



Pennsylvania Senate
**Appropriations
 Committee**

Senator Pat Browne
 Chairman



Monthly Report **March 2019**

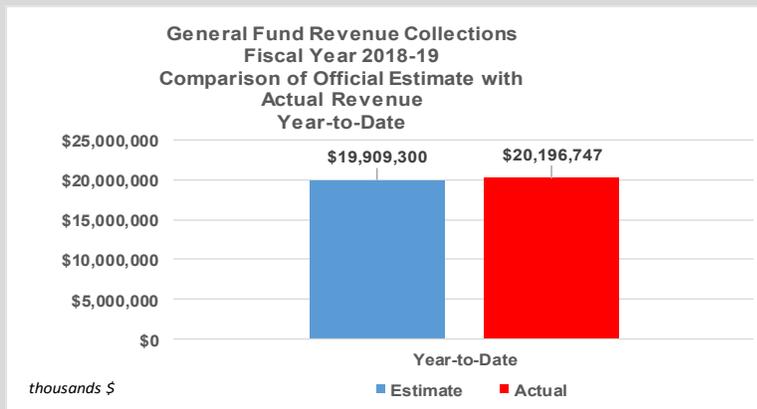
General Fund Revenues Steady in February

General Fund revenue collections in February were \$2.5 million below the estimate for the month. However, General Fund tax revenues were \$18.2 million higher than the monthly estimate. Non-tax revenue was \$20.7 million below the estimate. General Fund revenue collections for the fiscal year-to-date are \$287.4 million ahead of estimate. The Governor’s FY 2019-20 Executive Budget projects that FY 2018-19 General Fund revenue collections will exceed the Official Revenue Estimate by \$424.9 million at fiscal year’s end.

February 2019 General Fund Revenue vs. Monthly Estimate:

- General Fund revenue collections of \$2.04 billion were below the monthly estimate by \$2.5 million, or 0.1%.
- General Fund tax revenues were above estimate by \$18.2 million, or 0.9%.
- Corporation taxes were \$38.5 million, or 49.5%, above the estimate.
- Sales and use tax collections beat the estimate by \$11.2 million, or 1.5%, for the month.
- Personal income tax collections were below estimate by \$18.3 million, or 2%.
- Non-tax revenues missed the estimate by \$20.7 million, or 46.3%.

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The State Treasurer and the Governor’s Budget Office entered into a short-term investment agreement for Treasury to provide up to \$800 million to support the General Fund’s cash flow. This agreement is expected to remain in place through the middle of March when the Commonwealth’s cash flow position improves.



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General Fund Revenues Steady in February Continued...

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

- Total General Fund revenues are \$287.4 million, or 1.4%, higher than the Official Revenue Estimate through the month of February.
- General Fund tax revenue is \$150.7 million, or 0.8%, above estimate.
- Corporation taxes are \$340 million, or 21.6%, above the estimate.
- Sales and use (SUT) taxes are \$211.6 million, or 2.9%, above the estimate.
 - ◊ General SUT collections are \$150.5 million, or 2.4%, above estimate.
 - ◊ SUT collections on motor vehicle sales are \$61.1 million, or 6.8%, higher than the estimate.
- Personal income tax (PIT) collections are short of the estimate by \$368 million, or 4.3%.
 - ◊ Withheld PIT is \$86.3 million, or 1.2%, below the estimate.
 - ◊ Non-withheld PIT (annual & estimated payments) is \$281.7 million, or 17.1%, short of estimate.
- Non-tax revenues are \$136.8 million, or 51%, higher than the estimate.

