



Pennsylvania Senate Appropriations Committee

Senator Pat Browne
Chairman



Monthly Report October 2019

First Quarter of the 2019-20 Fiscal Year in the Books

General Fund revenue collections for the month of September were below the estimate by \$17.8 million, or 0.6%. General Fund tax revenues were \$37.1 million, or 1.2%, lower than the monthly estimate, but non-tax revenue exceeded the estimate by \$19.3 million. General Fund revenue collections for the first quarter of the fiscal year are \$44.6 million, or 0.6%, ahead of estimate.

Total corporation tax revenues missed the monthly estimate by \$71.5 million, or 10.2%. September is an important quarterly estimated payment month, and quarterly estimated corporate net income tax (CNIT) payments were below the estimate by \$49.3 million, or 9.1%. Annual CNIT payments also were short of estimate by \$15 million, or 11.3%. Quarterly estimated CNIT payments will be due again in December, and hopefully September's underperformance will not be repeated three months from now.

Sales and use tax (SUT) collections were just about on estimate for the month, missing by less than \$1 million, or 0.1%. September 2019 SUT collections were 5% higher than September 2018, and SUT collections are 0.6% above last year through the first quarter of the fiscal year. This year's SUT collections were \$115 million lower than they would be otherwise because of a July transfer to pay debt service on tobacco settlement bonds. After adjusting for the transfer, SUT collections are approximately 4.6% higher than last year.

Quarterly estimated personal income tax (PIT) collections (also due in September) beat the estimate by \$33 million, or 8.1%; however, PIT withholding was under the estimate by \$9.8 million, 1.2%. Total PIT collections were 8.2% higher than last year for the month of September, and they were 4.5% higher than last year through the first quarter of the fiscal year. The FY 2019-20 Official Revenue Estimate calls for annual PIT growth of 3.4%, so collections are on track to meet or exceed the estimate for the revenue source that makes up more than 40% of all General Fund revenue.

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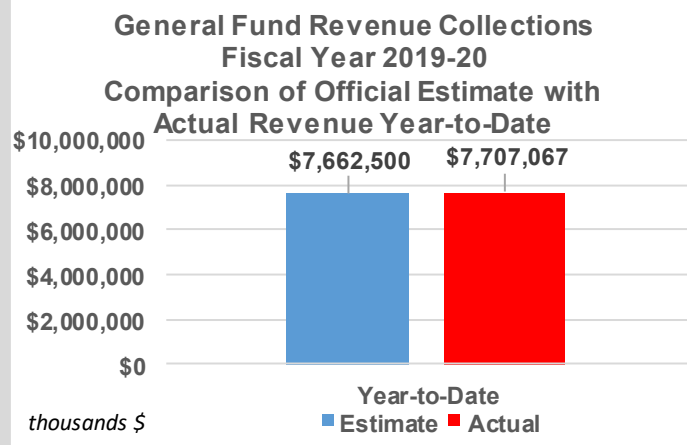
First Quarter of the 2019-20 Fiscal Year in the Books continued.....

September 2019 General Fund Revenue vs. Monthly Estimate:

- General Fund revenue collections of \$3.19 billion were below the monthly estimate by \$17.8 million, or 0.6%.
- General Fund tax revenues were under estimate by \$37.1 million, or 1.2%.
- Corporation taxes were \$71.5 million, or 10.2%, below the estimate.
- Sales and use tax collections just missed the estimate by \$797,454, or 0.1%, for the month.
- Personal income tax collections were above estimate by \$31.6 million, or 2.5%.
- Non-tax revenues exceeded the estimate by \$19.3 million, mostly as a result of strong Treasury escheats revenues.

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

- Total General Fund revenues are \$44.6 million, or 0.6%, higher than the Official Revenue Estimate through the month of September.
- General Fund tax revenue is \$5.4 million, or 0.1%, above estimate.
- Corporation taxes are \$78.9 million, or 8.8%, below the estimate.
- Sales and use taxes are \$32.3 million, or 1.2%, above the estimate.
 - General SUT collections are \$20.6 million, or 0.9%, above estimate.
 - SUT collections on motor vehicle sales are \$11.7 million, or 2.9%, higher than the estimate.
- Personal income tax collections are ahead of the estimate by \$50.2 million, or 1.6%.
 - Withheld PIT is \$478,514 below the estimate.
 - Non-withheld PIT (annual & estimated payments) is \$50.7 million, or 9%, over estimate.
- Non-tax revenues are \$39.1 million above estimate.

