



Pennsylvania Senate
**Appropriations
 Committee**

Senator Pat Browne
 Chairman



Monthly Report

August 2020

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July General Fund Revenues Increase on Tax Filing Extensions

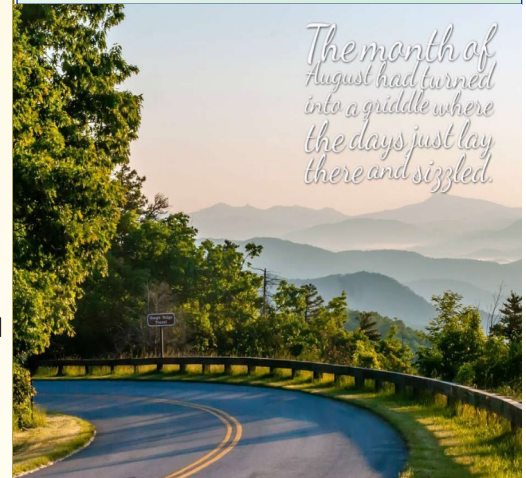
The Department of Revenue has not yet released its monthly distribution of the Official General Fund Revenue Estimate. Therefore, July 2020 revenue collections can be compared only to last year’s revenues and not to a monthly estimate.

Because of the COVID-19 emergency, many annual and estimated personal income tax payments that would have normally been received in April, May and June of 2020 were extended until July 15. In addition, the Department of Revenue previously announced that taxpayers would not have to make accelerated sales tax (AST) prepayments in March, April, May or June. This step was taken to provide relief to business taxpayers during the COVID-19 pandemic. However, businesses that must make AST prepayments were required to resume AST prepayments by July 20, 2020, which was the July due date for monthly filers with a prepayment obligation. Furthermore, Pennsylvania corporate taxpayers who had annual corporate net income tax (CNIT) returns and payments due in April, May, June or July of 2020 now have until August 14, 2020, to file their returns and make their final payments. For these reasons, July 2020 General Fund revenues are much higher than normal.

Total General Fund revenue for July 2020 was \$4.1 billion. Revenue collections, including non-tax revenues, were \$1.77 billion, or 76.2%, more than July 2019, which is attributable to tax payments being shifted from Fiscal Year 2019-20 into Fiscal Year 2020-21. The Independent Fiscal Office (IFO) estimates that \$1.91 billion of General Fund revenues will be shifted from FY 2019-20 into FY 2020-21 because of extended tax filing deadlines and measures such as the temporary suspension of the AST prepayment. With General Fund tax revenues being \$1.79 billion higher than July 2019 and with annual CNIT returns and payments due in August, it appears that the IFO’s analysis is on target to meet expectations.

However, it is important to note that despite meeting expectations, FY 2020-21 General Fund revenues are expected to be \$2.4 billion lower than they were projected to be in February prior to the effects of the COVID-19 pandemic.

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The month of August had turned into a griddle where the days just lay there and sizzled.

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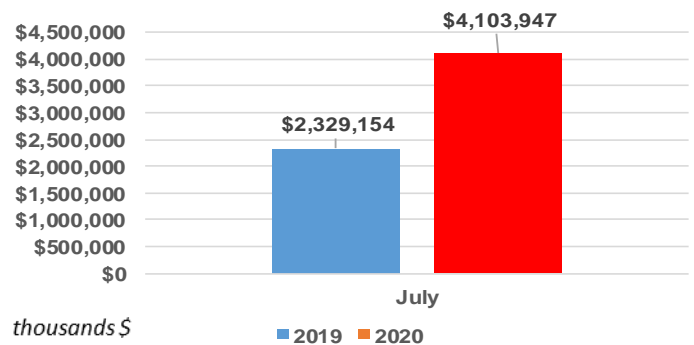
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July General Fund Revenues Increase on Tax Filing Extensions Continued...

