



Senate Appropriations Committee

The Monthly Report

March 2016

Pat Browne, Chairman



General Fund Revenue Collections, \$51.5 Million, or 2.9%, Above Estimate for the Month

General Fund revenue collections for the month ended February 2016 totaled \$1.85 billion, which was \$51.5 million, or 2.9%, above estimate for the month. Fiscal year-to-date collections total \$17.75 billion, which is \$60.7 million, or 0.3%, above estimate for the year. General Fund revenue collections through February 2016 are \$313.9 million, or 1.8%, more than last year at this time. February is typically the smallest revenue collection month of the fiscal year. 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 3.4% higher than it was through February 2015. Excluding the inheritance tax windfall from FY 2014-15, tax revenue collections in FY 2015-16 would be 3.9% more than last year on an equivalent basis.

Corporation tax collections were over estimate by \$47.7 million, or 82.6%, for the month. However, February is not a particularly large or important month for corporation tax collections. Corporation taxes are \$43.2 million, or 2.7%, ahead of estimate for the year.

Sales and use tax (SUT) collections were short of estimate by \$9.3 million, or 1.4%, for the month. General (i.e. non-motor vehicle) SUT was \$11.4 million, or 1.9%, below estimate. Sales and use tax on motor vehicles was \$2.1 million, or 2.4%, over estimate for the month. Overall, sales

and use tax revenues are \$3.2 million ahead of estimate for the year, and they are 3.2% ahead of last year at this time.

Personal income tax (PIT) collections missed the estimate by \$28.9 million, or 3.4%, for the month. PIT from employers' withholding was below estimate by \$40 million, or 5%, for the month. Quarterly estimated PIT was above estimate by \$2.3 million for February, and PIT payments on annual tax returns beat the estimate by \$8.9 million for the month. Overall, PIT revenues are \$19.9 million, or 0.3%, below estimate for the year, but they are 4.8% ahead of last year at this time.

Realty transfer tax (RTT) collections were over estimate by \$6.9 million, or 26.3%, for the month, and

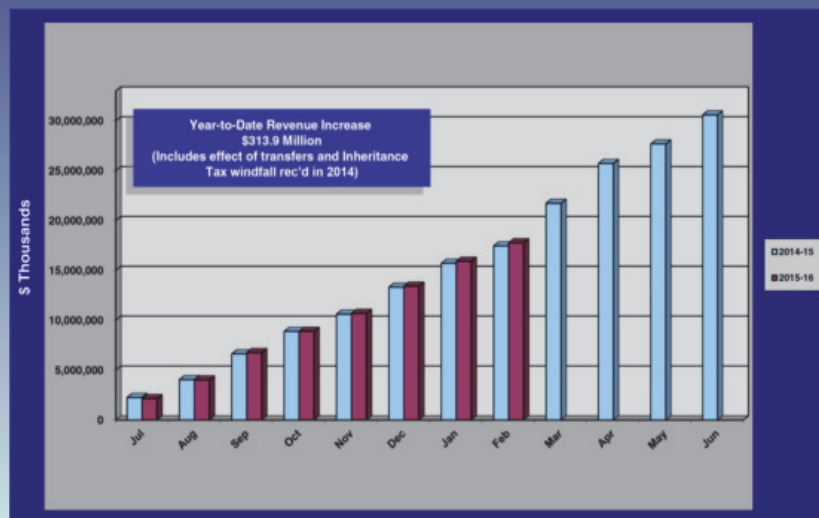
RTT is \$8.7 million, or 2.7%, above estimate thus far this fiscal year. Inheritance tax collections were \$23.4 million, or 35.3%, above estimate for the month, and they are \$19.7 million, or 3.4%, above estimate for the year.

Liquor tax collections of \$25.8 million were \$291,882 over estimate for February. Cigarette tax collections were below estimate by \$1.7 million for the month, and they are \$5.9 million, or 1%, below estimate for the year. Table games tax revenue missed the estimate by \$150,127. Table games tax is now \$479,472, or 0.7%, below estimate for the fiscal year.

Non-tax revenue collections exceeded the monthly estimate by \$13.2 million, which brings non-tax revenues to \$10.4 million, or 4.4%, above

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



Senate Appropriations Committee, Pat Browne, Chairman



estimate for the year as of the end of February.