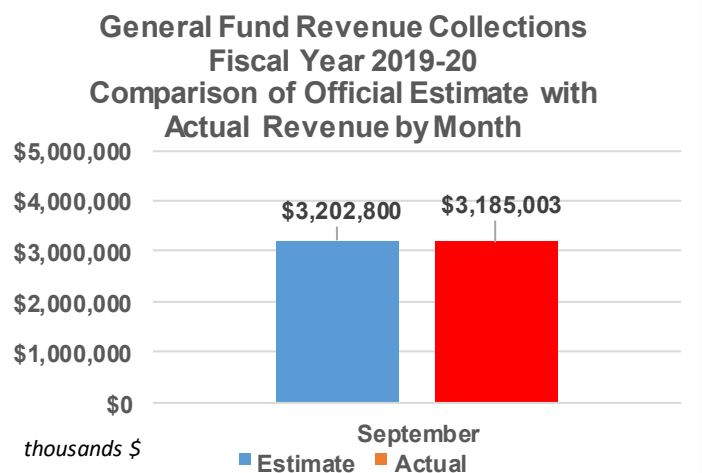


Fiscal Year 2019-20 vs. Fiscal Year 2018-19:

- Total General Fund revenues through September are \$153.3 million, or 2%, higher than last year at this time.
- General Fund tax revenue is \$133.2 million, or 1.8%, higher than last year.
- Corporation taxes are \$17.2 million, or 2.1%, lower.
- Sales and use tax collections are \$16.1 million, or 0.6%, higher than last year through September.
- Personal income tax collections exceed last year's collections by \$135.9 million, or 4.5%.
- Non-tax revenues are \$20.1 million, or 27.1%, higher than last fiscal year through September.

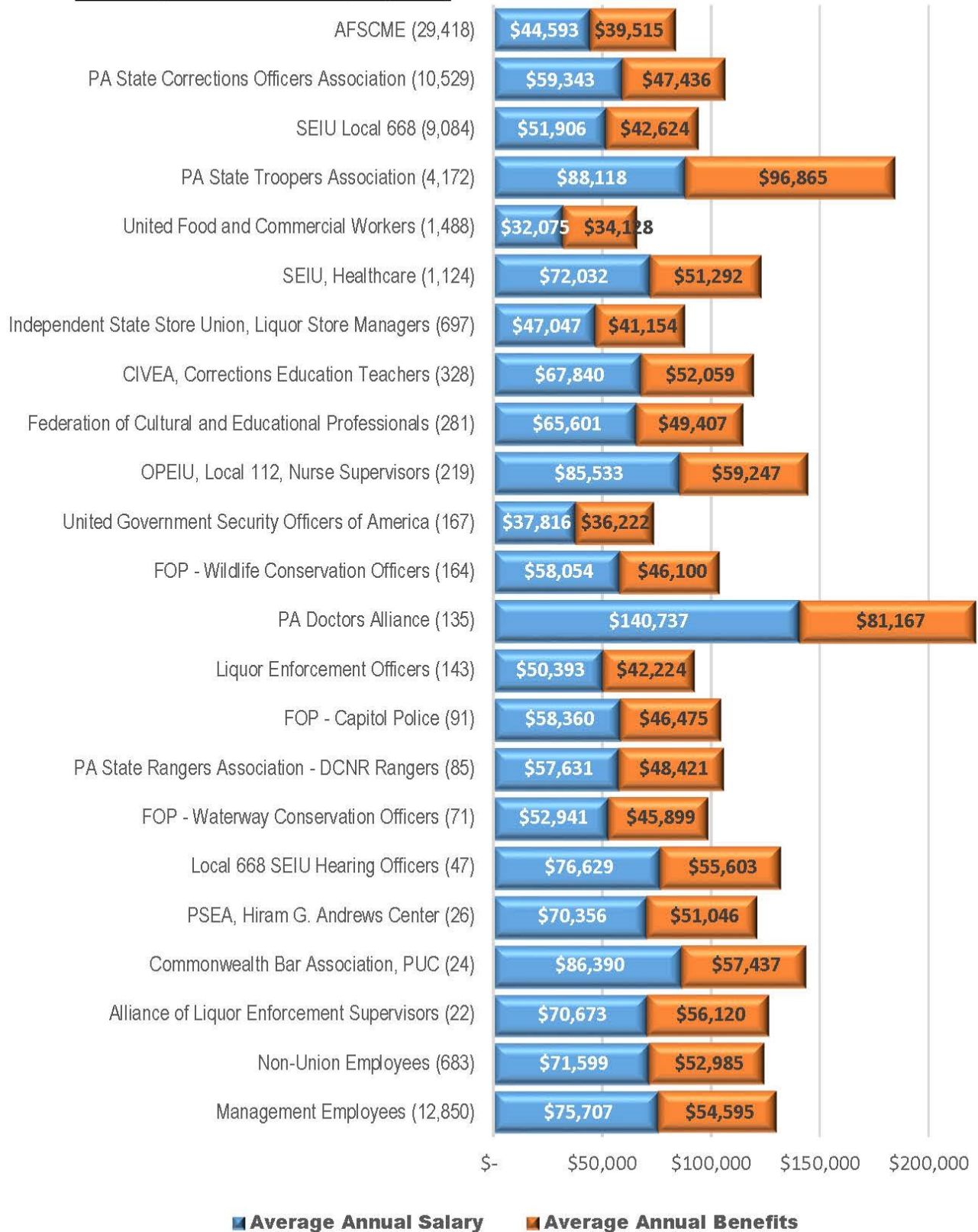
Motor License Fund:

