



# Pennsylvania Senate Appropriations Committee

Senator Pat Browne  
Chairman



June 2018

## Monthly Report

### General Fund Revenues on Pace Heading into the Final Stretch

General Fund revenue collections for the month of May missed the estimate by \$42.6 million; however, tax revenue receipts exceeded the monthly estimate by \$20.9 million. A non-tax monthly revenue deficit of \$63.5 million, mostly the result of a \$59 million shortfall in unclaimed property revenue (i.e. Treasury escheats), is what drove the month's negative result.

Total corporation tax revenues missed the monthly estimate by \$27 million. The second quarterly estimated corporate net income tax payment for 2018 calendar year tax filers will be due in June, so corporation taxes will play an important role in determining the final FY 2017-18 General Fund revenue performance. General sales and use tax (SUT) (i.e. non-motor SUT) was above estimate by \$8.9 million for the month and was 7% higher than May 2017. Likewise, personal income tax (PIT) collections were \$7.5 million above estimate for the month and were 4.4% higher than PIT collections in May 2017. Together, personal income tax (42%) and sales and use tax (32%) make up nearly three-quarters of all General Fund tax revenue in a given fiscal year. Consequently, it is a positive sign to see that each of these tax types is experiencing strong year-over-year growth, which bodes well for General Fund revenues heading into a new fiscal year.

#### May General Fund Revenue vs. Estimate:

- General Fund revenue collections of \$2.46 billion were below the monthly estimate by \$42.6 million.
- General Fund tax revenues were above estimate by \$20.9 million, or 0.9%.
- Corporation taxes were \$27 million, or 8.9%, below the estimate.
- Sales and use tax collections beat the estimate by \$7 million, or 0.8%, for the month.
- Personal income tax collections were ahead of estimate by \$7.5 million, or 0.8%.
- Inheritance tax collections were above the estimate by \$15.6 million, or 16.8%.
- Non-tax revenues missed the estimate by \$63.5 million, or 83.7%.

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An update on the Spotted Lanternfly coming next month.

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## General Fund Revenues on Pace Heading into the Final Stretch Continued....

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

- Total General Fund revenues are \$121.5 million, or 0.4%, higher than the Official Revenue Estimate through the month of May. As a cautionary note, the Commonwealth had planned on receiving \$200 million in June from the Joint Underwriting Association. That revenue will not be received this fiscal year, which will offset the year-to-date surplus.
- General Fund tax revenue is \$26.8 million, or 0.1%, less than estimate.
- Corporation taxes are \$170.6 million, or 3.8%, short of the estimate.
- Sales and use taxes are \$28.6 million, or 0.3%, above the estimate.
  - ◊ General SUT collections are \$53.6 million, or 0.7%, above estimate.
  - ◊ SUT collections on motor vehicle sales are \$25 million, or 1.9%, below estimate.
- Personal income tax collections exceed the estimate by \$131.5 million, or 1.1%.
  - ◊ Withheld PIT is \$28.5 million, or 0.3%, above the estimate.
  - ◊ Non-withheld PIT (annual & estimated payments) is \$102.9 million, or 3.6%, ahead of estimate.
- Non-tax revenues are \$148.4 million, or 6.4%, over estimate.

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

- Total General Fund revenues through May are \$3.1 billion higher than last year at this time (includes revenue bonds and transfers).
- General Fund tax revenue is \$1.5 billion, or 5.4%, higher.
- Corporation taxes are \$189.2 million, or 4.6%, higher.
- Sales and use tax collections are \$407.1 million, or 4.5%, higher than last year through May.
- Personal income tax collections exceed last year's collections by \$815.4 million, or 7.1%.
- Non-tax revenues are \$1.6 billion more than last fiscal year through May (includes revenue bonds, transfers and gaming license fees).

### Motor License Fund:

- Motor License Fund revenues exceed the estimate by \$48.4 million, or 1.8%, through May.
- Motor License Fund revenues are \$199.3 million, or 8%, more than last fiscal year at this time.

## Sports Wagering a Safe Bet in Pennsylvania

On May 14, 2018, the United States Supreme Court found the federal Professional and Amateur Sports Protection Act (PASPA) to be unconstitutional (*Murphy, et al. v. NCAA, et al.*). With very limited exceptions, PASPA was the federal law that had prohibited states from allowing legalized sports wagering to take place within their borders. Pennsylvania's Act 42 of 2017 made significant changes to the Commonwealth's gaming law, including a provision that would allow sports wagering in the state. Act 42 specified the intent to authorize sports wagering when federal law is enacted or repealed or a Federal court decision is filed that permits a state to regulate sports wagering.

