



Pennsylvania Senate
**Appropriations
 Committee**

Senator Pat Browne
 Chairman



Monthly Report **December 2021**

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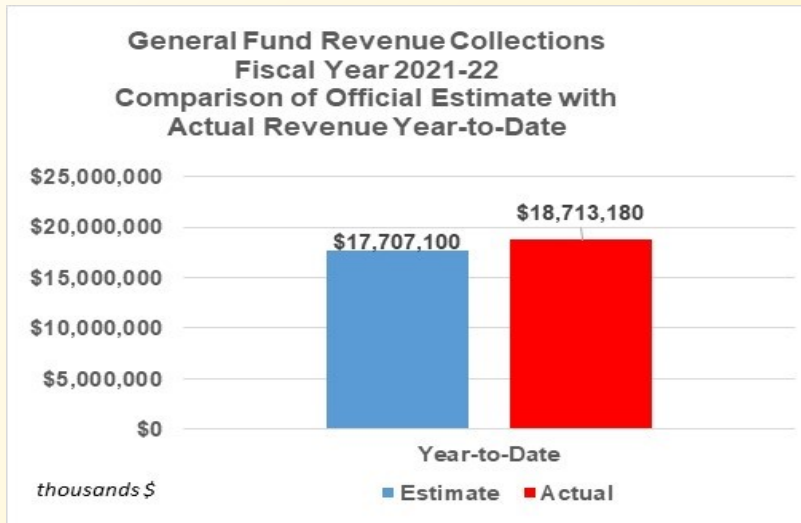
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November Revenues Bolster Surplus

General Fund revenue collections for the month of November exceeded the estimate by \$217.9 million, or 3.4%. General Fund tax revenues were \$203.2 million, or 8.2%, higher than the monthly estimate, and non-tax revenue beat the estimate by \$14.7 million, or 0.4%. General Fund revenue collections for the first five months of the fiscal year are \$1 billion, or 5.7%, ahead of estimate. November’s General Fund revenues of \$6.62 billion included the transfer of \$3.84 billion from the federal Coronavirus State Fiscal Recovery Fund for revenue loss replacement.



Make it a
DECEMBER
 TO
Remember



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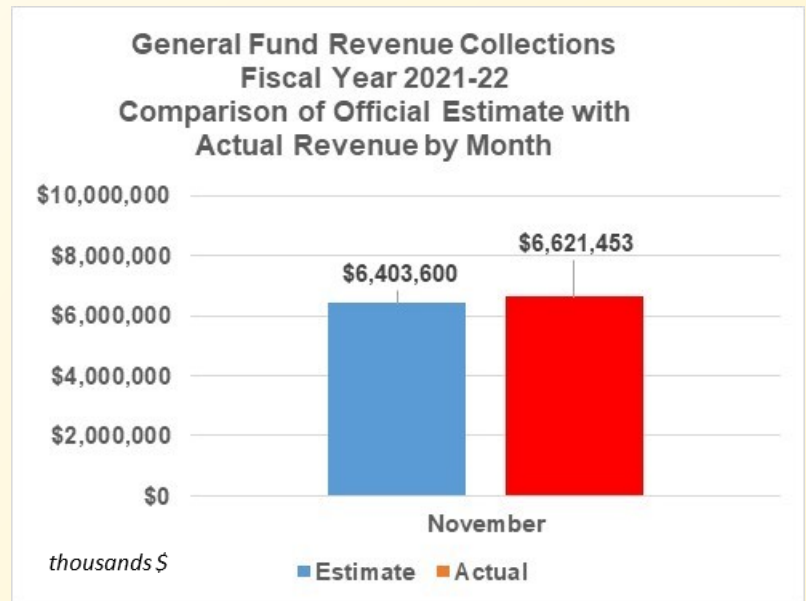
November Revenues Bolster Surplus Continued.....

November 2021 General Fund Revenue vs. Monthly Estimate:

- Corporation taxes were \$27.4 million, or 17.9%, above estimate.
- Sales and use tax (SUT) collections were above the estimate by \$113 million, or 11.2%, for the month.
 - General SUT collections were \$85.8 million, or 9.8%, above estimate.
 - SUT collections on motor vehicle sales were \$27.2 million, or 20.5%, over the estimate.
- Personal income tax (PIT) collections were ahead of the estimate by \$37.8 million, or 3.9%.
- Realty transfer tax and inheritance tax collections were above estimate for the month, but cigarette tax, other tobacco products tax and liquor tax revenues were below estimate.
- Non-tax revenues exceeded the monthly estimate by \$14.7 million, or 0.4%.

