



Senate Appropriations Committee

The Monthly Report

January 2015

Pat Browne, Chairman



General Fund Collections Above Estimate for December

General Fund revenue collections for the month ended December 2014 totaled \$2.71 billion, which was \$161.7 million, or 6.3%, above estimate for the month. Fiscal year-to-date collections total \$13.3 billion, which is \$270.7 million, or 2.1%, above estimate for the year. The year-to-date revenue surplus increases to \$350.7 million when you factor in the \$80 million State Stores Fund profit transfer that was incorporated in the September revenue estimate but remains untransferred.

Fiscal year-to-date 2014-15 General Fund revenue collections are \$1.01 billion, or 8.3%, ahead of last year. The FY 2014-15 Official General Fund Revenue Estimate calls for annual growth of 5.5%, and so with one-half of the fiscal year behind us, revenue collections are exceeding expectations ahead of the all-important Spring months to come.

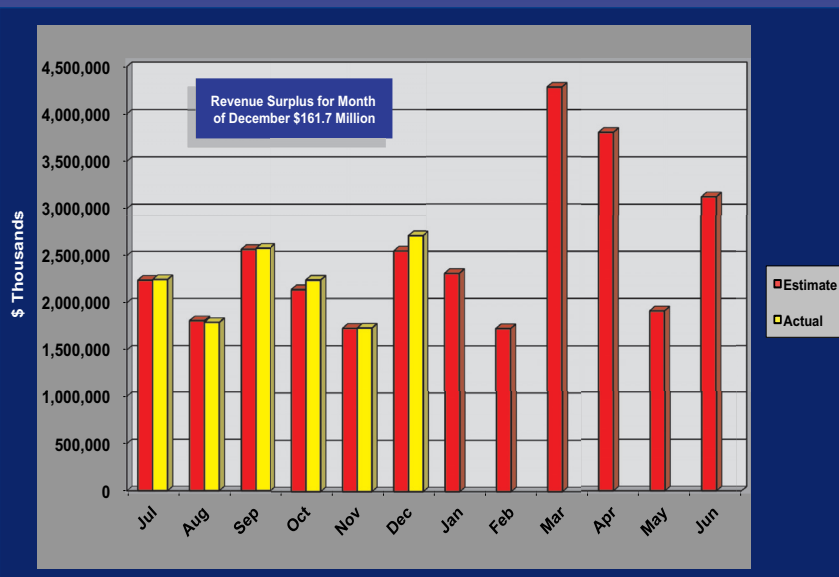
December's corporation tax collections were above estimate by a strong \$77.5 million. The corporate net income tax was over estimate by \$58.1 million for the month, but the capital stock and franchise tax was \$17 million short of estimate. However, \$29.4 million of corporation tax collections remains in the accelerated deposits account, which will eventually be distributed among the various corporation tax types. For the fiscal year-to-date, corporation taxes are running \$163.5 million, or 12.9%, ahead of estimate.

Sales and use tax (SUT) collections were above estimate for the month by \$10.3 million, or 1.3%. Non-motor SUT was below estimate by \$3.1 million for the month, but SUT on motor vehicles was over estimate by \$13.3 million. General SUT collections (i.e. non-motor) were 2.4% above last year's collections, which seems to be indicative of a mildly improved holiday shopping season. The full impact of the holiday shopping season will be seen in January when sales tax collections will be remitted for sales made during the month of December.

Personal income tax (PIT) collections were over estimate by \$25.3 million, or 2.5%, for December. Employers' withholding was \$2.2 million above estimate for the month. Estimated PIT payments were \$22.9 million ahead of estimate for the month, and annual tax payments were \$222,694 above estimate. December 2014 employers' withholding collections were 17.4% above last year, but there were five large collection days in December 2014 compared with only four such days in December 2013. Employers' withholding collections for fiscal year 2014-15 are 5.9% ahead of last fiscal year.

Continued...

General Fund Tax Collections
Fiscal Year 2014-15
Comparison of Official Estimate with Actual Revenue by Month



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cal year, and the Official Revenue Estimate calls for year-over-year growth of 3.94%. Total PIT collections are now \$14.5 million, or 0.3%, ahead of estimate through the first half of the current fiscal year.

The realty transfer tax exceeded the estimate by \$6.1 million, but inheritance tax collections were below estimate by \$7.4 million for the month. Cigarette taxes were above estimate by \$8.3 million, and liquor tax collections were above estimate by \$145,971. Table games tax collections were \$408,730 above estimate for the month. Non-tax revenues were \$38 million above estimate for the month, led by a strong monthly performance in revenues received from unclaimed property (i.e. Treasury escheats).