Motor License Fund (MLF) collections were \$11.5 million, or 5.5% below estimate for the month of February. The Motor License Fund is \$33.4 million, or 2.0%, below estimate

for the year.

March is the largest month for General Fund revenue collections. The official revenue estimate projects collections of \$4.4 billion or 14.25% of the FY 2015-16 General Fund total. March is also the month where gross

receipts taxes (GRT) are remitted. The estimate assumes \$1.237 billion in GRT collections. We are concerned the sustained period of low energy prices that we are experiencing may have a negative impact on GRT collections this month.

Governor Proposes \$33.3 Billion FY 16/17 Budget

Governor Wolf is proposing a \$33.288 billion General Fund budget. This is an increase of \$3.025 billion, or 10%, over House Bill 1460 as enacted by the General Assembly in December 2015. When comparing the Governor's proposal to the so called "framework" budget, it is a \$2.5 billion, or 8.1%, increase. When compared to his revised FY 2015-16 budget (including proposed supplemental appropriations), it is a \$2.45 billion, or 7.9%, increase in spending.

To support his requested spend, Governor Wolf is proposing another historic tax increase of \$3.6 billion over two years (FY 2015-16 and FY

2016-17). The Governor proposes to increase the personal income tax rate from 3.07% to 3.4%, an increase of 11%. However, because the PIT rate increase is retroactive to January 1, 2016, an initially higher withholding rate would be required if enacted. The initial withholding rate cannot currently be calculated as it depends on the timing of the potential enactment. In addition, the sales and use tax would be expanded to include several currently un-taxed items, and the vendor discount would be capped. The tax on a pack of cigarettes would be increased by \$1.00 to \$2.60 per pack. Other currently un-

taxed tobacco products would be taxed at 40% of the wholesale price. The bank shares tax and the insurance premiums taxes would be increased, and a new 8% tax would be imposed on promotional slots play at casinos. A 6.5% severance tax would be imposed on natural gas production effective July 1, 2016. Indications are that natural gas producers would be able to take a full credit for the existing gas well impact fees. The Governor also assumes a \$100 million increase in the Liquor Control Board profit transfer through modernization initiatives. The following chart summarizes the Governor's tax proposal.