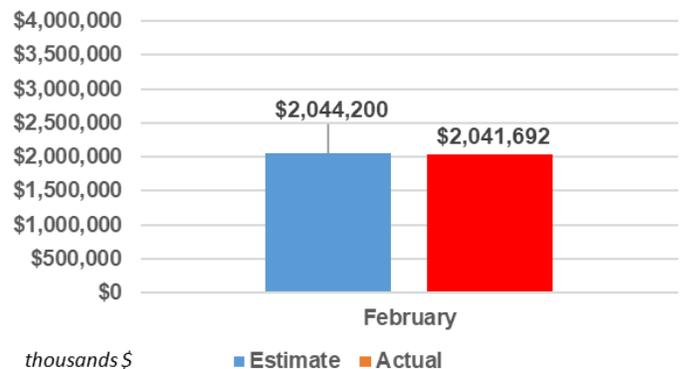
Fiscal Year 2018-19 vs. Fiscal Year 2017-18:

- Total General Fund revenues through February are \$752.4 million, or 3.6%, lower than last year at this time.
- Last year's February revenues included \$1.5 billion of proceeds from the securitization of tobacco settlement payments, which has the effect of skewing a true year-over-year comparison of General Fund revenues.
- General Fund tax revenue is \$1.06 billion, or 5.7%, higher than last year.
- Corporation taxes are \$399.2 million, or 26.3%, higher.
- Sales and use tax collections are \$530.5 million, or 7.7%, higher than last year through February.
- Personal income tax collections exceed last year's collections by \$95.2 million, or 1.2%.
- Non-tax revenues are \$1.8 billion, or 81.8%, less than last fiscal year through February. This large decrease results from tobacco securitization and gaming expansion that occurred last year.

Motor License Fund:

- Motor License Fund revenues are below the estimate by \$78.3 million, or 4.2%, through February.
- Motor License Fund revenues are \$158.9 million, or 8.2%, less than last fiscal year at this time.

General Fund Revenue Collections
Fiscal Year 2018-19
Comparison of Official Estimate with Actual
Revenue by Month



Unless the Powerball and Mega Millions jackpots rise to significant levels or no one



claims the record-breaking \$1.5 billion Mega Millions ticket sold in South Carolina, the Lottery Fund could experience a shortfall of \$50 million to \$80 million this fiscal year, a far worse financial position than the Administration currently predicts. Senate Appropriations staff are meeting with Lottery staff in the coming weeks to compare revenue projections and will monitor revenue closely over the coming months.

FY 2019-20 Budget

Major Changes from FY 2018-19
(Amounts in Millions)

The following table captures the major changes the Governor made to this year's budget to arrive at his FY 2019-20 budget proposal.

FY 2018-19 Changes

FY 2018-19 Available Funding As Enacted by the General Assembly ¹	\$	32,724.3
Additional Spending Requested by Governor Wolf		494.7
Governor Wolf's FY 2018-19 Revised Spending Request	\$	33,219.0

FY 2019-20 Major Changes

Baseline Spending Increases	\$	667.3
Governor Wolf's Requested Spending for New or Expanded Initiatives		459.5
Increased Spending from Changes in Caseload, Utilization and Provider Rates		182.3
Increased State Spending to Make Up for Reduced Federal Revenue		107.3
Savings from Shifting Spending to Non-General Fund Sources		(221.7)
Savings from Governor's Plan to Reduce or Eliminate Long-Standing Programs		(126.9)
Savings from a Proposal to Charge Municipalities for State Police Coverage		(103.9)
Projected Savings from an Increase to the Minimum Wage		(36.6)
Total of Changes Added to the FY 2018-19 Revised Spending	\$	927.3
Governor Wolf's FY 2019-20 Spending Request	\$	34,146.3

Change from FY 2018-19 As Enacted by the General Assembly 4.3%

Change from Governor Wolf's FY 2018-19 Revised Spending Request 2.8%

¹ Includes accounting adjustments to the beginning balance.

