



Pennsylvania Senate Appropriations Committee

Senator Pat Browne
Chairman



Monthly Report October 2018

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Revenues Impress with Strong First Quarter

General Fund revenue collections for the month of September exceeded the estimate by \$183.8 million, or 6.4%. General Fund tax revenues were \$141.8 million, or 4.9%, higher than the monthly estimate, and non-tax revenue exceeded the estimate by \$42 million. General Fund revenue collections for the first quarter of the fiscal year are \$209.8 million, or 2.9%, ahead of estimate.

Total corporation tax revenues exceeded the monthly estimate by \$135.3 million, or 26.4%. September is an important quarterly estimated payment month for most corporations, and quarterly estimated CNIT payments beat the estimate by \$78.5 million, or 18.8%. On the other hand, quarterly estimated personal income tax (PIT) collections (also due in September) missed the estimate by \$8.8 million, or 2.2%. Despite being below estimate by \$14.8 million, total PIT collections were 6.4% higher than last year for the month of September.

Sales and use tax (SUT) collections were above estimate by \$32.1 million, or 3.7%, for the month and were 7.3% higher than September 2017. SUT collections are 8.9% above last year through the first quarter of the fiscal year. Sales and use tax makes up nearly 32% of all General Fund revenue for the year, so the strong performance thus far hopefully bodes well for the remainder of the year.

September 2018 General Fund Revenue vs. Monthly Estimate:

- General Fund revenue collections of \$3.04 billion were above the monthly estimate by \$183.8 million, or 6.4%.
- General Fund tax revenues were above estimate by \$141.8 million, or 4.9%.
- Corporation taxes were \$135.3 million, or 26.4%, above the estimate.
- Sales and use tax collections beat the estimate by \$32.1 million, or 3.7%, for the month.
- Personal income tax collections were below estimate by \$14.8 million, or 1.2%.
- Non-tax revenues exceeded the estimate by \$42 million.

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Senate Appropriations Committee

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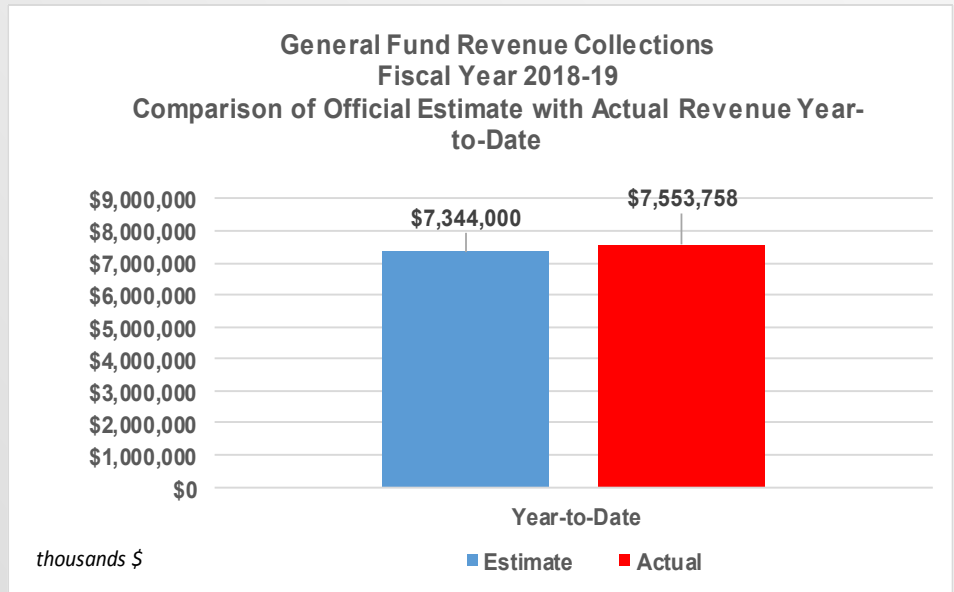
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Revenues Impress with Strong First Quarter