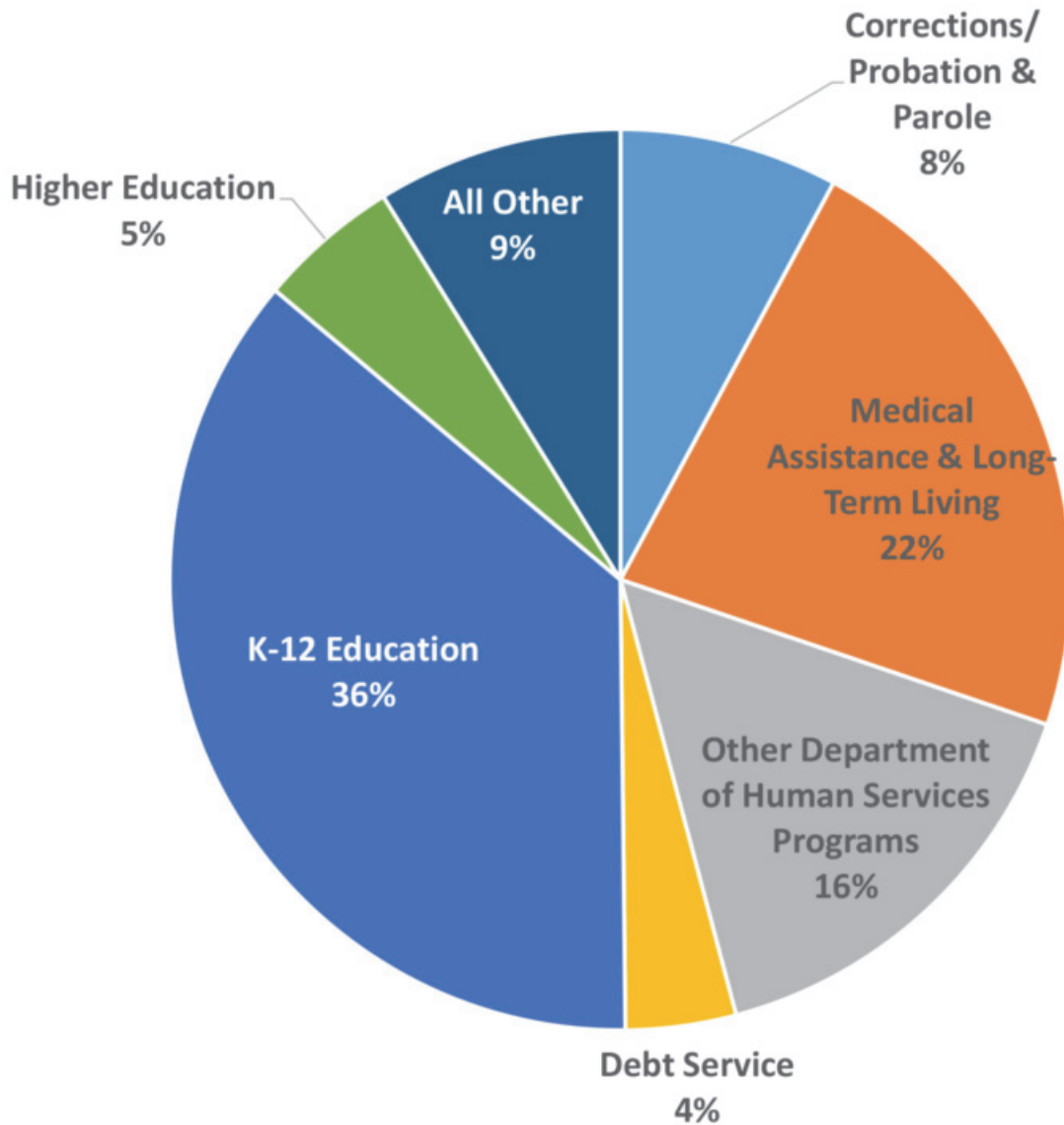
Wolf 2016 Executive Budget Tax Proposal (Amounts in Millions)

Tax Proposal	FY 15/16	FY 16/17
PIT rate increase from 3.07% to 3.4%	\$555	\$1,294
Sales -Tax Base Expansion	66.1	414.6
Movie Tickets	12.8	88.3
Basic Cable	38.9	237.4
Digital Downloads	3.7	22.3
Vendor Discout Cap @ \$25/month	10.7	66.6
Bank Shares Tax Increase from .89% to .99%	37.4	39.2
Insurance Premiums Tax surcharge of 0.5%	80.7	100.9
Cigarette Tax Increase \$1.00 per pack	122.2	468.1
OTP @ 40% of wholesale price	10.6	136.0
Severance Tax @ 6.5% with full impact fee credit	0.0	217.8
Gaming Promotional Play tax at 8%	21.0	50.9
Total	\$893	\$2,722
Two-Year Total	\$3,615	

As illustrated in the chart above, the Governor's Budget assumes \$893 million in new tax revenue in the current fiscal year and \$2.7 billion next year. The revenue gain in FY 2015-16 is only possible because of the retroactive implementation of several of the tax proposals and must assume an aggressive schedule for enactment and implementation. Appropriations committee staff reviews of previous tax proposals over the last several months indicate that each month delay in enactment of the reviewed proposals resulted in a reduction of about \$100 million in the projected tax yield. That analysis is probably applicable to the Governor's current proposal as well. The Governor also proposes to annually transfer a portion of PIT revenues to a restricted revenue account to offset the Commonwealth's contribution for school employee retirement costs. The proposed offsets are \$280 million in the current fiscal year, increasing to \$560 million in FY 2016-17.