Fiscal Year 2020-21 vs. Fiscal Year 2019-20:

- Total General Fund revenues were \$1.77 billion, or 76.2%, higher than last year at this time.
- General Fund tax revenue was \$1.79 billion, or 78.2%, higher than last year.
- Corporate net income tax collections were \$143.6 million, or 154.3%, higher than July 2019 collections due to the federal and Pennsylvania filing deadline extensions shifting some payments into July, with more likely to come in August.
- Sales and use tax (SUT) collections were \$330.3 million, or 35.7%, higher than July 2019 collections because of the resumption of AST prepayments that had been suspended since April.
 - General (i.e. non-motor) SUT collections were \$280.6 million, or 35.8%, higher than last year.
 - July 2019 sales and use tax collections were \$115.3 million lower than they would have been otherwise due to a tobacco debt service payment using July 2019 SUT revenues. Absent this transfer out of July 2019 SUT revenues, the July 2020 to July 2019 SUT revenue comparison would show July 2020 SUT revenues at \$215 million, or 20.7%, higher than last year.
 - SUT collections on motor vehicle sales were \$49.7 million, or 34.9%, higher than July 2019.
- Personal income tax (PIT) collections exceeded last year's collections by \$1.29 billion, or 126.1%, which is attributable to tax filing extensions for annual and estimated tax payments to July 15th.
 - PIT collections from withholding (not affected by filing extensions) were \$22.7 million, or 2.4%, lower than July 2019 collections.
 - Annual PIT payments were \$893.8 million higher than last year.
 - Estimated PIT payments were \$418.6 million more than July 2019 collections.
- Realty transfer tax (RTT) collections of \$17.9 million were \$3.2 million, or 15%, less than last year.
 - \$36.2 million from RTT was transferred in July 2020 to the Housing Affordability and Rehabilitation Enhancement Fund (PHARE) pursuant to Act 13 of 2019.
 - \$40 million was transferred in July 2019 to PHARE pursuant to Act 13 of 2019.
- Inheritance tax collections of \$118.4 million were ahead of last year by \$19.9 million, or 20.2%.
- Cigarette tax collections of \$74 million were \$23.2 million, or 45.8%, more than July 2019.
- Non-tax revenues of \$14.1 million were \$19.8 million, or 58.4%, less than last year.

General Fund Revenue Collections
Fiscal Year 2020-21
Comparison of Current Year vs. Prior Year



Motor License Fund:

- Motor License Fund (MLF) revenues of \$287.5 million were \$64.4 million, or 28.9%, higher than July 2019 collections.
- July 2019 MLF revenues from licenses and fees contained a \$62.5 million negative amount for “information sales” that did not occur in July 2020. Absent this difference, July 2020 MLF revenue collections would have been approximately \$2 million higher than last year.

Historical State Budget Spending by Funding Category

Federal funding plays an important role in supporting programs across the Commonwealth’s budget, especially during the current COVID-19 pandemic with the significant amount of federal stimulus funding that has been made available. However, even before federal stimulus funding was made available to combat the effects of the pandemic, federal funding was becoming a significantly larger share of the Commonwealth’s budget. As detailed on the chart below, over the last several decades, federal funding as a share of the overall budget increased from 22% in FY 1990-91 to 35% in FY 2018-19, driven by increases in the departments of Human Services and Education. While additional federal support is important to many programs, the Commonwealth must be cognizant that increased federal funding often comes with strings attached about how the funding can be used, essentially limiting the amount of control the state ultimately has over its own budget.

| | FY 2018-19 | | FY 1990-91 | |
|---------------|----------------------|---------------|----------------------|---------------|
| General Fund | \$ 33,401,521 | 38.9% | \$ 12,421,264 | 53.0% |
| Federal Funds | 30,265,192 | 35.2% | 5,166,899 | 22.1% |
| All Other | 22,296,330 | 25.9% | 5,835,880 | 24.9% |
| | \$ 85,963,043 | 100.0% | \$ 23,424,043 | 100.0% |



PASSHE Redesign Integration Plans

With several of the Pennsylvania State System of Higher Education (PASSHE) member universities facing long-standing enrollment and financial challenges compounded by the COVID-19 emergency disaster, the legislature on June 24 approved House Bill 2171 (Act 50 of 2020) to provide PASSHE’s Board of Governors with authority to redesign its member universities having less than 10,000 students.

The law provides that PASSHE may create, expand, consolidate, transfer or affiliate an institution upon conducting a thorough financial review, planning and implementation process with oversight from the Appropriations and Education Committees of the Senate and House of Representatives, along with public comment.

On July 16, the Board of Governors moved forward to begin its redesign efforts by authorizing the chancellor, through a resolution, to conduct a financial review of three integration plans. The integration plans are as follows:

California University and Clarion University – To stand up a low-cost, high-quality, fully online undergraduate degree and degree-completion program currently not available in Pennsylvania.