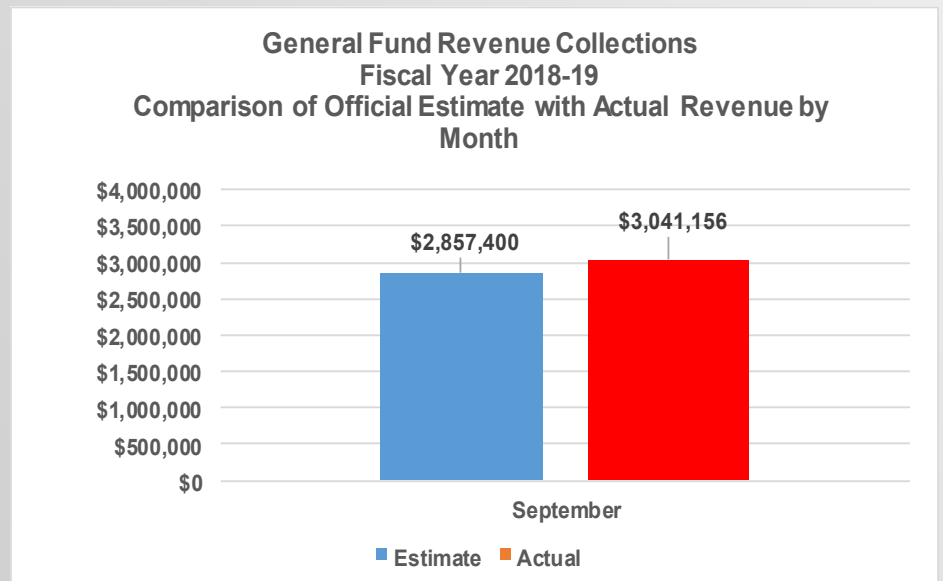
Fiscal Year 2018-19 vs. the Official Revenue Estimate Year To-Date:

- Total General Fund revenues are \$209.8 million, or 2.9%, higher than the Official Revenue Estimate through the month of September.
- General Fund tax revenue is \$201.2 million, or 2.8%, above estimate.
- Corporation taxes are \$169.3 million, or 25.6%, above the estimate.
- Sales and use taxes are \$67.7 million, or 2.5%, above the estimate.
 - ◊ General SUT collections are \$46 million, or 1.9%, above estimate.
 - ◊ SUT collections on motor vehicle sales are \$21.7 million, or 5.9%, higher than the estimate.
- Personal income tax collections are short of the estimate by \$35.4 million, or 1.2%.
 - ◊ Withheld PIT is \$19.9 million, or 0.8%, below the estimate.
 - ◊ Non-withheld PIT (annual & estimated payments) is \$15.5 million, or 2.8%, short of estimate.
- Non-tax revenues are \$8.5 million, or 13%, above estimate.



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

- Total General Fund revenues through September are \$620.7 million, or 9%, higher than last year at this time.
- General Fund tax revenue is \$608.1 million, or 8.8%, higher than last year.
- Corporation taxes are \$213.1 million, or 34.5%, higher.
- Sales and use tax collections are \$231.6 million, or 8.9%, higher than last year through September.
- Personal income tax collections exceed last year's collections by \$152.3 million, or 5.4%.
- Non-tax revenues are \$12.6 million, or 20.4%, higher than last fiscal year through September.



Motor License Fund:

- Motor License Fund revenues are \$12.1 million, or 1.7%, below estimate through September.
- Motor License Fund revenues are \$71 million, or 9.1%, less than last fiscal year at this time.

Voting System Changes Coming

With the mid-term elections a little over one month away, voting machines seem only fitting to discuss as an issue that will have funding implications at both the local and state level. Following the 2016 presidential election, the topic of election security was thrust to the forefront as our federal government investigated claims of Russian attempts to hack and influence our elections. One of the major concerns was the age and vulnerability to manipulation of the actual equipment that records our votes.