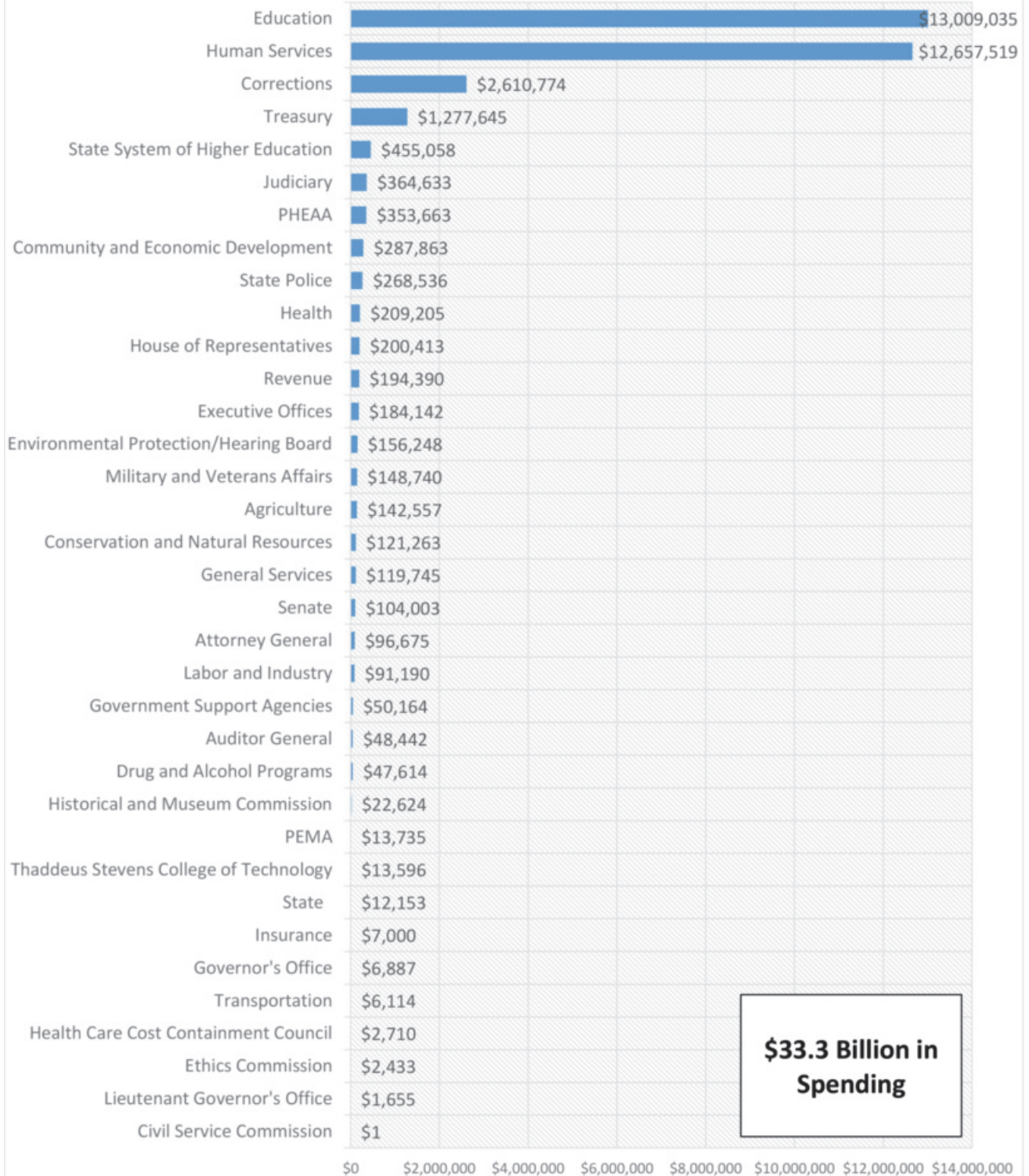


\$33.3 Billion of General Fund Spending



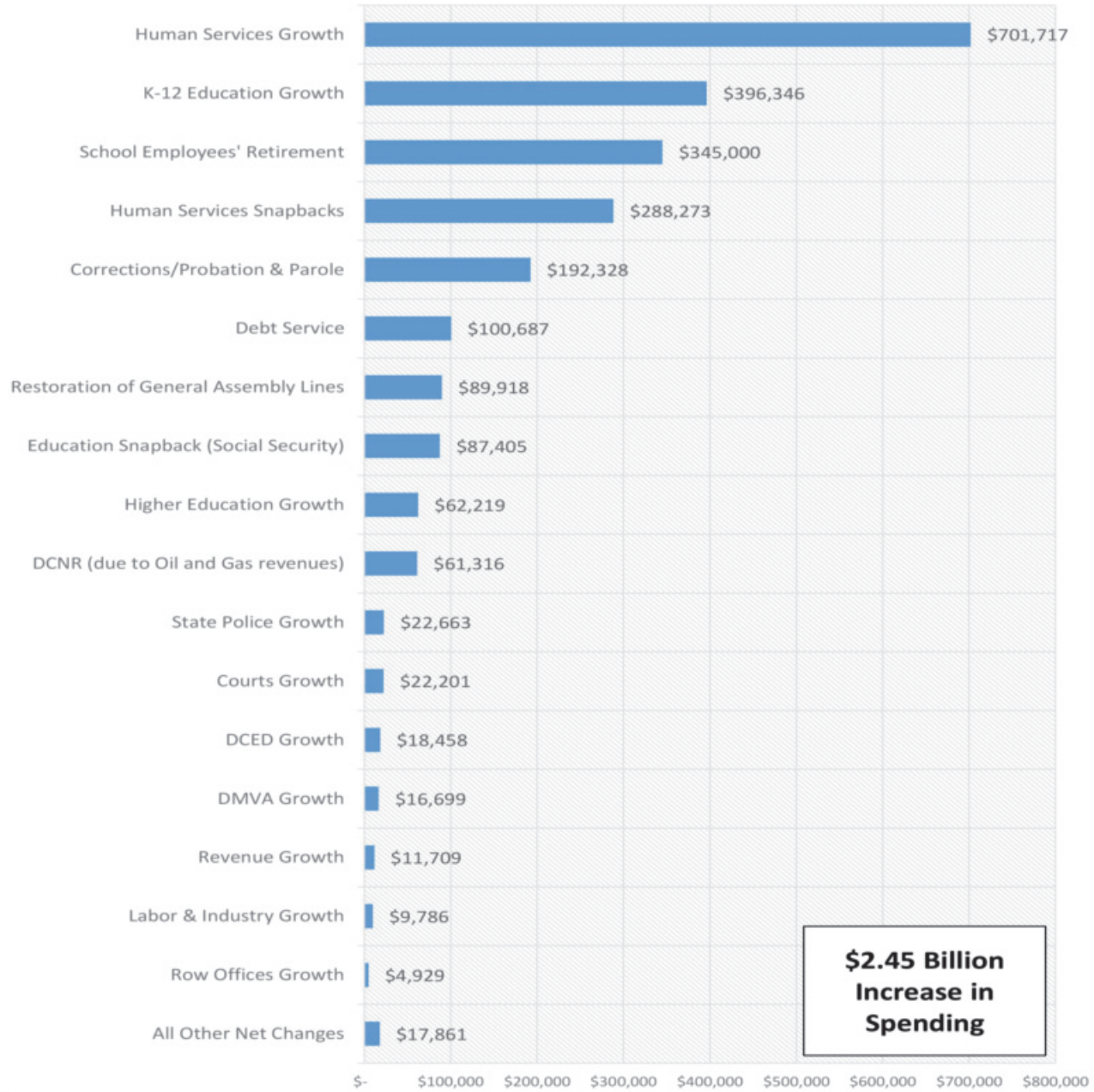


General Fund Spending by Department *amounts in thousands*





Changes in General Fund Spending
FY 2015-16 vs. FY 2016-17
amounts in thousands

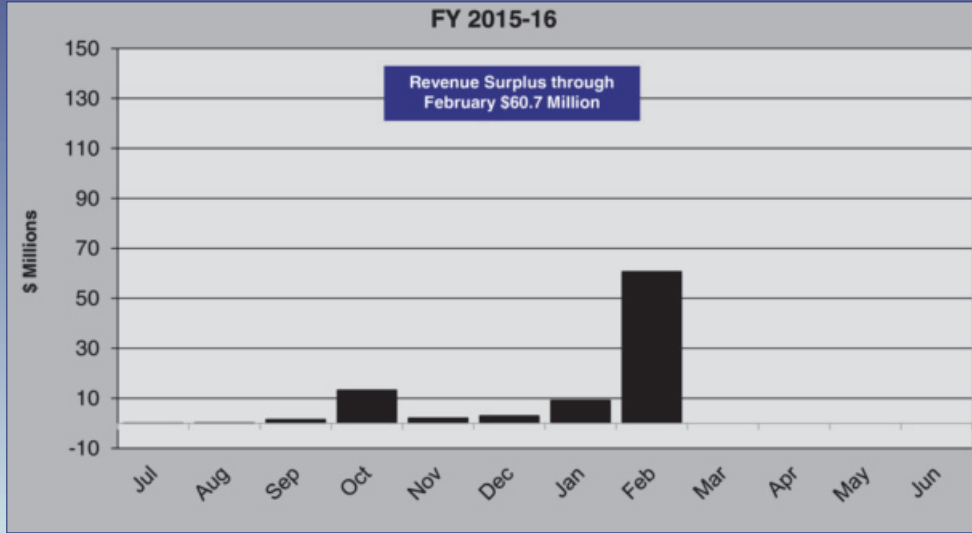


General Fund Filled Staff Levels (Under Governor's Jurisdiction)

