



Senate Appropriations Committee

The Monthly Report

January 2016

Pat Browne, Chairman



General Fund Revenue Collections Are 0.8% Ahead of Last Year.

The 2015-16 Official General Fund Revenue Estimate has been certified by the Governor at \$30,871,700,000; however, the monthly distribution against which to compare actual revenue collections is not expected to be released until later in January. The Official Estimate calls for General Fund revenue growth of 0.9%. Through the first half of the 2015-16 fiscal year, General Fund revenue collections are 0.8% ahead of last year.

For the fiscal year-to-date, total General Fund revenue is \$101 million, or 0.8%, higher than FY 2014-15. Fiscal Year 2014-15 included a \$100 million Inheritance Tax windfall and over \$200 million of one-time special fund transfers that did not occur in this fiscal year, and this has the effect of boosting last year's revenues when compared with this year's. Total tax revenue for FY 2015-16 is 2.6% higher than it was through December 2014. Excluding the Inheritance Tax windfall from FY 2014-15, tax revenue collections in FY 2015-16 would be 3.4% more than last year on an equivalent basis.

Total General Fund revenue for December 2015 was \$2.73 billion, which was \$14.4 million, or 0.5%, more than General Fund revenue collected in December 2014.

December 2015 corporation tax collections were \$35.6 million, or 6.3%, below last year. For the fiscal year-to-date, corporation tax payments are 1.8% less than last year for the first half of the fiscal year.

Sales and Use Tax (SUT) collections were \$20.1 million, or 2.5%, ahead of last December. General SUT was above last December by \$22 million, or 3.2%, while SUT on motor vehicles was \$1.8 million, or 1.6%, below December 2014. Year-to-date Sales and Use Tax are 2.9% ahead of last year at this time. How-

ever, the IFO's FY 2015-16 revenue estimate calls for SUT growth of 3.5% over the entire fiscal year. Therefore, after the first half of the fiscal year, SUT collections are slightly off pace as compared with the IFO revenue estimate.

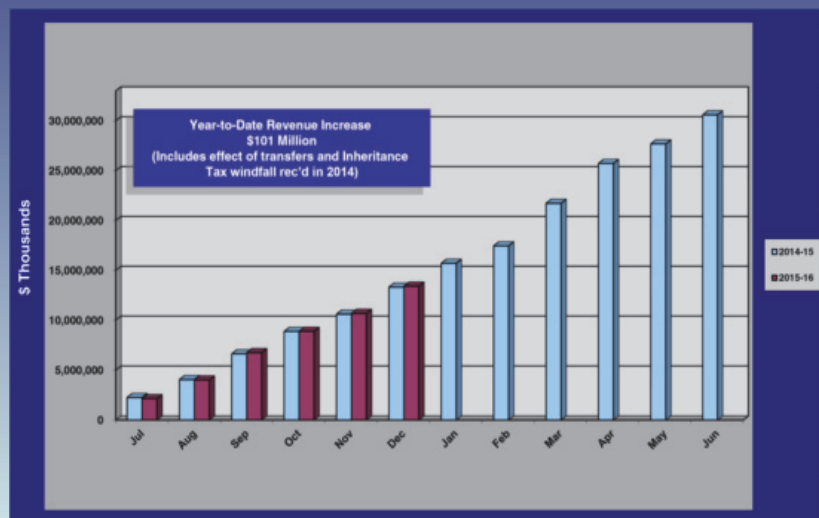
Personal Income Tax (PIT) collections were \$47.1 million, or 4.6%, above last year. PIT from employers' withholding was \$6.5 million, or 0.7% higher than last year. Non-withheld PIT was \$40.5 million, or 28.5%, higher than December 2014. Non-withheld PIT collections were significantly higher in December 2015 due to what we believe could be early deposits and quarterly returns which would normally be due in January 2016. Total PIT collections during FY 2015-16 are 4.8% more than last year at this time. The IFO revenue estimate forecasted PIT revenue growth at 4.8% for FY 2015-16.

Realty Transfer Tax (RTT) collections

for December 2015 were \$7.3 million, or 18%, lower than last year for the month. RTT is \$32.4 million, or 15%, higher than last year through December. Inheritance Tax is \$72 million, or 13.8%, less than last year, which is a result of the \$100 million windfall received in October 2014. Table Games Tax is \$2.4 million, or 5.1%, higher than last year through the month of December. Cigarette Tax is 1.2% lower than last year, but Liquor Tax is 3.8% higher than last year through December. Capital Stock and Franchise Tax (CSFT) collections are 11.2% below last year at this time, which is expected because of the continued phase-out of the tax. The CSFT rate is zero for taxable years beginning in 2016.

