



Pennsylvania Senate
**Appropriations
 Committee**

Senator Pat Browne
 Chairman



August 2016

Monthly Report

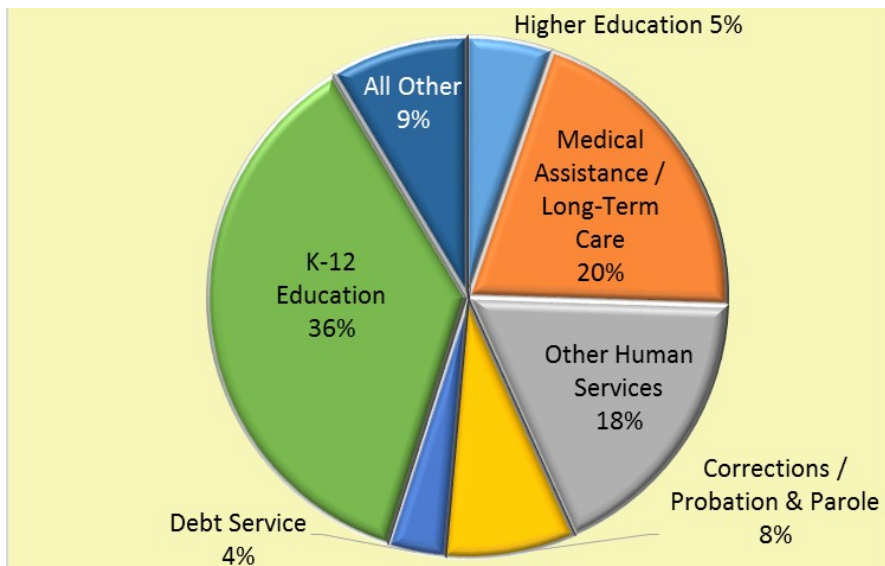
Budget Enacted

The General Assembly enacted an on-time spending plan and presented it to the Governor on July 1, 2016. The Governor declined to sign the spending plan and permitted it to become law without his signature on July 12, 2016. During the interim, the General Assembly and the Administration worked to develop and enact a revenue package to support the enacted fiscal year 2016-17 appropriations. The Governor signed the revenue bill on July 13, 2016.

Enacted fiscal year 2016-17 General Fund appropriations total \$31.5 billion, an increase of \$1.2 billion, or 3.9%, over the prior year after accounting for one-time spending reductions in 2015-16. The total 2016-17 General Fund appropriations is remarkable, not in its growth over the prior year, but in the reduction from the Governor’s February 2016 request. The enacted budget is approximately \$1.8 billion less than the \$33.3 billion that Governor Wolf proposed in his request.

The enacted budget provides funding for the ongoing costs of operating government’s core programs and provides increases for education and other programs as illustrated in the sidebar on this page. This was possible through fiscal restraint, thorough analysis and recognition that as fiscal stewards we cannot automatically go to taxpayers and ask them to contribute more to the operation of government.

FY 2016-17 General Fund Spending



Inside this issue

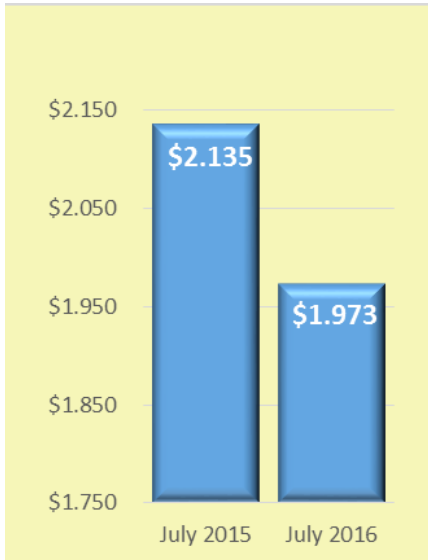
- July 2016 Revenue Update2
- 2016-17 Revenue Package.....3
- Executive Branch Staffing3
- Monthly Revenue Summary4
- Oil and Gas Revenues4
- Monthly Revenue Detail5

Budget Highlights

- \$200 Million increase for Basic Education
- \$30 Million increase for Early Childhood Education
- \$20 Million increase for Special Education
- 2.5% increase for Higher Education Institutions
- \$15 Million for Opioid Treatment
- \$2 Million to combat Avian Influenza
- \$750,000 more for the State Food Purchase Program
- \$3 Million increase for the National Guard Education Program
- \$1.5 Million to begin implementing the ABLE Act
- \$3 Million to begin implementing the Medical Marijuana Act
- \$1.4 Million to combat the Zika virus

July 2015 vs. July 2016 Revenues

(in billions)



July 2016 Revenue Update

Total General Fund revenue for July 2016 was \$1.973 billion, \$162 million, or 7.6%, less than July 2015.

