



Pennsylvania Senate Appropriations Committee

Senator Pat Browne
Chairman

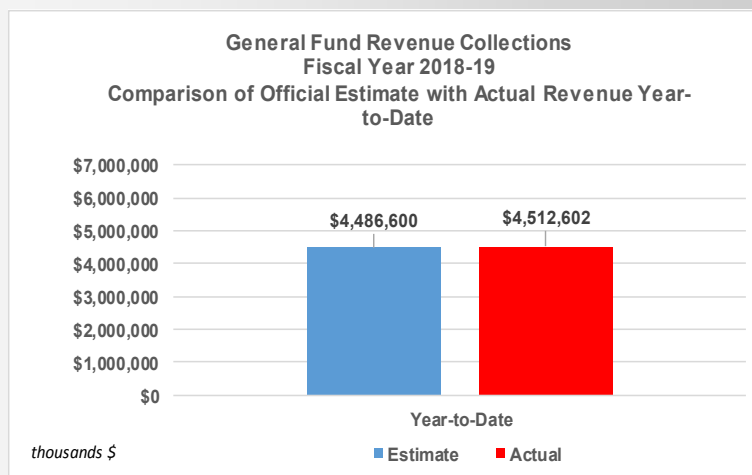


Monthly Report September 2018

August General Fund Revenues on Track

General Fund revenue collections for the month of August exceeded the estimate by \$27.1 million, or 1.2%. General Fund tax revenues were \$60.5 million, or 2.7%, higher than the monthly estimate. Non-tax revenue from unclaimed property (i.e. Treasury Escheats) was \$42.9 million less than the estimate, which throttled back a mostly good month for revenue collections. General Fund revenue collections for the first two months of the fiscal year are \$26 million, or 0.6%, ahead of estimate.

Total corporation tax revenues exceeded the monthly estimate by \$34.7 million, or 70.8%, even though August typically is not a large corporation tax collection month. On the other hand, personal income tax (PIT) collections missed the estimate by \$20.5 million, or 2.1%. Despite being below estimate, PIT collections were 5.6% higher than last year for the month of August. Sales and use tax collections were above estimate by \$35.6 million, or 4.1%, for the month and were 8.6% higher than August 2017. The strong year-over-year growth in corporate net income tax, sales tax and personal income tax reflects corporate profits, consumer confidence, and job creation patterns that are important indicators of healthy General Fund revenue collections for the months ahead.



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#PA BUDGET PROTECTS SCHOOLS, STUDENTS

STUDENT SAFETY 1ST

\$60 Million
in NEW State
Grants to
Provide School
Districts with
Flexibility,
Local Control

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August General Fund Revenues on Track continued..

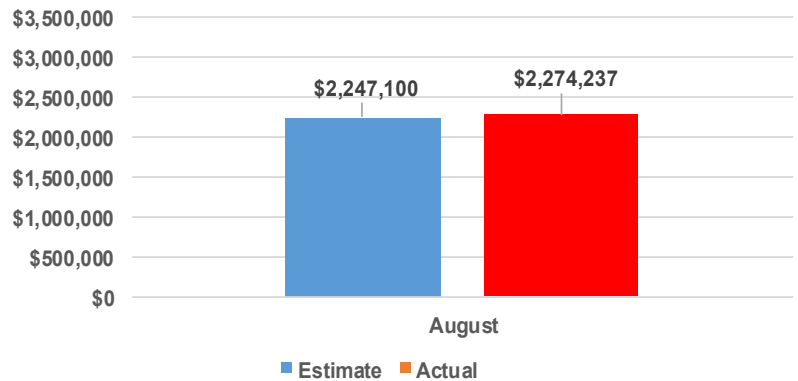
August 2018 General Fund Revenue vs. Monthly Estimate:

- General Fund revenue collections of \$2.27 billion were above the monthly estimate by \$27.1 million.
- General Fund tax revenues were above estimate by \$60.5 million, or 2.7%.
- Corporation taxes were \$34.7 million, or 70.8%, above the estimate.
- Sales and use tax collections beat the estimate by \$35.6 million, or 4.1%, for the month.
- Personal income tax collections were below estimate by \$20.5 million, or 2.1%.
- Non-tax revenues missed the estimate by \$33.3 million, or 81.1%.