- Motor License Fund revenues are \$20.7 million, or 2.9%, below estimate through September.
- Motor License Fund revenues are \$22.9 million, or 3.2%, less than last fiscal year at this time.



Staffing Salary and Benefits by Collective Bargaining Unit

Union (Number of Employees)



Source: 2019 State Government Workforce Statistics. Data as of July 2018.

Rainy Day Fund Grows Substantially

On September 30, 2019, the Commonwealth transferred \$316.9 million to the Budget Stabilization Reserve Fund, commonly known as the “Rainy Day Fund,” which represents 100% of the remaining General Fund surplus from the 2018-19 fiscal year. Including the \$22.4 million from the 2017-18 fiscal year surplus, the Rainy Day Fund balance is \$340.2 million. That balance is equal to 1% of the General Fund’s annual expenditures for FY 2019-20, which corresponds to less than four days of operating reserves.

The Rainy Day Fund is designed to provide financial assistance to minimize future revenue shortfalls and deficits and promote greater continuity and predictability in the funding of vital government services. The fund minimizes the need to increase taxes to balance the budget during periods of economic distress. Efforts to build reserves also help to improve the Commonwealth’s credit rating. The amount placed into the fund in 2018 was the first deposit into the Rainy Day Fund since FY 2007-08, and this year’s transfer is the first substantial deposit of funds in over a decade.

The nationwide average for Rainy Day Fund operating reserves is 7.5% of annual expenditures. For Pennsylvania to meet the national average, its

Rainy Day Fund would require a balance exceeding \$2.5 billion. While a \$340 million Rainy Day Fund balance is a good start, it is only about 14% of the reserves needed to meet just the average. The table to the right shows how Pennsylvania’s Rainy Day Fund balance of 1% of annual expenditures compares with the position of other states.

Rainy Day Fund Balances as a Percentage of Expenditures

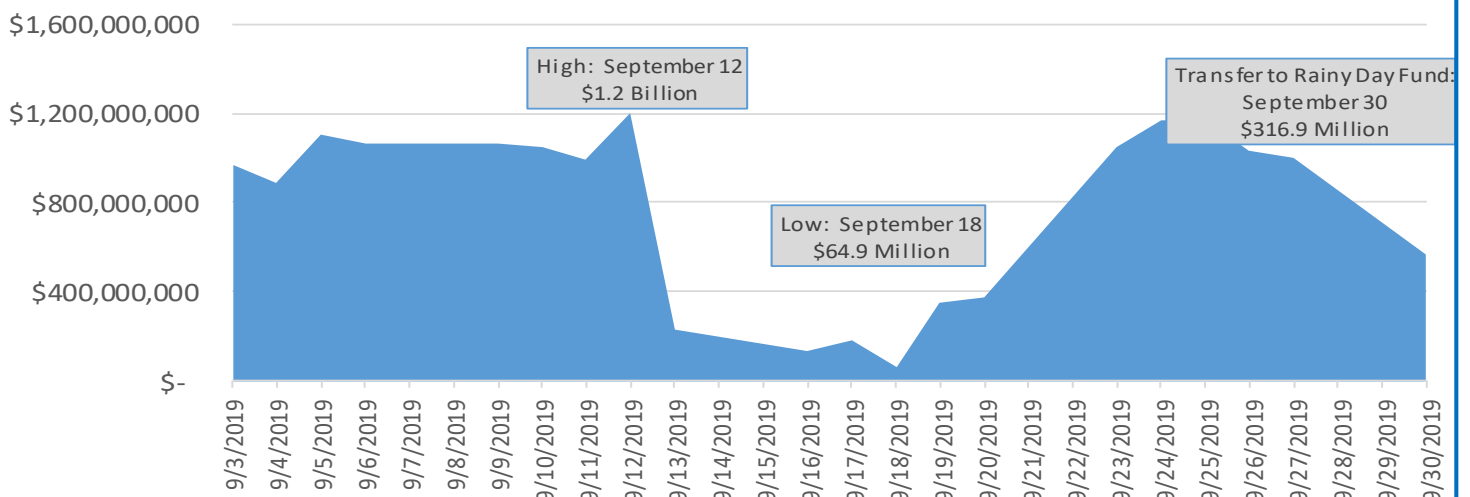
Fiscal Year 2017-18 through Fiscal Year 2019-20

Percentage	Number of States		
	FY 2017-18 (Actual)	FY 2018-19 (Estimated)	FY 2019-20 (Recommended)
Less than 1% ¹	6	4	3
> 1% but < 5% ¹	12	10	9
> 5% but < 10%	23	19	20
10% or more	9	14	15
N/A	0	3	3

Source: National Association of State Budget Officers, The Spring Fiscal Survey of the States (2019).