Under Act 42 of 2017, the Pennsylvania Gaming Control Board (board) may authorize a slot machine licensee (i.e. casino) to conduct sports wagering and to operate a system of wagering associated with the conduct of sports wagering at the slot machine licensee's licensed facility, certain temporary facilities for up to 24 months, a non-primary location associated with horse racing (i.e. OTB) or through an Internet-based system. The board certified the *Murphy, et al. v. NCAA, et al.* decision at its public meeting held on May 30, 2018. Publication in the Pennsylvania Bulletin of the certification is expected to occur in the near future.

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## Sports Wagering a Safe Bet in Pennsylvania Continued....

The board will draft temporary regulations to implement sports wagering according to Act 42, and it is expected to vote on those regulations at a series of public meetings over the summer. Initial temporary regulations that provide for definitions of the terms associated with sports wagering implementation, as well as those setting out the petition requirements for slot machine licensees seeking to offer sports wagering have already been approved. The board announced that it is accepting comments relative to temporary regulations from any interested entity or person, and any such comments should be submitted by mail or email no later than June 15, 2018.

Each slot machine licensee that is issued a certificate to conduct sports wagering must pay a one-time nonrefundable authorization fee in the amount of \$10 million to be deposited into the General Fund. Daily gross sports wagering revenue will be taxed at 34% and also will be deposited into the General Fund. In addition, two percent of a sports wagering certificate holder's daily gross sports wagering revenue shall be paid as a local share assessment to be used as grants for projects in the public interest in the Commonwealth.

## Public School Building Construction and Reconstruction Advisory Committee Issues Final Report

On Wednesday, May 24, 2018, the Public School Building Construction and Reconstruction (PlanCon) Advisory Committee concluded its work by issuing a report that identified four key areas in the Commonwealth's school construction and renovation reimbursement program, known as PlanCon, where substantial revisions are critical. The committee's recommendations based on public hearings and tours of school facilities, as well as materials submitted to the committee, are summarized as follows:

### **Administrative Process Recommendations:**

- Simplify by reducing to a 4-step administrative process.
- Authorize PDE to develop a web-based application and data collection system.
- Allow electronic submittal of required documents via the Internet.

### **High-Performance Building Standards Recommendations:**

- Recognize LEED and Green Globes as high-performance building standards and allow the Secretary of Education to recognize other high-performance building standards.
- Provide a 10% incentive in the reimbursement formula for projects that use recognized High-Performance building standards.
- Require projects seeking the high-performance building standards reimbursement incentive to provide a projected return on investment.

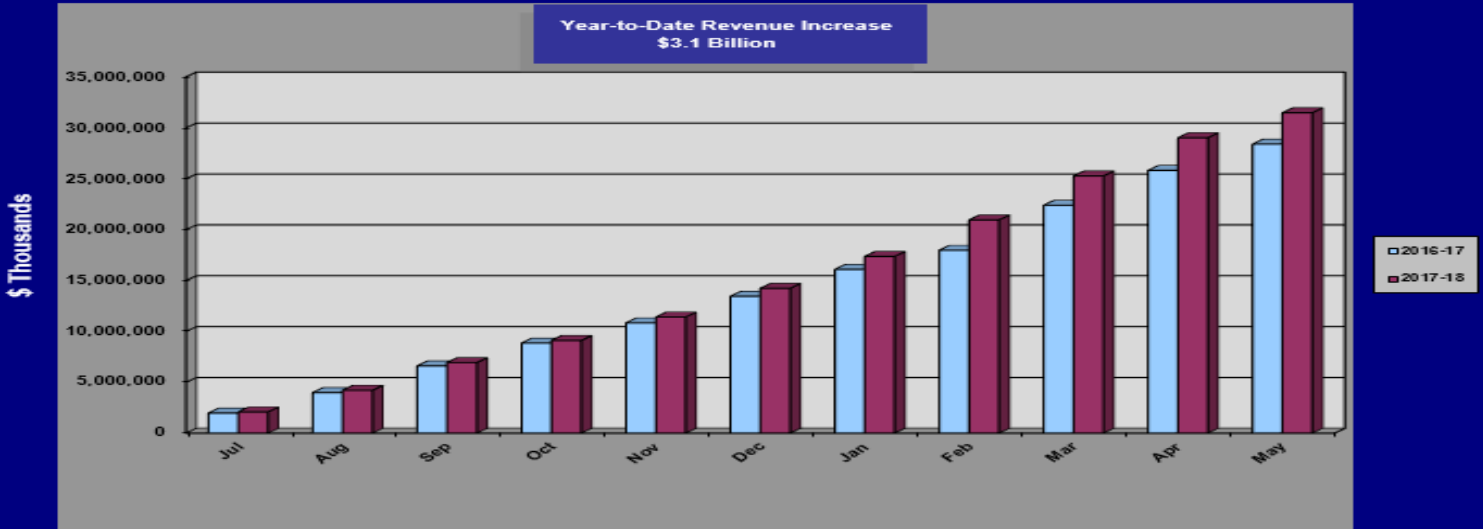
### **Maintenance, Repairs, and Modernization Project recommendations:**

