



# Pennsylvania Senate Appropriations Committee

Senator Pat Browne  
Chairman



## Monthly Report July 2020

### A Trying Fiscal Year Comes to a Close

General Fund revenue collections for the month of June were below the Official Revenue Estimate by \$577.4 million, or 17.8%, bringing total General Fund revenue collections for the fiscal year ending 2019-20 to \$32.3 billion, which is \$3.2 billion, or 9.1%, lower than the estimate for the year. Tax revenue collections for fiscal year 2019-20 shrunk by \$3.3 billion, or 9.5%, compared to the estimate. However, the latest analysis suggests that tax filing deadline extensions that cross over into FY 2020-21 account for an estimated \$1.9 billion of the tax revenue shortfall in FY 2019-20. In other words, the estimated \$1.9 billion shift caused tax revenue collections to be delayed but not lost entirely. As a result, a truer picture regarding FY 2019-20 tax collections is that they missed the mark by approximately \$1.4 billion, or 4%, for the fiscal year.



The deleterious impact of COVID-19 on the Commonwealth's finances is undeniable, yet FY 2019-20 General Fund revenue collections performed somewhat better than expected by both the Independent Fiscal Office (IFO) and Governor Wolf's Administration. When the five-month interim budget was completed at the end of May, the Administration had set expected year's end FY 2019-20 General Fund revenues at \$32.01 billion. Likewise, the IFO had pegged FY 2019-20 revenues at \$32.01 billion in its June 2020 Official Revenue Estimate report for FY 2020-21. Actual FY 2019-20 revenue collections of \$32.28 billion were \$263 million higher than both the Administration's and IFO's most recent projections.

FY 2020-21 General Fund revenue collections are expected to be approximately \$2 billion lower than what was projected in the Governor's February 2020 budget proposal. Over the two-year period for the fiscal year just ended and the new one beginning, the Commonwealth is facing a combined revenue deficit that could exceed \$5 billion.

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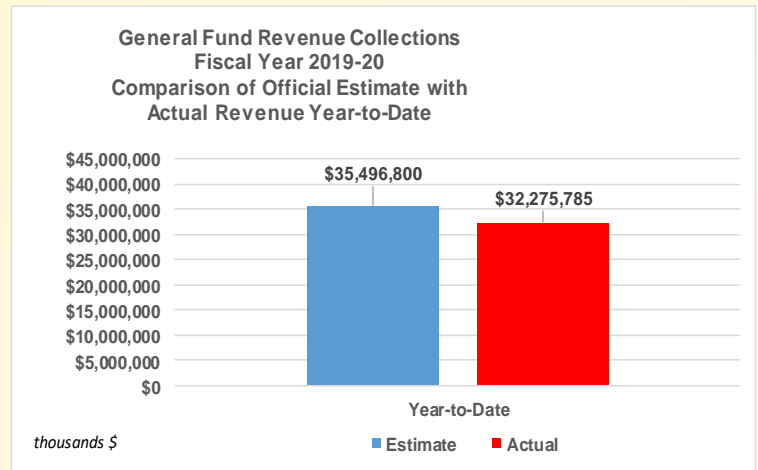
### June General Fund Revenue vs. Estimate:

- General Fund revenue collections of \$2.67 billion were below the monthly estimate by \$577.4 million, or 17.8%.
- General Fund tax revenues were under estimate by \$600.3 million, or 18.5%.
- Corporation taxes were \$208.5 million, or 34.3%, below estimate.
- Sales and use tax (SUT) collections missed the estimate by \$60.5 million, or 5.8%, for the month.
  - General SUT collections were \$78.7 million, or 6.6%, below estimate.
  - SUT collections on motor vehicle sales were \$18.1 million, or 13%, above estimate.

- Personal income tax (PIT) collections were below estimate by \$241.8 million, or 19.2%.
- Non-tax revenues beat the estimate by \$23 million.

