



Pennsylvania Senate
**Appropriations
 Committee**

Senator Pat Browne
 Chairman



Monthly Report **May 2019**

Inside This Issue

April Personal Income Tax Revenues Rebound Strongly

General Fund revenue collections for April exceeded the monthly estimate by \$464.9 million. General Fund revenues are now \$828.5 million above the estimate for the year-to-date with two months remaining in the fiscal year. General Fund revenues were buoyed by continued strong collections in corporate net income tax and sales and use tax, but a rebound in personal income tax (PIT) collections stole the show as PIT collections came in at \$330.5 million above estimate for the month. The significant shortfall in final quarterly estimated payments for the 2018 tax year due in December and January was overcome by robust annual PIT payments made with the filing of tax returns in April 2019.

It appears that tax liability payment patterns are being affected by changes in federal tax law which altered the deductibility of state and local taxes (SALT) on federal tax returns. Because of limitations placed on the deductibility of SALT, many Pennsylvania taxpayers had little or no incentive to make quarterly estimated payments for 2018 beyond some necessary minimum amount in the months of December and January. Essentially, the surplus of annual payments for April is a true-up of payments that normally would have been paid sooner in years prior to the federal tax changes.

April PIT Revenues Rebound.....1 & 2
 PA Passenger Car Registration.....3
 Fishing License Revenue Totals.....3
 SERS New Member Retirement Plan
 Enrollments.....4
 General Fund Revenue Detail.....5



**General Fund Revenue Collections
 Fiscal Year 2018-19
 Comparison of Official Estimate with Actual Revenue
 Year-to-Date**



~Continued On Page 2~

Senate Appropriations Staff

- John Guyer, Director
- Tom Horan, Assistant Director
- Kristi Houtz, Committee Secretary
- Elizabeth Richardson, Administrative Assistant
- Tom Diehl (Human Services)
- William Joraskie (Environment/Labor)
- Russ Miller (Education/Agriculture)
- Meaghan Sprout (DHS Cost Containment)
- Bill Witmer (Criminal Justice/Capital)

Senate Appropriations Committee

281 Main Capitol Building
 Harrisburg, PA 17120
 Phone: 717-787-1349
 Fax: 717-772-3458

<http://appropriations.pasenategop.com/>

Senator Browne's District Office

702 W. Hamilton Street, Suite 101
 Allentown, PA 18101
 Phone: 610-821-8468
 Fax: 610-821-6798

www.senatorbrowne.com

April Personal Income Tax Revenues Rebound Strongly Continued.....

April General Fund Revenue:

- General Fund revenue collections of \$4.4 billion were above the monthly estimate by \$464.9 million, or 11.8%.
- General Fund tax revenues were ahead of estimate by \$463 million, or 12.5%.
- Corporation taxes were \$89.7 million, or 30.3%, above the estimate.
- Sales and use tax collections beat the estimate by \$43.2 million, or 4.6%, for the month.
- Personal income tax collections were above the estimate by \$330.5 million, or 15.1%.
- Non-tax revenues were ahead of estimate by \$1.7 million, or 0.7%.