Motor License Fund collections are \$107.8 million, or 9.2%, ahead of last year at this time.

General Fund Revenue Collections Fiscal Year 2015-2016 Revenue Comparison with Last Year



Senate Appropriations Committee, Pat Browne, Chairman



Senate Sends Budget to Governor. Wolf Exercises Line Item Veto.

Two days before Christmas, and with limited options, the Senate sent a House of Representatives-passed budget to the Governor. The spending plan totaled \$30.26 billion and included \$150 million in increased funding for basic education and accountability block grants, \$30 million for early education programs and \$30 million for Special Education.

This action was necessary because the agreed-to “framework” budget and associated policy initiatives encountered delays in the House of Representatives. On December 19th, the House failed to advance the hybrid pension reform plan by a vote of 52 to 149. The pension reforms are an integral component of the “framework” agreement and are directly tied to revenue enhancements necessary to support the \$30.78 billion “framework” budget. Senate Leadership has been emphatic that, without pension reform, there is no capacity in the majority caucus to support increased revenues.

In passing House Bill 1460, it was

the Senate’s intent to provide the Governor with a mechanism to allow state payments to flow to school districts, non-profit and other service providers and vendors. The Administration had indicated that systems were in place to enable payments to be processed almost immediately upon enactment of spending authority.

On December 29th, Governor Wolf exercised his line item veto authority and reduced the spending contained in House Bill 1460 by \$6.86 billion (inclusive of funding for the state-related universities which are non-preferred appropriations and have not reached the Governor’s desk). Presumably, the Governor took this action to force the General Assembly to return in the New Year to complete the FY 2015-16 budget process and increase revenues sufficiently to support the larger “framework” spend. The Governor’s vetoes include a \$3.1 billion reduction in funding for basic education, \$939 million for state correctional institutions and nearly \$2 billion in medical

assistance programs.

At the moment, we are uncertain why the Governor item vetoed Corrections and Medical Assistance funding since those costs have been paid during the impasse under the health and safety exclusions. We suspect reducing these lines by 50% provides cover to the Governor for his 50% reduction to Basic Education Funding. The Governor also exercised his line item veto on House, Senate and Government Support Agency appropriations to the same, disproportionate level imposed by Governor Corbett.

Budgetary discussions continue, and it is incumbent upon the House of Representatives to advance a proposal that can gain the support of its members, the Senate and the Governor.

Please see the chart beginning on the next page for an itemization of the specific line item amounts blue-lined by the Governor. Non-preferred appropriations are highlighted in yellow.

Capital Stock and Franchise Tax Elimination

Beginning January 1, 2016, Pennsylvania’s Capital Stock and Franchise Tax (CSFT) was finally phased out after its elimination was first proposed in Act 23 of 2000 – more than 15 years ago.

The CSFT rate was reduced significantly in 1998 and 1999 during the Ridge administration. The tax rate was again reduced for 2000, and under Act 23 of 2000, the CSFT was scheduled to be completely phased out for the year beginning January 1, 2009. However, the original phase-out schedule was delayed during the Rendell and Corbett administrations. Both Democrat and Republican administrations recognized the importance of eliminating this onerous tax, but the timetable for the CSFT elimi-

nation was altered due to fiscal constraints. However, the eventual phase-out was never entirely halted during these years.

The CSFT dates back to 1844, and it was imposed on corporations with capital stock, joint-stock associations, limited liability companies, business trusts, and other companies doing business within Pennsylvania. Domestic corporations were subject to the capital stock tax while foreign corporations were subject to the foreign franchise tax on capital stock apportioned to Pennsylvania.

The CSFT was imposed on the “capital stock value” of a company, as derived by the application of a formula that considered a five-year history of book income and the value of

a company’s net worth. As a result, there was often a disparity between the tax owed and a taxpayer’s ability to pay because a tax liability could exist even though a business had a loss in a given year or years. Furthermore, small businesses such as S corporations and limited liability companies were subject to this tax even though they are pass-through entities not subject to the Commonwealth’s corporate net income tax.

Companies having business activity both in-state and out-of-state could apportion the tax using either a single exempt assets factor or a three factor apportionment, which included equally-weighted property, payroll and sales factors.