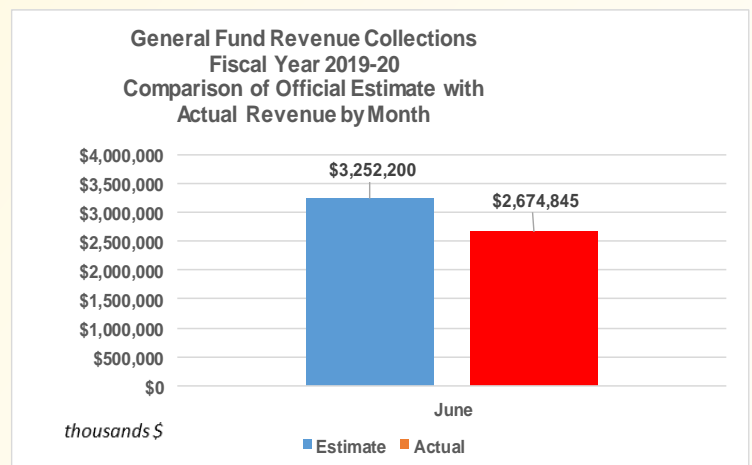
### Fiscal Year 2019-20 vs. the Official Revenue Estimate:

- Total General Fund revenues were \$3.2 billion, or 9.1%, below the Official Revenue Estimate.
- General Fund tax revenue was \$3.3 billion, or 9.5%, lower than estimate.
- Corporation taxes were \$769.4 million, or 13.7%, under estimate.
- Sales and use taxes were \$636.6 million, or 5.6%, below estimate.
  - General SUT collections were \$480.2 million, or 4.8%, below estimate.
  - SUT collections on motor vehicle sales were \$156.4 million, or 10.3%, under estimate.
- Personal income tax collections missed the estimate by \$1.7 billion, or 11.9%.
  - Significant PIT payments were extended into FY 2020-21.
  - Withheld PIT was \$323.5 million, or 3%, below the estimate.
  - Non-withheld PIT (annual & estimated payments) was \$1.4 billion, or 38.1%, below estimate.
- Realty transfer tax collections missed the estimate by \$58 million, or 10.4%, for the fiscal year.
- Inheritance tax collections were below estimate by \$18.1 million, or 1.6%, by year's end.
- Gaming taxes deposited into the General Fund were \$38.1 million, or 21%, under estimate.
- Liquor taxes missed the estimate by \$33.1 million, or 8.3%, and tobacco taxes were under estimate by a combined \$28.5 million.
- Non-tax revenues were \$92.7 million, or 16.2%, above estimate, led by an unclaimed property (Treasury escheats) revenue surplus of \$140.8 million for the fiscal year.



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

- Total General Fund revenues were \$2.58 billion, or 7.4%, lower than the 2018-19 fiscal year.
- General Fund tax revenue was \$2.45 billion, or 7.2%, less than FY 2018-19.
- Corporation taxes were \$671.8 million, or 12.2%, lower than FY 2018-19.
- Sales and use tax collections were \$281.8 million, or 2.5%, lower.
- Personal income tax collections trailed FY 2018-19 collections by \$1.26 billion, or 8.9%, much of which is attributable to tax filing extensions enacted in response to COVID-19.
- Non-tax revenues for FY 2019-20 were \$136.6 million less than FY 2018-19 because of one-time gaming expansion licenses and fees received during FY 2018-19.



### Motor License Fund:

- Motor License Fund revenues were below estimate by \$186.4 million, or 6.5%, for FY 2019-20.
- Motor License Fund revenues were \$185.8 million, or 6.5%, less than the 2018-19 fiscal year.



## CARES Act – General Assembly Action

The Coronavirus Aid, Relief and Economic Security Act, or CARES Act, was enacted by the federal government in late March, appropriating \$2.2 trillion in emergency aid to respond to the COVID-19 pandemic. A cornerstone of the CARES Act was the establishment of the Coronavirus Relief Fund, which directed \$150 billion in aid to state and local governments. Importantly, the CARES Act sets out that states may only use Coronavirus Relief Funds for unbudgeted and necessary expenditures related to COVID-19, and funds cannot be used to replace reduced state revenues resulting from the pandemic.

