



*Pennsylvania Senate*  
**Appropriations  
 Committee**

**Senator Pat Browne**  
 Chairman



November 2016

# Monthly Report

## Revenues Above Estimate for First Time This Fiscal Year

For the first time in the 2016-17 Fiscal Year, monthly revenue collections in October have exceeded monthly estimates. While this is encouraging news, it is important to note that October's positive numbers were not enough to overcome the first three months of the fiscal year that saw revenues below estimate each month and have left the Commonwealth still \$182.4 million, or 2.0%, below estimate for the fiscal year-to-date revenue collections.

General Fund revenue collections for the month ended October 2016 totaled \$2.23 billion, which was \$36.1 million, or 1.6%, above estimate for the month. Fiscal year-to-date revenue collections total \$8.85 billion.

October's corporation tax collections exceeded the estimate by \$31.8 million, or 20.0%. Many corporations that have a six-month filing extension from April pay their corporate net income tax (CNI) annual payments when the return is filed in October. CNI annual payments for October accounted for most of the corporation tax monthly surplus at \$25.5 million above estimate. However, like General Fund revenue collections, for the fiscal year-to-date, corporation taxes are \$30 million, or 3.7%, short of estimate.

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### **Where We Are In The Annual Budget Process**

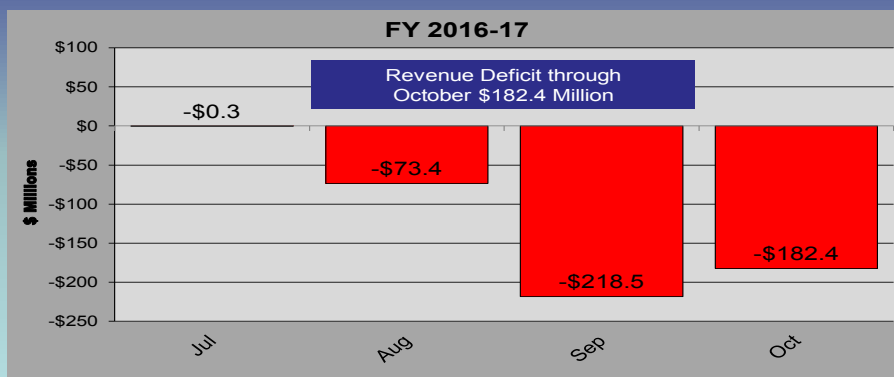
The Governor's Budget Office has completed its preliminary review of next year's budget and is preparing for the next round of internal budget reviews with the Governor and his senior staff.

The Governor's Budget Office is also preparing for the 2016-17 mid-year budget update, which will be delivered in December.

### Senate Appropriations Staff

- Greg Jordan, Director
- John Guyer, Assistant Director
- Kristi Houtz, Committee Secretary
- Faith Bender (Environment/Labor)
- Tom Diehl (Human Services)
- Tom Horan (Revenue/DCED)
- Russ Miller (Education/Agriculture)
- Bill Witmer (Criminal Justice/Capital)

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



Senate Appropriations Committee, Patrick M. Browne, Chairman

#### Senate Appropriations Committee

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#### Senator Browne's District Office

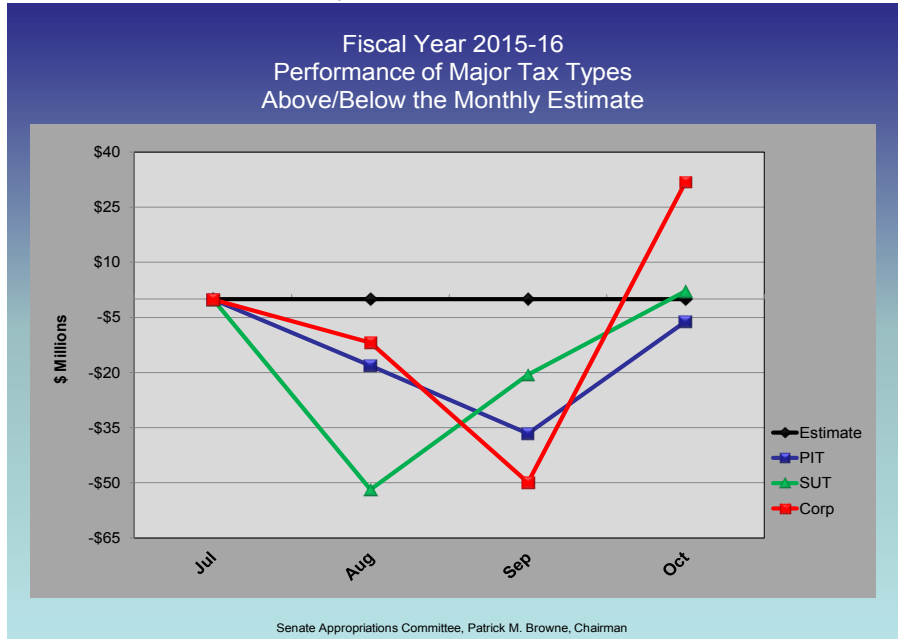
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**October Revenue Collections continued:**