Motor License Fund collections were \$12.4 million below estimate for the month of December.

December is the fourth consecutive month where actual revenue collections have exceeded the estimate. To date, the FY 14/15 revenue surplus is \$270.7 million.

This is a welcome situation, however, it is too early to determine if the trend will continue through the remainder of the fiscal year as surplus amounts from month-to-month have been inconsistent.

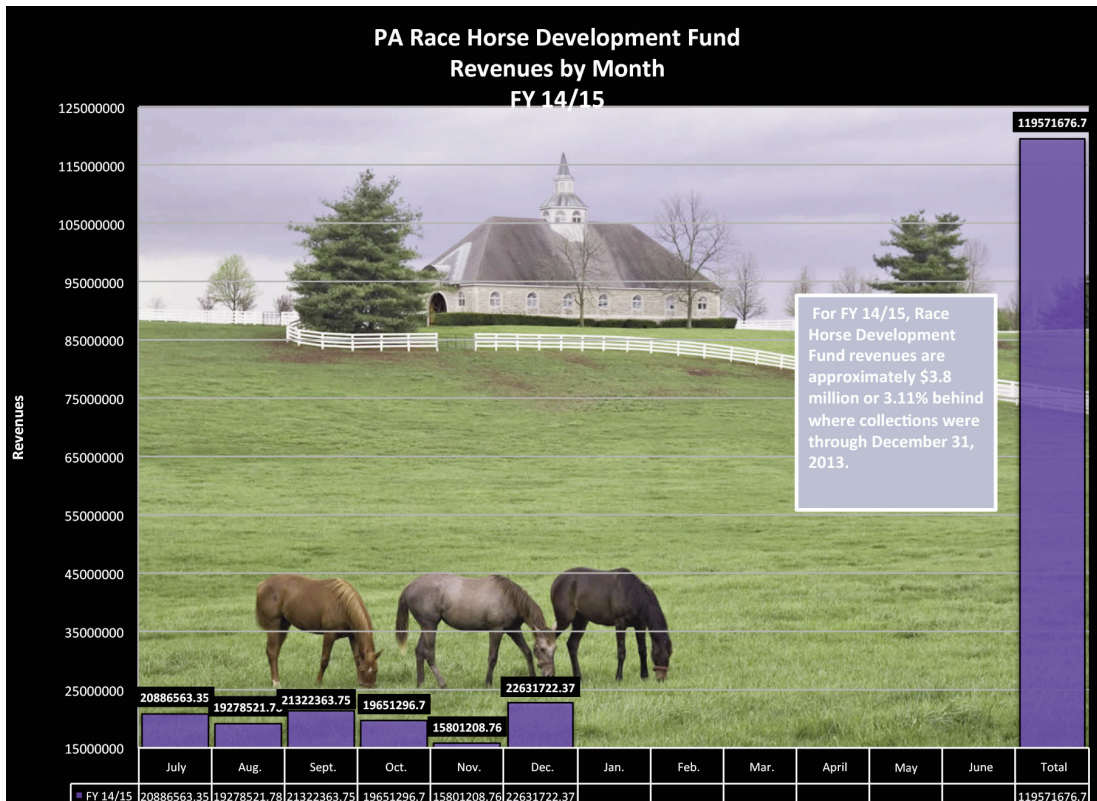
Revenue collections in the second-half of the fiscal year represent nearly 57% of total estimated General Fund revenues. In addition, the largest collection months are March, April and June which represent more than 37% of estimated revenues. Therefore, any slippage in second-half collections has the potential to have a more dramatic effect on total revenue collections.

Many factors, known and unknown, may affect prospective revenue collections. Tax refund

activity may also affect the balance sheet. The Department of Revenue has indicated that tax refunds may exceed the assumptions in place when the budget was approved. This has the effect of widening the budget gap even further.

While the revenue surplus is good news, its impact is offset, to a great extent, by several risks to the forecast which were disclosed at the Governor's Mid-year Budget Briefing. The FY 14/15 budget assumed revenues totaling about \$234 million that are not expected to come to fruition. These include cigarette taxes (-\$14 million), casino license fees (-\$125 million) and non-impact drilling revenue (-\$95 million).

Fiscal challenges remain paramount and many difficult decisions will be required to put the Commonwealth on the path to fiscal stability.