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By including property and payroll in the three factor apportionment formula, the amount of CSFT owed would increase in relation to any increase in the amount of property owned or used in Pennsylvania or compensation paid to employees in

the state.

Because the CSFT had no direct relationship to a company's ability to pay, and the fact that a company's tax liability would increase as a result of expanding business operations in the state, it was widely regarded as an

archaic and unfair tax on business expansion and job creation, which hurt the Commonwealth's ability to retain and attract businesses in a global economy.

		30,263,236	(6,863,662)	23,399,574	
Dept.		HB 1460 PN 2626	Line Item Veto	Dec. 29 Enacted by Governor	Percentage Vetoed
Department / Appropriation		State	State	State	State
Exec. Offices	Public Employee Retirement Commission	962	(962)	0	100%
Exec. Offices	Commission on Crime and Delinquency	4,433	(416)	4,017	9%
Exec. Offices	Violence Prevention Programs	4,569	(697)	3,872	15%
Exec. Offices	Child Advocacy Centers	1,000	(1,000)	0	100%
Agric.	Agricultural Excellence	1,100	(1,100)	0	100%
Agric.	Agricultural Research	1,587	(1,587)	0	100%
Agric.	Agricultural Promotion, Education, and Exports	250	(250)	0	100%
Agric.	Hardwoods Research and Promotion	350	(350)	0	100%
Agric.	Livestock Show	177	(177)	0	100%
Agric.	Open Dairy Show	177	(177)	0	100%
Agric.	Transfer to Agricultural College Land Scrip Fund Restr. Acct.	50,549	(50,549)	0	100%
Agric.	Animal Health Commission	5,350	(5,350)	0	100%
Agric.	Pennsylvania Veterinary Lab	5,309	(5,309)	0	100%
Agric.	Payments to Pennsylvania Fairs	4,000	(4,000)	0	100%
Agric.	University of Pennsylvania - Veterinary Activities	29,400	(29,400)	0	100%
Agric.	University of Pennsylvania - Center for Infectious Disease	274	(274)	0	100%
DCED	Marketing to Attract Tourists	7,014	(2,750)	4,264	39%
DCED	Tourism - Accredited Zoos	550	(550)	0	100%
DCED	Infrastructure Technical Assistance	1,750	(1,750)	0	100%
DCED	Super Computer Center	500	(500)	0	100%
DCED	Powdered Metals	100	(100)	0	100%
DCED	Rural Leadership Training	100	(100)	0	100%
DCNR	Heritage and Other Parks	2,250	(2,250)	0	100%
DOC	State Correctional Institutions	1,895,427	(939,401)	956,026	50%
Educ.	Basic Education Funding	5,630,079	(3,097,540)	2,532,539	55%
Educ.	Mobile Science and Math Education Program	2,114	(2,114)	0	100%
Educ.	Job Training and Education Programs	10,500	(10,500)	0	100%
Educ.	Community Colleges	226,450	(10,783)	215,667	5%
Educ.	Regional Community Colleges Services	3,000	(3,000)	0	100%
Educ.	Community Education Councils	2,425	(125)	2,300	5%
PSU	General Support	224,816	(224,816)	0	100%
PSU	Pennsylvania College of Technology	19,584	(19,584)	0	100%
U. Pitt	General Support	140,693	(140,693)	0	100%
U. Pitt	Rural Education Outreach	2,500	(2,500)	0	100%
Temple	General Support	146,913	(146,913)	0	100%
Lincoln	General Support	14,084	(14,084)	0	100%
SSHE	State Universities	433,389	(20,638)	412,751	5%
T. Stevens	Thaddeus Stevens College of Technology	12,949	(617)	12,332	5%
PHEAA	Grants to Students *	362,132	(56,897)	305,235	16%
PHEAA	Pennsylvania Internship Program Grants	450	(100)	350	22%
PHEAA	Matching Payments for Student Aid	13,121	(625)	12,496	5%



