



# Pennsylvania Senate Appropriations Committee

**Senator Pat Browne**  
Chairman



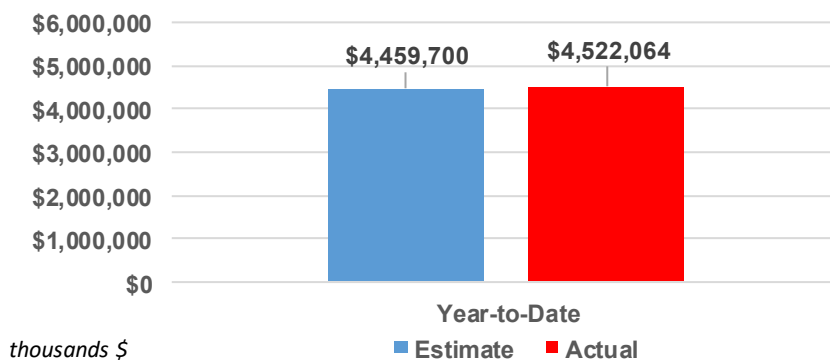
## Monthly Report September 2019

### General Fund Revenues Show Promise – Motor License Fund Not So Much

General Fund revenue collections for the month of August exceeded the estimate by \$61.2 million, or 2.9%. General Fund tax revenues were \$41.3 million, or 1.9%, higher than the monthly estimate, and non-tax revenue was \$19.9 million over estimate. General Fund revenue collections for the first two months of the fiscal year are \$62.4 million, or 1.4%, ahead of estimate.

Total corporation tax revenues were below the monthly estimate by \$8.5 million, or 11%, although August typically is not a large corporation tax collection month. On the other hand, sales and use tax (SUT) collections were above estimate by \$33.1 million, or 3.5%, for the month and were 6.3% higher than August 2018. Personal income tax (PIT) collections beat the estimate by \$18.5 million, or 2.3%. Despite being above estimate, PIT collections were 15% lower than last year for the month of August because August 2019 had only four large PIT withholding due dates (i.e. Wednesdays) while August 2018 had five such dates.

**General Fund Revenue Collections  
Fiscal Year 2019-20  
Comparison of Official Estimate with Actual  
Revenue Year-to-Date**



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## **General Fund Revenues Show Promise – Motor License Fund Not So Much**

The mismatch in PIT withholding due dates skews the overall revenue performance comparison between this year and last year. General Fund revenue collections are only 0.2% higher than last fiscal year through the first two months; however, after adjusting for the PIT due date difference in August, the \$115 million transfer of SUT revenues to pay for tobacco debt service in July, and an additional \$15 million from realty transfer tax transferred to the PHARE Fund in July 2019, revenues would have been nearly 6% higher than last year.

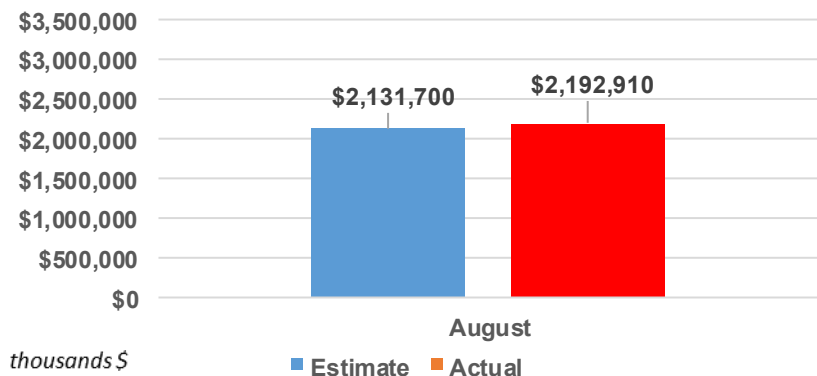
### **August 2019 General Fund Revenue vs. Monthly Estimate:**

- General Fund revenue collections of \$2.2 billion were above the monthly estimate by \$61.2 million, or 2.9%.
- General Fund tax revenues were above estimate by \$41.3 million, or 1.9%.
- Corporation taxes were \$8.5 million, or 11%, below the estimate.
- Sales and use tax collections beat the estimate by \$33.1 million, or 3.5%, for the month.
- Personal income tax collections were above estimate by \$18.5 million, or 2.3%.
- Non-tax revenues were over estimate by \$19.9 million.