Governor Wolf's Proposed Budget FY 2019-20

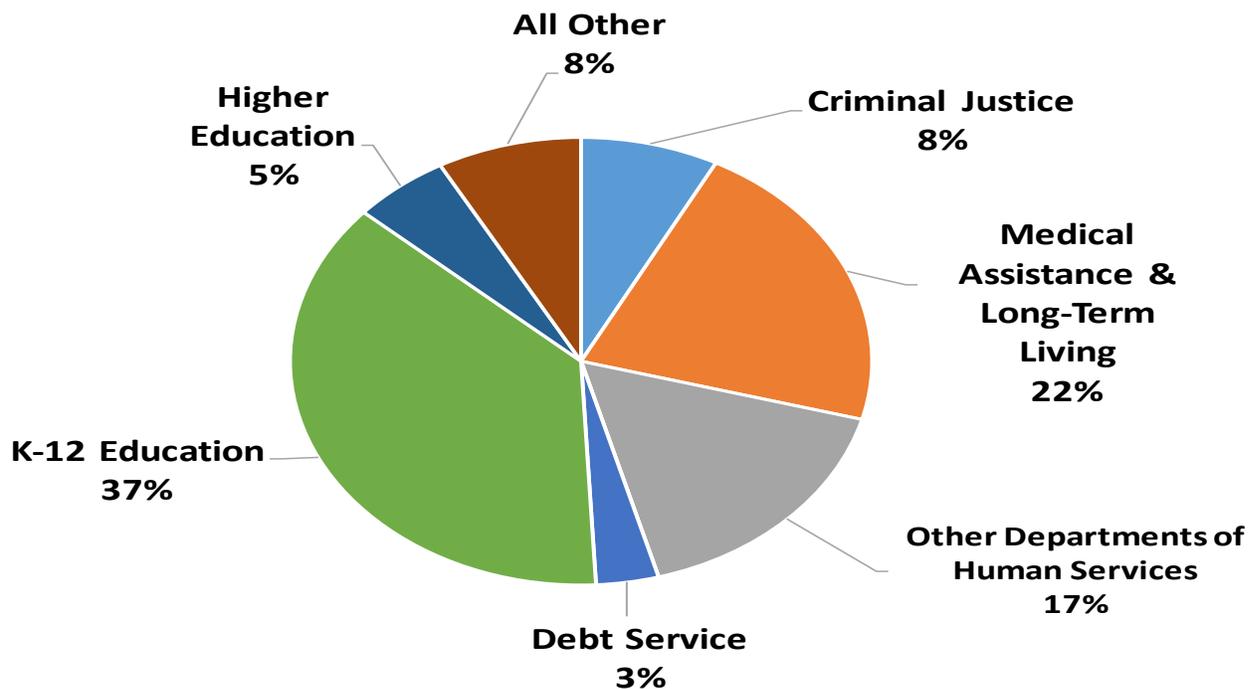
On February 5th, Governor Wolf unveiled his 2019-20 budget with a \$34.1 billion spending plan, which is an increase of \$930 million, or 2.8%, from last year's budget. In his budget proposal, the Governor calls for a significant level of supplemental spending to be added to the FY 2018-19 budget. The nearly \$500 million in supplemental funding is primarily supporting programs and operations within the Department of Corrections and the Department of Human Services, including funding for the General Assistance Cash Assistance program which Governor Wolf chose to re-instate last year.

Governor Wolf's FY 2019-20 budget is not nearly as bold as some of the proposals rolled out in his first term. With that said, the Governor's budget proposal for FY 2019-20 does contain initiatives that cause concern and will require significant review.

One of the new initiatives included in the 2019-20 budget proposal is \$15 million for a multi-year election modernization plan that would provide grants to counties for the purchase of voting equipment. The budget also proposes to institute mandatory combined reporting (effective January 2020) and to begin a phase-down in the Corporate Net Income Tax rate to 5.99% by 2024. As he has done in the past, Governor Wolf is once again recommending to charge a fee for State Police coverage in municipalities without a local police force. This is projected to raise \$103.9 million for the State Police budget which is nearly double the amount Governor Wolf suggested for a similar initiative contained in his budget proposal for 2018-19.

Once again, Governor Wolf is proposing an increase to the minimum wage. The 2019-20 budget proposes increasing the minimum wage to \$12 per hour beginning July 1, 2019, and further increasing wages by 50 cents each year through 2025 until the rate of \$15 per hour is achieved. This proposal assumes revenue generation of \$120.2 million in combined personal income and sales and use tax revenue.