Fiscal Year 2018-19 vs. the Official Revenue Estimate To-Date:

- Total General Fund revenues are \$26 million, or 0.6%, higher than the Official Revenue Estimate through the month of August.
- General Fund tax revenue is \$59.5 million, or 1.3%, above estimate.
- Corporation taxes are \$33.9 million, or 22.7%, above the estimate.
- Sales and use taxes are \$35.6 million, or 1.9%, above the estimate.
 - ◇ General SUT collections are \$23.7 million, or 1.5%, above estimate.
 - ◇ SUT collections on motor vehicle sales are \$11.9 million, or 4.6%, higher than the estimate.
- Personal income tax collections are short of the estimate by \$20.6 million, or 1.1%.
 - ◇ Withheld PIT is \$14.6 million, or 0.9%, below the estimate.
 - ◇ Non-withheld PIT (annual & estimated payments) is \$6 million, or 4.9%, short of estimate.
- Non-tax revenues are \$33.5 million, or 46.2%, below estimate.

General Fund Revenue Collections
Fiscal Year 2018-19
Comparison of Official Estimate with Actual Revenue by
Month



Fiscal Year 2018-19 vs. Fiscal Year 2017-18:

- Total General Fund revenues through August are \$298.4 million higher than last year at this time.
- General Fund tax revenue is \$324.6 million, or 7.8%, higher than last year.
- Corporation taxes are \$62.4 million, or 51.7%, higher.
- Sales and use tax collections are \$170.6 million, or 9.7%, higher than last year through August.
- Personal income tax collections exceed last year's collections by \$81.3 million, or 4.7%.
- Non-tax revenues are \$26.1 million, or 40.2%, less than last fiscal year through August.

Motor License Fund:

- Motor License Fund revenues are below the estimate by \$13.2 million, or 2.7%, through August.
- Motor License Fund revenues are \$69.4 million, or 12.6%, less than last fiscal year at this time.

Appropriations Committee “On the Road”

In past years, the Appropriations Committee has mainly fulfilled its role as the standing committee responsible for appropriation bills and fiscal impact analysis regarding legislation by focusing its attention on the legislative process within the Capitol. Recently, the Appropriations Committee began traveling across the state to hear from members and their constituents in order to better understand the issues affecting the economic well-being of Pennsylvanians and what role the General Assembly can play in achieving their goals.

We commenced the informational tour at an economic roundtable discussion hosted by Appropriations Committee member Senator Bob Mensch. Similar discussions were held in the districts of Senators Pat Stefano, Randy Vulakovich, Tom Killion, Tom McGarrigle, Camera Bartolotta, Scott Martin and Ryan Aument. One issue consistently came to the forefront at each of these discussions around the state - the need for a well-trained, qualified workforce to ensure the economic success of the Commonwealth. Addressing this need will have additional implications on the economic vibrancy and overall quality of life in the state for generations to come.

To begin to address Pennsylvania’s workforce needs, the FY 2018-19 budget includes a new \$40 million *PA Smart* initiative designed to grow STEM education, increase the state subsidy for career and technology education, invest in apprenticeship programs and expand the Industry Partnerships program. The Commonwealth must be a constructive partner in preparing its citizens to work in such diverse areas as high-tech manufacturing, healthcare, construction and trades, and agriculture. In today’s modern economy, Pennsylvanians must be prepared to compete against skilled workers on a global scale. Ensuring their success is one of the most important issues facing Pennsylvania’s elected representatives and administrative officials. In order to meet these goals, the Commonwealth must continue on its path of fiscal responsibility to make certain that key investments can be made in those spending areas that are most productive while maintaining competitive tax and regulatory policies.



On August 28th, the Appropriations Committee held a hearing at Temple University to hear from experts about the positive impact that trauma-informed education can have on our students. Much work needs to be done, but a trauma-informed approach can greatly improve the lives of our students and foster a rich learning environment within our schools. The relationship between having received a safe, quality education and leading a productive life is unmistakable, and it is our job to formulate and implement public policy to encourage this within the confines of responsible budgeting.