Sales and use tax (SUT) collections were above estimate for the month by \$2.2 million, or 0.2%. Non-motor SUT was above estimate by \$9.4 million, or 1.3%, for the month, but SUT on motor vehicles missed the estimate by \$7.2 million, or 6.1%. The Official General Fund Revenue Estimate for the entire fiscal year calls for overall growth in sales and use tax of 4.2%. Currently, SUT growth for the first four months of Fiscal Year 2016-17 stands at just 0.4%.

Consumption taxes (i.e. SUT, cigarette, OTP, malt beverage, and liquor) are \$10.5 million, or 10.3%, above estimate for the month but are \$71.8 million, or 1.8%, below estimate for the fiscal year-to-date.

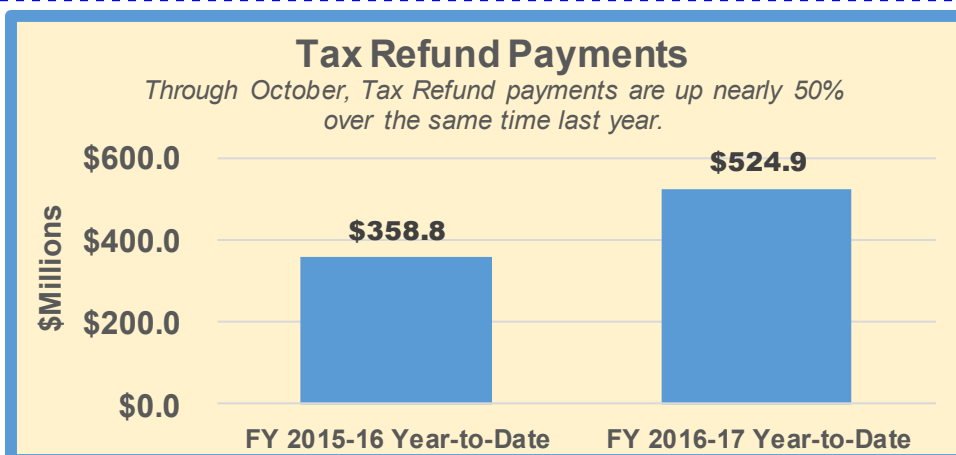
Personal income tax (PIT) collections were below estimate by \$6.1 million, or 0.7%, for the month. Employers' withholding tax collections were \$2.5 million, or 0.3%, short of estimate for the month, and estimated PIT payments were \$3.7 million, or 6.7%, below estimate for the month. Payments on annual tax returns just exceeded the estimate by \$169,460, or 0.2%, for the month. As with corporation taxes due in April, individuals who have a six-month filing extension often make annual tax payments in October, even though the taxes were due in April. Total personal income taxes are below estimate by \$60.9 million, or 1.7%, for the fiscal year-to-date.



Cigarette tax collections exceeded the estimate for the month by \$11.97 million, or 9.7%. The \$1.00 per pack cigarette tax increase that took effect on August 1<sup>st</sup> included a floor tax (i.e. inventory tax) that is due 90 days from the effective date, and so the cigarette tax monthly surplus might be at least partially attributable to early floor tax payments. Liquor tax collections were \$3.9 million, or 12.6%, below the estimate for the month, and table games tax collections were \$467,864 below estimate for the month.

Realty transfer tax (RTT) was below estimate by \$8.8 million, or 17.4%, for the month. Inheritance tax collections were just short of the estimate by \$81,036, or 1.1%, for the month. Non-tax revenue collections missed the estimate by \$7.7 million, or 6.5%, for the month. However, non-tax revenues are only \$391,793, or 0.06%, short of estimate for the year.