\$34.1 Billion of General Fund Spending



Senate Appropriations Committee Monthly Revenue Report

(\$ thousands)

REVENUE SOURCES	YTD FY 2017-18	February 2019 Actual	February 2019 Estimated	Surplus/ (Deficit)	YTD Actual	YTD Estimated	Surplus/ (Deficit)
TOTAL - GENERAL FUND	20,949,162	2,041,692	2,044,200	(2,508)	20,196,747	19,909,300	287,447
TOTAL - NON-TAX REVENUE	2,220,875	30,689	51,400	(20,711)	404,964	268,200	136,764
TOTAL - TAX REVENUE	18,728,288	2,011,003	1,992,800	18,203	19,791,783	19,641,100	150,683
TOTAL - Corporation Taxes	1,517,706	116,442	77,900	38,542	1,916,934	1,577,000	339,934
Accelerated Deposits	4,527	9,556	0	9,556	10,466	0	10,466
Corp. Net Income	1,383,208	88,917	54,800	34,117	1,739,641	1,438,200	301,441
Gross Receipts	43,317	5,851	2,400	3,451	62,510	32,300	30,210
PURTA	1,504	7	0	7	1,435	1,400	35
Insurance Premiums	57,129	11,277	17,100	(5,823)	65,111	73,400	(8,289)
Financial Institutions	28,020	835	3,600	(2,765)	37,771	31,700	6,071
TOTAL - Consumption Taxes	7,995,821	886,674	872,600	14,074	8,497,419	8,282,600	214,819
Sales and Use	6,859,569	760,315	749,100	11,215	7,390,085	7,178,500	211,585
General (net of transfers)	5,968,872	668,074	659,200	8,874	6,426,447	6,275,900	150,547
Motor Vehicle Sales	890,698	92,241	89,900	2,341	963,638	902,600	61,038
Cigarette Tax	792,687	86,559	84,000	2,559	747,608	748,600	(992)
Other Tobacco Products	78,491	10,662	9,800	862	86,457	79,700	6,757
Malt Beverage	15,855	1,757	1,600	157	15,696	16,200	(504)
Liquor	249,219	27,381	28,100	(719)	257,574	259,600	(2,026)
TOTAL - Other Taxes	9,214,761	1,007,887	1,042,300	(34,413)	9,377,430	9,781,500	(404,070)
Personal Income	8,161,222	888,718	907,000	(18,282)	8,256,402	8,624,400	(367,998)
Withholding	6,654,502	832,495	850,500	(18,005)	6,890,256	6,976,600	(86,344)
Non-Withholding	1,506,720	56,223	56,500	(277)	1,366,145	1,647,800	(281,655)
Realty Transfer	334,457	24,122	35,600	(11,478)	343,885	369,500	(25,615)
Inheritance & Estate	629,280	79,105	84,700	(5,595)	677,036	690,100	(13,064)
Minor & Repealed	10,403	4,037	2,000	2,037	16,612	2,500	14,112
Gaming	79,400	11,904	13,000	(1,096)	83,496	95,000	(11,504)
TOTAL - MOTOR LICENSE FUND	1,948,301	216,088	237,530	(21,442)	1,789,388	1,867,670	(78,282)
TOTAL - Liquid Fuels Taxes	1,264,380	150,541	162,300	(11,759)	1,221,537	1,247,000	(25,463)
Motor Carriers/IFTA	97,022	23,803	27,000	(3,197)	92,465	95,000	(2,535)
Alternative Fuels	9,475	1,893	1,200	693	10,273	9,800	473
Oil Company Franchise	1,157,878	124,526	134,100	(9,574)	1,118,475	1,142,200	(23,725)
Minor and Repealed	5	319	0	319	325	0	325
TOTAL - Licenses, Fees & Other	683,921	65,547	75,230	(9,683)	567,850	620,670	(52,820)
Licenses and Fees	636,293	65,181	74,200	(9,019)	559,635	611,100	(51,465)
Other Motor Receipts	47,628	365	1,030	(665)	8,216	9,570	(1,354)