



Pennsylvania Senate Appropriations Committee

Senator Pat Browne
Chairman



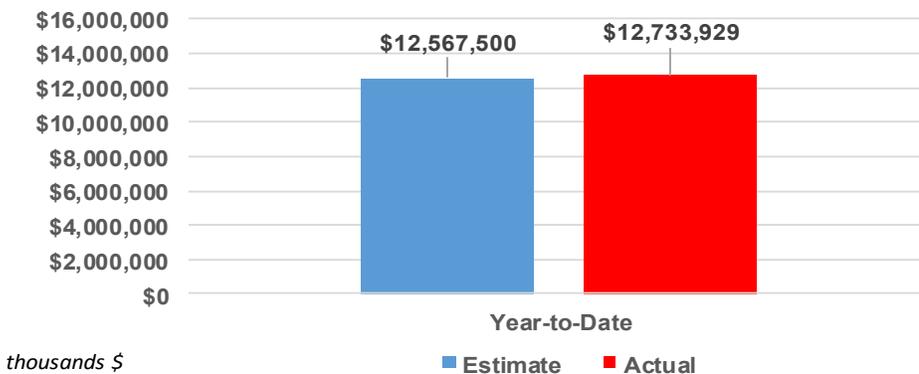
Monthly Report December 2019

November Revenues Hold Steady

General Fund revenue collections for the month of November exceeded the estimate by \$2.2 million, or 0.1%. General Fund tax revenues were \$9.6 million, or 0.4%, higher than the monthly estimate, but non-tax revenue missed the estimate by \$7.5 million, or 6.2%. General Fund revenue collections for the first five months of the fiscal year are \$166.4 million, or 1.3%, ahead of estimate.



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



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November Revenues Hold Steady Continued....

November 2019 General Fund Revenue vs. Monthly Estimate:

- Corporation taxes were \$16.6 million, or 12.4%, above the estimate.
- Sales and use tax (SUT) collections were below the estimate by \$10.2 million, or 1.1%, for the month.
- Personal income tax (PIT) collections were short of the estimate by \$3.4 million, or 0.4%.
- Realty transfer tax and inheritance tax were above estimate for the month, but cigarette tax, other tobacco products tax and liquor tax were below estimate.
- Non-tax revenues missed the monthly estimate by \$7.5 million, or 6.2%.

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

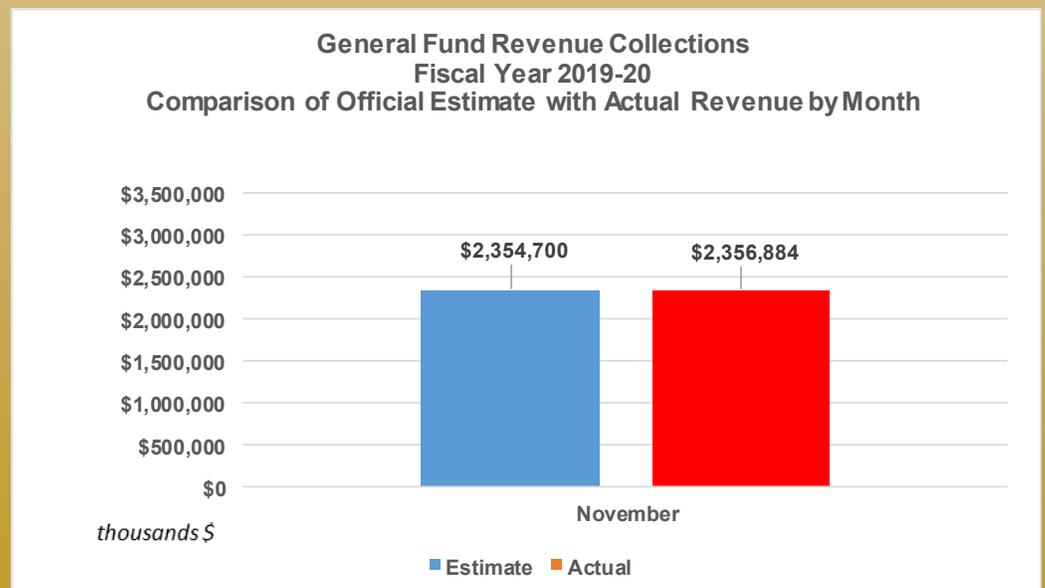
- Total General Fund revenue is \$166.4 million, or 1.3%, above estimate.
- General Fund tax revenue is \$101.3 million, or 0.8%, above estimate.
- Non-tax revenues are \$65.1 million, or 37.8%, above estimate.
- Corporation taxes are \$46 million, or 4%, below the estimate.
- Sales and use taxes are \$49.4 million, or 1%, above the estimate.
 - General SUT is \$39.4 million, or 1%, above the estimate for the year-to-date.
 - SUT on motor vehicles is \$10.1 million, or 1.6%, ahead of the estimate thus far this year.
- Personal income tax collections are above the estimate by \$74.2 million, or 1.5%.
 - PIT withholding is \$15.1 million, or 0.4%, below the estimate.
 - Non-withheld PIT (i.e. estimated and annual payments) is \$89.3 million, or 11.6%, above the estimate.

