



Pennsylvania Senate
**Appropriations
 Committee**

Senator Pat Browne
 Chairman



Monthly Report **November 2020**

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General Fund Revenues Exceed Expectations

General Fund revenue collections for the month of October exceeded the estimate by \$365.6 million. General Fund tax revenue was \$356.8 million higher than the monthly estimate, and non-tax revenue was \$8.7 million above the estimate. General Fund revenue collections for the first four months of the fiscal year are \$824.5 million ahead of estimate.

The \$824.5 million year-to-date revenue consists of a tax revenue surplus of \$856.3 million and a non-tax revenue deficit of surplus \$31.8 million. All of the major tax types, including corporate net income tax, sales and use tax and personal income tax are well above estimate thus far this fiscal year. Likewise, General Fund revenues are exceeding last year’s collections, but the shift of major tax payments from the spring of 2020 (FY 2019-20) into July and August (FY 2020-21) as a result of tax filing extensions continues to distort any direct year-over-year comparison.

On October 29, 2020, the Independent Fiscal Office (IFO) issued a report as an update to its official revenue estimate released in June 2020. Typically, the IFO would release a five-year revenue and economic outlook report in November of each year. However, because of the partial-year budget for FY 2020-21, the IFO postponed the November five-year outlook in lieu of an October update. The October update uses the latest economic data through October 23, 2020 and actual revenues received for the first four months of the fiscal year. The update assumes no additional federal stimulus. If additional stimulus is enacted, revenue projections contained in the October update will be increased.

For Fiscal Year 2020-21, the IFO General Fund revenue estimate was already \$1.243 billion higher than the Governor’s Official Estimate (\$35.9B vs. \$34.6B). In its October update, the IFO increased its June 2020 estimate by approximately \$650 million; therefore, the IFO estimate for FY 2020-21 is now \$1.893 billion higher than the Governor’s Official Estimate. According to the report, much of the strength in revenue performance can be attributed to the effect of federal stimulus payments injected into Pennsylvania’s economy through programs such as federal pandemic unemployment compensation (i.e., extra \$600 per week), pandemic unemployment assistance (i.e., UC payments to self-employed, gig workers, etc.), and economic impact payments to individuals. This federal stimulus has, for the most part, run its course, so the IFO expects that the General Fund revenue overperformance will begin to moderate somewhat in the remaining months of the fiscal year. In fact, for FY 2021-22, the IFO expects that the economy, while still growing, will do so at a slower pace than it had anticipated in June.

The IFO’s full report can be accessed through the following link:
<http://www.ifo.state.pa.us/releases/402/Revenue-and-Economic-Update-FY-2020-21/>



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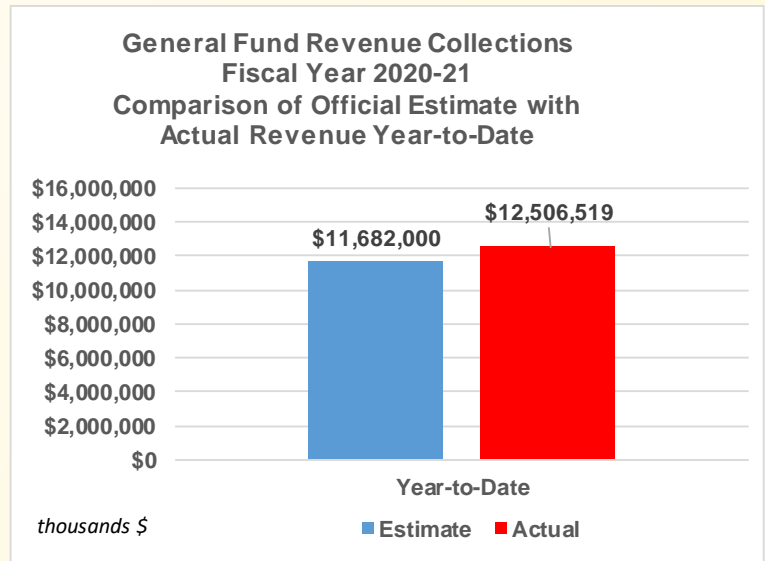
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General Fund Revenues Exceed Expectations Continued....

