



*Pennsylvania Senate*  
**Appropriations  
 Committee**

**Senator Pat Browne**  
 Chairman



**Monthly Report**      **September 2020**

**Inside This Issue**

**General Fund Shows Signs of Stabilizing**

General Fund revenue collections for the month of August exceeded estimate by \$209 million, or 8.9%. General Fund tax revenues were \$214.6 million, or 9.3%, higher than the monthly estimate, and non-tax revenue was \$5.6 million below estimate. General Fund revenue collections for the first two months of the fiscal year are \$210.3 million, or 3.3%, ahead of estimate.

Total corporation tax revenues were above the monthly estimate by \$26.8 million, or 9.7%. August typically is not a large corporation tax collection month. However, corporate net income tax (CNIT) returns and annual payments normally due May 15 for the 2019 tax year were extended to August 14 because of the COVID-19 disaster emergency. Both the Administration and Independent Fiscal Office (IFO) projected August CNIT collections at \$271 million, and actual collections of \$287.3 million exceeded the estimate by \$16.8 million, or 6.2%.

Unlike August CNIT collections which were mostly for the 2019 tax year, sales and use tax (SUT) collections more closely reflect real-time economic activity. SUT collections for August were above estimate by \$92.7 million, or 9.9%, for the month and were 6.5% higher than August 2019. Personal income tax (PIT) collections beat the estimate by \$42.9 million, or 5.2%. Importantly, PIT from withholding exceeded last August's collections by 4.8%. Despite Pennsylvania's relatively high unemployment rate compared to last year, personal income tax collections from wages and salaries remain resilient.

General Fund revenue collections through the first two months of FY 2020-21 exceed collections from the first two months of FY 2019-20 by \$2.1 billion. However, due to the coronavirus pandemic, certain PIT and CNIT taxes normally paid in FY 2019-20 were extended and shifted into FY 2020-21. In addition, FY 2019-20 revenues were decreased by a \$115 million transfer from SUT to pay for tobacco settlement bond debt service. Both the Administration and the IFO projected that approximately \$2 billion would be shifted into FY 2020-21, so it appears these projections were accurate and explain the large discrepancy in collections between the two fiscal years.

~Continued Page 2~

General Fund Shows Signs of Stabilizing 1 & 2  
 President Trump's August 2020 Executive Orders Related to COVID-19..... 3  
 President Trump's Lost Wages Assistance Executive Order Affects Pennsylvania.....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)
- Bill Witmer (Criminal Justice/Capital)
- Charles Zogby (Federal Stimulus/Special Projects)

**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](http://www.senatorbrowne.com)

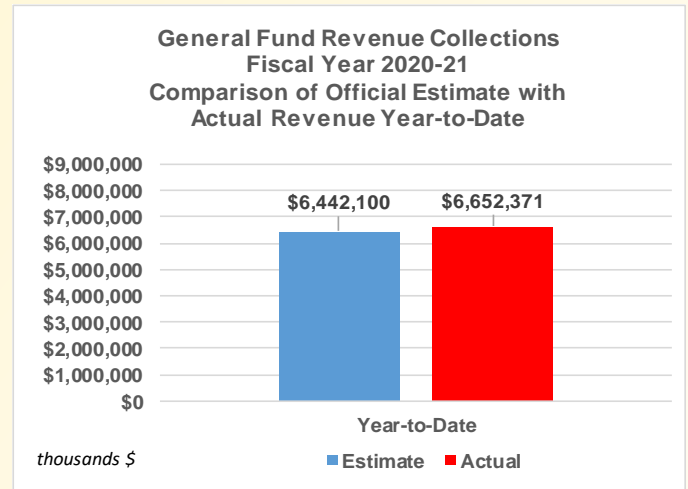
## General Fund Shows Signs of Stabilizing Continued...