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

- Total General Fund revenues through November are \$368.9 million, or 3%, higher than last year.
- General Fund tax revenue is \$393.6 million, or 3.2%, higher than last year at this time.
- Non-tax revenues are \$24.6 million, or 9.4%, lower than last fiscal year through November.

Motor License Fund:

- Motor License Fund revenues are \$14.2 million, or 1.2%, below the estimate through November.
- Motor License Fund revenues are \$18.4 million, or 1.6%, less than 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 & Budget Outlook* for fiscal years 2019-20 to 2024-25 on November 14, 2019.

For the current 2019-20 fiscal year, the IFO projects that a modest revenue surplus of approximately \$221 million above the Governor’s Official Estimate will be offset by the need for supplemental appropriations and other adjustments, which will result in a General Fund preliminary ending balance deficit of \$410 million.

For the coming 2020-21 budget year, the IFO projects General Fund revenue growth at a relatively strong rate of 3.6%. However, the IFO projects that FY 2020-21 expenditures will increase by 5.7%. The mismatch between 3.6% forecasted revenue growth and a projected 5.7% growth in expenditures results in an anticipated structural deficit of nearly \$1 billion for the 2020-21 budget year.

The significant fiscal year 2020-21 projected expenditure growth is due to the non-recurrence of one-time savings measures used to support Department of Human Services (DHS) programs in fiscal year 2019-20, \$200 million to backfill the JUA augmentation that may not materialize, presumed expansion of DHS programs in the coming budget year, and an \$80 million absorption of program costs by the General Fund from the struggling Lottery Fund.

The following tables lay out the factors that are driving the IFO’s projected fiscal year 2020-21 structural deficit:

Millions

Estimated FY 2019-20 Net Revenues	Projected FY 2020-21 Net Revenues	Growth
\$35,718	\$37,004	3.6%

Millions

Estimated FY 2019-20 State Expenditures *	Projected FY 2020-21 State Expenditures	Growth
\$34,778	\$36,753	5.7%

* FY 2019-20 estimated state expenditures includes \$779 million of preliminary supplemental appropriations.

The IFO categorizes the major cost drivers that result in the 5.7% projected state expenditures growth in the coming budget year as follows:

Millions

Cost Drivers	Dollar Amount (Growth)	Contribution to Expenditures Growth
Education	\$556	3.9%
Human Services	\$1,112	8.3%
Criminal Justice	\$77	2.9%
Debt Service (Treasury)	\$60	5.2%
State Police	\$41	11.3%
All Other	\$128	4.3%
Total	\$1,974	5.7%

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IFO Releases its Latest Five-Year Economic & Budget Outlook.....

The IFO's latest report shows that the projected five-year structural deficit will be \$926 million in fiscal year 2020-21, peak at \$1.3 billion in fiscal year 2022-23, and settle to just under \$1.1 billion by fiscal year 2024-25. What is important to note is that these projected structural deficits have been steadily shrinking in recent years because of a strong economy and positive steps taken by the General Assembly to hold the line on spending. To illustrate, the IFO's projected five-year structural deficits from last year's report totaled just over \$8 billion. This year's five-year structural deficit outlook has receded to approximately \$5.5 billion – a \$2.5 billion improvement in just one year's time.