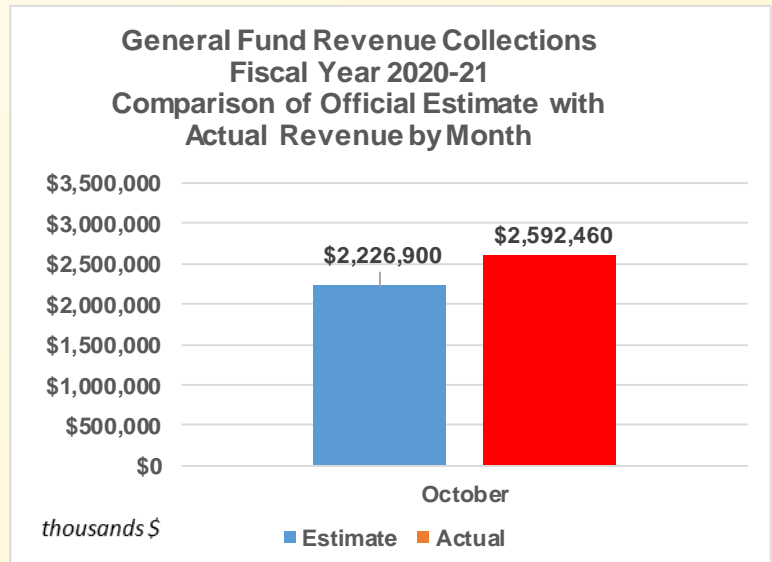
October 2020 General Fund Revenue vs. Monthly Estimate:

- General Fund revenue collections of \$2.59 billion were above the monthly estimate by \$365.6 million, or 16.4%.
- General Fund tax revenues were above estimate by \$356.8 million, or 16.2%.
- Corporation taxes were \$25.2 million, or 25.8%, above estimate.
- Sales and use tax collections beat the estimate by \$145 million, or 15.4%, for the month.
- Personal income tax collections were above estimate by \$123.2 million, or 13.7%.
- Realty Transfer Tax revenue exceeded the monthly estimate by \$22.2 million, or 51.5%.
- Inheritance tax collections were above estimate by \$17 million, or 21.2%.
- Liquor and tobacco taxes were above estimate by a combined \$15.3 million.
- General Fund gaming taxes beat the estimate by \$5.3 million, or 38.3%.
- Non-tax revenues exceeded the monthly estimate by \$8.7 million.



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

- Total General Fund revenues are \$824.5 million, or 7.1%, higher than the Official Revenue Estimate through the month of October.
- General Fund tax revenue is \$856.3 million, or 7.4%, above estimate.
- Corporation taxes are \$157.8 million, or 14.3%, above estimate.
- Sales and use taxes (SUT) are \$328.4 million, or 8.1%, higher than the estimate.
 - General SUT collections are \$249.6 million, or 7.2%, above estimate.
 - SUT collections on motor vehicle sales are \$78.8 million, or 13.5%, higher than the estimate.
- Personal income tax (PIT) collections are ahead of estimate by \$185.6 million, or 3.5%.
 - Withheld PIT is \$100.6 million, or 3%, higher than the estimate.
 - Non-withheld PIT (annual & estimated payments) is \$85 million, or 4.2%, more than the estimate.
- Non-tax revenues are \$31.8 million, or 26.8%, lower than the estimate.



Fiscal Year 2020-21 vs. Fiscal Year 2019-20 (Note Effect of Tax Filing Extensions and Prior Year Transfers):

- Total General Fund revenues through October are \$2.13 billion, or 20.5%, higher than last year at this time.
 - Year-to-date revenue collections include approximately \$2 billion shifted from the prior fiscal year into FY 2020-21 because of tax filing extensions.
 - Prior year SUT and PIT transfers out of the General Fund totaled \$160 million.
 - All things being equal, FY 2020-21 General Fund revenue collections are likely running just about even with last year's collections.
- General Fund tax revenue is \$2.17 billion, or 21.1%, higher than last year.
- Corporation taxes are \$305.4 million, or 31.9%, higher.
- Sales and use tax collections are \$501.7 million, or 13%, higher than last year through October.
- Personal income tax collections exceed last year's collections by \$1.26 billion, or 29.4%.
- Non-tax revenues are \$37.1 million, or 30%, lower than last fiscal year through October.

Motor License Fund:

- Motor License Fund revenues are below the estimate by \$6.1 million, or 0.6%, through October.
- Motor License Fund revenues are \$74.8 million, or 8.3%, higher than last fiscal year at this time.