Lottery Fund Update Through 12-31-2014

This year's budget increased Lottery spending levels by \$240 million. The majority of the programmatic spending increase was in Long-Term Care programs for Pennsylvania's seniors. Other spending increases were expected in Lottery prize payments and vendor commissions, which are tied to ticket sales levels. Some Lottery programs, such as the PACE program, required less funding in this year's budget due to the availability of carryover program funding.

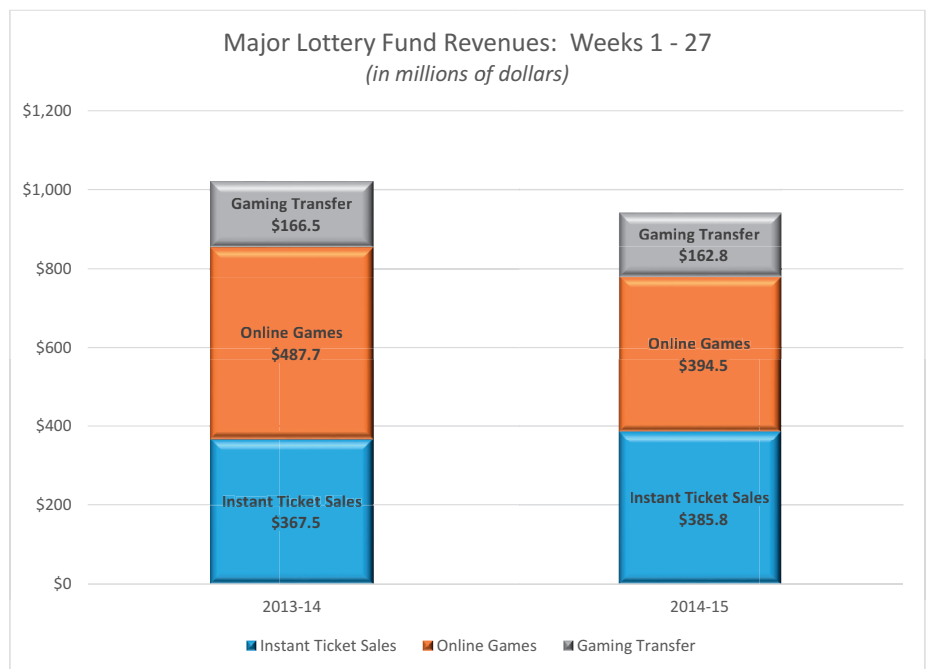
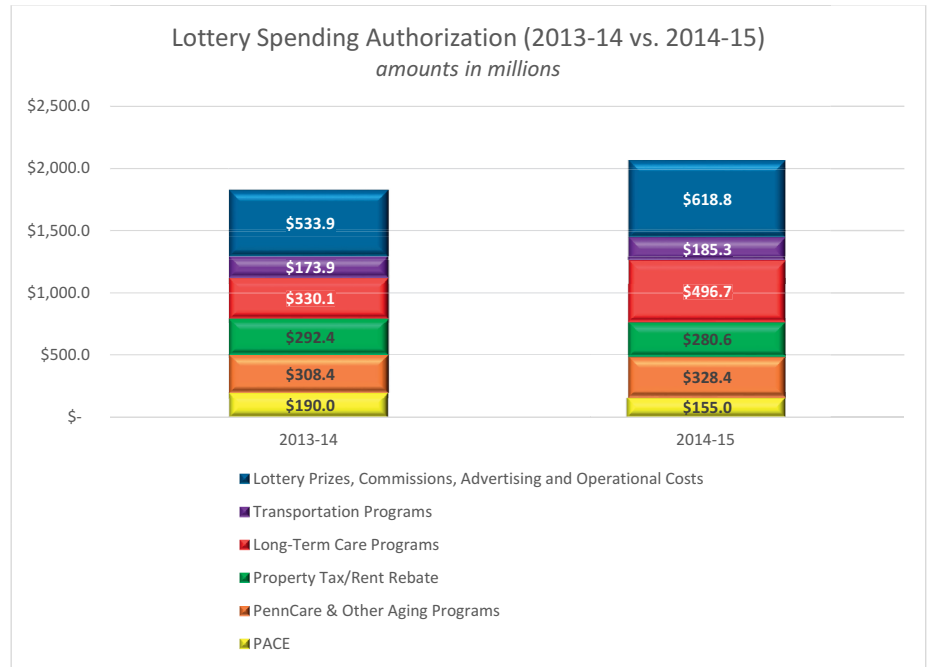
At the start of the fiscal year, the Governor's administration projected a \$100 million increase in net ticket revenues for the entire fiscal year. This increase in net ticket revenue, coupled with the use of balances in the Lottery Fund, was projected to support this year's Lottery Fund spending.