“On the Road” discussions will continue in September with an upcoming visit to Senator Tomlinson’s district to talk about education issues affecting constituents there and across the Commonwealth. This visit will be quickly followed by a visit to the 35th Senate District to discuss school safety and

communities in schools initiatives with Senator Langerholc and local education experts. The Appropriations Committee will concentrate on the fall legislative session during October, but we intend to be back out on the road to meet with Senator Yaw to discuss economic development in November. Senator Yaw’s district is home to the excellent Penn College of Technology, where we hope to learn more about how our trade schools, colleges and universities are preparing our students so that Pennsylvania can continue to be a leading economic engine into the future.



Department of Human Services to Reinstate Cash Assistance Program

In July, the Pennsylvania Supreme Court struck down [Act 80 of 2012](#). This omnibus human services legislation expanded supports for children and youth in the child welfare system and created the Human Services Block Grant Pilot Program. One measure also contained in the now invalidated act was the elimination of the state's General Assistance Cash Assistance program.

The General Assistance Cash Assistance program provided cash benefits to low-income individuals who did not qualify for other public benefits like Supplemental Security Income (SSI). Populations eligible for this program included: disabled adults without children, the caretakers of young children and persons with a disability, victims of domestic violence, pregnant women and individuals participating in drug and alcohol treatment. At the time of its elimination, the average monthly cash benefit awarded was around \$205.

Following the Supreme Court's decision, the Department of Human Services (DHS) has been actively working to reinstate the cash assistance program with benefits anticipated to be distributed to eligible individuals as early as this fall. The restoration of this program comes at a considerable cost as it is a purely state-funded program. At the time of Act 80's enactment, an annual savings of \$150 million was estimated as a result of the elimination of the cash assistance program. Due to the expansion of Medicaid and the state's growing opioid epidemic, the cost of the cash assistance program can potentially be much larger than it was at the time of its elimination six years ago. The FY 2018-19 budget did not account for the costs associated with renewing this program, so its reinstatement could put the Commonwealth's budget into deficit if spending offsets are not identified by the Administration.

According to information provided by the PUC, electric utilities are expected to return \$277 million per year to consumers, which will result in an average reduction of 4.7% in distribution charges on monthly bills. Natural gas utilities will be returning \$83 million per year, reducing monthly distribution charges by an average of 4.9%. Water and wastewater utilities will be returning nearly \$40 million per year to customers, resulting in an average 2.6% reduction in monthly distribution charges.

The percentage decrease in distribution charges varies from utility to utility, and the actual dollar savings for consumers will vary depending on their individual usage and rate class.

Additional information about the PUC can be found by visiting the commission's website at www.puc.pa.gov. For a link to the commission's July 27, 2018 press release regarding these rate reductions, including a list of the public utility companies affected by the PUC order, please visit the following web address:

http://www.puc.pa.gov/about_puc/press_releases.aspx?ShowPR=4066.

Federal Tax Reform Expected to Save PA Consumers More than \$400 Million per Year on Utility Bills

The Federal Tax Cuts and Jobs Act (TCJA), which was enacted in December 2017, is expected to result in significant savings for customers of public utilities in Pennsylvania. Although the federal legislation does not have a direct impact on utility rates, TCJA lowers the tax liabilities of regulated electric, natural gas, water and wastewater public utilities operating in the Commonwealth. These utilities and the rates they are permitted to charge are regulated by the Pennsylvania Public Utility Commission (PUC). Earlier this year, the PUC initiated proceedings to determine whether the federal tax savings realized by the utilities because of the TCJA should result in corresponding rate adjustments for consumers.



Based on these proceedings, the PUC issued an order directing 17 major utility companies to begin adding credits to monthly customer bills beginning in July 2018. The estimated tax savings are expected to reduce consumer utility bills by approximately \$421 million per year for Pennsylvania customers. Certain utility companies that have current rate case proceedings before the Public Utility Commission will not be required to reduce bills immediately. Instead, any tax savings and corresponding rate reductions will be taken into account as part of those rate case proceedings.