### **Fiscal Year 2019-20 vs. the Official Revenue Estimate To-Date:**

- Total General Fund revenues are \$62.4 million, or 1.4%, higher than the Official Revenue Estimate through the month of August.
- General Fund tax revenue is \$42.5 million, or 1%, above estimate.
- Corporation taxes are \$7.4 million, or 3.8%, below the estimate.
- Sales and use taxes are \$33.1 million, or 1.8%, above the estimate.
  - General SUT collections are \$24.6 million, or 1.5%, above estimate.
  - SUT collections on motor vehicle sales are \$8.5 million, or 3.1%, higher than the estimate.
- Personal income tax collections are ahead of the estimate by \$18.6 million, or 1%.
  - Withheld PIT is \$9.3 million, or 0.5%, above the estimate.
  - Non-withheld PIT (annual & estimated payments) is also \$9.3 million, or 7%, ahead of estimate.
- Realty transfer tax revenues are \$6.1 million, or 7.5%, below estimate.
- Non-tax revenues are \$19.9 million, or 62.1%, above estimate.

**General Fund Revenue Collections  
Fiscal Year 2019-20  
Comparison of Official Estimate with Actual  
Revenue by Month**



### **Fiscal Year 2019-20 vs. Fiscal Year 2018-19:**

- Total General Fund revenues through August are only \$9.5 million higher than last year at this time, although FY 2018-19 had one additional PIT withholding date compared to FY 2019-20.
- One PIT withholding date adds approximately \$130 million to General Fund revenue collections.
- FY 2019-20 also had a \$115 million transfer out of SUT revenues in July to pay for tobacco debt service.
- Corporation taxes are \$2.7 million, or 1.5%, higher than last fiscal year.
- Sales and use tax collections are \$28.7 million, or 1.5%, lower than last year through August, which includes a \$115 million transfer out of SUT in July 2019.
- Personal income tax collections exceed last year's collections by \$39.1 million, or 2.2%.
- Non-tax revenues are \$12.9 million, or 33.3%, more than last fiscal year through August.

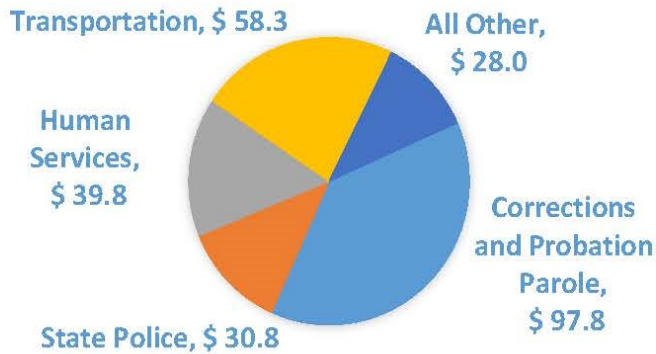
### **Motor License Fund:**

- Motor License Fund revenues are below the estimate by \$32.9 million, or 6.8%, through August.
- Motor License Fund revenues are \$29.7 million, or 6.2%, less than last fiscal year at this time.