### August 2020 General Fund Revenue vs. Monthly Estimate:

- General Fund revenue collections of \$2.5 billion were above the monthly estimate by \$209 million, or 8.9%.
- General Fund tax revenues were above estimate by \$214.6 million, or 9.3%.
- Corporation taxes were \$26.8 million, or 9.7%, above estimate.
- Sales and use tax collections beat the estimate by \$92.7 million, or 9.9%, for the month.
- Personal income tax collections were above estimate by \$42.9 million, or 5.2%.
- Non-tax revenues missed the estimate by \$5.6 million, or 21.2%.

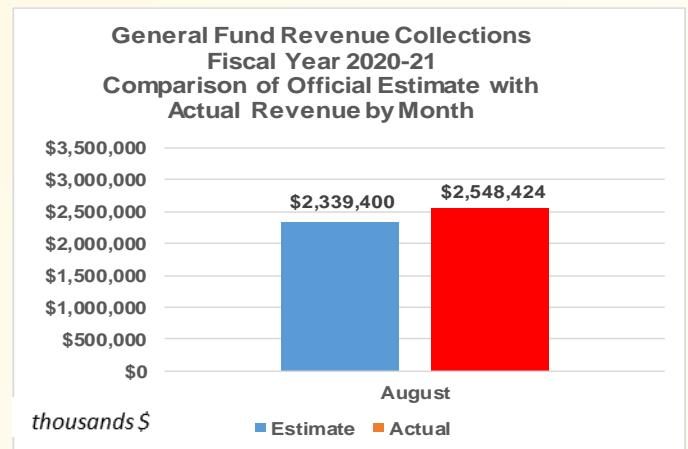
### Fiscal Year 2020-21 vs. the Official Revenue Estimate To-Date:

- Total General Fund revenues are \$210.3 million, or 3.3%, higher than the Official Revenue Estimate through the month of August.
- General Fund tax revenue is \$215.8 million, or 3.4%, above estimate.
- Corporation taxes are \$28.2 million, or 5.5%, more than the estimate.
- Sales and use taxes are \$92.7 million, or 4.2%, above estimate.
  - General SUT collections are \$97.1 million, or 5.3%, higher than the estimate.
  - SUT collections on motor vehicle sales are \$4.4 million, or 1.2%, lower than the estimate.
- Personal income tax collections are ahead of the estimate by \$42.9 million, or 1.4%.
  - Withheld PIT is \$24.8 million, or 1.5%, ahead of estimate.
  - Non-withheld PIT (annual & estimated payments) is \$18.1 million, or 1.2%, above estimate.
- Realty transfer tax revenues are \$14.3 million, or 23.8%, more than the estimate.
- Inheritance tax revenues are \$5.8 million, or 2.9%, above estimate.
- Non-tax revenues are \$5.5 million, or 13.7%, below estimate.



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

- Total General Fund revenues through August are \$2.1 billion higher than FY 2019-20, mainly because of certain tax payment extensions shifting revenue from FY 2019-20 into FY 2020-21 .
- FY 2019-20 also had a \$115 million transfer out of SUT revenues in July 2019 to pay for tobacco debt service which did not occur in FY 2020-21.
- Corporation taxes are \$357.9 million higher than last fiscal year because of tax payment shifts.
- Sales and use tax collections are \$392.8 million, or 20.7%, higher than last year through August, but for purposes of comparison, \$115 million of the overage results from a transfer out of SUT in July 2019.
- Personal income tax collections exceed last year’s collections by \$1.3 billion due to tax payment shifts.
- Non-tax revenues are \$17.1 million, or 32.9%, less than last fiscal year through August.



### Motor License Fund:

- Motor License Fund (MLF) revenues are above estimate by \$6.4 million, or 1.2%, through August.
- Motor License Fund revenues are \$100.6 million, or 22.2%, more than last fiscal year at this time. In FY 2019-20, PennDOT transferred \$61.3M out of miscellaneous collections to account for a multi-year error in which unprotected fee revenue came into the MLF. That revenue from unprotected fees should have gone to other funds.