Medicaid's Federal Medical Assistance Percentage (FMAP) Plays Major Role in FY 2020-21 Budget

Medicaid is a means-tested entitlement program that finances the delivery of primary and acute medical services as well as long-term services and supports. Medicaid is jointly funded by the federal government and the states. The federal government's share of most Medicaid expenditures is called the federal medical assistance percentage (FMAP). The remainder is referred to as the state share.¹

Generally determined annually, the FMAP formula is designed so that the federal government pays a larger portion of Medicaid costs in states with lower per capita incomes relative to the national average (and vice versa for states with higher per capita incomes). FMAP rates have a statutory minimum of 50% and a statutory maximum of 83%. For federal FY 2021, regular FMAP rates range from 50.00% (13 states) to 77.76% (Mississippi). Pennsylvania's FMAP rate for federal FY 2021 is 52.20%.



The FMAP formula compares each state's per capita income relative to U.S. per capita income. The formula provides higher reimbursement to states with lower incomes (with a statutory maximum of 83%) and lower reimbursement to states with higher incomes (with a statutory minimum of 50%). The formula for a given state is:

$$\text{FMAP}_{\text{state}} = 1 - ((\text{Per capita income}_{\text{state}})^2 / (\text{Per capita income}_{\text{U.S.}})^2 * 0.45)$$

The use of the 0.45 factor in the formula is designed to ensure that a state with per capita income equal to the U.S. average receives an FMAP rate of 55% (i.e., state share of 45%). In addition, the formula's squaring of income provides higher FMAP rates to states with below-average incomes (and vice versa, subject to the 50% minimum).

During the Coronavirus Disease 2019 (COVID-19) public health emergency period, the federal Family First Coronavirus Response Act (FFCRA; P.L. 116-127) provided a 6.2 percentage-point increase to the regular FMAP rates for all states, the District of Columbia and the territories. The FFCRA FMAP increase began on January 1, 2020 (the first day of the calendar quarter in which the COVID-19 public health emergency period began), and the FFCRA FMAP increase is set to end on the last day of the calendar quarter in which the COVID-19 public health emergency period ends.

To receive the FFCRA FMAP increase, states, the District of Columbia and the territories are required to meet certain conditions. Such conditions include (1) maintaining Medicaid "eligibility standards, methodologies, and procedures" that are no more restrictive than what was in effect on January 1, 2020; (2) not imposing premiums exceeding the amounts in place as of January 1, 2020; (3) providing continuous coverage of Medicaid enrollees during the public health emergency period; (4) providing coverage for testing services and treatments for COVID-19; and (5) ensuring local governments are not required to contribute a larger percentage of the state's nonfederal Medicaid expenditures or Medicaid DSH payments than otherwise would have been required on March 11, 2020.

The FFCRA FMAP increase does not apply to most FMAP exceptions. However, the FFCRA FMAP increase does apply to a few FMAP exceptions, such as the FMAP exceptions for the Community First Choice option, individuals eligible on the basis of breast and cervical cancer, Certified Community Behavioral Health Clinics and Money Follows the Person.

The Congressional Budget Office estimates the FFCRA FMAP increase will increase federal expenditures by about \$50 billion from FY 2020 to FY 2022. However, the amount of the increase in federal expenditures depends on the length of the COVID-19 public health emergency period and states' actual expenditures.

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Medicaid's Federal Medical Assistance Percentage (FMAP) Plays Major Role in FY 2020-21 Budget Continued....

The following table illustrates the fiscal impact to the Commonwealth's FY 2020-21 budget due to additional federal FMAP money through three quarters of the fiscal year:

Commonwealth Program	Additional 6.2% FMAP Amount
Human Services:	
Medical Assistance – Capitation	\$516,269,000
Medical Assistance – Fee-for-Service	\$102,581,000
Medical Assistance – Community Health Choices	\$48,692,000
Medical Assistance – Community ID Waiver	\$183,587,000
Other Medical Assistance	\$121,217,000
Military and Veterans Affairs	
Veterans' Homes	\$1,955,000
Total	\$1,374,301,000

¹ Information other than the Pennsylvania-specific dollar amounts shown in the table is taken from the Congressional Research Service's July 29, 2020 FMAP report.

