



Pennsylvania Senate Appropriations Committee

Senator Pat Browne
Chairman



Monthly Report

August 2018

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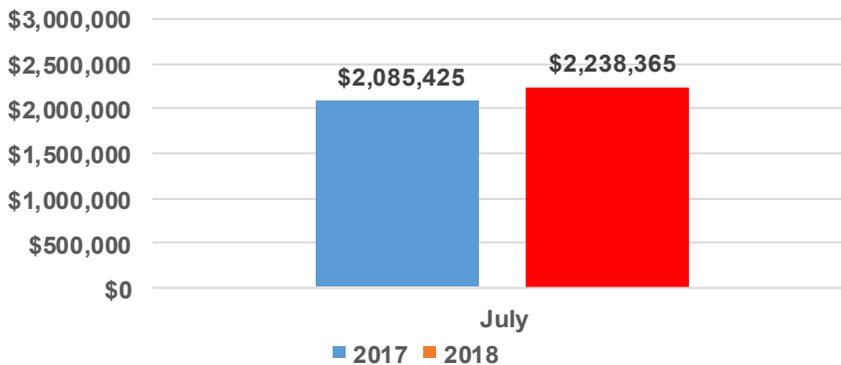
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New Fiscal Year Starts Strong

The Department of Revenue has not yet released its monthly distribution of the Official General Fund Revenue Estimate. Therefore, July 2018 revenue collections can be compared only to last year's revenues.

Total General Fund revenue for July 2018 was \$2.24 billion. Revenue collections were \$152.9 million more than July 2017, which is a 7.3% increase over last year. Most important, the strong year-over-year increase resulted mainly from increased tax revenue collections, which grew by 7% over July 2017.

**General Fund Revenue Collections
Fiscal Year 2018-19
Comparison of July 2018 to July 2017**



Fiscal Year 2018-19 vs. Fiscal Year 2017-18:

- Total General Fund revenues were \$152.9 million, or 7.3%, higher than last year at this time.
- General Fund tax revenue was \$143.9 million, or 7%, higher than last year.
- Corporate net income tax collections were \$15.2 million, or 25.6%, higher than July 2017 collections.

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Lift Your Spirits and Discover Lehigh Valley

Set amid gentle hills and charming countryside Lehigh Valley, Pa. is home to Allentown, Bethlehem, and Easton, as well as dozens of picturesque boroughs, parks, trails, and waterways.

Steeped in pre-Colonial, Early American, and industrial history, the region's storied past became its uplifting present, bestowing on visitors anything from crayons and craft beer to Martin Guitars and museums and covered bridges. A stay in the Lehigh Valley will lift your spirits, too.

And there's plenty of options to keep them soaring: an 80-foot roller coaster climb, a ghostly presence as it saunters up to you at a local tavern, or a chance to savor the flavors of the region. We've rounded up suggestions to put a smile on your face.



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New Fiscal Year Starts Strong Continued....

- Sales and use tax (SUT) collections were \$98.7 million, or 10.8%, higher than FY 2017-18 as of July.
 - ◊ General (i.e. non-motor) SUT collections were 9.7% higher than last year.
 - ◊ SUT collections on motor vehicle sales were 18.3% higher than July 2017.
- Personal income tax (PIT) collections exceeded last year's collections by \$31.2 million, or 3.8%.
 - ◊ PIT collections from withholding were 2.4% higher than July 2017 collections.
 - ◊ Non-withheld PIT collections (i.e. estimated and annual payments) were 24.9% higher than last year, although July is not a large non-withheld PIT collection month.
- Realty transfer tax (RTT) collections of \$32.7 million were \$7.7 million, or 19%, less than last year.
 - ◊ \$25 million was transferred in July 2018 to the Housing Affordability and Rehabilitation Enhancement Fund pursuant to Act 58 of 2015.
 - ◊ \$17.4 million was transferred in July 2017 to the Housing Affordability and Rehabilitation Enhancement Fund pursuant to Act 58 of 2015.
 - ◊ Absent this additional transfer amount in July 2018, gross RTT revenues were essentially flat compared to last year.
- Inheritance tax collections of \$85.1 million were ahead of last year by 2.5%.
- Cigarette tax collections of \$65.3 million were \$14.2 million, or 17.8%, less than July 2017. Cigarette tax collections continued a multi-year trend of lagging prior years' collections.
- Non-tax revenues of \$31.2 million were \$9 million more than last year.

Motor License Fund:

- Motor License Fund revenues of \$231.6 million were \$17.1 million, or 6.9%, lower than July 2017 collections.



