



Pennsylvania Senate Appropriations Committee

Senator Pat Browne
Chairman



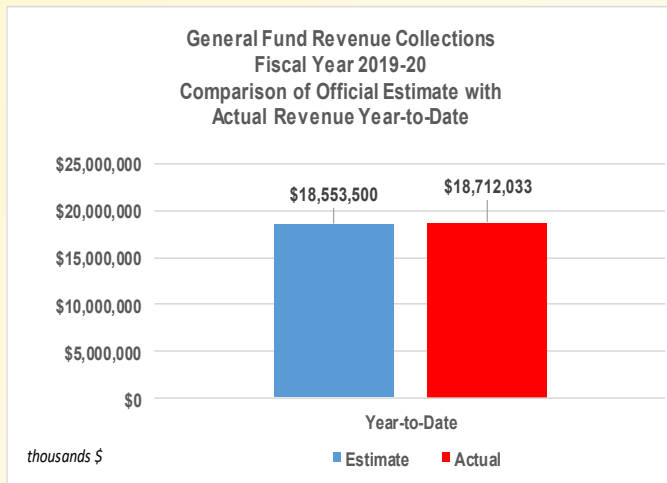
Monthly Report February 2020

General Fund Revenues on Track to Meet Revised Expectations

The Independent Fiscal Office released its Mid-Year Update on January 28th and predicted that FY 2019-20 General Fund revenue collections would exceed the Official Revenue Estimate by \$241 million at the end of the current fiscal year. General Fund revenue collections thus far this fiscal year are \$158.5 million ahead of estimate through January. General Fund revenue collections for the month of January were above the estimate by \$83.6 million. General Fund tax revenues were \$59.3 million higher than the monthly estimate, and non-tax revenues were \$24.3 million above the estimate.

Sales and use tax (SUT) collections received in the month of January are the highest of the fiscal year because they include payments remitted from the holiday shopping season. January SUT payments exceeded the estimate by \$32.5 million and were above

last year's strong collections by 7.7%. Pennsylvania's recent ability to collect sales tax on many online internet sales appears to be paying off as more and more retail purchases are made online. Final individual estimated personal income tax (PIT) payments for the 2019 tax year, which were due January 15th, were \$15.1 million above the estimate for the month. Corporate net income tax (CNIT) annual payments, most likely attributable to the 2019 calendar year, were below estimate by \$14.6 million. Non-tax revenues were above estimate by \$24.3 million, and \$22.9 million of that amount was Treasury escheats revenue from the Unclaimed Property program.



~Continued On Page 2~

Inside This Issue

- General Fund Revenues on Track to Meet Revised Expectations.....1 & 2
- Performance-Based Budgeting and Tax Credit Review for 2020.....3 & 4
- General Fund Revenue Detail.....5



Senate Appropriations Staff

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

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

740 W. Hamilton Street, Suite 200
Allentown, PA 18101
Phone: 610-821-8468
Fax: 610-821-6798

www.senatorbrowne.com

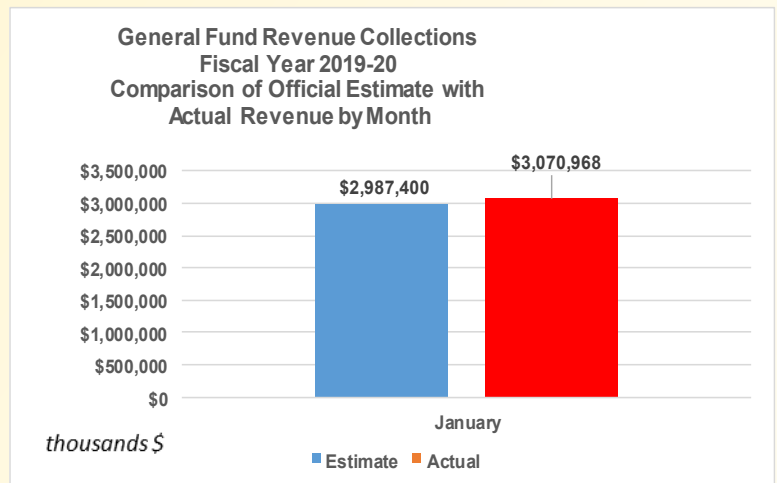
General Fund Revenues on Track to Meet Revised Expectations Continued.....

