, which could be indefinitely.

Senate Bill 1056 decouples Pennsylvania's corporate net income tax from federal bonus depreciation, but it would allow for a deduction consistent with normal federal depreciation rules. Determining net income by expensing assets through the use of depreciation is a basic, long-standing tax accounting principle. If *Corporation Tax Bulletin 2017-2* is not reversed, Pennsylvania will perhaps be the only state in the nation that does not allow timely deductions for depreciation in determining a corporation's taxable income.





On May 1st, the PA Lottery sold its first Keno ticket at Crazy Mare's, 511 Route 61 South, Schuylkill Haven, Schuylkill County. The first drawing took place at 5:49 a.m. Keno, a new game with drawings every four minutes, is selling briskly at Pennsylvania Lottery retailers statewide. Keno play starts at \$1. Players choose up to 10 numbers, or spots, from 1 to 80. A computer randomly draws 20 winning numbers. The more spots players match, the more they can win.

By lunchtime, Keno was selling at a clip of about 8,200 tickets per hour. Players can watch an animated depiction of the drawing they played by visiting the [Keno](#) page at palottery.com or by using the Lottery's official mobile app. Players can also scan their Keno ticket at any Pennsylvania Lottery retailer to see if it has won a prize. Although Keno is sold at all Lottery retailers, Keno players can also watch drawing results on big-screen monitors found at hundreds of [locations](#). By month's end, more than 1,000 locations will have Keno monitors with even more to come in the future. If you don't see Keno monitors in your favorite bar or restaurant, suggest that the business sign up to sell the game.

As with all Pennsylvania Lottery games, Keno players must be 18 or older.

Where to buy Keno tickets & check past drawings:

- All 9,200 retailers can sell keno tickets, even retailers without monitors. Some of our biggest sellers of keno tickets to date do not have monitors to view the keno drawings.
- Keno drawings can be viewed on monitors at retailers, on PA Lottery's website and also through PA Lottery's mobile phone app.

Monitor Games Update:

- As of May 3rd, 333 retailers had monitors installed for Keno and Xpress sports viewing.
- The PA Lottery has received 1,850 requests from retailers for monitor games, including 510 new retailers.
- Xpress Sports is slated for launch in late June.

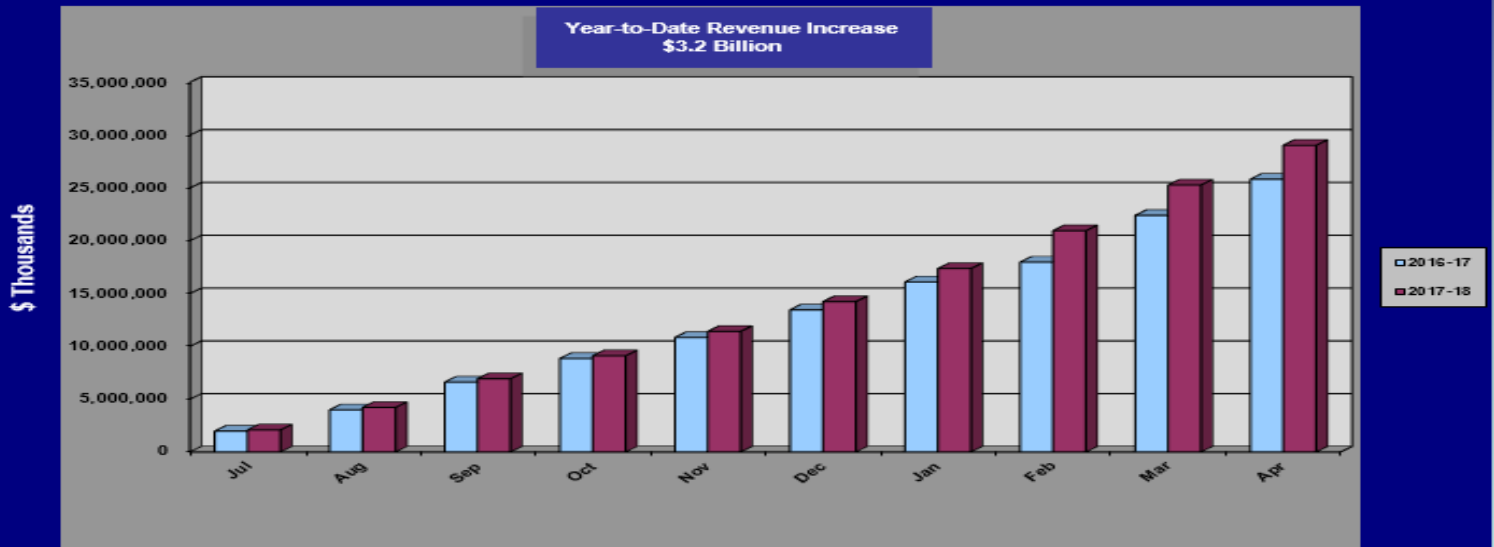
Great start for Keno:

- 3,378 retailers had at least one Keno sale on launch day (May 1).
- Day 2 sales were up 34.44% over Day 1 sales through 11 am.
- Day 3 sales picked up another 8.29% from Day 2.
- Top selling hour was between 6pm and 7pm.
- 26% of sales were 10 spot plays.
- Keno Multiplier had 20.74% participation.
- Top selling county was Philadelphia.
- Top selling county per using per capita was Indiana County.