Motor License Fund collections were \$4.9 million, or 0.2%, below estimate for the month of October. The Motor License Fund is \$4.8 million, or 0.5%, below estimate for the year.



Tax Refunds reduce the overall amount of revenue received. The significant increase in tax refund payments year-to-date from last year further adds to the shortfall in revenue against expenses.

**Next Month:** We will have a better gauge on where Tax Refund trend lines are headed for the full fiscal year.

## What's Being Done to Fight the Opioid Crisis

Over the last two years, the General Assembly has taken action on ten pieces of legislation designed to fight the opioid crisis. While several pieces of legislation have moderate costs, most of the legislation can be implemented without any fiscal impact to the Commonwealth.

### Legislation Passed to Address Opioid Concerns

- Act 191 of 2014 (\$2.1 million cost annually)** – Ensures that information on prescription opioids can be collected and monitored, giving physicians and dispensers the tools needed to ensure that patients are not being over-prescribed. The law also allows law enforcement to monitor physicians who may be over-prescribing.
- Act 139 of 2014 (no fiscal impact)** – Allows law enforcement and first-responders to carry and administer naloxone – the life-saving drug that can reverse opioid overdoses.
- Act 80 of 2015 (\$1.5 million cost annually)** – Creates a pilot program for 175 inmates within the Department of Corrections for addiction treatment with the aim of avoiding relapse when offenders are released.
- Act 37 of 2016 (if this legislation results in the conviction of 10 additional individuals annually, \$60,000 cost in year 1 increasing to \$935,000 in year 10)** – Allows the Secretary of Health to add substances to the controlled substances list of the “Drug Act” to keep pace with the designer drug trade.
- House Resolution 893 (can be absorbed within existing appropriation levels)** – Calls on the Joint State Government Commission to study benefits, costs and drawbacks of treatment modalities for substance abuse disorder and also the feasibility of using state hospital facilities for addiction treatment.
- Act 122 of 2016 (no fiscal impact)** – Prohibits emergency providers from prescribing long-acting opioid painkillers in emergency rooms and places a limit on discharge prescriptions.
- Act 123 of 2016 (no fiscal impact)** – Aims to reduce prescription drug abuse and ensure the safety of Pennsylvania’s drinking water by providing for the proper disposal of unused prescription and over-the-counter medications.
- Act 124 of 2016 (no fiscal impact)** – Provides for licensing boards to require education in pain management and dispensing and prescribing practices of opioids.
- Act 125 of 2016 (no fiscal impact)** – Adds requirements for prescribing opioids to minors.
- Act 126 of 2016 (no fiscal impact)** – Establishes safe opioid prescription training requirements.

### Funding in this Year’s State Budget

The final budget included an additional \$15 million for the Department of Human Services to establish 20 Centers of Excellence to help address the opioid problem. Centers of Excellence coordinate care and provide team-based treatment for patients who have an opioid use disorder; may have co-occurring behavioral and physical health conditions; need help to navigate the care system; or need guidance to stay engaged in treatment.

### People Receiving Drug and Alcohol Treatment

- Department of Drug and Alcohol: Provided funding for 51,575 individuals to be admitted for treatment.
- Department of Human Services: Provided funding for 237,855 individuals to receive substance abuse treatment.

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## Senior Community Center Grants Now Available

Through funding made available by the General Assembly, the Department of Aging recently announced that \$2 million will be awarded to Senior Community Centers across the state. The grants are intended for enhancements that increase participation, encourage sustainable and innovative programs, attract a new generation of older adults and enable senior community centers to provide a safe and healthy environment for participants.

The Department of Aging will evaluate applications based on how effectively they meet one or more of the goals listed in the department’s 2016 – 2020 State Plan on Aging. Applications are due no later than December 12, 2016 by 5 p.m. Additional details on how to apply are available on the Department of Aging website – <http://www.aging.pa.gov>. If you have questions, please email [SCCgrants@pa.gov](mailto:SCCgrants@pa.gov) or call Robert Cherry at (717)-772-1221.

## Appropriations Committee Activity 2015-2016 Legislative Session

The 2015-2016 Legislative Session was very busy for the Senate Appropriations Committee, especially the final nine days of session, when the committee met eight times and considered and reported out a total of 85 bills.