However, July 2015 General Fund revenues included Personal Income Tax (PIT) withholding deposits from five Wednesdays, while there were only four such Wednesdays in July 2016. Each Wednesday PIT collection day is worth approximately \$110 million. After accounting for the difference in the number of PIT collection days, it appears that July 2016 revenues are approximately \$52 million lower than July 2015 revenues when compared on an equivalent basis.

In addition to the discrepancy in PIT collection days, July 2016 revenues also included a negative \$25 million adjustment for unclaimed property (escheats) revenue, while a similar negative adjustment for July 2015 was only \$5 million.

General Fund revenues were about \$162 million lower than they were last July, due in large part to there being only four primary Personal Income Tax withholding deposits instead of five as in last year.

Monthly Revenue Estimate

Next month's edition of the Monthly Report will include a comparison of projected August 2016 revenues with actual revenue performance.

In keeping with historic practice, this month's revenue analysis does not contain a comparison against estimated July revenues because the Department of Revenue is still finalizing its monthly revenue distribution.

After adjusting for the difference in the number of PIT collection days and the negative adjustment for unclaimed property, July 2016 General Fund revenues are \$32 million, or 1.5%, lower than July 2015 revenues.

July 2016 corporation tax collections were \$7.6 million, or 10.3%, lower than last year.

Sales and use tax (SUT) collections for July 2016 were \$9.6 million, or 1.1%, below last July. General SUT grew by \$4.2 million, or 0.5%, over last year, while SUT on motor vehicle sales was down by \$13.8 million, or 11.3%.

Personal income tax collections, which make up the largest source of General Fund revenues, were \$116.5 million, or 13.3%, below last year. After adjusting for the number of collection days, PIT withholding would have been approximately \$6 million lower than last year. PIT non-withholding was \$10.7 million, or 20.1%, below last year.

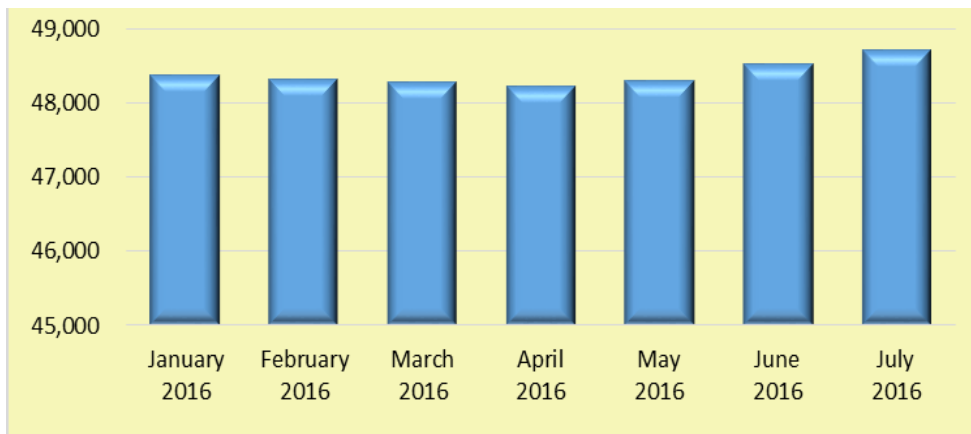
Realty transfer tax (RTT) collections for July 2016 were \$20.4 million, or 38.5%, lower than July 2015 RTT collections. Inheritance tax collections for July 2016 were \$7.5 million, or 8.9%, below last year's collections.

Cigarette tax, liquor tax and table games tax collections for July 2016 were 2.1%, 2.3% and 1.7% higher than last year, respectively.