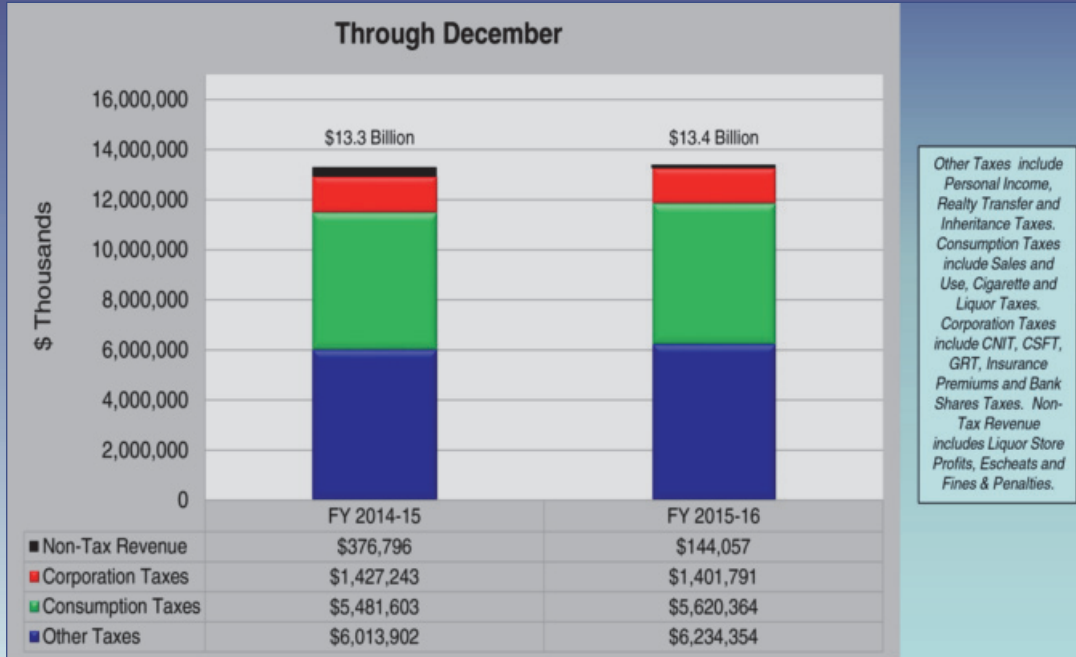
Dept.		HB 1460 PN 2626	Line Item Veto	Dec. 29 Enacted by Governor	Percentage Vetoed
	Department / Appropriation	State	State	State	State
PHEAA	Institutional Assistance Grants	25,608	(1,219)	24,389	5%
PHEAA	Higher Education for the Disadvantaged	2,358	(112)	2,246	5%
PHEAA	Higher Education of Blind or Deaf Students	49	(2)	47	4%
PHEAA	Horace Mann Bond - Leslie Pinckney Hill Scholarship	561	(27)	534	5%
PHEAA	Cheyney University Keystone Academy	1,601	(76)	1,525	5%
DEP	Sewage Facilities Grants	900	(900)	0	100%
Health	Diabetes Programs	102	(102)	0	100%
Health	Newborn Screening	5,327	(100)	5,227	2%
Health	Regional Cancer Institutes	600	(600)	0	100%
Health	Tuberculosis Screening and Treatment	893	(17)	876	2%
Health	Services for Children with Special Needs	1,582	(31)	1,551	2%
Health	Adult Cystic Fibrosis and other Chronic Respiratory Illnesses	765	(315)	450	41%
Health	Cooley's Anemia	102	(2)	100	2%
Health	Hemophilia	978	(29)	949	3%
Health	Lupus	102	(102)	0	100%
Health	Sickle Cell	1,285	(85)	1,200	7%
Health	Regional Poison Control Centers	714	(714)	0	100%
Health	Trauma Prevention (Formerly Trauma Programs Coordination)	469	(469)	0	100%
Health	Epilepsy Support Services	561	(561)	0	100%
Health	Bio-Technology Research	6,018	(6,018)	0	100%
Health	Tourette Syndrome	153	(153)	0	100%
Health	ALS	357	(357)	0	100%
DHS	Medical Assistance - Fee for Service*	433,012	(4,977)	428,035	1%
DHS	Medical Assistance - Capitation	3,919,202	(1,959,601)	1,959,601	50%
DHS	Medical Assistance - Obstetric and Neonatal Services	3,681	(3,681)	0	100%
DHS	Medical Assistance - Long-Term Care	969,860	(1,777)	968,083	0%
DHS	Hospital Based Burn Centers	3,782	(3,782)	0	100%
DHS	Medical Assistance - Critical Access Hospitals	5,676	(5,676)	0	100%
DHS	Medical Assistance - Academic Medical Centers	22,081	(2,400)	19,681	11%
L&I	Transfer to Vocational Rehabilitation Fund	45,673	(200)	45,473	0%
L&I	Assistive Technology Devices	470	(70)	400	15%
L&I	Assistive Technology Demonstration and Training	470	(71)	399	15%
L&I	New Choices / New Options	500	(500)	0	100%
DMVA	Civil Air Patrol	100	(100)	0	100%
PEMA	Search and Rescue Programs	250	(250)	0	100%
PEMA	Local Municipal Emergency Relief	3,000	(3,000)	0	100%
eHealth P.	Transfer to eHealth Partnership Fund	1,850	(350)	1,500	19%
Senate	Employees of Chief Clerk	2,604	(1,820)	784	70%
Senate	Salaried Officers and Employees	10,918	(500)	10,418	5%
Senate	Incidental Expenses	2,738	(2,050)	688	75%
Senate	Mileage and Expenses - Senators	1,270	(950)	320	75%
Senate	Legislative Printing and Expenses	6,886	(5,160)	1,726	75%