Following the 2000 election, Congress passed the Help America Vote Act (HAVA) which provided new standards for the administration of elections and provided funding to the states to update election administration procedures and upgrade voting equipment. States took advantage of this funding and were able to update their equipment.



Following the 2016 elections, the U.S. Senate formed a select committee on intelligence to examine evidence of Russian attempts to target election infrastructure. In March of this year, the committee released its findings and recommendations which included that states should replace outdated and vulnerable voting systems and at a minimum purchase machines that have a voter-verified paper trail to allow for audits. The committee also requested additional funding be provided to the states to assist in this upgrade. Days later when the federal budget was passed and signed into law, \$380 million was appropriated to be distributed to the states. Pennsylvania received \$13.8 million.

In February of this year, the Pennsylvania Department of State (department) issued a directive to the counties that any new machines purchased must be a type that employs a voter-verifiable paper ballot or a voter-verifiable paper record of the votes cast by a voter. Currently, Pennsylvania counties use either direct-recording electronic voting machines, which record the vote directly into the device's memory with no need for a paper ballot, or an optical/digital scanner in which a voter must color in the boxes on a paper ballot and push it through the scanner where it is counted. Only this latter type of scanner would be an option moving forward.

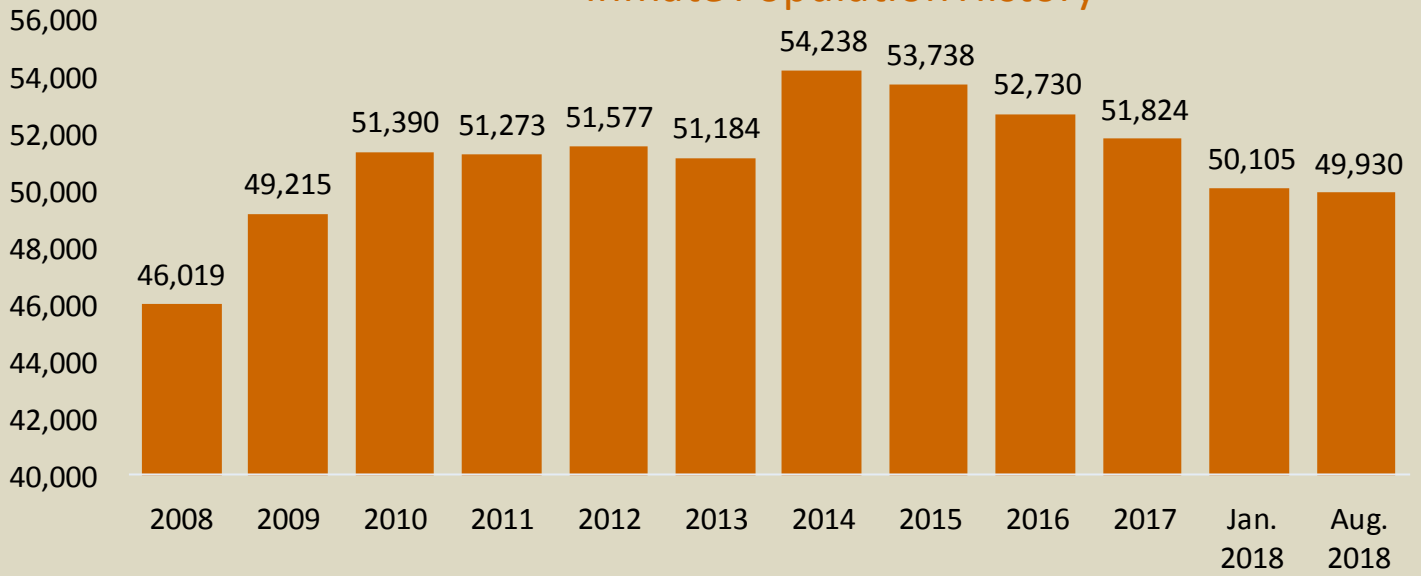
The directive was followed by an announcement by the department that required all counties to have new machines which must be certified after January 1, 2018, in place by the end of 2019 and preferably in use for the 2019 November general election. This put counties in a position of replacing their current equipment regardless of age or technology currently being used and have it operational in less than 20 months.