## President Trump's August 2020 Executive Orders Related to COVID-19



Unable to reach agreement with U.S. House of Representatives and Senate negotiators on the size and scope of what would be a fourth federal economic stimulus package in response to the COVID-19 pandemic, President Donald Trump on August 8, 2020, took action of his own, issuing four executive orders affecting payroll taxes, federal supplemental unemployment benefits, homeowner and renter eviction, and student loan payments. Details on the executive orders are set out below.

### **Executive Order - Deferring Payroll Tax Obligations**

The Executive Order directs the Secretary of the Treasury to defer an employee's obligation to pay Social Security and Medicare taxes on wages or compensation paid from September 1, 2020, to December 31, 2020. The payment deferral applies to those making less than \$4,000 every two weeks, or an annual salary of \$104,000. The order further directs that the deferrals be made without any penalties or interest. Finally, the order directs the Treasury Secretary to explore avenues, including legislation, to eliminate the obligation to pay the taxes deferred by the order.

As background, all income earners see 7.65% of their wages subtracted from their paychecks to fund Social Security and Medicare -- 6.2% for Social Security (subject to limitations) and 1.45% for Medicare. Employers pay an equivalent amount of each tax.

### **Executive Order – Lost Wages Assistance**

The Executive Order directs the Federal Emergency Management Agency (FEMA) to provide financial assistance for the needs of those who have lost employment as a result of the pandemic, utilizing up to \$44 billion from the Department of Homeland Security's Disaster Relief Fund. The Lost Wages Assistance Program authorizes governors to provide unemployed individuals an additional \$400 payment per week, reflecting a \$300 federal contribution and \$100 state contribution, to eligible claimants retroactive to August 1, 2020. The program is available for eligible claimants until the balance of the federal funds are depleted or for weeks of unemployment ending not later than December 6, 2020, whichever occurs first, after which the program will terminate.

In an August 21, 2020 press release, Governor Tom Wolf announced Pennsylvania would apply to FEMA for Lost Wages Assistance program grant funds. On August 24<sup>th</sup>, FEMA approved Pennsylvania's request, enabling eligible Pennsylvanians to receive an additional \$300 per week on top of their regular unemployment benefits.

### **Executive Order - Assistance to Renters and Homeowners**

The Executive Order declares a national policy to minimize residential evictions and foreclosures during the ongoing COVID-19 national emergency and directs the Administration to take all lawful measures to prevent residential evictions and foreclosures resulting from financial hardships caused by COVID-19. The order directs the Secretary of the Treasury and the Secretary of Housing and Urban Development to identify any and all available federal funds to provide temporary financial assistance to renters and homeowners who, as a result of the financial hardships caused by COVID-19, are struggling to meet their monthly rental or mortgage obligations, and to take action to assist renters and homeowners to avoid eviction or foreclosure resulting from financial hardships caused by COVID-19.

### **Executive Order - Student Loan Payment Relief**

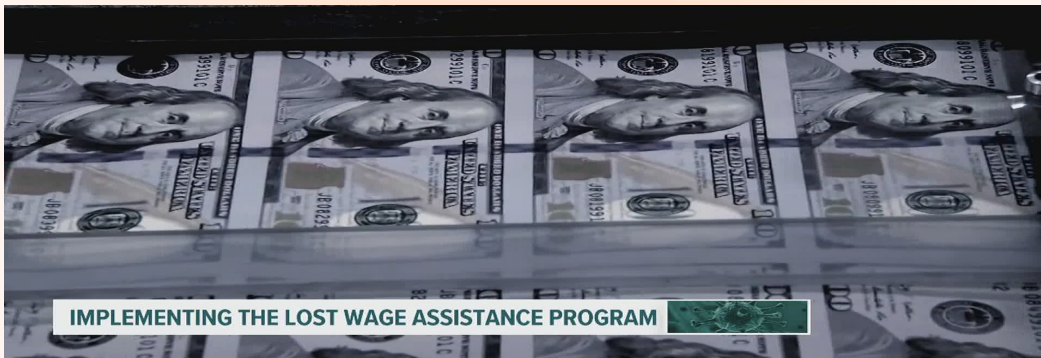
The Executive Order directs the U.S. Secretary of Education to provide a temporary suspension of loan payments and to waive all interest on student loans held by the U.S. Department of Education until December 31, 2020, for borrowers seeking economic hardship deferments.