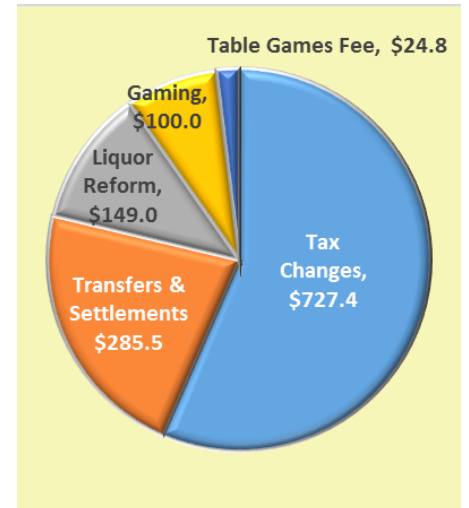
FY 2016-17 Revenue Package Totals Nearly \$1.3 Billion

	Effective Date	FY 2016-17
Cigarette Tax (\$1/pack increase)	August 1	\$431.1 Million
E-Cigarettes (40% wholesale)	October 1	\$13.7 Million
Loose Tobacco	December 1	\$3.2 Million
Smokeless Tobacco	October 1	\$47.7 Million
Eliminate Vendor Sales Tax Discount	August 1	\$55.5 Million
Sales Tax to Digital Downloads	August 1	\$46.9 Million
PIT to Lottery Winnings	January 1, 2016	\$15.8 Million
Bank Shares Tax (to .95%)	January 1, 2017	\$23.5 Million
Table Games Tax (to 14%)	August 1	\$16.8 Million
Tax Amnesty Program		\$100 Million
Transfers & Settlements		\$285.5 Million
Liquor Reform		\$149 Million
Gaming Expansion		\$100 Million
Table Games License		\$24.8 Million
Tax Credit Reductions/Eliminations		\$15 Million
EITC Expansion		(\$25 Million)
New Coal Waste Tax Credit		(\$7.5 Million)
Additional Cigarette Revenue for Farmland Preservation		(\$5 Million)
Other Tax Credit Expansions		(\$4.3 Million)

Executive Branch Staffing



Revenue Package Summary (in millions)



Meeting Our Obligations Without Broad-Based Tax Increases

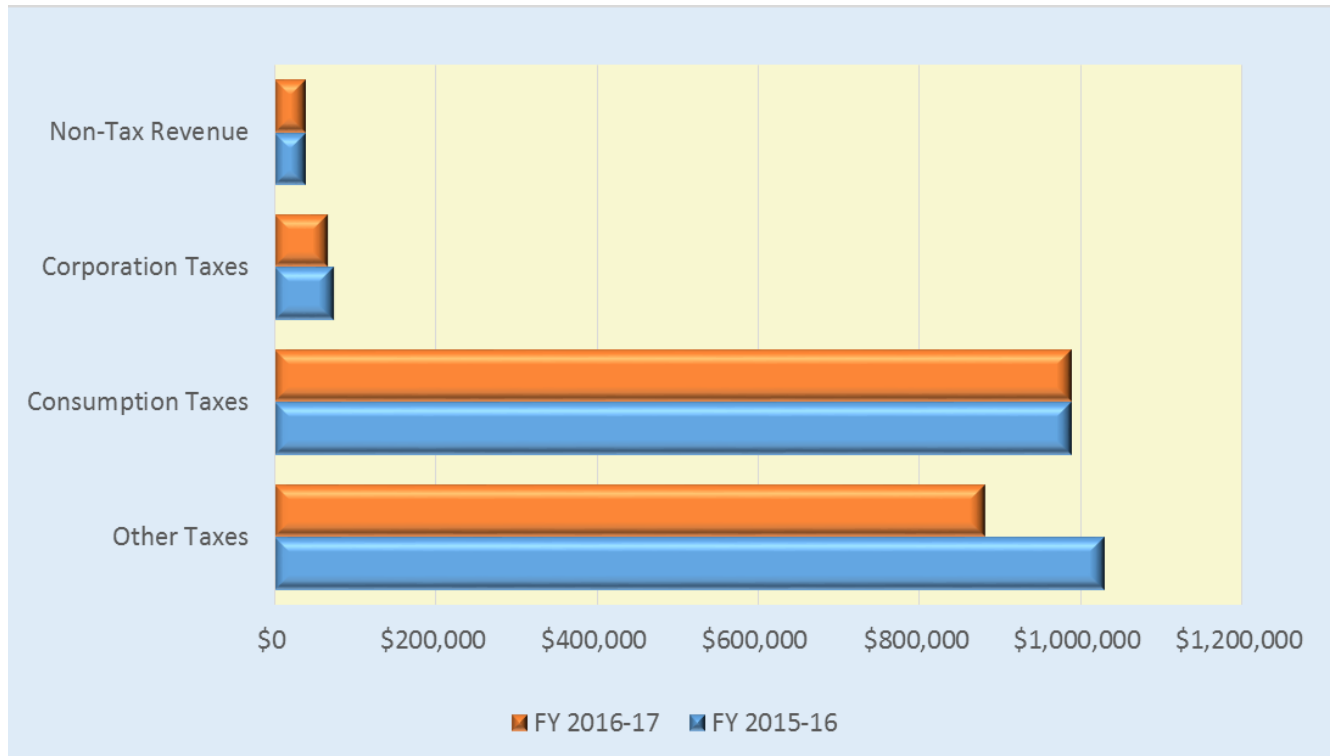
The 2016-17 Fiscal Year budget recognizes the economic reality facing the Commonwealth of Pennsylvania. We are looking at modest economic growth over the coming year offset by significant obligations, such as escalating public pension premiums, federally mandated increases for human service programs and increasing Corrections' spending.