Fiscal Year 2021-22 vs. the Official Revenue Estimate To-Date:

- Total General Fund revenue is \$1 billion, or 5.7%, above estimate.
- General Fund tax revenue is \$955.1 million, or 7%, above estimate.
- Non-tax revenues are \$50.9 million, or 1.3%, above estimate.
- Corporation taxes are \$317.8 million, or 25.9%, higher than the estimate.
- Sales and use taxes are \$307.1 million, or 5.6%, above estimate.
 - General SUT is \$288.4 million, or 6.1%, ahead of estimate for the year-to-date.
 - SUT on motor vehicles is \$18.7 million, or 2.4%, ahead of the estimate thus far this year.
- Personal income tax collections exceed the estimate by \$248.5 million, or 4.7%.
 - PIT withholding is \$101.7 million, or 2.3%, more than the estimate.
 - Non-withheld PIT (i.e., estimated and annual payments) is \$146.8 million, or 17.8%, above the estimate.



Fiscal Year 2021-22 vs. Fiscal Year 2020-21:

- Total General Fund revenues through November are \$3.87 billion higher than last year at this time predominantly because of a one-time transfer from the federal Coronavirus State Fiscal Recovery Fund in the amount of \$3.84 billion.
- Last year's tax collections included \$1.8 billion being shifted from FY 2019-20 into the first two months of the 2020-21 fiscal year because of tax filing extensions resulting from the pandemic.
- These irregularities skew the relationship between FY 2020-21 and FY 2021-22 revenue collections and make any direct comparison difficult.

Motor License Fund:

- Motor License Fund revenues are \$47.1 million, or 4%, higher than the estimate through November.
- Motor License Fund revenues are \$19.3 million, or 1.6%, below last year at this time.

IFO Releases Its Latest Five-Year Economic & Budget Outlook

The Independent Fiscal Office (IFO) released its annually mandated, five-year *Economic and Budget Outlook* for fiscal years 2021-22 to 2026-27 on November 15, 2021.



For the current 2021-22 fiscal year, the IFO projects a revenue surplus of approximately \$1.6 billion above the Governor’s Official General Fund Revenue Estimate. For the coming 2022-23 budget year, the IFO projects General Fund revenue to decrease by 2.9%. Next year’s revenue decline results mostly from a decrease in one-time transfers from the federal Coronavirus State Fiscal Recovery Fund – from \$3.84 billion in FY 2021-22 to \$2.41 billion in FY 2022-23. In addition to the decline of federal funds, a new transfer from sales and use tax to the Public Transportation Trust Fund (PTTF) begins in FY 2022-23. For that year, the IFO projects a transfer of \$456 million from the General Fund to the PTTF.

The IFO projects that from FY 2021-22 to FY 2022-23, General Fund expenditures are expected to increase by \$2.73 billion (7.1%), and half of this increase is within the Department of Human Services Medical Assistance and Long-Term Living appropriations as the IFO is projecting the expiration of the enhanced federal FMAP resulting from the pandemic.

The IFO categorizes the major cost drivers that result in the 7.1% projected state expenditures growth in the coming budget year as follows:

Millions

Cost Drivers	Dollar Amount (Growth)	Contribution to Expenditures Growth
Education	\$577	3.8%
Human Services	\$1,805	11.2%
Criminal Justice	\$132	4.9%
Debt Service and Treasury	\$33	2.6%
All Other	\$187	5.3%
Total	\$2,734	7.1%

The IFO’s latest report shows that the projected five-year General Fund Financial Statement will have a positive ending balance of \$5.1 billion in FY 2021-22 and \$365 million in FY 2022-23 due to revenues being bolstered by federal fiscal relief. However, once the federal money is exhausted and the enhanced FMAP expires, the IFO is projecting that the General Fund will have a negative ending balance of nearly \$2 billion per year from FY 2023-24 through FY 2026-27.

The *Economic and Budget Outlook* report helps illustrate the difference between revenue surpluses and structural deficits. Despite ending the 2021-22 and 2022-23 fiscal years with sizable revenue surpluses, the IFO is still projecting a structural deficit of nearly \$2 billion per year afterwards simply because without having the benefit of federal fiscal relief, state expenditures are projected to exceed available revenues.

The full report is available on the IFO’s website at the following URL:

[IFO - File Download \(state.pa.us\)](https://www.ifo.state.pa.us/Files/2021-22-2026-27%20Economic%20and%20Budget%20Outlook.pdf)

Property Tax Relief Reserve Account

Due to strong gaming revenues, the amount of revenue in the Property Tax Relief Reserve Account totaled nearly \$120 million after this year's property tax relief payments were made. This will be the highest balance in the relief reserve account since we started making general property tax relief payments in 2008-09.

The balance in the relief reserve account is to be 25% of the amount of property tax relief provided, capped at \$150 million. The balance of the reserve account at the end of 2008-09 was \$105 million and began to drop after that due to the slower-than-anticipated rollout of gaming. The balance in 2019-20 dropped to \$6 million. Last year, the Commonwealth needed to transfer \$200 million from Personal Income Tax revenues to ensure there was sufficient cash in the fund to make the required property tax relief payments.



Gaming Revenue Growth

Figures released by the Pennsylvania Gaming Control Board show total gaming and fantasy contests revenue generated in the Commonwealth during October 2021 was \$425,916,762, which represents an increase of 33% compared to revenue generated in October 2020. It also eclipsed the all-time monthly revenue high set in July of this year.