However, net Lottery Fund revenue collections through December 31 are approximately \$79 million below collections for the same time period last year. Revenues from instant tickets exceeded last year's performance by \$18 million, or 5%, while ticket sales for online games are collectively \$93 million, or 19%, below last year's collections. To date this fiscal year, there have been no large, multi-state jackpots unlike last year when there were two large Powerball jackpots in the first six months of the fiscal year.

The under-performance of net revenues so far this year and the increased spending from the Lottery Fund will require close monitoring of the fund's reserve

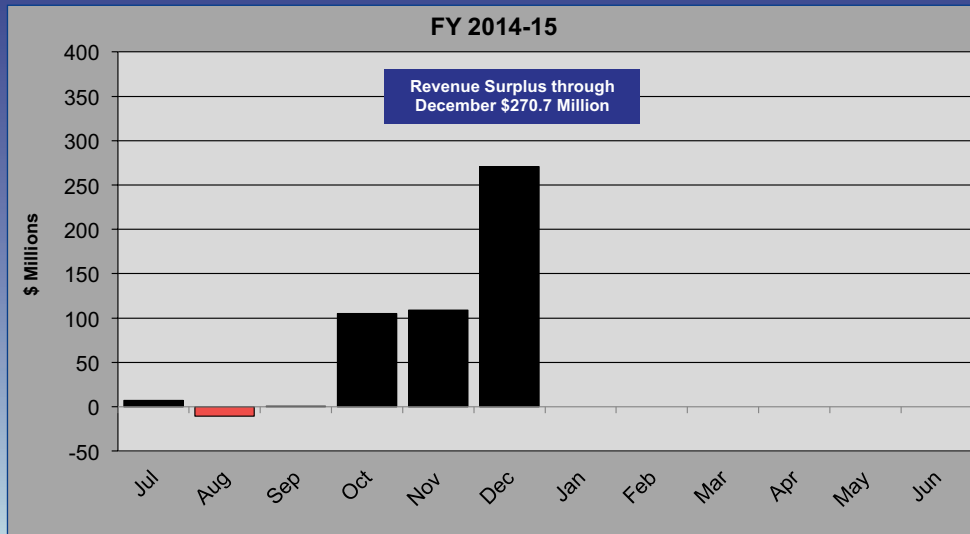
levels and financial position for the remainder of the fiscal year. While year-to-date revenue collections are behind last year, it is possible that prize payments and

vendor commissions will also be lower than anticipated, potentially offsetting revenue performance.



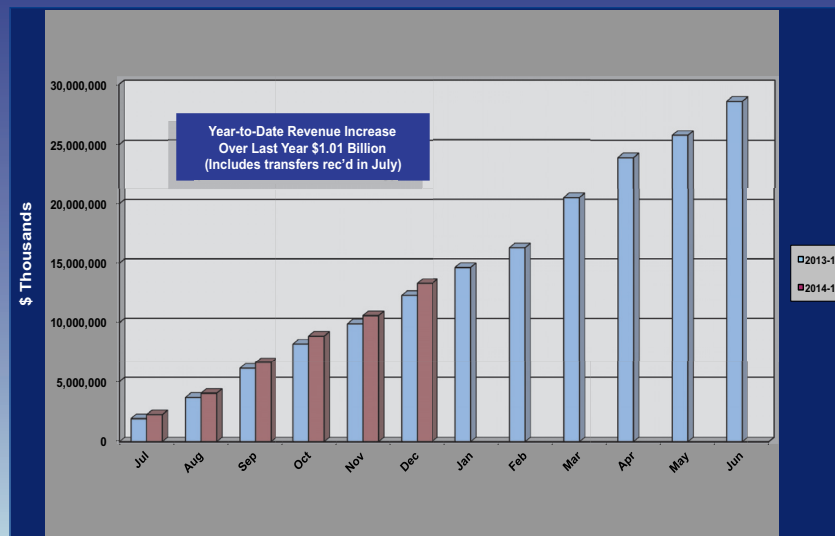


General Fund Tax Collections Year-to-Date Revenue Comparison with Official Estimate