- Create a small project building maintenance and repair grant program by designating a 20% set-aside of monies appropriated for the new building reimbursement program. Recommend a per project maximum award of \$1 million with a 50% local match.
- Use funding rubric to prioritize grant awards which take into account school district wealth, prior receipt of grant awards, building conditions and emergencies.
- Define emergencies as deficiencies which prohibit a school building from being occupied. No local match is required for emergencies.
- Create a set-aside of 5% of monies appropriated for the new building reimbursement program to be dedicated to school safety projects.

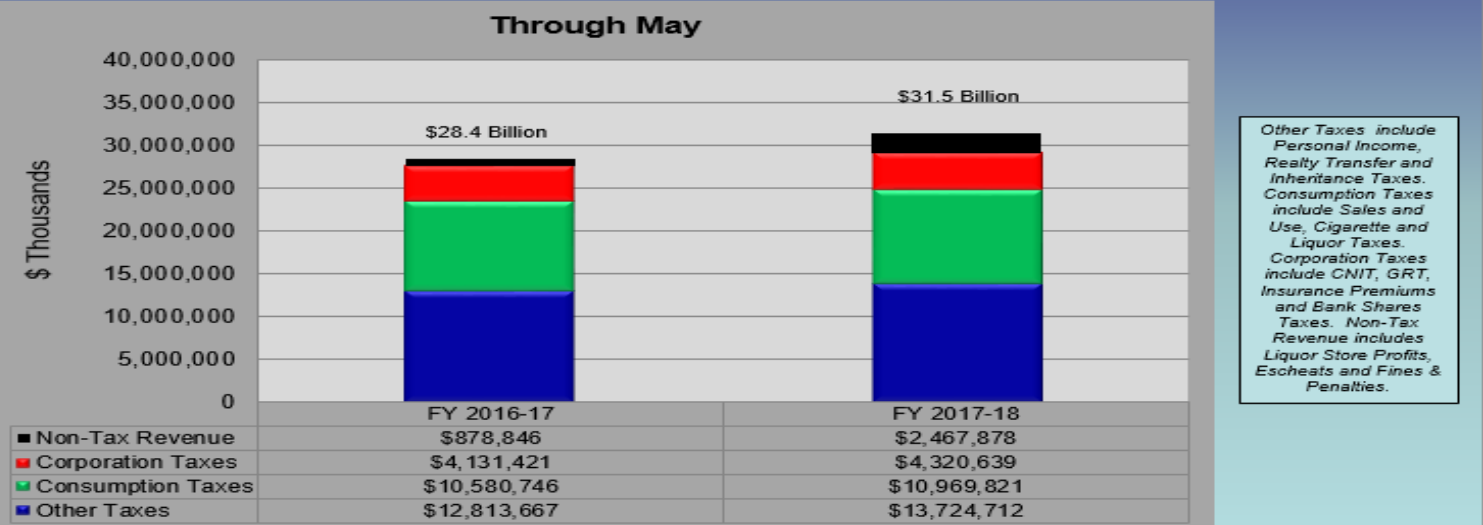
### **Reimbursement Formula Recommendations:**

- Simplify the current reimbursement formula by multiplying a per pupil amount relative to current construction costs by an adjustment factor by the building's capacity by the school district's wealth factor to determine the state share for reimbursement.
- The state share for reimbursement cannot exceed 65% of school building projects structural costs.
- Divide the state share into 20 equal payments to be made over 20 years.