PERFORMANCE-BASED BUDGETING

Senator Mensch's Performance-Based Budgeting Kicks Off

Work has begun on transforming the Commonwealth's incremental budgeting system as a result of legislation championed by Senator Bob Mensch. Under Mensch's Senate Bill 181, now Act 48 of 2017, the Independent Fiscal Office (IFO) will work with state agencies to conduct systematic analysis of programs that are based on performance measurement and established benchmarks with the potential to reallocate funding from programs that do not work to those that generate positive outcomes. The IFO will use information gained from these reviews to develop performance-based budget plans for each agency.

Act 48 requires that each Commonwealth agency be subject to a performance review every five years. This review process has just begun for the Department of Criminal Justice, the Pennsylvania Commission on Crime and Delinquency, the Juvenile Court Judges' Commission, the Department of Banking and Securities and the Department of General Services. In addition, the IFO will also conduct reviews of the Film Tax Credit, the New Jobs Tax Credit and the Historic Preservation Incentive Tax Credit.

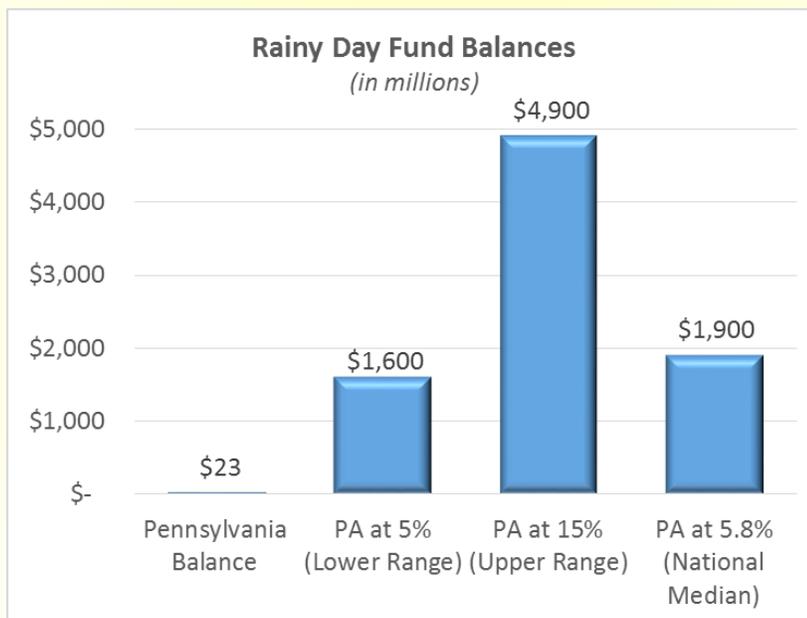
The IFO will spend the next few months assessing agency program performance and will present its performance-based budget plans to an independent board comprised of the Secretary of the Budget and the Majority and Minority Chairs of the Appropriations Committees in the Senate and the House of Representatives. The plans are expected to be presented in January 2019 and will focus on program performance in recent fiscal years.

Pennsylvania Deposits Money Into Rainy Day Fund

In addition to this year's budget being completed before the June 30 deadline, the budget also transferred \$22.4 million into Pennsylvania's Rainy Day Fund, bringing the balance in that fund to nearly \$23 million. This was the first time since 2007-08 that the Commonwealth has put money into the Rainy Day Fund.

Rating agencies typically recommend state governments hold between 5% and 15% of their annual spending in Rainy Day Funds to guard against economic downturns that could result in cuts to important state programs. For Pennsylvania, this range would translate to a reserve balance of \$1.6 billion to \$4.9 billion. According to the National Association of State Budget Officers, the median value of state Rainy Day Fund reserves was 5.8% this year.

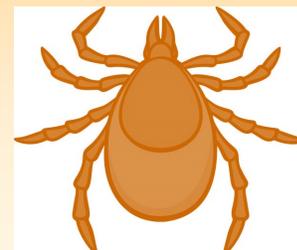
While Pennsylvania's Rainy Day Fund reserves are below the national median, this year's deposit made an important policy move to increase the amount of the transfer to the Rainy Day Fund from 25% to 50% of the preliminary, year-end balance. Future deposits into the Rainy Day Fund will ensure that Pennsylvania makes progress in re-establishing healthy reserve levels.



FY 2018-19 Budget Combats Lyme Disease

Quest Diagnostics, which is a leading provider of diagnostic testing, information and services to doctors and patients, released a new study that shows the prevalence of Lyme Disease increasing in the United States. Lyme Disease has now been diagnosed in all 50 states, and Pennsylvania led the nation with 10,001 cases in 2017 – nearly as many as found in all New England states combined. The FY 2018-19 Budget includes new funding of \$2.5 million for the Pennsylvania Department of Health to combat the disease. To learn more about Lyme Disease, including its symptoms and treatment, please visit the Department of Health's Lyme Disease information web page.