Pennsylvania’s allocation of the Coronavirus Relief Fund totaled \$4.96 billion, with \$1.03 billion going directly to counties with a population over 500,000 (Philadelphia, Allegheny, Montgomery, Bucks, Delaware, Lancaster, Chester) as required by the law, leaving roughly \$3.9 billion to be distributed statewide.

The General Assembly took a first step in utilizing these funds with the passage of SB 1108, now Act 2A, sponsored by Senator Browne, that directed \$2.6 billion to address the needs of an array of entities and areas impacted by COVID-19, particularly families, seniors, businesses, county and local governments, community service providers, first responders, educational institutions and food banks. Separately, the General Assembly also allocated \$300 million to property tax relief, bringing to \$2.9 billion in Coronavirus Relief Funds that have been expended to date.

The major aid and assistance programs enacted by the General Assembly using Coronavirus Relief Funds are as follows:

Long-term living service providers (nursing homes, assisted living centers)	\$692 million
Aid to counties that did not receive a direct subsidy from the federal government	\$625 million
Payments to school districts for property tax relief	\$300 million
Payments to providers of intellectual disability and autism services	\$260 million
Statewide Business Assistance	\$225 million
Rent and mortgage assistance to low- and middle-income families	\$175 million
Assistance to school districts for deep cleaning, repair and retrofit of facilities	\$150 million
Child care services	\$116 million
Health Care Systems Support	\$ 80 million
Support for higher education students	\$ 72 million
Grants to volunteer fire and EMS companies	\$ 50 million
Grants to agricultural producers, local food banks and food access initiatives	\$ 50 million
Hazard Pay Grants	\$ 50 million
Community programs (domestic violence, homeless assistance, legal service programs)	\$ 28 million
Grants to cultural and museum organizations	\$ 20 million
Support for early childhood education programs (Pre-K Counts, Head Start)	\$ 9 million

Taking into account these actions, Pennsylvania has just over \$1.03 billion in Coronavirus Relief Funds that remain available to spend. Under the CARES Act, the Commonwealth must allocate and incur costs related to COVID-19 before December 30, 2020 to appropriately spend the funds.



## Impact of the COVID-19 Disaster Emergency on the PLCB

Through the month of February, the Pennsylvania Liquor Control Board's (board) year-to-date sales totaled \$1.5 billion, a 4.5% increase over the prior year-to-date. At that time, it was believed that the board would significantly exceed the previous fiscal year's sales mark of \$2.127 billion.

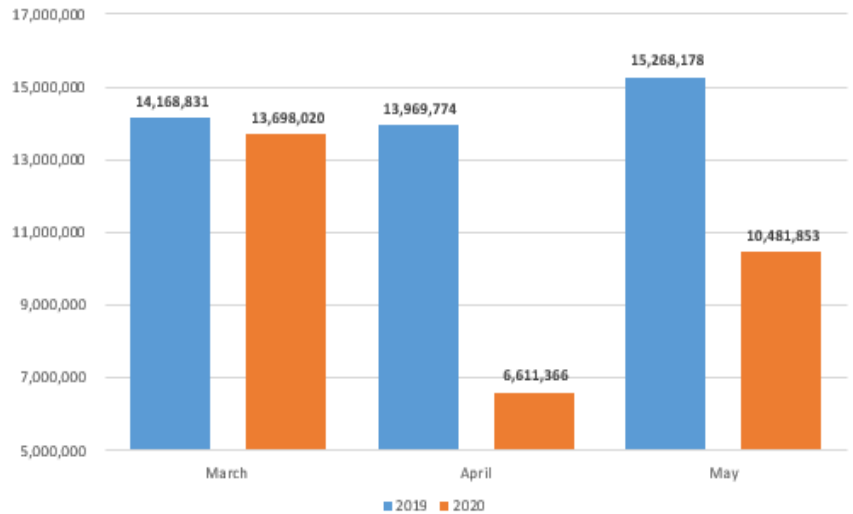
Unfortunately, due to the COVID-19 disaster emergency, on March 15<sup>th</sup>, the board began closing its Fine Wine and Good Spirits Stores (stores) in the southeastern counties of the state, and as of March 17<sup>th</sup>, it closed all stores statewide, licensee service centers and e-commerce operations.