January 2020 General Fund Revenue vs. Monthly Estimate:

- General Fund revenue collections of \$3.07 billion were above the monthly estimate by \$83.6 million, or 2.8%.
- General Fund tax revenues were higher than the estimate by \$59.3 million, or 2%.
- Corporation taxes were \$3.2 million, or 2.4%, below the estimate.
- Sales and use tax collections beat the estimate by \$32.5 million, or 3.1%, for the month.
- Personal income tax collections were above the estimate by \$3.1 million, or 0.2%.
- Non-tax revenues exceeded the estimate by \$24.3 million.

Fiscal Year 2019-20 vs. the Official Revenue Estimate To-Date:

- Total General Fund revenues are \$158.5 million, or 0.9%, higher than the Official Revenue Estimate through the month of January.
- General Fund tax revenue is \$76.4 million, or 0.4%, above estimate.
- Corporation taxes are \$129.9 million, or 6.8%, below the estimate.
- Sales and use taxes are \$75.2 million, or 1.1%, above the estimate.
 - General SUT collections are \$47.7 million, or 0.8%, above the estimate.
 - SUT collections on motor vehicle sales are \$27.5 million, or 3.1%, higher than the estimate.
- Personal income tax collections are ahead of the estimate by \$96.2 million, or 1.3%.
 - Withheld PIT is \$29.3 million, or 0.5%, below the estimate.
 - Non-withheld PIT (annual & estimated payments) is \$125.5 million, or 9.3%, higher than the estimate.
- General Fund revenues from other taxes such as cigarette tax, liquor tax, realty transfer tax, inheritance tax and gaming taxes are generally holding their own for the year.
- Non-tax revenues are \$82.1 million, or 41.6%, more than the estimate.



Fiscal Year 2019-20 vs. Fiscal Year 2018-19:

- Total General Fund revenues through January are \$557 million, or 3.1%, higher than last year at this time.
- General Fund tax revenue is \$651.9 million, or 3.7%, higher than last year.
- Corporation taxes are \$15.3 million, or 0.9%, lower.
- Sales and use tax collections are \$227 million, or 3.4%, higher than last year through January.
- Personal income tax collections exceed last year's collections by \$383.8 million, or 5.2%.
- Non-tax revenues are \$94.9 million, or 25.3%, less than last fiscal year through January.
 - The year-over-year decline is mainly attributable to nonrecurring expanded gaming license fee revenues received in FY 2018-19.

Motor License Fund:

- Motor License Fund revenues are below the estimate by \$4.1 million, or 0.3%, through January.
- Motor License Fund revenues are \$16.3 million, or 1%, higher than last fiscal year at this time.

Performance-Based Budgeting and Tax Credit Review for 2020

Established as Act 48 of 2017, the Performance-Based Budget Board held two days of hearings in January to receive testimony from the Independent Fiscal Office (IFO) on reports it developed from its performance-based budget review of state agencies and tax credit programs. The full reports are available on the IFO's website at <http://www.ifo.state.pa.us/releases/type/7/Performance-Budgeting/>

Following are highlights from the IFO reports:

PEMA Budget Metrics Highlights

- \$1.65/month/line 911 fee ranks 7th in U.S. (\$19.80 annual fee)
- \$316m collected CY 2018 (per capita amount is \$24.69) for the 911 program
- PA's 911 fee is considerably higher than most border states (PA relies more on fee than other states do)
- 75% of PA municipalities have a Hazard Mitigation Plan – required to receive federal funding
- Office of the State Fire Commissioner lacks authority to require reporting of the number of firefighters
- PA reliance on volunteer departments ranks 3rd in U.S.
- PA has assisted other states on 37 missions from 2014 through 2018 - \$4.9 million in resources