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PASSHE Redesign Integration Plans Continued...

Edinboro University and Slippery Rock University – To strengthen and broaden academic opportunities by aligning the two universities' educational programs into one, reducing costs and coordinating enrollment strategies.

Lock Haven University and Mansfield University – To develop non-degree and stackable credentials to meet workforce development needs in high-demand occupations through partnerships with regional employers.

The chancellor's financial review of the integration plans will explore the impacts of a unified leadership team, a single staff and faculty, a single academic program, a unified budget, a unified enrollment management strategy and a single line of reporting to the Board of Governors.

Upon completion of the financial review, the law provides for the chancellor to make a report and provide recommendations to the Board of Governors and develop a proposed implementation plan.

PASSHE Integration



Fiscal Year 2020-21
Senate Appropriations Committee
Monthly Revenue Report
(\$ thousands)

| REVENUE SOURCES | July 2020 Actual | July 2019 Actual | Difference | % Change vs. Prior Year |
|---|---------------------|---------------------|------------------|----------------------------|
| TOTAL - GENERAL FUND | 4,103,947 | 2,329,154 | 1,774,793 | 76.2% |
| TOTAL - NON-TAX REVENUE | 14,142 | 33,983 | (19,841) | -58.4% |
| TOTAL - TAX REVENUE | 4,089,805 | 2,295,171 | 1,794,634 | 78.2% |
| TOTAL - Corporation Taxes | 240,494 | 116,935 | 123,559 | 105.7% |
| Accelerated Deposits | 1,305 | 1,159 | 146 | 12.6% |
| Corp. Net Income | 236,730 | 93,092 | 143,638 | 154.3% |
| Gross Receipts | 889 | 4,300 | (3,411) | -79.3% |
| PURTA | 7 | 408 | (401) | -98.3% |
| Insurance Premiums | 221 | 17,530 | (17,309) | -98.7% |
| Financial Institutions | 1,342 | 445 | 897 | 201.6% |
| TOTAL - Consumption Taxes | 1,375,294 | 1,019,780 | 355,514 | 34.9% |
| Sales and Use | 1,255,720 | 925,404 | 330,316 | 35.7% |
| General (net of transfers) | 1,063,626 | 783,004 | 280,622 | 35.8% |
| Motor Vehicle Sales | 192,094 | 142,400 | 49,694 | 34.9% |
| Cigarette Tax | 74,014 | 50,771 | 23,243 | 45.8% |
| Other Tobacco Products | 11,067 | 10,949 | 118 | 1.1% |
| Malt Beverage | 2,041 | 2,192 | (151) | -6.9% |
| Liquor | 32,452 | 30,464 | 1,988 | 6.5% |
| TOTAL - Other Taxes | 2,474,017 | 1,158,456 | 1,315,561 | 113.6% |
| Personal Income | 2,312,467 | 1,022,830 | 1,289,637 | 126.1% |
| Withholding | 922,606 | 945,329 | (22,723) | -2.4% |
| Non-Withholding | 1,389,860 | 77,501 | 1,312,359 | 1693.3% |
| Realty Transfer | 17,907 | 21,067 | (3,160) | -15.0% |
| Inheritance & Estate | 118,385 | 98,510 | 19,875 | 20.2% |
| Minor & Repealed | 12,673 | 5,120 | 7,553 | 147.5% |
| Gaming | 12,585 | 10,929 | 1,656 | 15.2% |
| TOTAL - MOTOR LICENSE FUND | 287,483 | 223,046 | 64,437 | 28.9% |
| TOTAL - Liquid Fuels Taxes | 168,673 | 162,296 | 6,377 | 3.9% |
| Motor Carriers/IFTA | 2,872 | 1,682 | 1,190 | 70.7% |
| Alternative Fuels | 770 | 1,205 | (435) | -36.1% |
| Oil Company Franchise | 165,037 | 159,408 | 5,629 | 3.5% |
| Minor and Repealed | (7) | 1 | (8) | -800.0% |
| TOTAL - Licenses, Fees & Other | 118,810 | 60,750 | 58,060 | 95.6% |
| Licenses and Fees | 110,695 | 58,627 | 52,068 | 88.8% |
| Other Motor Receipts | 8,115 | 2,123 | 5,992 | 282.2% |