## President Trump's Lost Wages Assistance Executive Order Affects Pennsylvania

The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) that was approved by Congress and signed by President Trump this spring included the federal Pandemic Unemployment Compensation program, which provided for an additional \$600 per week payment to those receiving unemployment compensation benefits. Pennsylvania citizens have received over \$15.5 billion from the federal government under this program, which expired July 31, 2020.

On August 8<sup>th</sup>, President Trump signed an executive order directing the expenditure of \$44 billion from federal Disaster Relief Funds to provide for a \$300 payment to individuals still receiving unemployment compensation. The executive order encourages states to provide an additional \$100 from CARES Act funding but only requires that a claimant be receiving at least \$100 in weekly benefits.

The Pennsylvania Department of Labor and Industry has estimated that about 30,000 of the more than 597,000, or about 5%, of those filing continued unemployment claims would be ineligible to receive the federal \$300 because they receive less than \$100 in weekly unemployment benefits. The minimum weekly benefit that can be received in Pennsylvania is \$68 based on the gross wages paid in the base year. The benefit equals approximately 50% of the full-time weekly wage, with additional benefits contingent on the number of dependents in the household. For a claimant to be eligible for the federal government benefit of \$300, a person would need to earn a minimum of \$10,400 per year. For a person earning the median household income in Pennsylvania of \$59,500, Pennsylvania's standard unemployment compensation benefit would be about \$572 per week, plus the additional \$300. As of the writing of this article, Governor Wolf has determined that Pennsylvania will participate but not provide the additional \$100.



### Lost Wages Assistance Program Examples

	Annual Wage	Weekly Wage	Weekly UC Benefit	Weekly UC Benefit including Federal Pandemic Unemployment Compensation - \$600 (Expired July 31)	Weekly UC Benefit including Recent Executive Order Benefit (\$300)
PA Median Household Income	\$ 59,500	\$ 1,144	\$ 572	\$ 1,172	\$ 872
Federal Poverty Income Level for a Family of Four	\$ 5,750	\$ 495	\$ 248	\$ 848	\$ 548
Minimum Eligibility for Executive Order Benefit	\$ 10,400	\$ 200	\$ 100	\$ 700	\$ 400
Minimum UC Benefit (Does Not Qualify)	\$ 7,072	\$ 136	\$ 68	\$ 668	\$ 68