<https://www.health.pa.gov/topics/disease/Pages/Lyme-Disease.aspx>



School Safety and Security Legislation Enacted

In June, legislation sponsored by Senator Martin and me (Senate Bill 1142) to improve school safety and security in the Commonwealth's public schools was approved by the General Assembly and signed by the Governor. The legislation includes the following provisions:



Safe2Say

- Establishes the Safe2Say Program to provide for anonymous reporting concerning unsafe, potentially harmful, dangerous, violent or criminal activities in schools or the threat of the activities.
- Modeled after the Safe2Tell program that was created in Colorado in 1999 after the Columbine tragedy.
- The Office of Attorney General will create a system to accept anonymous complaints which can be filed through a telephone hotline, online or through an app.
- Requires annual reports containing relevant information broken down by school district.

School Safety and Security Committee

- Establishes the committee within the Pennsylvania Commission on Crime and Delinquency (PCCD).
- Requires the committee to establish school safety and assessment criteria by September 30, 2018 and develop a survey to measure school safety and security preparedness by October 31, 2018.
- Requires criteria for the registration of high quality school safety and security providers by October 31, 2018.
- Requires schools to complete the survey and indicate whether they possess a pre-existing safety and security assessment by November 30, 2018.
- Requires the committee to review the surveys and pre-existing safety and security assessments in order to evaluate a school's preparedness and notify the school of its findings by January 31, 2019.

School Safety and Security Grant Program

- Provides \$60 million for the School Safety and Security Grant Program in FY 2018-19.
- Provides a menu of school safety and security measures eligible for funding covering a wide range of school safety and security infrastructure, training and personnel, trauma-informed educational approaches and school-based behavioral health needs.
- Grants each school district that applies a minimum allocation of \$25,000 annually and provides that no school entity may receive more than 10% of the funds available.
- Provides that up to 12.5% of the funding under the program may be used for community violence programs.

PA State Police RVAT Program

- Requires the State Police to establish three regional Risk and Vulnerability Assessment Teams (RVATs) with no fewer than three troopers from PSP's existing funds to regularly conduct school safety and security assessments at no charge to schools.

School Districts

- Requires each school entity to appoint a safety and security coordinator to oversee safety and security matters and to provide school safety and security training for school employees.
- Counts the training toward continuing professional development requirements for school employees.

Office of Safe Schools

- Continues the Office of Safe Schools' distribution of targeted grants under the Department of Education's Safe Schools Grant Program for school safety and security infrastructure and programs and for school resource officers and school police officers.
- Prioritizes new funding under this grant program for nonpublic schools.

Fiscal Year 2018-19

Senate Appropriations Committee

Monthly Revenue Report

(\$ thousands)

REVENUE SOURCES	July 2018 Actual	July 2017 Actual	% Change vs. Prior Year
TOTAL - GENERAL FUND	2,238,365	2,085,425	7.3%
TOTAL - NON-TAX REVENUE	31,158	22,144	40.7%
TOTAL - TAX REVENUE	2,207,207	2,063,281	7.0%
TOTAL - Corporation Taxes	99,517	61,763	61.1%
Accelerated Deposits	(797)	382	-308.6%
Corp. Net Income	74,722	59,508	25.6%
Gross Receipts	4,506	1,072	320.3%
PURTA	0	5	-100.0%
Insurance Premiums	20,651	482	4184.4%
Financial Institutions	436	313	39.3%
TOTAL - Consumption Taxes	1,118,040	1,033,402	8.2%
Sales and Use	1,011,419	912,688	10.8%
General (net of transfers)	874,305	796,794	9.7%
Motor Vehicle Sales	137,114	115,894	18.3%
Cigarette Tax	65,296	79,456	-17.8%
Other Tobacco Products	10,358	10,087	2.7%
Malt Beverage	2,380	2,407	-1.1%
Liquor	28,587	28,764	-0.6%
TOTAL - Other Taxes	989,650	968,116	2.2%
Personal Income	858,227	826,984	3.8%
Withholding	795,252	776,552	2.4%
Non-Withholding	62,975	50,432	24.9%
Realty Transfer	32,704	40,400	-19.0%
Inheritance & Estate	85,141	83,027	2.5%
Minor & Repealed	3,972	8,107	-51.0%
Gaming	9,606	9,598	0.1%