After the closure, the board slowly resumed sales. On April 1<sup>st</sup>, it resumed e-commerce sales. On April 16<sup>th</sup>, it began curbside pickup at 176 locations, and by April 20<sup>th</sup>, curbside pickup was expanded to 565 locations. On May 8<sup>th</sup>, as counties began reopening, the board resumed in-person sales at 77 stores, and as of June 27<sup>th</sup>, in-person sales were being conducted at 559 stores.

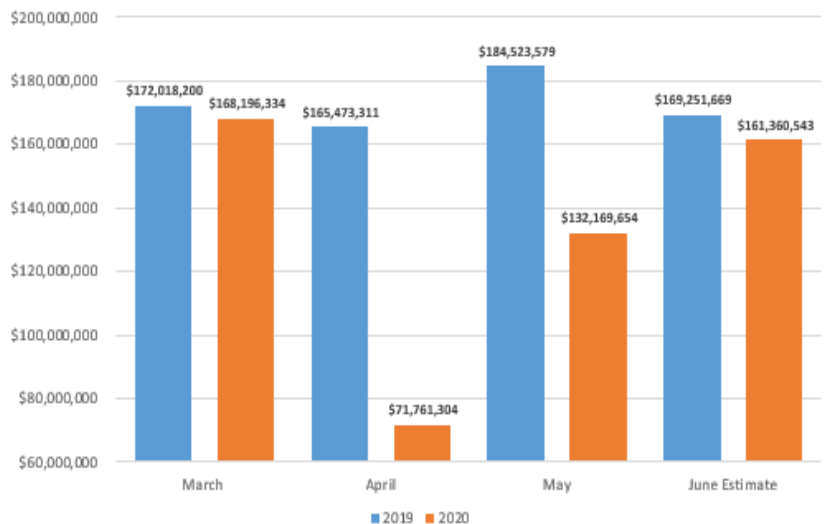
As a result of the COVID-19 disaster emergency, the board sold 12.6 million fewer product items than during March, April and May of 2019. Specifically, sales for March, April and May combined totaled \$372.1 million, a decrease of \$149.9 million, or 28.7%, from the same three month period in 2019. In addition, the board reported losses of \$15.1 million in April and \$1.4 million in May and is projecting that total sales for the year (\$2.034 billion) will fall short of last year by \$93.2 million, or 4.4%.

Notwithstanding the COVID-19 disaster emergency and the possibility of further restrictions on sales, the Governor's General Fund revenue estimate for fiscal year 2020-21 assumes that the board will be able to contribute \$185.1 million in profits to the General Fund, the same amount as in FY 2019-20.

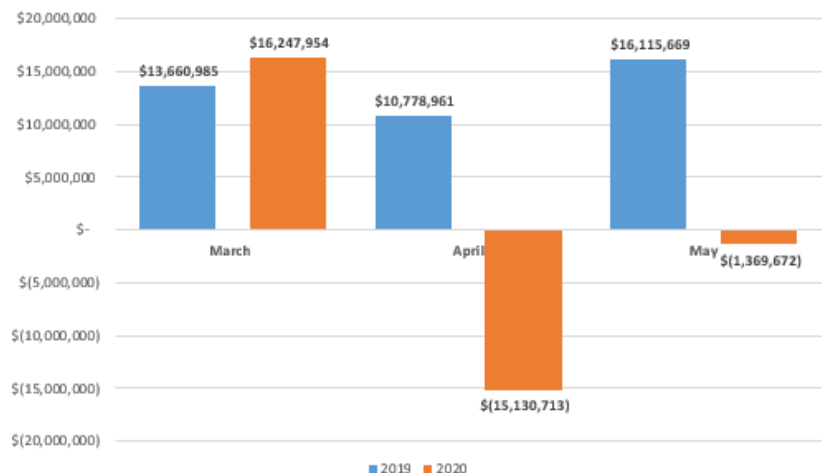
### UNITS SOLD DURING COVID-19 EMERGENCY