### Total Hearings and Meetings

2015 & 2016: 125

### Committee Meetings

2016 26

2015 31

### Budget Hearings

2016 26

2015 35

### Sub-Committee Hearings

2016 5

### Joint Hearings

2016 2

### Bills Referred to Committee

**Senate Bills:** 247      **House Bills:** 148      **Resolutions:** 2      **Total Bills:** 397

### Bills Referred from Committee

**Senate Bills:** 146      **House Bills:** 133      **Resolutions:** 2      **Total Bills:** 281

## Alcoholic Beverage Modernization Update

Since June, two liquor reform bills designed to modernize wine and beer sales and provide greater consumer convenience have been signed into law and are projected to increase the PLCB transfer to the General Fund by nearly \$150 million this year. The major provisions contained in these measures provide the following:

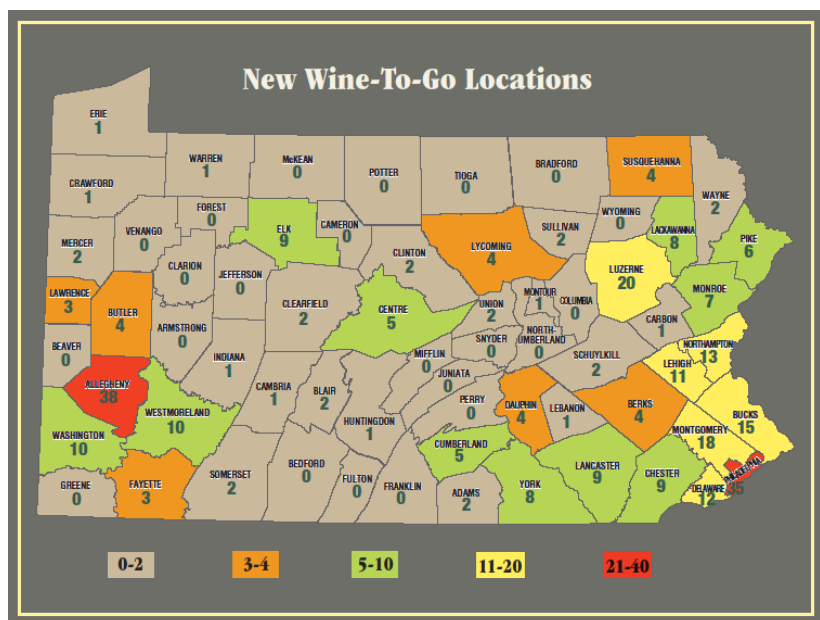
- Allow restaurant and hotel liquor license holders, including grocery and convenience stores, to sell wine-to-go.
- Allow consumers to have wine shipped directly to their home by a wine producer licensed by the PLCB.
- Allow all PLCB Fine Wine & Good Spirits Stores to be open on Sundays without Sunday hour restrictions.
- Authorize the PLCB to auction 1,200 expired restaurant liquor licenses.
- Allow distributors to sell beer in any amount or configuration, including growlers.

Through early October, the PLCB received 303 applications from restaurant and hotel liquor license holders to sell wine-to-go, including 22 applications from grocery stores. Of those applications, 221 have been approved, generating \$442,000 from the initial \$2,000 permit fee.

The number of PLCB Fine Wine & Good Spirits Stores open Sundays has increased from 188 stores to 308 stores (64%), and Sunday hours have been expanded.

Residents are now able to purchase wine directly from 571 wine producers, and the PLCB has begun the process of auctioning off expired restaurant liquor licenses.