October 2021 vs. October 2020

- Slot Machines: + 31% (\$203.3M vs. \$154.7M)
- Table Games: + 41% (\$89.1M vs. \$63.3M)
- iGaming: + 75% (\$100M vs. \$57.3M)
- Sports Wagering: - 36% (\$23.5M vs. \$36.8M)
- Fantasy Contests: + 16% (\$3.7M vs. \$3.2M)



Agency COVID Testing Costs

The Wolf Administration required state employees working in state health care facilities and high-risk facilities to be fully vaccinated by September 7. Individuals who are not vaccinated are required to undergo weekly COVID testing. The Budget Office prepared cost estimates for the Administration's testing mandate protocol. According to information provided by the Budget Office, these costs will be covered by a federal grant.

Agency	Weekly Cost	FY 2021-22 Cost
Corrections	\$3.3 Million	\$138.8 Million
Human Services	\$545,000	\$23 Million
Health	\$33,000	\$1.3 Million
DMVA	\$55,000	\$2.3 Million
Total	\$3.9 Million	\$165.4 Million

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

REVENUE SOURCES	YTD FY 2020-21	November 2021 Actual	November 2021 Estim- ed	Surplus/ (Deficit)	YTD Actual	YTD Estimated	Surplus/ (Deficit)
TOTAL - GENERAL FUND	14,845,068	6,621,453	6,403,600	217,853	18,713,180	17,707,100	1,006,080
TOTAL - NON-TAX REVENUE	289,740	3,952,142	3,937,500	14,642	4,074,988	4,024,000	50,988
TOTAL - TAX REVENUE	14,555,327	2,669,311	2,466,100	203,211	14,638,192	13,683,100	955,092
TOTAL - Corporation Taxes	1,404,581	180,217	152,800	27,417	1,546,892	1,229,100	317,792
Accelerated Deposits	1,512	5	0	5	(3,043)	0	(3,043)
Corp. Net Income	1,377,420	177,366	149,800	27,566	1,478,908	1,176,600	302,308
Gross Receipts	11,600	1,684	1,500	184	28,706	15,500	13,206
PURTA	2,115	13	0	13	1,930	1,400	530
Insurance Premiums	1,407	446	200	246	20,448	20,600	(152)
Financial Institutions	10,527	703	1,300	(597)	19,944	15,000	4,944
TOTAL - Consumption Taxes	6,071,135	1,263,775	1,155,300	108,475	6,454,942	6,146,500	308,442
Sales and Use	5,356,242	1,118,248	1,005,200	113,048	5,771,153	5,464,000	307,153
General (net of transfers)	4,558,131	957,794	872,000	85,794	4,985,732	4,697,300	288,432
Motor Vehicle Sales	798,111	160,454	133,200	27,254	785,421	766,700	18,721
Cigarette Tax	477,740	92,251	95,800	(3,549)	432,638	432,800	(162)
Other Tobacco Products	56,279	12,544	12,700	(156)	62,866	61,200	1,666
Malt Beverage	10,525	2,148	1,900	248	9,605	10,200	(595)
Liquor	170,348	38,584	39,700	(1,116)	178,680	178,300	380
TOTAL - Other Taxes	7,079,612	1,225,318	1,158,000	67,318	6,636,358	6,307,500	328,858
Personal Income	6,230,146	997,531	959,700	37,831	5,559,342	5,310,800	248,542
Withholding	4,099,416	933,921	912,100	21,821	4,587,908	4,486,200	101,708
Non-Withholding	2,130,731	63,610	47,600	16,010	971,434	824,600	146,834
Realty Transfer	248,289	67,559	58,300	9,259	311,453	292,000	19,453
Inheritance & Estate	500,174	121,714	113,500	8,214	611,931	586,600	25,331
Minor & Repealed	14,754	2,434	300	2,134	24,718	3,000	21,718
Gaming	86,249	36,080	26,200	9,880	128,913	115,100	13,813
TOTAL - MOTOR LICENSE FUND	1,232,992	253,114	248,440	4,674	1,213,726	1,166,650	47,076
TOTAL - Liquid Fuels Taxes	755,003	172,286	175,600	(3,314)	768,559	768,500	59
Motor Carriers/IFTA	55,090	23,443	25,400	(1,957)	57,312	59,600	(2,288)
Alternative Fuels	4,091	1,218	1,100	118	6,495	6,100	395
Oil Company Franchise	695,866	147,624	149,100	(1,476)	704,750	702,800	1,950
Minor & Repealed	(44)	1	0	1	3	0	3
TOTAL - Licenses, Fees & Other	477,989	80,828	72,840	7,988	445,167	398,150	47,017
Licenses and Fees	469,010	82,715	72,300	10,415	445,234	394,500	50,734
Other Motor Receipts	8,979	(1,886)	540	(2,426)	(67)	3,650	(3,717)