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

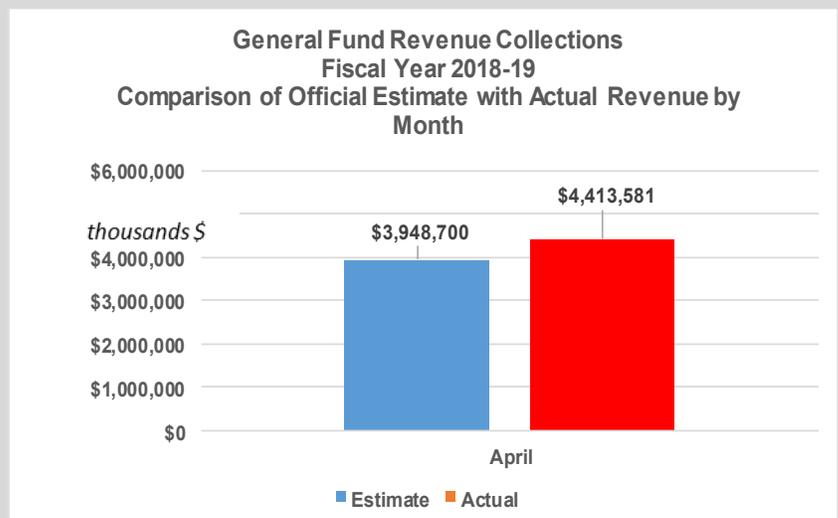
- Total General Fund revenues are \$828.5 million, or 2.9%, higher than the Official Revenue Estimate through the month of April.
- General Fund tax revenue is \$732.2 million, or 2.6%, higher than estimated.
- Corporation taxes are \$543.3 million, or 13.5%, above the estimate.
- Sales and use taxes are \$273.9 million, or 3.1%, above the estimate.
 - General SUT collections are \$188.1 million, or 2.4%, above estimate.
 - SUT collections on motor vehicle sales are \$85.8 million, or 7.5%, over estimate.
- Personal income tax collections are below the estimate by \$40.6 million, or 0.3%.
 - Withheld PIT is \$95.3 million, or 1.1%, below the estimate.
 - Non-withheld PIT (annual & estimated payments) is \$54.8 million, or 1.7%, above estimate.
- Non-tax revenues are \$96 million, or 14.3%, over estimate.

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

- Total General Fund revenues through April are \$135.9 million, or 0.5%, higher than last year at this time.
- Last year's 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 \$1.8 billion, or 6.9%, higher than last year.
- Corporation taxes are \$532.5 million, or 13.2%, higher.
- Sales and use tax collections are \$645.4 million, or 7.6%, higher than last year through April.
- Personal income tax collections exceed last year's collections by \$618.5 million, or 5.5%.
- Non-tax revenues are \$1.7 billion, or 68.7%, less than last fiscal year through April. 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 \$55.8 million, or 2.4%, through April.
- Motor License Fund revenues are \$138.3 million, or 5.7%, less than last fiscal year at this time.



Pennsylvania Department of Transportation Passenger Car Registration

Act 89 of 2013 eliminated the requirement to place a registration sticker on your license plate effective December 31, 2016. Customers are still required to maintain current vehicle registration.

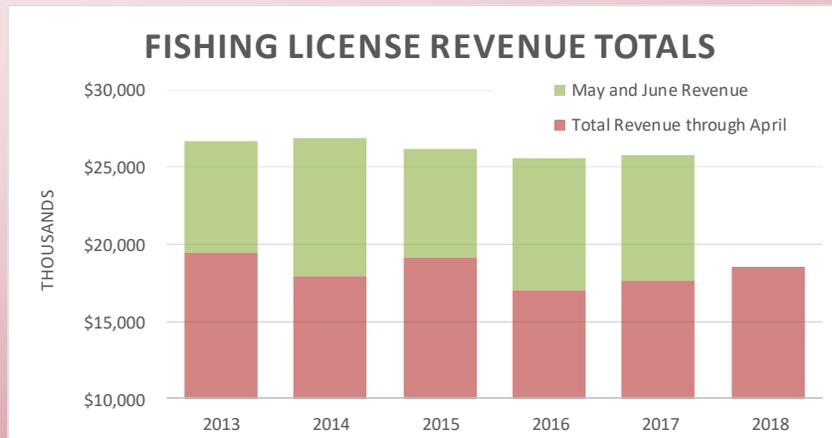


Between 2010 and 2016, the Pennsylvania Department of Transportation saw an annual average increase of 71,000 new passenger car registrations.

After the removal of the stickers on January 1, 2017, passenger car registrations for 2017 decreased by 184,243, costing the Motor License Fund \$6.8 million in revenue over 2016.

Fines collected due to violations for driving without a valid registration have dropped swiftly in 2017. Law enforcement face a significant challenge in knowing if a vehicle is unregistered due to the lack of a visible sticker.