	12/26/2014	2/27/2015	10/30/2015	11/27/2015	12/31/2015	1/29/2016	2/26/2016	Difference: 2/26/2016 vs. 2/27/2015	Difference: 2/26/2016 vs. 12/26/2014
Corrections	14,573.60	14,597.61	15,049.54	15,082.54	14,990.54	14,976.61	14,971.54	373.94	397.94
State Police	5,688.00	5,745.00	5,811.00	5,815.00	5,907.00	5,823.00	5,805.00	60.00	117.00
Human Services	15,782.70	15,851.20	15,864.20	15,966.70	15,968.70	15,983.80	15,982.30	131.10	199.60
All Other	11,717.82	11,658.65	11,653.49	11,674.29	11,613.06	11,602.14	11,575.38	-83.27	-142.44
Total	47,762.12	47,852.46	48,378.23	48,538.53	48,479.30	48,385.55	48,334.22	481.76	572.10
Difference from prior month				160.30	-59.23	-93.75	-51.33		

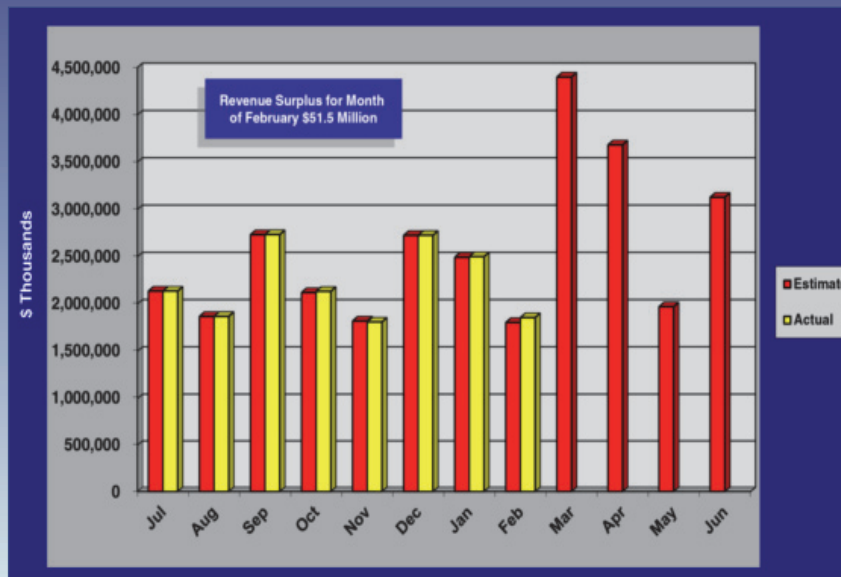


General Fund Tax Collections Year-to-Date Revenue Comparison with Official Estimate