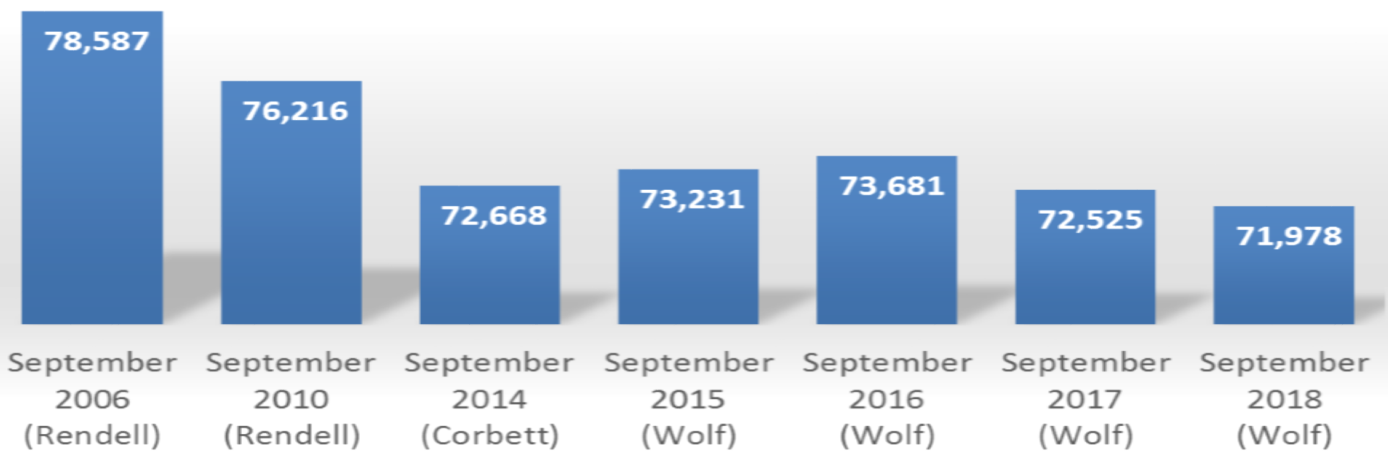
Unlike 2002, the amount of funding provided by the federal government is insufficient to cover the costs to all counties to replace their voting equipment. Each optical/digital scanner costs about \$8,000, and the department's directive would require at least one machine in each of the 9,100 voting precincts in the Commonwealth, plus the necessary software and hardware upgrades needed to operate the new equipment. The department has estimated the total cost of replacement to be in the range of \$115 million to \$125 million.

Counties are being required to make a very significant investment of funds to meet suggested federal voting system guidelines. Many local officials worry the short timeline is an unattainable task that will have significant budgetary impacts to counties, especially with no commitment of funding from the state or without additional federal support. As we begin planning for next year's budget, funding for voting machines will certainly be an issue under consideration by the Governor and the General Assembly.

Pennsylvania Department of Corrections Inmate Population History



Filled Permanent Staff Under the Governor's Jurisdiction



Unemployment Rate Varies by County

County Unemployment Rate			
5% or greater than		3.5% or less than	
Forest	5.7%	Chester	2.9%
Fayette	5.4%	Adams	3.0%
Philadelphia	5.1%	Cumberland	3.0%
Monroe	5.1%	Montgomery	3.1%
Potter	5.1%	Centre	3.1%
Cameron	5.1%	Montour	3.3%
Cambria	5.1%	Bucks	3.4%
Luzerne	5.0%	Lancaster	3.4%
Clinton	5.0%	Perry	3.4%
Huntingdon	5.0%	Union	3.4%
Somerset	5.0%		
State Unemployment Rate: 4.2%			

Fiscal Year 2018-19

Senate Appropriations Committee

Monthly Revenue Report

(\$ thousands)