The budget maintains Pennsylvania's core programs and provides significant additional money for all levels of education, without increasing income taxes, the state sales tax or imposing a job-killing Marcellus Shale extraction tax.

General Fund Revenue Summary

July 2016 vs. July 2015

(amounts in thousands)



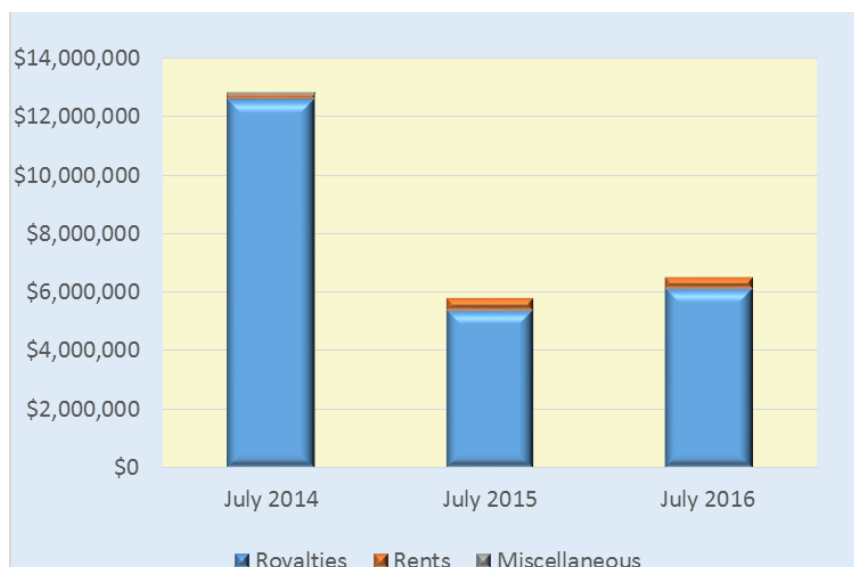
Other Taxes is significantly lower in FY 2016-17 due in large part to there being only four primary withholding deposits instead of five as in FY 2015-16. Other Taxes includes Personal Income, Realty Transfer and Inheritance Taxes. Consumption Taxes includes Sales and Use, Cigarette and Liquor Taxes. Corporation Taxes includes CNIT, CSFT, GRT, Insurance Premiums and Bank Shares Taxes. Non-Tax Revenue includes Liquor Store Profits, Escheats and Fines & Penalties.

Oil and Gas Lease Fund Revenue Update

July 2014 vs. July 2015 vs. July 2016

As Oil and Gas Lease Fund revenues have declined in concert with the sharp drop in the price of natural gas, the General Fund has been forced to make up the difference.

Since FY 2014-15, the Department of Conservation and Natural Resource's operating appropriations have increased from \$9.1 million to \$100.9 million in FY 2016-17, an eleven-fold increase.



The Oil and Gas Lease Fund is used to finance conservation, recreation, dams or flood control projects or to match federal grants made for these purposes. Revenues are derived from rents and royalties from oil and gas leases of Commonwealth-owned land with the exception of land owned by either the Pennsylvania Game or Fish & Boat Commissions.