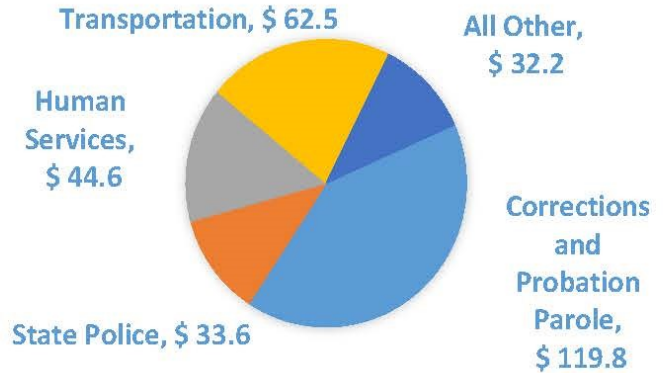


## Update on Key Budget Metrics

### 2017-18 OVERTIME SPENDING \$254.7 MILLION (IN MILLIONS)



### 2018-19 OVERTIME SPENDING \$292.7 MILLION (IN MILLIONS)



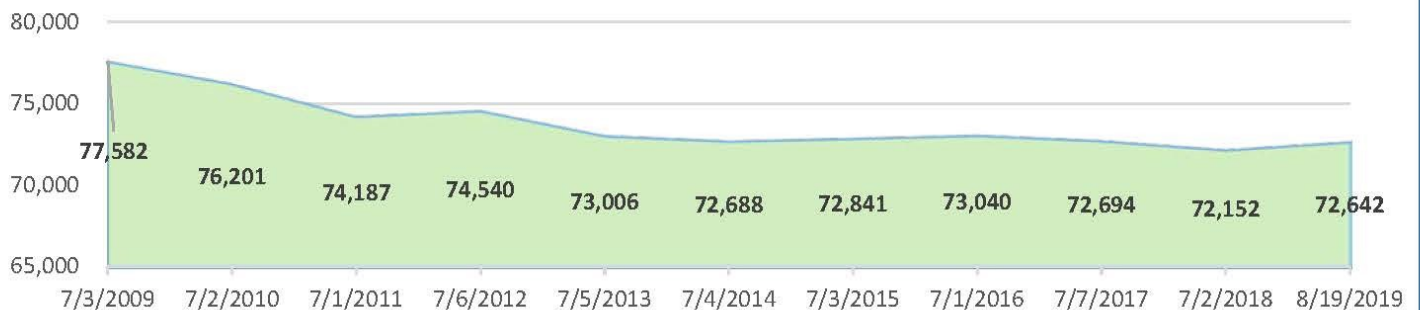
### State ID Centers

	<u>1995</u>	<u>2000</u>	<u>2019</u>
Facilities & Units	12	8	4
Capacity	4,449	2,345	1,762
Population	3,320	1,969	716
% of Capacity	75%	84%	41%
Cost per Consumer	\$93,000	\$127,000	\$428,000

### Community ID Program

	<u>2012</u>	<u>2015</u>	<u>2019</u>
# of Individuals Served	28,618	31,732	36,774
Cost per Consumer	\$68,000	\$78,000	\$88,000

### Filled Staffing Under the Governor's Jurisdiction



## Department of Corrections Indicators

	Indicator	June 2018	June 2019	Change	% Change
Inmate Population		48,353	46,482	(1,871)	-3.9%
Overtime Spending (FY)		\$95.5 Million	\$117.3 Million	\$21.8 Million	22.8%
Staffing Levels		15,143	15,214	71	0.5%



## **Public Higher Education Funding Commission**

The Public Higher Education Funding Commission (commission) was established in Act 70 of 2019 (Senate Bill 700) to develop a higher education funding formula and determine factors used to distribute funding to the Commonwealth's public institutions of higher education.

The commission's charge requires it to consider the following factors when developing a formula to recommend to the General Assembly for implementation: goals for higher education; goals for higher education completion and attainment; Pennsylvania's higher education needs; the affordability of higher education for Commonwealth residents; resident and nonresident undergraduate and graduate enrollment; graduation and retention rates; time to degree and cost per degree; operational cost per student; student debt and financial aid; job placement after graduation and entry level wages; degrees granted in occupations aligned with the Commonwealth's long-term needs; utilization of existing education programs and facilities; transfer and articulation of credits between institutions; institutional mission; the appropriate levels of recurring state support to maintain operations and formula-driven funding to incentivize success; the access, enrollment and outcomes of underrepresented populations; and comparisons of these factors with those same factors for private institutions of higher education.