¹ The FY 2019-20 data was adjusted to reflect Pennsylvania's Rainy Day Fund transfer of \$316.9 Million.

General Fund Cash Balance for September 2019



Fiscal Year 2019-20
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(\$ thousands)

REVENUE SOURCES	YTD FY 2018-19	September 2019 Actual	September 2019 Estimated	Surplus/ (Deficit)	YTD Actual	YTD Estimated	Surplus/ (Deficit)
TOTAL - GENERAL FUND	7,553,758	3,185,003	3,202,800	(17,797)	7,707,067	7,662,500	44,567
TOTAL - NON-TAX REVENUE	74,328	42,553	23,300	19,253	94,437	55,300	39,137
TOTAL - TAX REVENUE	7,479,430	3,142,449	3,179,500	(37,051)	7,612,630	7,607,200	5,430
TOTAL - Corporation Taxes	830,267	627,199	698,700	(71,501)	813,095	892,000	(78,905)
Accelerated Deposits	(646)	1,686	0	1,686	2,004	0	2,004
Corp. Net Income	772,534	610,608	675,000	(64,392)	767,013	840,300	(73,287)
Gross Receipts	23,935	4,074	5,000	(926)	12,727	12,400	327
PURTA	1,178	964	1,700	(736)	1,558	2,300	(742)
Insurance Premiums	21,874	350	600	(250)	18,402	19,300	(898)
Financial Institutions	11,392	9,517	16,400	(6,883)	11,391	17,700	(6,309)
TOTAL - Consumption Taxes	3,232,528	1,090,291	1,097,800	(7,509)	3,226,494	3,198,800	27,694
Sales and Use	2,822,801	945,603	946,400	(797)	2,838,878	2,806,600	32,278
General (net of transfers)	2,432,831	808,443	812,400	(3,957)	2,422,084	2,401,500	20,584
Motor Vehicle Sales	389,970	137,159	134,000	3,159	416,794	405,100	11,694
Cigarette Tax	282,031	101,654	106,500	(4,846)	254,977	259,200	(4,223)
Other Tobacco Products	31,895	11,735	11,600	135	34,566	33,200	1,366
Malt Beverage	6,786	2,077	2,200	(123)	6,235	6,500	(265)
Liquor	89,016	29,222	31,100	(1,878)	91,838	93,300	(1,462)
TOTAL - Other Taxes	3,416,635	1,424,959	1,383,000	41,959	3,573,041	3,516,400	56,641
Personal Income	2,988,813	1,277,801	1,246,200	31,601	3,124,677	3,074,500	50,177
Withholding	2,449,373	803,031	812,800	(9,769)	2,508,421	2,508,900	(479)
Non-Withholding	539,441	474,770	433,400	41,370	616,255	565,600	50,655
Realty Transfer	131,431	49,461	45,200	4,261	124,393	126,200	(1,807)
Inheritance & Estate	258,567	86,553	80,900	5,653	282,103	272,700	9,403
Minor & Repealed	7,869	(2,123)	(3,200)	1,077	3,784	4,700	(916)
Gaming	29,956	13,267	13,900	(633)	38,084	38,300	(216)
TOTAL - MOTOR LICENSE FUND	710,807	235,287	223,110	12,177	687,928	708,610	(20,682)
TOTAL - Liquid Fuels Taxes	481,541	153,953	149,200	4,753	462,530	485,200	(22,670)
Motor Carriers/IFTA	31,487	6,111	5,000	1,111	32,761	32,100	661
Alternative Fuels	3,561	895	1,300	(405)	3,182	3,800	(618)
Oil Company Franchise	446,491	146,946	142,900	4,046	426,585	449,300	(22,715)
Minor & Repealed	2	1	0	1	3	0	3
TOTAL - Licenses, Fees & Other	229,266	81,334	73,910	7,424	225,398	223,410	1,988
Licenses and Fees	225,286	82,723	72,900	9,823	222,281	219,300	2,981
Other Motor Receipts	3,980	(1,389)	1,010	(2,399)	3,117	4,110	(993)