As the IFO points out in its report, demographics are a critical factor that motivate long-term economic, revenue and expenditure trends. Pennsylvania's total population is projected to remain nearly flat through 2025. The school-age cohort is expected to contract by 64,000 students, and the working-age cohort is projected to decline by 204,000 potential workers for the period from 2020 to 2025. On the other hand, the retiree cohort and elderly cohort are projected to expand by 254,000 and 79,000 residents, respectively, over the same time period. Over time, there will be fewer working-age residents to support the needs of rapidly expanding retiree and elderly populations.

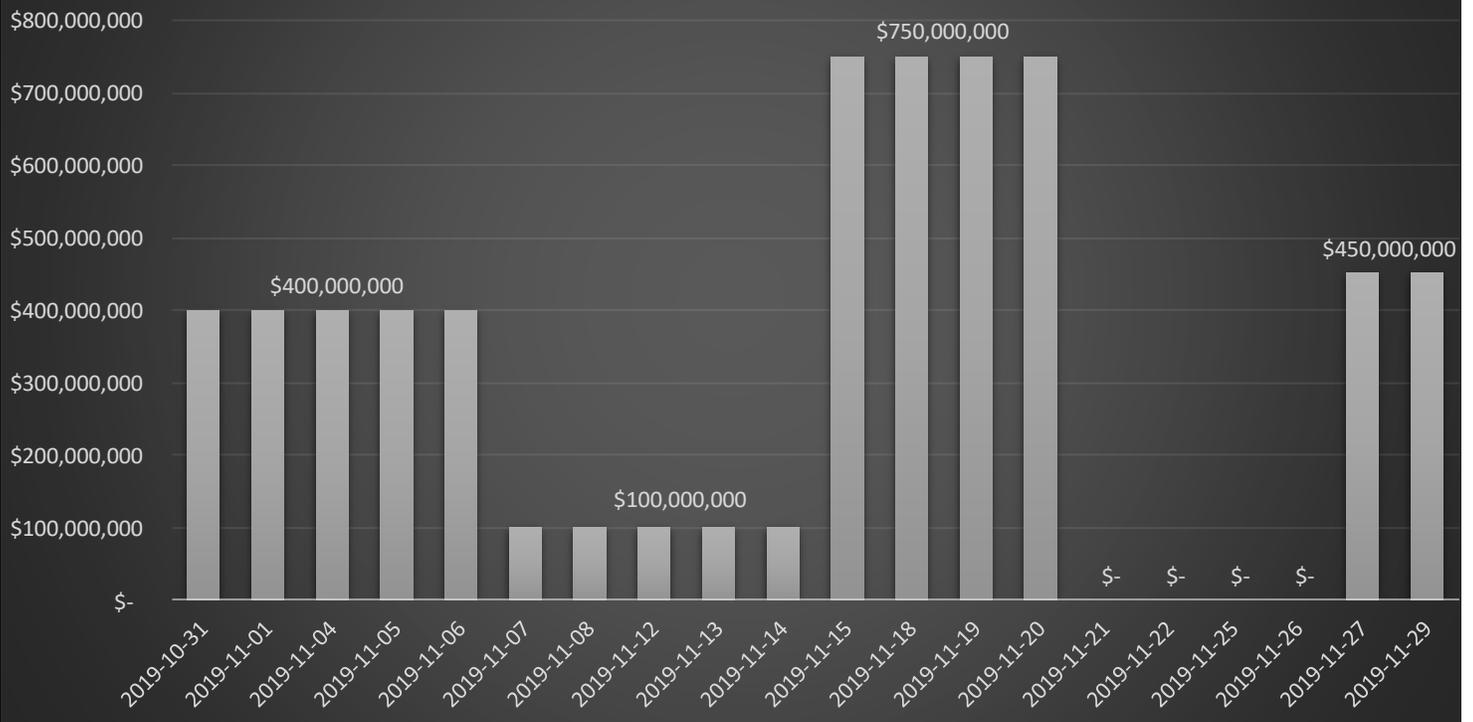
The *Economic and Budget Outlook* report helps illustrate the difference between revenue surpluses and structural deficits. Despite ending the 2018-19 fiscal year with an \$883 million revenue surplus above the Official Estimate and the projection of a revenue surplus of \$221 million this fiscal year, the IFO is still projecting a structural deficit of \$410 million for FY 2019-20 and nearly \$1 billion for FY 2020-21. The General Assembly will be faced with tough budgeting decisions in the coming months to achieve a balanced budget for fiscal year 2020-21 and to ensure that future structural deficits continue to decline.