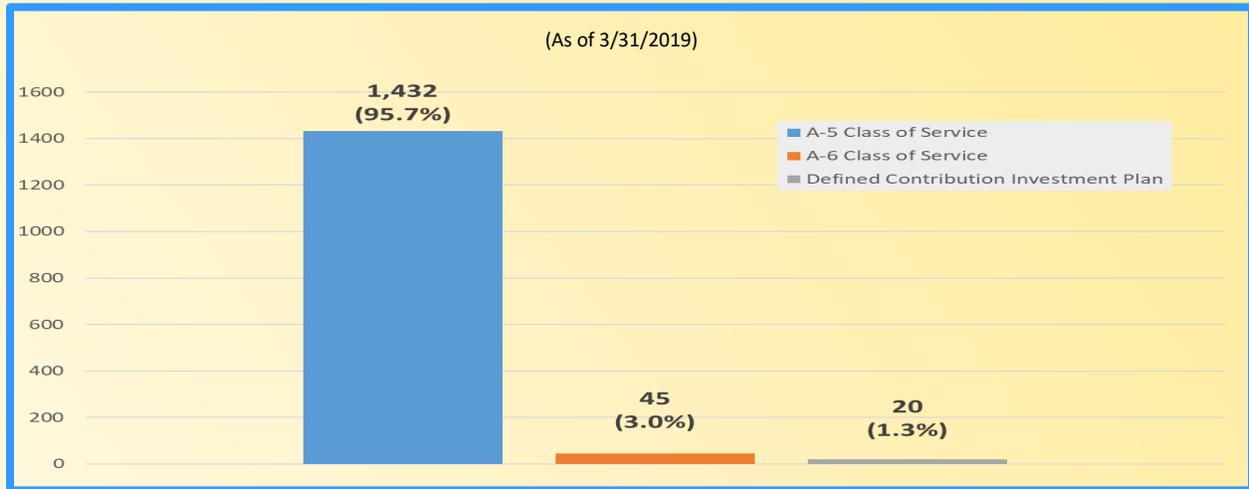
Prior to the elimination of the stickers, Pennsylvania collected an average of \$13 million to \$14 million annually in fines for driving without a valid registration violations.



State Employees' Retirement System (SERS) New Member Retirement Plan Enrollments

As part of the pension reform legislation that was enacted last session (Act 5 of 2017), new hires who begin state employment after January 1, 2019 are automatically enrolled into A-5 class of service and within 45 days have the option to choose to participate in two other retirement plans: the A-6 class of service and the Defined Contribution Investment Plan.

New SERS Retirement Plan Enrollments



The A-5 class of service and A-6 class of service are hybrid pension plans. A hybrid plan is a plan where a portion of an employee's retirement benefit comes from a traditional defined benefit plan and a portion comes from a defined contribution investment plan supported by both employee and employer contributions plus the amount of money earned from investments.

The Defined Contribution Investment Plan option is a straight investment plan supported by both employee and employer contributions plus the amount of money earned from investments.

Based on information provided by the SERS, through the first three months of the year, 1,497 new hires enrolled in SERS. Of the new hires, 1,432, or 95.7%, enrolled in the A-5 class of service; 45, or 3%, enrolled the A-6 class of service; and 20, or 1.3%, enrolled in the Defined Contribution Investment Plan.

New SERS Retirement Plan Comparison

Class of Service	A-5 Class of Service (Default Hybrid)	A-6 Class of Service (Optional Hybrid)	Defined Contribution (Investment Plan)
Employee Contribution	8.25% (split) 5% - pension 3.25% - investment	7.5% (split) 4% - pension 3.5% - investment	7.5% - investment
Annual Benefit Accrual Rate	1.25% of pay per year	1% of pay per year	N/A
Vesting Period	10 years - pension 3 years - investment	10 years - pension 3 years - investment	3 years - investment
Employer Contribution	Calculated annually - pension 2.25% - investment	Calculated annually - pension 2% - investment	3.5% - investment
Final Average Salary	Highest 5 years	Highest 5 years	N/A
Retirement Age	Age 67 with 3 years service or Rule of 97 with 35 eligibility points	Age 67 with 3 years service or Rule of 97 with 35 eligibility points	N/A