Dept.		HB 1460 PN 2626	Line Item Veto	Dec. 29 Enacted by Governor	Percentage Vetoed
	Department / Appropriation	State	State	State	State
Senate	Committee on Appropriations (R) and (D)	2,560	(770)	1,790	30%
Senate	Caucus Operations (R) and (D)	62,304	(20,090)	42,214	32%
House	Caucus Operations	98,927	(8,750)	90,177	9%
House	Speaker's Office	1,757	(1,320)	437	75%
House	Bi-Partisan Committee, Chief Clerk, Comptroller and EMS	14,402	(170)	14,232	1%
House	Mileage - Representatives, Officers and Employes	361	(50)	311	14%
House	Postage - Chief Clerk and Legislative Journal	2,712	(30)	2,682	1%
House	Contingent Expenses (R) and (D)	688	(10)	678	1%
House	Incidental Expenses	4,921	(3,390)	1,531	69%
House	Expenses - Representatives	4,127	(2,950)	1,177	71%
House	Legislative Printing and Expenses	10,363	(530)	9,833	5%
House	Committee on Appropriations (R)	3,129	(470)	2,659	15%
House	Committee on Appropriations (D)	3,129	(1,260)	1,869	40%
House	Special Leadership Account (R)	5,869	(840)	5,029	14%
LRB	Printing of PA Bulletin and PA Code	811	(10)	801	1%
LSA's	Legislative Budget and Finance Committee	1,750	(337)	1,413	19%
LSA's	Legislative Data Processing Center	21,643	(11,880)	9,763	55%
LSA's	Joint State Government Commission	1,475	(465)	1,010	32%
LSA's	Local Government Commission	1,111	(146)	965	13%
LSA's	Joint Legislative Air and Water Pollution Control Committee	515	(110)	405	21%
LSA's	Legislative Audit Advisory Commission	247	(120)	127	49%
LSA's	Legislative Reapportionment Commission	707	(530)	177	75%