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

<http://www.ifo.state.pa.us/releases/320/FIVE-YEAR-ECONOMIC-AND-BUDGET-OUTLOOK/>

STIP Borrowing by Day

The chart below shows the amount of the outstanding STIP borrowing that supports the General Fund.



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

REVENUE SOURCES	YTD FY 2018-19	November 2019 Actual	November 2019 Estimated	Surplus/ (Deficit)	YTD Actual	YTD Estimated	Surplus/ (Deficit)
TOTAL - GENERAL FUND	10,028,234	2,356,884	2,354,700	2,184	12,733,929	12,567,500	166,429
TOTAL - NON-TAX REVENUE	104,048	113,436	120,900	(7,464)	237,274	172,200	65,074
TOTAL - TAX REVENUE	9,924,186	2,243,449	2,233,800	9,649	12,496,655	12,395,300	101,355
TOTAL - Corporation Taxes	941,455	150,778	134,200	16,578	1,109,037	1,155,000	(45,963)
Accelerated Deposits	(159)	(72)	0	(72)	756	0	756
Corp. Net Income	871,134	137,685	128,000	9,685	1,045,798	1,088,900	(43,102)
Gross Receipts	33,188	11,685	2,800	8,885	28,125	21,600	6,525
PURTA	1,242	5	300	(295)	1,894	2,700	(806)
Insurance Premiums	21,984	170	700	(530)	18,813	20,200	(1,387)
Financial Institutions	14,066	1,305	2,400	(1,095)	13,651	21,600	(7,949)
TOTAL - Consumption Taxes	4,332,225	1,070,044	1,086,900	(16,856)	5,471,006	5,427,100	43,906
Sales and Use	3,782,218	925,816	936,000	(10,184)	4,796,047	4,746,600	49,447
General (net of transfers)	3,257,375	817,832	823,700	(5,868)	4,137,677	4,098,300	39,377
Motor Vehicle Sales	524,843	107,985	112,300	(4,315)	658,371	648,300	10,071
Cigarette Tax	380,359	94,276	99,300	(5,024)	447,671	452,600	(4,929)
Other Tobacco Products	41,598	11,199	12,400	(1,201)	56,236	56,100	136
Malt Beverage	8,565	1,966	1,900	66	10,027	10,100	(73)
Liquor	119,485	36,787	37,300	(513)	161,026	161,700	(674)
TOTAL - Other Taxes	4,650,506	1,022,627	1,012,700	9,927	5,916,611	5,813,200	103,411
Personal Income	4,077,148	869,604	873,000	(3,396)	5,155,655	5,081,500	74,155
Withholding	3,376,461	827,494	832,700	(5,206)	4,299,193	4,314,300	(15,107)
Non-Withholding	700,687	42,111	40,300	1,811	856,462	767,200	89,262
Realty Transfer	182,405	48,804	47,500	1,304	227,535	224,300	3,235
Inheritance & Estate	348,901	87,813	74,100	13,713	460,964	439,000	21,964
Minor & Repealed	2,928	2,893	1,700	1,193	4,268	1,600	2,668
Gaming	39,124	13,512	16,400	(2,888)	68,189	66,800	1,389
TOTAL - MOTOR LICENSE FUND	915,789	257,708	256,290	1,418	1,158,194	1,172,440	(14,246)
TOTAL - Liquid Fuels Taxes	607,491	189,282	186,000	3,282	782,455	798,800	(16,345)
Motor Carriers/IFTA	33,158	25,218	28,600	(3,382)	59,808	62,200	(2,392)
Alternative Fuels	4,810	773	1,300	(527)	5,491	6,400	(909)
Oil Company Franchise	569,521	163,291	156,100	7,191	717,152	730,200	(13,048)
Minor & Repealed	2	1	0	1	4	0	4
TOTAL - Licenses, Fees & Other	308,297	68,427	70,290	(1,863)	375,739	373,640	2,099
Licenses and Fees	303,448	70,297	69,700	597	370,395	367,300	3,095
Other Motor Receipts	4,849	(1,871)	590	(2,461)	5,344	6,340	(996)