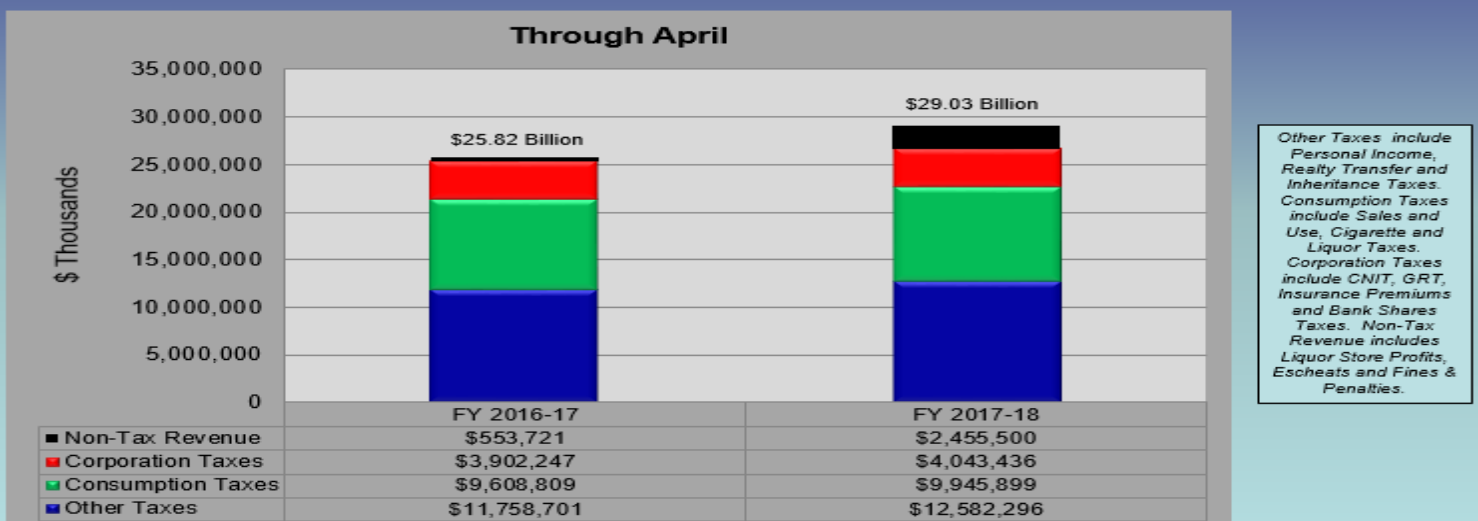
Fiscal Picture:

- Fiscal year-to-date sales are 5% ahead of estimate.
- The past 11 scratch-off sales weeks have been in the PA Lottery's top 40 scratch-off sales weeks of all time.
- 14 of the best weeks ever in scratch-off sales have been in this fiscal year.

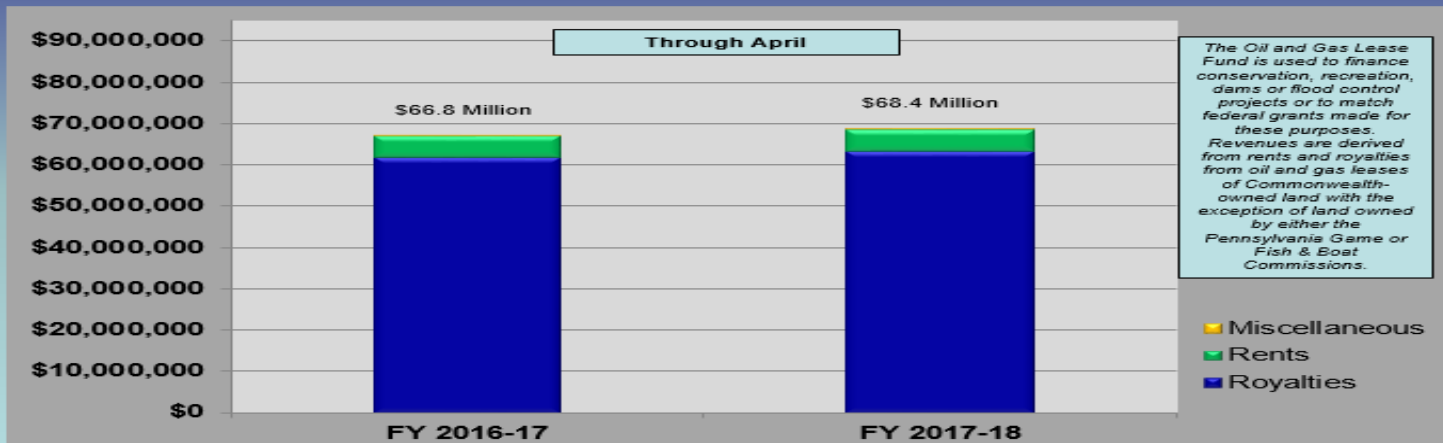
*General Fund Revenue Collections
Fiscal Year 2017-18
Revenue Comparison with Last Year*