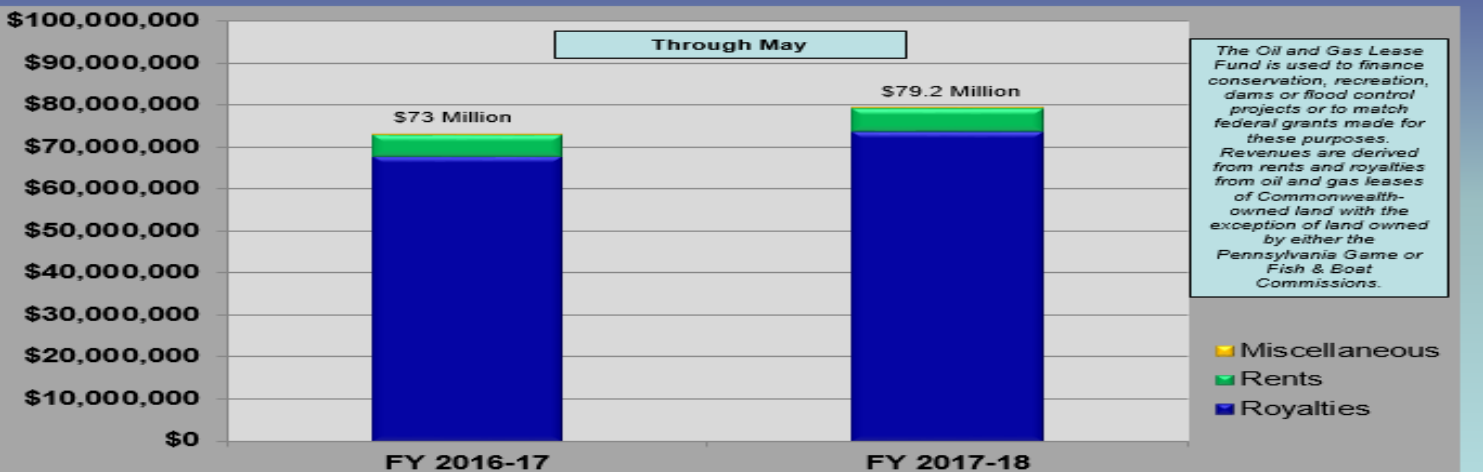
*General Fund Revenue Collections  
Fiscal Year 2017-18  
Revenue Comparison with Last Year*