Senate Appropriations Committee Monthly Revenue Report

(\$ thousands)

REVENUE SOURCES	YTD FY 2017-18	April 2019 Actual	April 2019 Estimated	Surplus/ (Deficit)	YTD Actual	YTD Estimated	Surplus/ (Deficit)
TOTAL - GENERAL FUND	29,027,132	4,413,581	3,948,700	464,881	29,163,269	28,334,800	828,469
TOTAL - NON-TAX REVENUE	2,455,500	240,612	238,700	1,912	768,975	672,700	96,275
TOTAL - TAX REVENUE	26,571,632	4,172,969	3,710,000	462,969	28,394,294	27,662,100	732,194
TOTAL - Corporation Taxes	4,043,436	385,989	296,300	89,689	4,575,983	4,032,700	543,283
Accelerated Deposits	12,055	1,406	0	1,406	3,223	0	3,223
Corp. Net Income	2,052,855	320,513	244,400	76,113	2,513,141	2,106,400	406,741
Gross Receipts	1,140,730	13,363	2,900	10,463	1,208,538	1,139,500	69,038
PURTA	18,100	16,176	16,800	(624)	17,636	18,200	(564)
Insurance Premiums	463,180	30,952	27,600	3,352	458,122	415,300	42,822
Financial Institutions	356,516	3,578	4,600	(1,022)	375,323	353,300	22,023
TOTAL - Consumption Taxes	9,945,899	1,111,199	1,063,000	48,199	10,548,408	10,282,600	265,808
Sales and Use	8,540,434	974,884	931,700	43,184	9,185,800	8,911,900	273,900
General (net of transfers)	7,407,839	828,817	801,000	27,817	7,957,061	7,769,000	188,061
Motor Vehicle Sales	1,132,595	146,067	130,700	15,367	1,228,739	1,142,900	85,839
Cigarette Tax	978,869	94,419	89,700	4,719	918,765	929,300	(10,535)
Other Tobacco Products	97,769	10,472	10,400	72	106,488	99,300	7,188
Malt Beverage	19,921	1,897	1,900	(3)	19,206	19,900	(694)
Liquor	308,907	29,527	29,300	227	318,150	322,200	(4,050)
TOTAL - Other Taxes	12,582,296	2,675,781	2,350,700	325,081	13,269,902	13,346,800	(76,898)
Personal Income	11,307,514	2,520,144	2,189,600	330,544	11,926,039	11,966,600	(40,561)
Withholding	8,387,149	851,188	855,200	(4,012)	8,707,255	8,802,600	(95,345)
Non-Withholding	2,920,365	1,668,956	1,334,400	334,556	3,218,784	3,164,000	54,784
Realty Transfer	416,577	49,857	43,800	6,057	433,406	454,600	(21,194)
Inheritance & Estate	818,853	93,253	99,500	(6,247)	855,341	879,500	(24,159)
Minor & Repealed	(62,455)	468	4,400	(3,932)	(53,497)	(78,300)	24,803
Gaming	101,808	12,059	13,400	(1,341)	108,613	124,400	(15,787)
TOTAL - MOTOR LICENSE FUND	2,446,373	322,446	258,810	63,636	2,308,061	2,363,850	(55,789)
TOTAL - Liquid Fuels Taxes	1,538,864	162,237	145,400	16,837	1,497,261	1,514,700	(17,439)
Motor Carriers/IFTA	103,947	98	3,200	(3,102)	92,650	102,300	(9,650)
Alternative Fuels	11,708	2,220	1,200	1,020	13,108	12,200	908
Oil Company Franchise	1,423,201	159,852	141,000	18,852	1,391,019	1,400,200	(9,181)
Minor and Repealed	7	68	0	68	482	0	482
TOTAL - Licenses, Fees & Other	907,509	160,209	113,410	46,799	810,800	849,150	(38,350)
Licenses and Fees	848,930	154,142	111,700	42,442	791,828	833,900	(42,072)
Other Motor Receipts	49,283	4,688	3,970	718	12,904	13,540	(636)