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



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



Fiscal Year 2017-18

Senate Appropriations Committee

Monthly Revenue Report

(\$ thousands)

REVENUE SOURCES	YTD FY 2016-17	April 2018 Actual	April 2018 Estimated	Surplus/ (Deficit)	YTD Actual FY-2017-18	YTD Estimated FY-2017-18	Surplus/ (Deficit)
TOTAL - GENERAL FUND	25,823,479	3,753,882	3,811,500	(57,618)	29,027,132	28,863,000	164,132
TOTAL - NON-TAX REVENUE	553,721	199,459	290,400	(90,941)	2,455,500	2,243,600	211,900
TOTAL - TAX REVENUE	25,269,757	3,554,423	3,521,100	33,323	26,571,632	26,619,400	(47,768)
TOTAL - Corporation Taxes	3,934,797	313,196	304,900	8,296	4,043,436	4,187,000	(143,564)
Accelerated Deposits	8,110	8,896	0	8,896	12,055	0	12,055
Corp. Net Income	1,928,918	243,319	250,300	(6,981)	2,052,855	2,234,200	(181,345)
Cap. Stock & Franchise	32,550	0	0	0	0	0	0
Gross Receipts	1,210,078	4,158	5,800	(1,642)	1,140,730	1,223,700	(82,970)
PURTA	5,680	16,595	9,300	7,295	18,100	10,600	7,500
Insurance Premiums	433,582	38,151	35,500	2,651	463,180	400,500	62,680
Financial Institutions	315,878	2,076	4,000	(1,924)	356,516	318,000	38,516
TOTAL - Consumption Taxes	9,608,809	1,026,224	1,011,800	14,424	9,945,899	9,981,000	(35,101)
Sales and Use	8,187,771	893,802	858,900	34,902	8,540,434	8,518,900	21,534
General (net of transfers)	7,071,405	766,715	741,200	25,515	7,407,839	7,363,200	44,639
Motor Vehicle Sales	1,116,367	127,087	117,700	9,387	1,132,595	1,155,700	(23,105)
Cigarette Tax	1,034,454	92,680	110,300	(17,620)	978,869	1,025,100	(46,231)
Other Tobacco Products	64,238	10,210	10,900	(690)	97,769	99,700	(1,931)
Malt Beverage	20,034	1,870	2,000	(130)	19,921	20,100	(179)
Liquor	302,312	27,662	29,700	(2,038)	308,907	317,200	(8,293)
TOTAL - Other Taxes	11,726,151	2,215,003	2,204,400	10,603	12,582,296	12,451,400	130,896
Personal Income	10,531,852	2,056,913	2,048,000	8,913	11,307,514	11,183,500	124,014
Withholding	8,001,322	811,842	804,400	7,442	8,387,149	8,365,800	21,349
Non-Withholding	2,530,530	1,245,071	1,243,600	1,471	2,920,365	2,817,700	102,665
Realty Transfer	377,325	41,802	37,600	4,202	416,577	408,200	8,377
Inheritance & Estate	771,553	100,109	86,300	13,809	818,853	821,900	(3,047)
Minor & Repealed	(54,487)	6,289	23,100	(16,811)	(62,455)	(62,800)	345
Table Games (Gaming)	99,909	9,891	9,400	491	101,808	100,600	1,208
TOTAL - MOTOR LICENSE FUND	2,235,828	306,979	250,280	56,699	2,446,373	2,378,010	68,363
TOTAL - Liquid Fuels Taxes	1,434,579	165,517	147,200	18,317	1,538,864	1,539,600	(736)
Liquid Fuels	59	1	0	1	7	0	7
Fuels	0	0	0	0	0	0	0
Motor Carriers/IFTA	74,635	2,289	4,000	(1,711)	103,947	96,900	7,047
Alternative Fuels	8,910	1,078	1,000	78	11,708	10,600	1,108
Oil Company Franchise	1,350,976	162,149	142,200	19,949	1,423,202	1,432,100	(8,898)
TOTAL - Licenses, Fees & Other	801,249	141,462	103,080	38,382	907,509	838,410	69,099
Licenses and Fees	780,720	132,167	102,300	29,867	848,930	792,200	56,730
Other Motor Receipts	20,529	9,295	780	8,515	58,579	46,210	12,369