The commission is also authorized to review and make recommendations on the administration, affordability, effectiveness and operation of state and regional higher education programs and services.

The commission is comprised of 19 members from the Wolf Administration and the four legislative caucuses. The commission's members are as follows: Senator Ryan Aument; Senator Pat Browne; Senator Andrew Dinniman; Senator Vincent Hughes; Senator Timothy Kearney; Senator Wayne Langerholc; Senator Joe Scarnati; Senator Lindsey Williams; Representative Matthew Bradford; Representative Aaron Kaufer; Representative Jennifer O'Mara; Representative Brad Roae; Representative James Roebuck; Representative Stan Saylor; Representative Curtis Sonney; Representative Wendy Ullman; Deputy Secretary for Postsecondary and Higher Education Noe Ortega; Secretary of Education Pedro Rivera; and Natalie Krug, Assistant Director, Bureau of Budget Analysis.

The commission held its organizational meeting on August 27<sup>th</sup> and appointed Senator Browne, Representative Saylor and Secretary Rivera to serve as the co-chairmen of the commission. The commission expects to hold its first meeting to hear testimony in September and is required to issue a report of its findings by July of 2020.

The public institutions of higher education as defined in Act 70 include the community colleges; the rural regional college; the state-related institutions; the state-owned institutions; Thaddeus Stevens College of Technology; and Penn College of Technology.

## **Pennsylvania to Take Over Health Insurance Marketplace**

On July 2, 2019, Governor Wolf signed into law Act 42 of 2019 (House Bill 3), which will transition the federal health insurance exchange to one operated by Pennsylvania. The Affordable Care Act created the federal exchange (healthcare.gov) to assist individuals purchase health care coverage if they do not have access to health insurance through an employer and are not eligible for Medicaid or Medicare. Nearly 400,000 Pennsylvanians have bought health insurance through the federal marketplace.

Currently, the federal government runs the exchange in Pennsylvania. The federal government, to offset the costs of operating the exchange, relies on the collection of an annual user fee that is paid by insurers on all plans sold through the exchange. Pennsylvania's estimated total user fees to be passed on to the federal government for 2020 is approximately \$88 million. By taking over the operations of the exchange, Pennsylvania will be able to collect and retain the user fees to support the administration of the exchange, which the state has projected will cost \$30 to \$35 million. The Pennsylvania-based exchange is expected to be operational by January 2021.

Additionally, Pennsylvania will repurpose the savings from assuming operations of the exchange and will utilize anticipated federal funds to create a reinsurance program to cover some of the health care expenses for high-cost individuals. The Pennsylvania Insurance Department anticipates that insurance premiums will be reduced as a result of the establishment of a reinsurance program.