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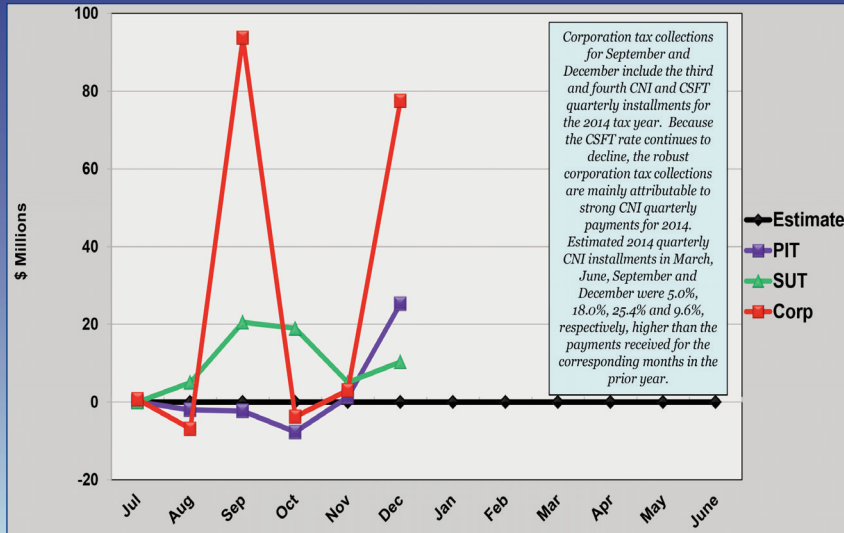
General Fund Revenue Collections Fiscal Year 2014-2015 Revenue Comparison with Last Year



Senate Appropriations Committee, Pat Browne, Chairman

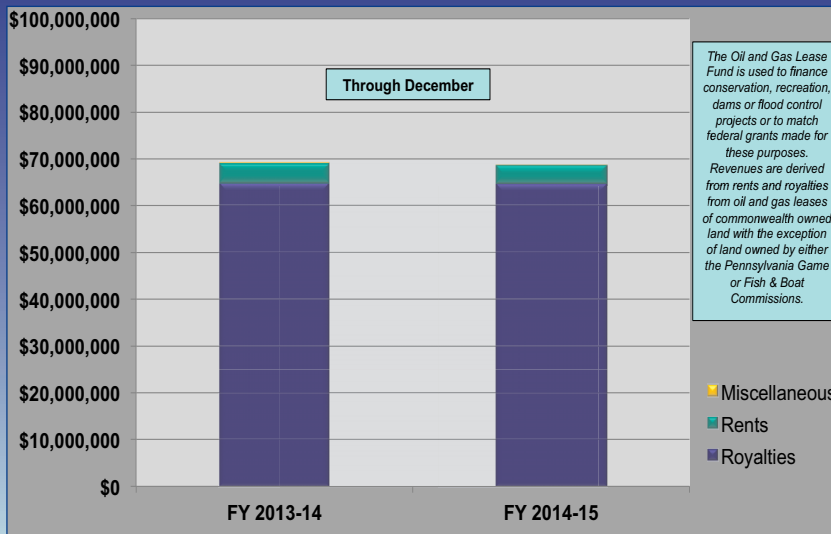


Fiscal Year 2014-2015 Performance of Major Tax Types Above/Below the Monthly Estimate



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



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Appropriations Committee Monthly Revenue Report