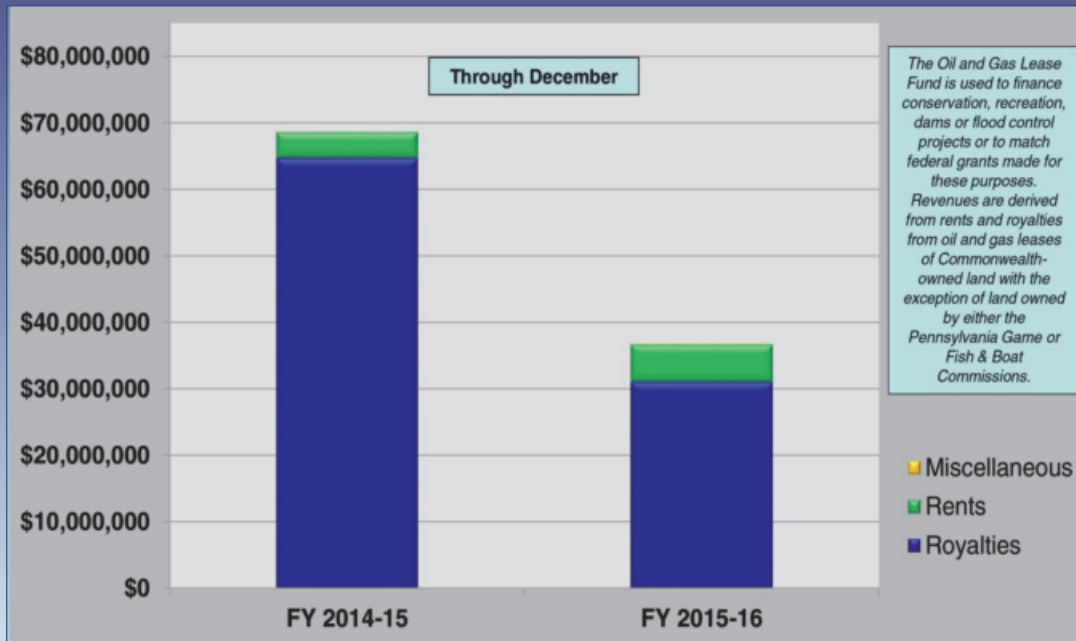


General Fund Year-to-Date Revenue Compared with Prior Year



Senate Appropriations Committee, Pat Browne, Chairman

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



Senate Appropriations Committee, Pat Browne, Chairman



Appropriations Committee Monthly Revenue Report

REVENUE SOURCES	December 2015 Actual	December 2014 Actual	% Change vs. Prior Year	YTD Actual	Prior YTD Actual	% Change vs. Prior Year
TOTAL - GENERAL FUND	2,725,041,504	2,710,633,322	0.5%	13,400,565,610	13,299,544,034	0.8%
TOTAL - NON-TAX REVENUE	29,210,038	63,151,529	-53.7%	144,056,703	376,796,197	-61.8%
TOTAL - TAX REVENUE	2,695,831,466	2,647,481,794	1.8%	13,256,508,907	12,922,747,837	2.6%
TOTAL - Corporation Taxes	528,618,136	564,173,808	-6.3%	1,401,790,858	1,427,242,819	-1.8%
Accelerated Deposits	860,080	29,430,475	-97.1%	2,573,125	31,055,930	-91.7%
Corp. Net Income	477,056,155	496,785,725	-4.0%	1,234,856,580	1,226,891,852	0.6%
Cap. Stock & Franchise	24,212,769	22,025,673	9.9%	87,185,778	98,193,846	-11.2%
Gross Receipts	3,814,066	7,019,176	-45.7%	30,838,589	36,394,480	-15.3%
PURTA	23,914	79,611	-70.0%	2,709,305	2,055,574	31.8%
Insurance Premiums	1,860,940	1,096,281	69.8%	5,820,142	3,506,045	66.0%
Financial Institutions	19,476,895	7,660,890	154.2%	34,743,546	27,510,903	26.3%
Other Selective Bus. Taxes	1,313,316	75,977	1628.6%	3,063,794	1,634,189	87.5%
TOTAL - Consumption Taxes	958,003,222	937,959,708	2.1%	5,620,363,920	5,481,602,748	2.5%
Sales and Use	824,296,996	804,150,201	2.5%	4,939,631,538	4,802,194,216	2.9%
General (net of transfers)	711,299,235	689,323,886	3.2%	4,248,180,684	4,124,954,846	3.0%
Motor Vehicle Sales	112,997,762	114,826,315	-1.6%	691,450,854	677,239,370	2.1%
Cigarette Tax	87,917,010	90,227,591	-2.6%	482,942,840	489,020,781	-1.2%
Malt Beverage	1,702,620	1,635,945	4.1%	13,056,696	12,456,343	4.8%
Liquor	44,086,595	41,945,971	5.1%	184,732,846	177,931,407	3.8%
TOTAL - Other Taxes	1,209,210,108	1,145,348,278	5.6%	6,234,354,130	6,013,902,271	3.7%
Personal Income	1,067,082,436	1,020,014,723	4.6%	5,465,067,639	5,213,794,325	4.8%
Withholding	884,551,735	878,015,997	0.7%	4,629,747,222	4,502,050,138	2.8%
Non-Withholding	182,530,701	141,998,726	28.5%	835,320,417	711,744,188	17.4%
Realty Transfer	33,122,729	40,384,565	-18.0%	248,392,775	215,993,196	15.0%
Inheritance & Estate	83,490,165	72,122,984	15.8%	449,676,688	521,686,860	-13.8%
Minor & Repealed	18,310,467	3,617,276	406.2%	22,565,892	16,149,576	39.7%
Table Games	7,204,311	9,208,730	-21.8%	48,651,135	46,278,314	5.1%