**Fiscal Year 2019-20**  
**Senate Appropriations Committee**  
**Monthly Revenue Report**  
(\$ thousands)

REVENUE SOURCES	YTD FY 2018-19	August 2019 Actual	August 2019 Estimated	Surplus/ (Deficit)	YTD Actual	YTD Estimated	Surplus/ (Deficit)
<b>TOTAL - GENERAL FUND</b>	<b>4,512,602</b>	<b>2,274,237</b>	<b>2,247,100</b>	<b>27,137</b>	<b>4,512,602</b>	<b>4,486,600</b>	<b>26,002</b>
<b>TOTAL - NON-TAX REVENUE</b>	<b>38,935</b>	<b>7,777</b>	<b>41,100</b>	<b>(33,323)</b>	<b>38,935</b>	<b>72,400</b>	<b>(33,465)</b>
<b>TOTAL - TAX REVENUE</b>	<b>4,473,667</b>	<b>2,266,460</b>	<b>2,206,000</b>	<b>60,460</b>	<b>4,473,667</b>	<b>4,414,200</b>	<b>59,467</b>
<b>TOTAL - Corporation Taxes</b>	<b>183,233</b>	<b>83,715</b>	<b>49,000</b>	<b>34,715</b>	<b>183,233</b>	<b>149,300</b>	<b>33,933</b>
Accelerated Deposits	(722)	75	0	75	(722)	0	(722)
Corp. Net Income	149,055	74,333	44,000	30,333	149,055	118,700	30,355
Gross Receipts	11,423	6,918	2,900	4,018	11,423	7,400	4,023
PURTA	78	78	100	(22)	78	100	(22)
Insurance Premiums	21,658	1,007	1,100	(93)	21,658	21,800	(142)
Financial Institutions	1,740	1,305	900	405	1,741	1,300	441
<b>TOTAL - Consumption Taxes</b>	<b>2,182,776</b>	<b>1,064,736</b>	<b>1,023,100</b>	<b>41,636</b>	<b>2,182,776</b>	<b>2,141,200</b>	<b>41,576</b>
Sales and Use	1,921,997	910,578	875,000	35,578	1,921,997	1,886,400	35,597
General (net of transfers)	1,653,099	778,794	755,100	23,694	1,653,099	1,629,400	23,699
Motor Vehicle Sales	268,898	131,784	119,900	11,884	268,898	257,000	11,898
Cigarette Tax	175,525	110,228	106,400	3,828	175,525	171,700	3,825
Other Tobacco Products	20,781	10,423	9,500	923	20,781	19,900	881
Malt Beverage	4,585	2,205	2,200	5	4,585	4,600	(15)
Liquor	59,888	31,301	30,000	1,301	59,888	58,600	1,288
<b>TOTAL - Other Taxes</b>	<b>2,107,659</b>	<b>1,118,009</b>	<b>1,133,900</b>	<b>(15,891)</b>	<b>2,107,659</b>	<b>2,123,700</b>	<b>(16,041)</b>
Personal Income	1,807,788	949,561	970,100	(20,539)	1,807,788	1,828,400	(20,612)
Withholding	1,689,737	894,484	909,000	(14,516)	1,689,737	1,704,300	(14,563)
Non-Withholding	118,052	55,077	61,100	(6,023)	118,052	124,100	(6,048)
Realty Transfer	90,927	58,223	57,300	923	90,927	90,000	927
Inheritance & Estate	176,083	90,942	91,500	(558)	176,083	176,600	(517)
Minor & Repealed	11,591	7,619	1,500	6,119	11,591	5,500	6,091
Gaming	21,269	11,664	13,500	(1,836)	21,269	23,200	(1,931)
<b>TOTAL - MOTOR LICENSE FUND</b>	<b>482,344</b>	<b>250,780</b>	<b>263,940</b>	<b>(13,160)</b>	<b>482,344</b>	<b>495,500</b>	<b>(13,156)</b>
<b>TOTAL - Liquid Fuels Taxes</b>	<b>323,771</b>	<b>176,868</b>	<b>175,200</b>	<b>1,668</b>	<b>323,771</b>	<b>322,100</b>	<b>1,671</b>
Motor Carriers/IFTA	26,208	1	0	1	1	0	1
Alternative Fuels	2,402	0	0	0	0	0	0
Oil Company Franchise	295,160	24,955	23,200	1,755	26,208	24,500	1,708
Minor & Repealed	1	1,180	1,200	(20)	2,402	2,400	2
<b>TOTAL - Licenses, Fees &amp; Other</b>	<b>158,574</b>	<b>222,839</b>	<b>238,440</b>	<b>(15,601)</b>	<b>449,997</b>	<b>465,600</b>	<b>(15,603)</b>
Licenses and Fees	155,228	150,733	150,800	(67)	295,159	295,200	(41)
Other Motor Receipts	3,346	72,106	87,640	(15,534)	154,838	170,400	(15,562)