| REVENUE SOURCES | YTD FY 2013-14 | December 2014 Actual | December 2014 Estimated | Surplus/ (Deficit) | YTD Actual | YTD Estimated | Surplus/ (Deficit) |
|---|-------------------|-------------------------|----------------------------|-----------------------|-------------------|-------------------|-----------------------|
| TOTAL - GENERAL FUND | 12,285,575 | 2,710,633 | 2,548,900 | 161,733 | 13,299,561 | 13,028,855 | 270,706 |
| TOTAL - NON-TAX REVENUE | 108,555 | 63,152 | 25,200 | 37,952 | 376,813 | 415,155 | (38,342) |
| TOTAL - TAX REVENUE | 12,177,020 | 2,647,482 | 2,523,700 | 123,782 | 12,922,748 | 12,613,700 | 309,048 |
| TOTAL - Corporation Taxes | 1,309,032 | 564,174 | 486,700 | 77,474 | 1,427,243 | 1,263,700 | 163,543 |
| Accelerated Deposits | 2,671 | 29,430 | 0 | 29,430 | 31,056 | 0 | 31,056 |
| Corp. Net Income | 1,105,178 | 496,786 | 438,700 | 58,086 | 1,226,892 | 1,087,900 | 138,992 |
| Cap. Stock & Franchise | 161,733 | 22,026 | 39,000 | (16,974) | 98,194 | 130,600 | (32,406) |
| Gross Receipts | 27,315 | 7,019 | 6,000 | 1,019 | 36,394 | 32,700 | 3,694 |
| PURTA | 2,285 | 80 | 0 | 80 | 2,056 | 2,300 | (244) |
| Insurance Premiums | (351) | 1,096 | 400 | 696 | 3,506 | 1,900 | 1,606 |
| Financial Institutions | 7,855 | 7,661 | 2,500 | 5,161 | 27,511 | 7,400 | 20,111 |
| Other Selective Bus. Taxes | 2,346 | 76 | 100 | (24) | 1,634 | 900 | 734 |
| TOTAL - Consumption Taxes | 5,274,968 | 937,960 | 919,600 | 18,360 | 5,481,603 | 5,428,400 | 53,203 |
| Sales and Use | 4,577,277 | 804,150 | 793,900 | 10,250 | 4,802,194 | 4,742,500 | 59,694 |
| General (net of transfers) | 3,960,927 | 689,324 | 692,400 | (3,076) | 4,124,955 | 4,090,400 | 34,555 |
| Motor Vehicle Sales | 616,349 | 114,826 | 101,500 | 13,326 | 677,239 | 652,100 | 25,139 |
| Cigarette Tax | 514,039 | 90,228 | 81,900 | 8,328 | 489,021 | 493,700 | (4,679) |
| Malt Beverage | 13,373 | 1,636 | 2,000 | (364) | 12,456 | 13,300 | (844) |
| Liquor | 170,278 | 41,946 | 41,800 | 146 | 177,931 | 178,900 | (969) |
| TOTAL - Other Taxes | 5,593,020 | 1,145,348 | 1,117,400 | 27,948 | 6,013,902 | 5,921,600 | 92,302 |
| Personal Income | 4,932,322 | 1,020,015 | 994,700 | 25,315 | 5,213,794 | 5,199,300 | 14,494 |
| Withholding | 4,251,135 | 878,016 | 875,800 | 2,216 | 4,502,050 | 4,506,700 | (4,650) |
| Non-Withholding | 681,186 | 141,999 | 118,900 | 23,099 | 711,744 | 692,600 | 19,144 |
| Realty Transfer | 201,345 | 40,385 | 34,300 | 6,085 | 215,993 | 237,100 | (21,107) |
| Inheritance & Estate | 413,157 | 72,123 | 79,500 | (7,377) | 521,687 | 438,800 | 82,887 |
| Minor & Repealed | 1,999 | 3,617 | 0 | 3,617 | 16,040 | 400 | 15,640 |
| Tavern Games | 0 | 0 | 100 | (100) | 110 | 400 | (290) |
| Table Games | 44,198 | 9,209 | 8,800 | 409 | 46,278 | 45,600 | 678 |
| TOTAL - MOTOR LICENSE FUND | 1,147,014 | 170,076 | 182,440 | (12,364) | 1,166,341 | 1,164,900 | 1,441 |
| TOTAL - Liquid Fuels Taxes | 612,756 | 112,963 | 118,600 | (5,637) | 744,066 | 728,700 | 15,366 |
| Liquid Fuels | 274,142 | 253 | 0 | 253 | 695 | 0 | 695 |
| Fuels | 82,061 | 1 | 0 | 1 | 3 | 0 | 3 |
| Motor Carriers/IFTA | 20,437 | 5,432 | 7,800 | (2,368) | 39,553 | 27,100 | 12,453 |
| Alternative Fuels | 771 | 279 | 200 | 79 | 1,355 | 1,200 | 155 |
| Oil Company Franchise | 235,345 | 106,998 | 110,600 | (3,602) | 702,459 | 700,400 | 2,059 |
| TOTAL - Licenses, Fees & Other | 534,258 | 57,113 | 63,840 | (6,727) | 422,275 | 436,200 | (13,925) |
| Licenses and Fees | 417,476 | 57,812 | 58,500 | (688) | 409,640 | 398,400 | 11,240 |
| Other Motor Receipts | 116,782 | (699) | 5,340 | (6,039) | 12,635 | 37,800 | (25,165) |
| Other Motor Receipts | 115,605 | 6,350 | 10,250 | (3,900) | 14,678 | 25,920 | (11,242) |