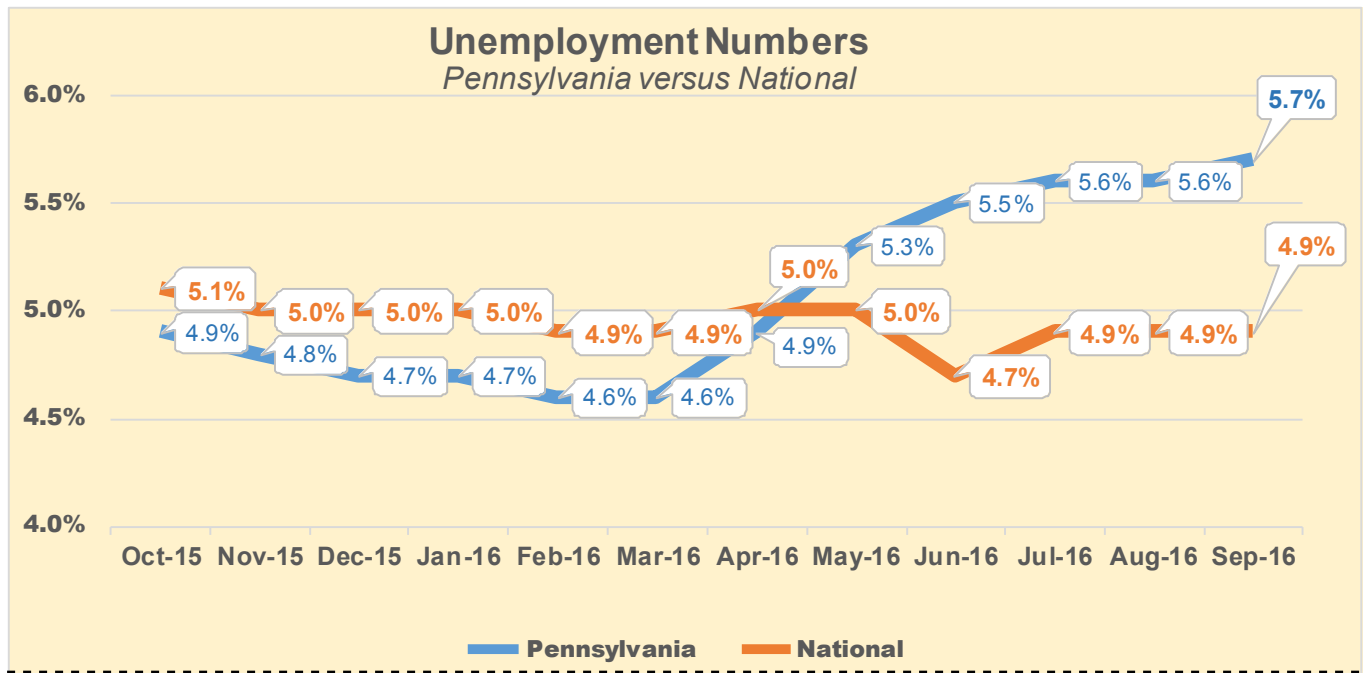
The first auction of 40 licenses generated \$7.8 million, an average of \$212,000 per license.



## Unemployment Data for Pennsylvania and Surrounding States

*(September 2016 versus September 2015)*

<u>State</u>	<u>September 2016</u>	<u>September 2015</u>
Delaware	4.3%	4.9%
Maryland	4.2%	5.1%
New Jersey	5.3%	5.2%
New York	5.0%	5.0%
Ohio	4.8%	4.6%
Pennsylvania	5.7%	4.9%
West Virginia	5.8%	6.6%



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

	December 2015	February 2016	April 2016	June 2016	August 2016	October 2016	<u>Difference</u> <u>October</u> <u>2016</u> <u>vs.</u> <u>December</u> <u>2015</u>
<b>Corrections</b>	14,990.5	14,971.5	14,879.6	14,952.0	15,208.2	15,296.2	305.7
<b>State Police</b>	5,907.0	5,805.0	5,809.0	5,826.0	5,810.0	5,800.0	-107.0
<b>Human Services</b>	15,968.7	15,982.3	16,062.3	16,029.3	16,046.0	16,067.6	98.9
<b>All Other</b>	11,613.1	11,575.4	11,476.0	11,449.5	11,739.0	11,813.3	200.2
<b>Total</b>	<b>48,479.3</b>	<b>48,334.2</b>	<b>48,226.9</b>	<b>48,256.8</b>	<b>48,803.1</b>	<b>48,977.0</b>	<b>497.7</b>

The increase in filled staffing levels between June and August is due in part to including full-time wage employees in counts of staff.

# General Fund Revenue Detail

**Fiscal Year 2016-17**

## **Senate Appropriations Committee Monthly Revenue Report**

(\$ thousands)