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

REVENUE SOURCES	YTD FY 2019-20	August 2020 Actual	August 2020 Estimated	Surplus/ (Deficit)	YTD Actual	YTD Estimated	Surplus/ (Deficit)
<b>TOTAL - GENERAL FUND</b>	<b>4,522,064</b>	<b>2,548,424</b>	<b>2,339,400</b>	<b>209,024</b>	<b>6,652,371</b>	<b>6,442,100</b>	<b>210,271</b>
<b>TOTAL - NON-TAX REVENUE</b>	<b>51,883</b>	<b>20,648</b>	<b>26,200</b>	<b>(5,552)</b>	<b>34,790</b>	<b>40,300</b>	<b>(5,510)</b>
<b>TOTAL - TAX REVENUE</b>	<b>4,470,181</b>	<b>2,527,776</b>	<b>2,313,200</b>	<b>214,576</b>	<b>6,617,581</b>	<b>6,401,800</b>	<b>215,781</b>
<b>TOTAL - Corporation Taxes</b>	<b>185,895</b>	<b>303,309</b>	<b>276,500</b>	<b>26,809</b>	<b>543,803</b>	<b>515,600</b>	<b>28,203</b>
Accelerated Deposits	318	11,435	0	11,435	12,740	0	12,740
Corp. Net Income	156,404	287,254	270,500	16,754	523,984	507,200	16,784
Gross Receipts	8,653	3,226	3,900	(674)	4,115	4,800	(685)
PURTA	594	491	100	391	497	100	397
Insurance Premiums	18,051	479	800	(321)	700	1,000	(300)
Financial Institutions	1,874	424	1,200	(776)	1,765	2,500	(735)
<b>TOTAL - Consumption Taxes</b>	<b>2,136,203</b>	<b>1,186,923</b>	<b>1,066,100</b>	<b>120,823</b>	<b>2,562,217</b>	<b>2,441,400</b>	<b>120,817</b>
Sales and Use	1,893,276	1,030,367	937,700	92,667	2,286,087	2,193,400	92,687
General (net of transfers)	1,613,641	868,863	771,800	97,063	1,932,489	1,835,400	97,089
Motor Vehicle Sales	279,635	161,504	165,900	(4,396)	353,597	358,000	(4,403)
Cigarette Tax	153,322	111,689	84,900	26,789	185,703	158,900	26,803
Other Tobacco Products	22,831	10,813	9,600	1,213	21,879	20,700	1,179
Malt Beverage	4,158	2,131	2,100	31	4,172	4,100	72
Liquor	62,616	31,924	31,800	124	64,376	64,300	76
<b>TOTAL - Other Taxes</b>	<b>2,148,083</b>	<b>1,037,544</b>	<b>970,600</b>	<b>66,944</b>	<b>3,511,561</b>	<b>3,444,800</b>	<b>66,761</b>
Personal Income	1,846,876	876,120	833,200	42,920	3,188,587	3,145,700	42,887
Withholding	1,705,391	796,388	771,600	24,788	1,718,994	1,694,200	24,794
Non-Withholding	141,486	79,732	61,600	18,132	1,469,593	1,451,500	18,093
Realty Transfer	74,932	56,486	42,200	14,286	74,393	60,100	14,293
Inheritance & Estate	195,550	92,062	86,200	5,862	210,447	204,600	5,847
Minor & Repealed	5,907	(904)	1,300	(2,204)	11,770	14,000	(2,230)
Gaming	24,818	13,779	7,700	6,079	26,365	20,400	5,965
<b>TOTAL - MOTOR LICENSE FUND</b>	<b>452,641</b>	<b>265,767</b>	<b>266,650</b>	<b>(883)</b>	<b>553,249</b>	<b>546,860</b>	<b>6,389</b>
<b>TOTAL - Liquid Fuels Taxes</b>	<b>308,577</b>	<b>157,837</b>	<b>132,500</b>	<b>25,337</b>	<b>326,510</b>	<b>301,300</b>	<b>25,210</b>
Motor Carriers/IFTA	26,650	21,116	24,000	(2,884)	23,988	26,900	(2,912)
Alternative Fuels	2,287	785	1,300	(515)	1,555	2,100	(545)
Oil Company Franchise	279,640	135,950	107,200	28,750	300,987	272,300	28,687
Minor & Repealed	2	(13)	0	(13)	(20)	0	(20)
<b>TOTAL - Licenses, Fees &amp; Other</b>	<b>144,063</b>	<b>107,930</b>	<b>134,150</b>	<b>(26,220)</b>	<b>226,740</b>	<b>245,560</b>	<b>(18,820)</b>
Licenses and Fees	139,557	103,387	133,200	(29,813)	214,082	243,900	(29,818)
Other Motor Receipts	4,506	4,543	950	3,593	12,658	1,660	10,998