Department of State Budget Metrics Highlights

- November 2018: 88% of those eligible are registered to vote; 52% actually voted
- In 2018, Pennsylvania voter turnout ranked 28th among all states at 52 percent of the voter-eligible population
- As of November 2018: only 7% of voting machines have a voter-verified paper audit trail
- Average is 60% for U.S.; goal for all counties to have a voter-verified paper audit trail for November 2020
- Most initial professional licensing fees are lower than average, but professional renewals are higher
- Notable increase in certain electronic filings from FY 2014-15 to FY 2018-19
- Online absentee ballot applications begin in FY 2019-20

Department of Environmental Protection Budget Metrics Highlights

- By FY 2019-20, 65% of inspectors migrated to e-inspection solutions
- Oil and Gas inspection productivity up 20% since implementation (FY 2016-17)
- Clean Water and Safe Drinking Water record modest gains in productivity
- Oil and Gas Management – nearly all well-drilling permits are now processed on time
- More than 1 million structures are located above abandoned mines
- 12,000 abandoned wells identified - 200,000 more not identified
- Significant improvement in PA air quality since 2004
- In CY 2018, many residents received water from a community water system with an acute health-based violation – highest in nation (13.4%) and four times national rate (3.3%)
- Vector Management: Black Fly, West Nile and Lyme Disease – PA ranks 49th for Lyme incidence rate

Department of Community and Economic Development Budget Metrics Highlights

- Difficult to quantify jobs impact from current incentives
- Cost per job created: \$2,000 to \$12,000
- Metrics reported by third parties - no verification
- Cost per job created: \$7,000 to \$11,000 Ben Franklin Technology Development (BFTD)
- 1,500 firms assisted - \$500m funds leveraged per annum (BFTD)

~Continued On Page 4~~

Performance-Based Budgeting and Tax Credit Review for 2020 Continued.....

Tourism Attraction

- PA ranks 49th in per capita spend on state campaign (9 cents per resident)
- U.S. average is \$1.59 - PA share of U.S. tourism market declines over time

Department of Health Budget Metrics Highlights

Ensuring Access to care

- Uninsured rate falls from 10.2% (CY 2014) to 6.6% (CY 2017)

Disease Prevention and Outreach

- Uptick in PA obesity rate - same as U.S. average (30.9%)
- Since 2014: PA up +0.7 ppt - U.S. up +2.0 ppt
- PA adult smoking rate (18.7%) higher than U.S. average (16.4%)

Rate of HIV infections has declined

- From 9.5 per 100,000 (2014) to 7.8 (2018) or 7.5 (using DOH stats)
- Philadelphia rate remains high at 25.5 (2018)
- 80% receive treatment within one month of diagnosis (up from 70%)

Opioid overdose rates decline, but remain far above U.S. average

- DOH data: 2017 (38.3 per 100,000) - 2018 (30.6)
- PA ranked 29th in FY 2015-16 and 13th in FY 2017-18 (using federal data)
- Opioid dispensations down 29% since FY 2015-16

Department of Human Services Budget Metrics Highlights

Medicaid Expansion has significant impact on many metrics

- Number of enrollees up 25% for physical health
- Number receiving services up 13% for behavioral health
- Higher share of new mothers and children receive care

Notably shorter processing times due to electronic submissions

Average costs for certain services rise dramatically (FY 2014-15 to FY 2018-19)

- MA transport cost per trip up by one-third
- Average cost per managed care encounter also up by roughly one-third

PA is a leader in Child Support Enforcement

- Ranks 1st in % of support timely paid and % of cases in arrears paying
- In FFY 2018, \$4.87 collected for every dollar spent

State Supplemental Payment declines (~\$10m)

- Number receiving payment falls by 5% - due to a reduction in the number of individuals disabled
- Total payments fall by 8% - typical payment is \$325 per annum
- PBB Board voted to have the IFO revisit and expand its review of the Medical Assistance program next year

Tax Credit Reviews

Mobile Telecommunications Broadband Investment – increase and upgrade wireless broadband infrastructure