REVENUE SOURCES	YTD FY 2017-18	September 2018 Actual	September 2018 Estimated	Surplus/ (Deficit)	YTD Actual	YTD Estimated	Surplus/ (Deficit)
TOTAL - GENERAL FUND	6,933,068	3,041,156	2,857,400	183,756	7,553,758	7,344,000	209,758
TOTAL - NON-TAX REVENUE	61,720	35,393	(6,600)	41,993	74,328	65,800	8,528
TOTAL - TAX REVENUE	6,871,348	3,005,763	2,864,000	141,763	7,479,430	7,278,200	201,230
TOTAL - Corporation Taxes	617,190	647,034	511,700	135,334	830,267	661,000	169,267
Accelerated Deposits	(18)	76	0	76	(646)	0	(646)
Corp. Net Income	587,142	623,479	491,200	132,279	772,534	609,900	162,634
Gross Receipts	3,364	12,512	4,800	7,712	23,935	12,200	11,735
PURTA	1,095	1,100	900	200	1,178	1,000	178
Insurance Premiums	9,884	216	800	(584)	21,874	22,600	(726)
Financial Institutions	15,723	9,651	14,000	(4,349)	11,392	15,300	(3,908)
TOTAL - Consumption Taxes	3,024,781	1,049,752	1,029,900	19,852	3,232,528	3,171,100	61,428
Sales and Use	2,591,162	900,804	868,700	32,104	2,822,801	2,755,100	67,701
General (net of transfers)	2,236,466	779,733	757,400	22,333	2,432,831	2,386,800	46,031
Motor Vehicle Sales	354,696	121,071	111,300	9,771	389,970	368,300	21,670
Cigarette Tax	309,395	106,506	118,200	(11,694)	282,031	289,900	(7,869)
Other Tobacco Products	29,811	11,114	10,500	614	31,895	30,400	1,495
Malt Beverage	6,920	2,201	2,400	(199)	6,786	7,000	(214)
Liquor	87,491	29,128	30,100	(972)	89,016	88,700	316
TOTAL - Other Taxes	3,229,377	1,308,977	1,322,400	(13,423)	3,416,635	3,446,100	(29,465)
Personal Income	2,836,557	1,181,025	1,195,800	(14,775)	2,988,813	3,024,200	(35,387)
Withholding	2,379,103	759,636	765,000	(5,364)	2,449,373	2,469,300	(19,927)
Non-Withholding	457,454	421,389	430,800	(9,411)	539,441	554,900	(15,459)
Realty Transfer	130,092	40,504	45,600	(5,096)	131,431	135,600	(4,169)
Inheritance & Estate	233,704	82,484	76,000	6,484	258,567	252,600	5,967
Minor & Repealed	(1,780)	(3,722)	(5,900)	2,178	7,869	(400)	8,269
Gaming	30,804	8,686	10,900	(2,214)	29,956	34,100	(4,144)
TOTAL - MOTOR LICENSE FUND	781,795	228,462	227,360	1,102	710,807	722,860	(12,053)
TOTAL - Liquid Fuels Taxes	496,569	157,770	150,800	6,970	481,541	472,900	8,641
Liquid Fuels	2	1	0	1	2	0	2
Fuels	0	0	0	0	0	0	0
Motor Carriers/IFTA	31,256	5,279	5,600	(321)	31,487	30,100	1,387
Alternative Fuels	3,453	1,159	1,200	(41)	3,561	3,600	(39)
Oil Company Franchise	461,858	151,332	144,000	7,332	446,491	439,200	7,291
TOTAL - Licenses, Fees & Other	285,225	70,693	76,560	(5,867)	229,266	249,960	(20,694)
Licenses and Fees	244,733	70,058	75,500	(5,442)	225,286	246,900	(21,614)
Other Motor Receipts	40,492	635	1,060	(425)	3,980	3,060	920
Other Motor Receipts	7,538	(3,612)	(1,070)	(2,542)	40,708	43,360	(2,652)