General Fund Revenue Detail

July 2016 vs. July 2015

REVENUE SOURCES	July 2016 Actual	July 2015 Actual	% Change vs. Prior Year	YTD Actual	Prior YTD Actual	% Change vs. Prior Year
TOTAL - GENERAL FUND	1,972,648,852	2,135,114,953	-7.6%	1,972,648,852	2,135,114,953	-7.6%
TOTAL - NON-TAX REVENUE	38,461,933	37,875,898	1.5%	38,461,933	37,875,898	1.5%
TOTAL - TAX REVENUE	1,934,186,919	2,097,239,055	-7.8%	1,934,186,919	2,097,239,055	-7.8%
TOTAL - Corporation Taxes	66,406,803	74,005,637	-10.3%	66,406,803	74,005,637	-10.3%
Accelerated Deposits	(88,826)	(19,700)	-350.9%	(88,826)	(19,700)	-350.9%
Corp. Net Income	54,463,088	63,206,067	-13.8%	54,463,088	63,206,067	-13.8%
Cap. Stock & Franchise	5,179,150	5,095,310	1.6%	5,179,150	5,095,310	1.6%
Gross Receipts	2,755,719	5,307,430	-48.1%	2,755,719	5,307,430	-48.1%
PURTA	5,500	5,500	0.0%	5,500	5,500	0.0%
Insurance Premiums	615,020	404,650	52.0%	615,020	404,650	52.0%
Financial Institutions	3,477,153	6,380	54400.6%	3,477,153	6,380	54400.6%
TOTAL - Consumption Taxes	987,192,488	995,118,940	-0.8%	987,192,488	995,118,940	-0.8%
Sales and Use	892,287,483	901,921,136	-1.1%	892,287,483	901,921,136	-1.1%
General (net of transfers)	783,960,279	779,793,321	0.5%	783,960,279	779,793,321	0.5%
Motor Vehicle Sales	108,327,204	122,127,815	-11.3%	108,327,204	122,127,815	-11.3%
Cigarette Tax	63,918,647	62,625,709	2.1%	63,918,647	62,625,709	2.1%
Malt Beverage	2,253,525	2,481,048	-9.2%	2,253,525	2,481,048	-9.2%
Liquor	28,732,832	28,091,046	2.3%	28,732,832	28,091,046	2.3%
TOTAL - Other Taxes	880,587,629	1,028,114,478	-14.3%	880,587,629	1,028,114,478	-14.3%
Personal Income	760,412,016	876,907,179	-13.3%	760,412,016	876,907,179	-13.3%
Withholding	717,650,214	823,403,533	-12.8%	717,650,214	823,403,533	-12.8%
Non-Withholding	42,761,802	53,503,646	-20.1%	42,761,802	53,503,646	-20.1%
Realty Transfer	32,551,407	52,940,586	-38.5%	32,551,407	52,940,586	-38.5%
Inheritance & Estate	77,059,753	84,577,765	-8.9%	77,059,753	84,577,765	-8.9%
Minor & Repealed	574,065	3,863,542	-85.1%	574,065	3,863,542	-85.1%
Table Games	9,990,388	9,825,407	1.7%	9,990,388	9,825,407	1.7%
TOTAL - MOTOR LICENSE FUND	211,377,905	224,175,326	-5.7%	211,377,905	224,175,326	-5.7%
TOTAL - Liquid Fuels Taxes	145,566,295	133,775,504	8.8%	145,566,295	133,775,504	8.8%
Liquid Fuels	8,221	26,527	-69.0%	8,221	26,527	-69.0%
Fuels	0	0	0.0%	0	0	0.0%
Motor Carriers/IFTA	4,362,953	160,739	2614.3%	4,362,953	160,739	2614.3%
Alternative Fuels	914,820	378,653	141.6%	914,820	378,653	141.6%
Oil Company Franchise	140,280,300	133,209,585	5.3%	140,280,300	133,209,585	5.3%
TOTAL - Licenses, Fees & Other	65,811,610	90,399,821	-27.2%	65,811,610	90,399,821	-27.2%
Licenses and Fees	66,026,292	85,671,694	-22.9%	66,026,292	85,671,694	-22.9%
Other Motor Receipts	(214,682)	4,728,128	-104.5%	(214,682)	4,728,128	-104.5%



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Our New Look

By now, our regular readers will have noticed our new look. We've been thinking about ways to improve our monthly report, not just in the look and feel but also in content. This new layout is intended to provide our readers with updates on important information about the appropriations process and key financial issues facing the Commonwealth.

Our focus will be to deliver content through brief narratives, graphics and highlighted sidebars that draw readers' attention to key points. Each month, our report will include standard updates on revenue performance and Executive Branch staffing levels. We will also include different feature articles to provide updates on timely issues.

Do you have an idea for information you would like to see in our monthly report? Please let us know.



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