REVENUE SOURCES	YTD FY 2015-16	October 2016 Actual	October 2016 Estimated	Surplus/ (Deficit)	YTD Actual	YTD Estimated	Surplus/ (Deficit)
<b>TOTAL - GENERAL FUND</b>	<b>8,867,589</b>	<b>2,234,733</b>	<b>2,198,600</b>	<b>36,133</b>	<b>8,849,228</b>	<b>9,031,600</b>	<b>(182,372)</b>
<b>TOTAL - NON-TAX REVENUE</b>	<b>103,178</b>	<b>4,172</b>	<b>11,900</b>	<b>(7,728)</b>	<b>63,208</b>	<b>63,600</b>	<b>(392)</b>
<b>TOTAL - TAX REVENUE</b>	<b>8,764,412</b>	<b>2,230,562</b>	<b>2,186,700</b>	<b>43,862</b>	<b>8,786,019</b>	<b>8,968,000</b>	<b>(181,981)</b>
<b>TOTAL - Corporation Taxes</b>	<b>811,547</b>	<b>191,334</b>	<b>159,500</b>	<b>31,834</b>	<b>775,274</b>	<b>805,300</b>	<b>(30,026)</b>
Accelerated Deposits	12,946	(334)	0	(334)	829	0	829
Corp. Net Income	710,545	166,031	147,800	18,231	695,200	744,700	(49,500)
Cap. Stock & Franchise	45,104	8,974	4,900	4,074	27,055	21,800	5,255
Gross Receipts	22,030	16,859	5,600	11,259	34,525	18,800	15,725
PURTA	2,658	95	0	95	2,289	2,700	(411)
Insurance Premiums	2,210	(441)	200	(641)	2,849	2,400	449
Financial Institutions	14,347	150	1,000	(850)	12,526	14,900	(2,374)
Other Selective Bus. Taxes	1,707	\$0	\$0	\$0	\$0	\$0	\$0
<b>TOTAL - Consumption Taxes</b>	<b>3,789,674</b>	<b>1,036,133</b>	<b>1,025,600</b>	<b>10,533</b>	<b>3,901,890</b>	<b>3,973,700</b>	<b>(71,810)</b>
Sales and Use	3,354,073	871,855	869,700	2,155	3,366,411	3,436,700	(70,289)
General (net of transfers)	2,874,512	760,713	751,300	9,413	2,897,290	2,948,200	(50,910)
Motor Vehicle Sales	479,561	111,142	118,400	(7,258)	469,122	488,500	(19,378)
Cigarette Tax	316,025	134,967	123,000	11,967	414,718	412,400	2,318
Other Tobacco Products	N/A	314	0	314	337	0	337
Malt Beverage	9,271	2,091	2,100	(9)	9,077	9,000	77
Liquor	110,305	26,906	30,800	(3,894)	111,347	115,600	(4,253)
<b>TOTAL - Other Taxes</b>	<b>4,163,191</b>	<b>1,003,096</b>	<b>1,001,600</b>	<b>1,496</b>	<b>4,108,855</b>	<b>4,189,000</b>	<b>(80,145)</b>
Personal Income	3,632,809	874,117	880,200	(6,083)	3,605,686	3,666,600	(60,914)
Withholding	3,012,071	750,659	753,200	(2,541)	3,028,895	3,061,300	(32,405)
Non-Withholding	620,739	123,457	127,000	(3,543)	576,792	605,300	(28,508)
Realty Transfer	178,935	41,858	50,700	(8,842)	161,546	187,700	(26,154)
Inheritance & Estate	300,495	76,319	76,400	(81)	299,875	309,400	(9,525)
Minor & Repealed	16,793	1,969	(15,000)	16,969	3,326	(13,200)	16,526
Table Games	34,158	8,832	9,300	(468)	38,422	38,500	(78)
<b>TOTAL - MOTOR LICENSE FUND</b>	<b>877,891</b>	<b>206,012</b>	<b>210,870</b>	<b>(4,858)</b>	<b>869,572</b>	<b>874,370</b>	<b>(4,798)</b>
<b>TOTAL - Liquid Fuels Taxes</b>	<b>560,566</b>	<b>127,202</b>	<b>133,800</b>	<b>(6,598)</b>	<b>568,198</b>	<b>563,800</b>	<b>4,398</b>
Liquid Fuels	(994)	1	0	1	44	0	44
Fuels	38	0	0	0	0	0	0
Motor Carriers/IFTA	22,900	3,385	3,300	85	26,936	20,900	6,036
Alternative Fuels	1,772	881	900	(19)	3,341	3,600	(259)
Oil Company Franchise	536,851	122,935	129,600	(6,665)	537,876	539,300	(1,424)
<b>TOTAL - Licenses, Fees &amp; Other</b>	<b>317,325</b>	<b>78,810</b>	<b>77,070</b>	<b>1,740</b>	<b>301,375</b>	<b>310,570</b>	<b>(9,195)</b>
Licenses and Fees	307,512	77,409	73,500	3,909	298,182	303,900	(5,718)
Other Motor Receipts	9,813	1,401	3,570	(2,169)	3,193	6,670	(3,477)