Fiscal Year 2018-19

Senate Appropriations Committee

Monthly Revenue Report

(\$ thousands)

REVENUE SOURCES	YTD FY 2017-18	August 2018 Actual	August 2018 Estimated	Surplus/ (Deficit)	YTD Actual	YTD Estimated	Surplus/ (Deficit)
TOTAL - GENERAL FUND	4,214,193	2,274,237	2,247,100	27,137	4,512,602	4,486,600	26,002
TOTAL - NON-TAX REVENUE	65,078	7,777	41,100	(33,323)	38,935	72,400	(33,465)
TOTAL - TAX REVENUE	4,149,115	2,266,460	2,206,000	60,460	4,473,667	4,414,200	59,467
TOTAL - Corporation Taxes	120,784	83,715	49,000	34,715	183,233	149,300	33,933
Accelerated Deposits	(213)	75	0	75	(722)	0	(722)
Corp. Net Income	107,003	74,333	44,000	30,333	149,055	118,700	30,355
Gross Receipts	3,069	6,918	2,900	4,018	11,423	7,400	4,023
PURTA	170	78	100	(22)	78	100	(22)
Insurance Premiums	9,721	1,007	1,100	(93)	21,658	21,800	(142)
Financial Institutions	1,034	1,305	900	405	1,741	1,300	441
TOTAL - Consumption Taxes	2,020,868	1,064,736	1,023,100	41,636	2,182,776	2,141,200	41,576
Sales and Use	1,751,379	910,578	875,000	35,578	1,921,997	1,886,400	35,597
General (net of transfers)	1,514,882	778,794	755,100	23,694	1,653,099	1,629,400	23,699
Motor Vehicle Sales	236,497	131,784	119,900	11,884	268,898	257,000	11,898
Cigarette Tax	187,536	110,228	106,400	3,828	175,525	171,700	3,825
Other Tobacco Products	19,443	10,423	9,500	923	20,781	19,900	881
Malt Beverage	4,562	2,205	2,200	5	4,585	4,600	(15)
Liquor	57,948	31,301	30,000	1,301	59,888	58,600	1,288
TOTAL - Other Taxes	2,007,464	1,118,009	1,133,900	(15,891)	2,107,659	2,123,700	(16,041)
Personal Income	1,726,516	949,561	970,100	(20,539)	1,807,788	1,828,400	(20,612)
Withholding	1,628,637	894,484	909,000	(14,516)	1,689,737	1,704,300	(14,563)
Non-Withholding	97,879	55,077	61,100	(6,023)	118,052	124,100	(6,048)
Realty Transfer	90,158	58,223	57,300	923	90,927	90,000	927
Inheritance & Estate	166,343	90,942	91,500	(558)	176,083	176,600	(517)
Minor & Repealed	5,031	7,619	1,500	6,119	11,591	5,500	6,091
Gaming	19,417	11,664	13,500	(1,836)	21,269	23,200	(1,931)
TOTAL - MOTOR LICENSE FUND	551,793	250,780	263,940	(13,160)	482,344	495,500	(13,156)
TOTAL - Liquid Fuels Taxes	332,778	176,868	175,200	1,668	323,771	322,100	1,671
Liquid Fuels	1	1	0	1	1	0	1
Fuels	0	0	0	0	0	0	0
Motor Carriers/IFTA	26,757	24,955	23,200	1,755	26,208	24,500	1,708
Alternative Fuels	2,308	1,180	1,200	(20)	2,402	2,400	2
Oil Company Franchise	303,711	150,733	150,800	(67)	295,159	295,200	(41)
TOTAL - Licenses, Fees & Other	219,016	73,912	88,740	(14,828)	158,573	173,400	(14,827)
Licenses and Fees	179,119	71,766	87,900	(16,134)	155,228	171,400	(16,172)
Other Motor Receipts	39,897	2,146	840	1,306	3,346	2,000	1,346
Other Motor Receipts	7,538	(3,612)	(1,070)	(2,542)	40,708	43,360	(2,652)