PA Game Commission's First-Ever Regulated Big-Game Sunday Hunting

Hunting opportunities in Pennsylvania big game hunting changed and will be permitted on the following dates: November 15 for archery deer hunting; November 22 for bear hunting; and November 29 for deer hunting during regular firearms season. To learn more about Pennsylvania Game Commission's final approval to hunting and trapping season and bag limits for the 2020-21 license year please visit: <https://www.media.pa.gov/Pages/Game-Commission-Details.aspx?newsid=381&fbclid=IwAR2007TQuuPdvECf6rLkGb0jYAgb6TBH91S47-P6lw6-RHOyi4YOGGrDh01k>



Pennsylvania's First-Ever Big Game
SUNDAY HUNTING
Dates for the 2020-21 License



November 15, 2020
Statewide Archery Deer

November 22, 2020
Statewide Regular Firearms Bear

November 29, 2020
Statewide Regular Firearms Deer

2020-21 Hunting Licenses On Sale June 22 | www.pgc.pa.gov

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

REVENUE SOURCES	YTD FY 2019-20	October 2020 Actual	October 2020 Estimated	Surplus/ (Deficit)	YTD Actual	YTD Estimated	Surplus/ (Deficit)
TOTAL - GENERAL FUND	10,377,045	2,592,460	2,226,900	365,560	12,506,519	11,682,000	824,519
TOTAL - NON-TAX REVENUE	123,838	32,337	23,600	8,737	86,724	118,500	(31,776)
TOTAL - TAX REVENUE	10,253,206	2,560,123	2,203,300	356,823	12,419,794	11,563,500	856,294
TOTAL - Corporation Taxes	958,259	122,560	97,400	25,160	1,263,643	1,105,800	157,843
Accelerated Deposits	829	(2,466)	0	(2,466)	683	0	683
Corp. Net Income	908,113	121,007	90,800	30,207	1,239,083	1,071,200	167,883
Gross Receipts	16,440	3,264	5,400	(2,136)	11,004	15,700	(4,696)
PURTA	1,889	124	0	124	2,036	1,100	936
Insurance Premiums	18,643	138	200	(62)	1,299	1,500	(201)
Financial Institutions	12,346	494	1,000	(506)	9,538	16,300	(6,762)
TOTAL - Consumption Taxes	4,400,963	1,233,578	1,073,300	160,278	4,936,275	4,556,800	379,475
Sales and Use	3,870,231	1,089,426	944,400	145,026	4,371,978	4,043,600	328,378
General (net of transfers)	3,319,845	939,764	844,400	95,364	3,709,485	3,459,900	249,585
Motor Vehicle Sales	550,386	149,662	100,000	49,662	662,493	583,700	78,793
Cigarette Tax	353,395	96,399	86,300	10,099	380,276	338,300	41,976
Other Tobacco Products	45,037	10,635	9,400	1,235	44,088	40,600	3,488
Malt Beverage	8,061	2,090	1,800	290	8,476	8,100	376
Liquor	124,239	35,027	31,400	3,627	131,457	126,200	5,257
TOTAL - Other Taxes	4,893,984	1,203,985	1,032,600	171,385	6,219,876	5,900,900	318,976
Personal Income	4,286,051	1,024,473	901,300	123,173	5,546,266	5,360,700	185,566
Withholding	3,471,699	817,967	797,600	20,367	3,440,377	3,339,800	100,577
Non-Withholding	814,352	206,506	103,700	102,806	2,105,890	2,020,900	84,990
Realty Transfer	178,730	65,435	43,200	22,235	193,190	137,900	55,290
Inheritance & Estate	373,151	97,106	80,100	17,006	405,620	354,300	51,320
Minor & Repealed	1,375	(2,119)	(5,800)	3,681	11,721	5,800	5,921
Gaming	54,677	19,089	13,800	5,289	63,079	42,200	20,879
TOTAL - MOTOR LICENSE FUND	900,486	205,290	211,630	(6,340)	975,263	981,340	(6,077)
TOTAL - Liquid Fuels Taxes	593,173	127,464	107,600	19,864	587,438	530,500	56,938
Motor Carriers/IFTA	34,590	3,709	1,400	2,309	33,401	33,100	301
Alternative Fuels	4,719	844	1,300	(456)	3,214	4,700	(1,486)
Oil Company Franchise	553,861	122,920	104,900	18,020	550,860	492,700	58,160
Minor & Repealed	3	(9)	0	(9)	(37)	0	(37)
TOTAL - Licenses, Fees & Other	307,312	77,826	104,030	(26,204)	387,825	450,840	(63,015)
Licenses and Fees	300,097	78,029	102,900	(24,871)	375,514	447,100	(71,586)
Other Motor Receipts	7,215	(203)	1,130	(1,333)	12,311	3,740	8,571