Research & Development – incentivize high tech and R&D investments

Keystone Innovation Zones – encourage entrepreneurs and incubate young firms

Organ and Bone Marrow Donation – living organ and bone marrow donation

Fiscal Year 2019-20
Senate Appropriations Committee
Monthly Revenue Report
(\$ thousands)

REVENUE SOURCES	YTD FY 2018-19	January 2020 Actual	January 2020 Estimated	Surplus/ (Deficit)	YTD Actual	YTD Estimated	Surplus/ (Deficit)
TOTAL - GENERAL FUND	18,155,055	3,070,968	2,987,400	83,568	18,712,033	18,553,500	158,533
TOTAL - NON-TAX REVENUE	374,276	17,895	(6,400)	24,295	279,401	197,300	82,101
TOTAL - TAX REVENUE	17,780,779	3,053,072	2,993,800	59,272	18,432,632	18,356,200	76,432
TOTAL - Corporation Taxes	1,800,492	133,963	137,200	(3,237)	1,785,173	1,915,100	(129,927)
Accelerated Deposits	910	(2,263)	0	(2,263)	1,853	0	1,853
Corp. Net Income	1,650,724	92,026	102,600	(10,574)	1,664,277	1,797,200	(132,923)
Gross Receipts	56,659	3,272	2,300	972	36,963	30,700	6,263
PURTA	1,428	11	0	11	1,932	2,900	(968)
Insurance Premiums	53,834	38,829	31,900	6,929	58,616	54,700	3,916
Financial Institutions	36,937	2,088	400	1,688	21,532	29,600	(8,068)
TOTAL - Consumption Taxes	7,610,745	1,184,383	1,142,600	41,783	7,804,046	7,731,000	73,046
Sales and Use	6,629,770	1,079,305	1,046,800	32,505	6,856,740	6,781,500	75,240
General (net of transfers)	5,758,372	955,522	928,300	27,222	5,939,141	5,891,400	47,741
Motor Vehicle Sales	871,397	123,783	118,500	5,283	917,600	890,100	27,500
Cigarette Tax	661,049	64,589	56,100	8,489	618,714	617,800	914
Other Tobacco Products	75,795	10,504	10,300	204	76,793	78,200	(1,407)
Malt Beverage	13,939	1,881	1,700	181	13,772	13,500	272
Liquor	230,192	28,104	27,700	404	238,026	240,000	(1,974)
TOTAL - Other Taxes	8,369,543	1,734,726	1,714,000	20,726	8,843,413	8,710,100	133,313
Personal Income	7,367,684	1,567,841	1,564,700	3,141	7,751,477	7,655,300	96,177
Withholding	6,057,761	1,058,691	1,074,400	(15,709)	6,270,994	6,300,300	(29,306)
Non-Withholding	1,309,923	509,150	490,300	18,850	1,480,483	1,355,000	125,483
Realty Transfer	319,762	49,456	41,600	7,856	330,420	325,400	5,020
Inheritance & Estate	597,930	92,807	86,400	6,407	648,502	627,800	20,702
Minor & Repealed	12,575	3,786	3,600	186	6,941	2,500	4,441
Gaming	71,592	20,837	17,700	3,137	106,073	99,100	6,973
TOTAL - MOTOR LICENSE FUND	1,573,300	225,029	223,270	1,759	1,589,569	1,593,640	(4,071)
TOTAL - Liquid Fuels Taxes	1,070,996	138,857	144,000	(5,143)	1,051,339	1,072,300	(20,961)
Motor Carriers/IFTA	68,661	1,687	1,600	87	68,586	69,500	(914)
Alternative Fuels	8,379	845	1,300	(455)	7,169	9,000	(1,831)
Oil Company Franchise	993,949	136,324	141,100	(4,776)	975,578	993,800	(18,222)
Minor & Repealed	6	1	0	1	5	0	5
TOTAL - Licenses, Fees & Other	502,303	86,172	79,270	6,902	538,230	521,340	16,890
Licenses and Fees	494,453	82,105	77,100	5,005	527,639	511,500	16,139
Other Motor Receipts	7,850	4,067	2,170	1,897	10,591	9,840	751