Senate Appropriations Committee, Pat Browne, Chairman

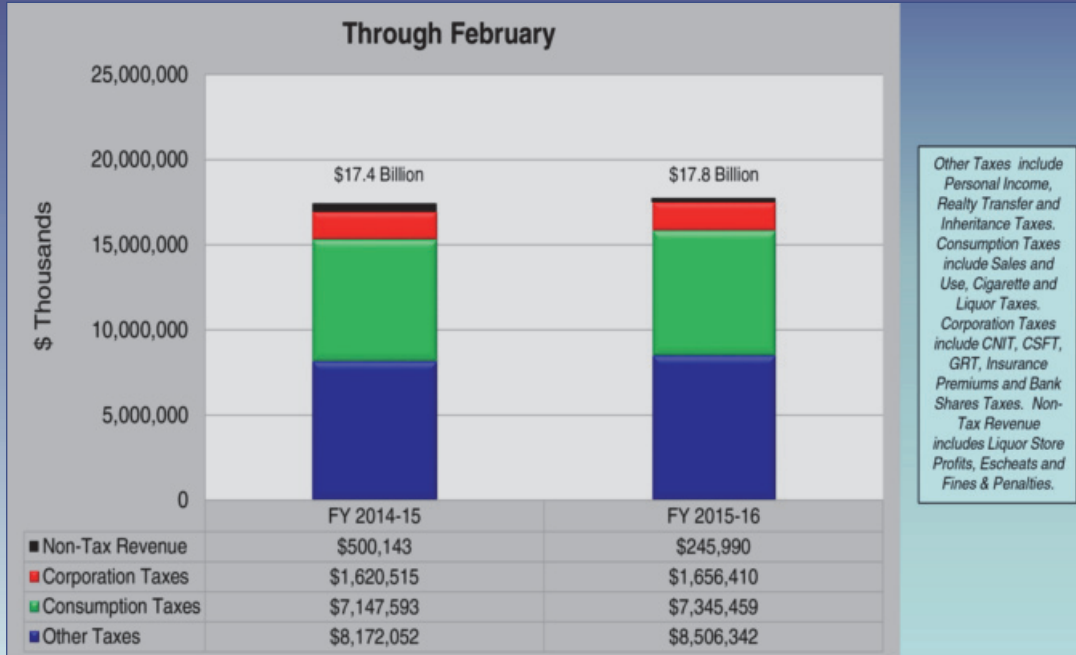
General Fund Tax Collections Fiscal Year 2015-16 Comparison of Official Estimate with Actual Revenue by Month



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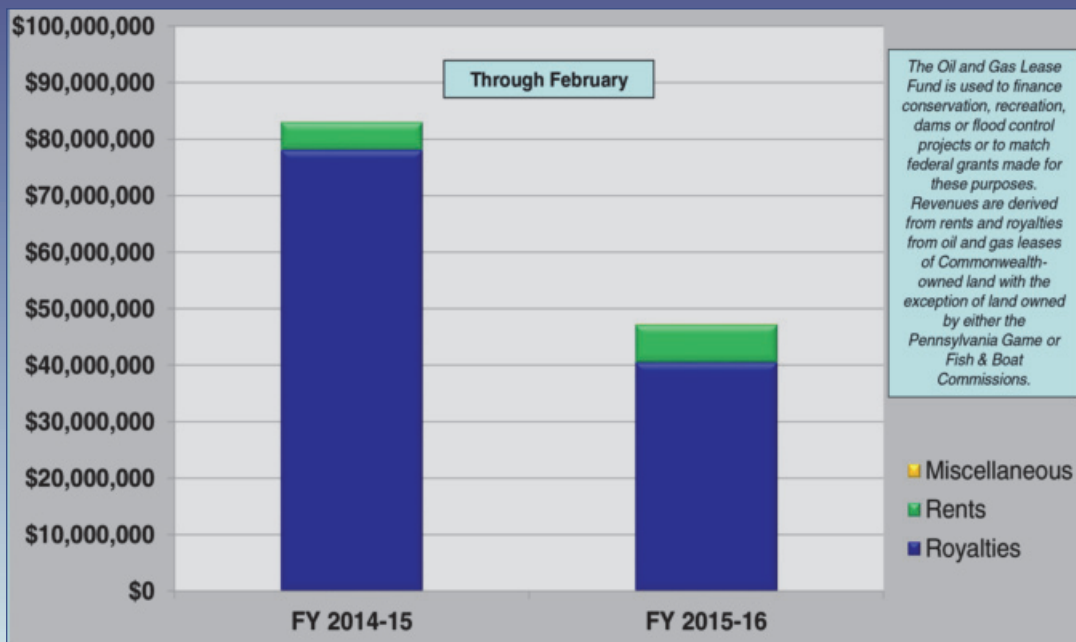