**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<br>FY 2016-17 | May 2018<br>Actual | May 2018<br>Estimated | Surplus/<br>(Deficit) | YTD<br>Actual     | YTD<br>Estimated  | Surplus/<br>(Deficit) |
|---|-------------------|--------------------|-----------------------|-----------------------|-------------------|-------------------|-----------------------|
| <b>TOTAL - GENERAL FUND</b>               | <b>28,404,681</b> | <b>2,455,918</b>   | <b>2,498,500</b>      | <b>(42,582)</b>       | <b>31,483,050</b> | <b>31,361,500</b> | <b>121,550</b>        |
| <b>TOTAL - NON-TAX REVENUE</b>            | <b>878,846</b>    | <b>12,378</b>      | <b>75,900</b>         | <b>(63,522)</b>       | <b>2,467,878</b>  | <b>2,319,500</b>  | <b>148,378</b>        |
| <b>TOTAL - TAX REVENUE</b>                | <b>27,525,835</b> | <b>2,443,540</b>   | <b>2,422,600</b>      | <b>20,940</b>         | <b>29,015,172</b> | <b>29,042,000</b> | <b>(26,828)</b>       |
| <b>TOTAL - Corporation Taxes</b>          | <b>4,165,338</b>  | <b>277,202</b>     | <b>304,200</b>        | <b>(26,998)</b>       | <b>4,320,639</b>  | <b>4,491,200</b>  | <b>(170,561)</b>      |
| Accelerated Deposits                      | 2,312             | (9,047)            | 0                     | (9,047)               | 3,008             | 0                 | 3,008                 |
| Corp. Net Income                          | 2,129,652         | 264,746            | 264,800               | (54)                  | 2,317,602         | 2,499,000         | (181,398)             |
| Cap. Stock & Franchise                    | 33,916            | 0                  | 0                     | 0                     | 0                 | 0                 | 0                     |
| Gross Receipts                            | 1,207,562         | 2,140              | 4,800                 | (2,660)               | 1,142,870         | 1,228,500         | (85,630)              |
| PURTA                                     | 40,178            | 15,605             | 29,900                | (14,295)              | 33,705            | 40,500            | (6,795)               |
| Insurance Premiums                        | 435,082           | 2,818              | 2,800                 | 18                    | 465,998           | 403,300           | 62,698                |
| Financial Institutions                    | 316,636           | 940                | 1,900                 | (960)                 | 357,456           | 319,900           | 37,556                |
| <b>TOTAL - Consumption Taxes</b>          | <b>10,580,746</b> | <b>1,023,922</b>   | <b>1,021,200</b>      | <b>2,722</b>          | <b>10,969,821</b> | <b>11,002,200</b> | <b>(32,379)</b>       |
| Sales and Use                             | 9,010,759         | 877,425            | 870,400               | 7,025                 | 9,417,859         | 9,389,300         | 28,559                |
| General (net of transfers)                | 7,763,872         | 740,622            | 731,700               | 8,922                 | 8,148,462         | 8,094,900         | 53,562                |
| Motor Vehicle Sales                       | 1,246,887         | 136,803            | 138,700               | (1,897)               | 1,269,398         | 1,294,400         | (25,002)              |
| Cigarette Tax                             | 1,142,245         | 102,975            | 107,000               | (4,025)               | 1,081,844         | 1,132,100         | (50,256)              |
| Other Tobacco Products                    | 73,501            | 10,070             | 10,400                | (330)                 | 107,839           | 110,100           | (2,261)               |
| Malt Beverage                             | 22,084            | 2,050              | 2,100                 | (50)                  | 21,971            | 22,200            | (229)                 |
| Liquor                                    | 332,158           | 31,402             | 31,300                | 102                   | 340,308           | 348,500           | (8,192)               |
| <b>TOTAL - Other Taxes</b>                | <b>12,779,751</b> | <b>1,142,416</b>   | <b>1,097,200</b>      | <b>45,216</b>         | <b>13,724,712</b> | <b>13,548,600</b> | <b>176,112</b>        |
| Personal Income                           | 11,443,668        | 951,553            | 944,100               | 7,453                 | 12,259,067        | 12,127,600        | 131,467               |
| Withholding                               | 8,862,053         | 880,397            | 873,200               | 7,197                 | 9,267,546         | 9,239,000         | 28,546                |
| Non-Withholding                           | 2,581,615         | 71,156             | 70,900                | 256                   | 2,991,521         | 2,888,600         | 102,921               |
| Realty Transfer                           | 424,175           | 51,959             | 49,300                | 2,659                 | 468,536           | 457,500           | 11,036                |
| Inheritance & Estate                      | 855,272           | 108,707            | 93,100                | 15,607                | 927,560           | 915,000           | 12,560                |
| Minor & Repealed                          | (53,110)          | 20,687             | 700                   | 19,987                | (41,769)          | (62,100)          | 20,331                |
| Table Games (Gaming)                      | 109,746           | 9,511              | 10,000                | (489)                 | 111,319           | 110,600           | 719                   |
| <b>TOTAL - MOTOR LICENSE FUND</b>         | <b>2,501,262</b>  | <b>254,238</b>     | <b>274,180</b>        | <b>(19,942)</b>       | <b>2,700,611</b>  | <b>2,652,190</b>  | <b>48,421</b>         |
| <b>TOTAL - Liquid Fuels Taxes</b>         | <b>1,581,801</b>  | <b>159,347</b>     | <b>167,000</b>        | <b>(7,653)</b>        | <b>1,698,212</b>  | <b>1,706,600</b>  | <b>(8,388)</b>        |
| Liquid Fuels                              | 60                | 1                  | 0                     | 1                     | 8                 | 0                 | 8                     |
| Fuels                                     | 0                 | 0                  | 0                     | 0                     | 0                 | 0                 | 0                     |
| Motor Carriers/IFTA                       | 94,927            | 26,040             | 23,300                | 2,740                 | 129,987           | 120,200           | 9,787                 |
| Alternative Fuels                         | 10,012            | 1,395              | 1,000                 | 395                   | 13,104            | 11,600            | 1,504                 |
| Oil Company Franchise                     | 1,476,803         | 131,911            | 142,700               | (10,789)              | 1,555,113         | 1,574,800         | (19,687)              |
| <b>TOTAL - Licenses, Fees &amp; Other</b> | <b>919,461</b>    | <b>94,890</b>      | <b>107,180</b>        | <b>(12,290)</b>       | <b>1,002,400</b>  | <b>945,590</b>    | <b>56,810</b>         |
| Licenses and Fees                         | 899,263           | 99,495             | 106,800               | (7,305)               | 948,425           | 899,000           | 49,425                |
| Other Motor Receipts                      | 20,198            | (4,604)            | 380                   | (4,984)               | 53,974            | 46,590            | 7,384                 |