General Fund Year-to-Date Revenue Compared with Prior Year



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	YTD FY 2014-15	February 2016 Actual	February 2016 Estimated	Surplus/ (Deficit)	YTD Actual	YTD Estimated	Surplus/ (Deficit)
TOTAL - GENERAL FUND	17,440,304	1,854,594	1,803,100	51,494	17,754,203	17,693,500	60,703
TOTAL - NON-TAX REVENUE	500,143	35,704	22,500	13,204	245,991	235,600	10,391
TOTAL - TAX REVENUE	16,940,161	1,818,891	1,780,600	38,291	17,508,212	17,457,900	50,312
TOTAL - Corporation Taxes	1,620,515	105,544	57,800	47,744	1,656,410	1,613,200	43,210
Accelerated Deposits	4,470	(65)	0	(65)	189	0	189
Corp. Net Income	1,382,614	49,695	35,800	13,895	1,417,016	1,402,800	14,216
Cap. Stock & Franchise	116,869	7,522	1,600	5,922	105,878	100,000	5,878
Gross Receipts	42,503	7,893	1,900	5,993	43,666	35,800	7,866
PURTA	2,067	7	0	7	2,773	2,700	73
Insurance Premiums	41,573	27,691	18,200	9,491	48,660	45,800	2,860
Financial Institutions	28,106	12,575	200	12,375	36,029	24,100	11,929
Other Selective Bus. Taxes	2,313	226	100	126	2,199	2,000	199
TOTAL - Consumption Taxes	7,147,593	761,723	772,400	(10,677)	7,345,459	7,347,100	(1,641)
Sales and Use	6,298,019	668,345	677,600	(9,255)	6,498,167	6,495,000	3,167
General (net of transfers)	5,442,352	578,191	589,600	(11,409)	5,626,181	5,615,100	11,081
Motor Vehicle Sales	855,668	90,153	88,000	2,153	871,986	879,900	(7,914)
Cigarette Tax	607,443	65,814	67,500	(1,686)	594,993	600,900	(5,907)
Malt Beverage	16,018	1,773	1,800	(27)	16,606	16,500	106
Liquor	226,112	25,792	25,500	292	235,692	234,700	992
TOTAL - Other Taxes	8,172,052	951,623	950,400	1,223	8,506,342	8,497,600	8,742
Personal Income	7,141,703	821,019	849,900	(28,881)	7,487,245	7,507,100	(19,855)
Withholding	6,006,732	767,960	808,000	(40,040)	6,155,734	6,210,800	(55,066)
Non-Withholding	1,134,971	53,059	41,900	11,159	1,331,511	1,296,300	35,211
Realty Transfer	271,866	33,331	26,400	6,931	325,095	316,400	8,695
Inheritance & Estate	660,711	89,558	66,200	23,358	604,853	585,200	19,653
Minor & Repealed	34,260	(335)	(300)	(35)	22,629	21,900	729
Table Games	63,512	8,050	8,200	(150)	66,521	67,000	(479)
TOTAL - MOTOR LICENSE FUND	1,668,697	199,131	210,670	(11,539)	1,669,515	1,702,920	(33,405)
TOTAL - Liquid Fuels Taxes	1,026,280	134,471	143,400	(8,929)	1,108,983	1,123,600	(14,617)
Liquid Fuels	4,226	1	100	(99)	(854)	(700)	(154)
Fuels	3	0	0	0	38	0	38
Motor Carriers/IFTA	50,224	18,431	13,000	5,431	67,633	61,500	6,133
Alternative Fuels	2,009	872	400	472	6,289	5,800	489
Oil Company Franchise	969,818	115,167	129,900	(14,733)	1,035,877	1,057,000	(21,123)
TOTAL - Licenses, Fees & Other	642,417	63,598	66,070	(2,472)	549,178	568,920	(19,742)
Licenses and Fees	561,427	65,352	65,400	(48)	544,836	563,300	(18,464)
Other Motor Receipts	80,990	(1,754)	670	(2,424)	4,342	5,620	(1,278)
Other Motor Receipts	258,447	10,233	2,040	8,193	98,274	88,400	9,874