### SALES DURING COVID-19 EMERGENCY



### PROFITS /LOSSES DURING COVID-19 EMERGENCY



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

REVENUE SOURCES	YTD FY 2018-19	June 2020 Actual	June 2020 Estimated	Surplus/ (Deficit)	YTD Actual	YTD Estimated	Surplus/ (Deficit)
<b>TOTAL - GENERAL FUND</b>	<b>34,857,878</b>	<b>2,674,845</b>	<b>3,252,200</b>	<b>(577,355)</b>	<b>32,275,785</b>	<b>35,496,800</b>	<b>(3,221,015)</b>
<b>TOTAL - NON-TAX REVENUE</b>	<b>801,574</b>	<b>35,476</b>	<b>12,500</b>	<b>22,976</b>	<b>664,931</b>	<b>572,200</b>	<b>92,731</b>
<b>TOTAL - TAX REVENUE</b>	<b>34,056,304</b>	<b>2,639,369</b>	<b>3,239,700</b>	<b>(600,331)</b>	<b>31,610,854</b>	<b>34,924,600</b>	<b>(3,313,746)</b>
<b>TOTAL - Corporation Taxes</b>	<b>5,510,797</b>	<b>398,746</b>	<b>607,200</b>	<b>(208,454)</b>	<b>4,839,008</b>	<b>5,608,400</b>	<b>(769,392)</b>
Accelerated Deposits	2,469	524	0	524	3,580	0	3,580
Corp. Net Income	3,397,543	389,260	608,500	(219,240)	2,826,881	3,558,000	(731,119)
Gross Receipts	1,250,052	2,679	5,400	(2,721)	1,104,261	1,229,000	(124,739)
PURTA	36,293	6	100	(94)	37,822	36,600	1,222
Insurance Premiums	444,303	1,640	(15,500)	17,140	473,579	410,700	62,879
Financial Institutions	380,138	4,637	8,700	(4,063)	392,886	374,100	18,786
<b>TOTAL - Consumption Taxes</b>	<b>12,753,752</b>	<b>1,107,152</b>	<b>1,185,000</b>	<b>(77,848)</b>	<b>12,258,298</b>	<b>12,956,000</b>	<b>(697,702)</b>
Sales and Use	11,099,648	974,178	1,034,700	(60,522)	10,817,808	11,454,400	(636,592)
General (net of transfers)	9,616,040	816,142	894,800	(78,658)	9,452,848	9,933,000	(480,152)
Motor Vehicle Sales	1,483,608	158,036	139,900	18,136	1,364,959	1,521,400	(156,441)
Cigarette Tax	1,118,764	91,145	102,900	(11,755)	924,341	945,400	(21,059)
Other Tobacco Products	129,930	10,610	12,600	(1,990)	127,274	134,700	(7,426)
Malt Beverage	23,534	2,195	2,100	95	23,167	22,700	467
Liquor	381,876	29,023	32,700	(3,677)	365,707	398,800	(33,093)
<b>TOTAL - Other Taxes</b>	<b>15,791,755</b>	<b>1,133,472</b>	<b>1,447,500</b>	<b>(314,028)</b>	<b>14,513,549</b>	<b>16,360,200</b>	<b>(1,846,651)</b>
Personal Income	14,095,522	1,016,428	1,258,200	(241,772)	12,835,000	14,570,100	(1,735,100)
Withholding	10,443,899	756,248	841,500	(85,252)	10,542,758	10,866,300	(323,542)
Non-Withholding	3,651,623	260,180	416,700	(156,520)	2,292,243	3,703,800	(1,411,557)
Realty Transfer	533,981	33,134	59,600	(26,466)	497,792	555,800	(58,008)
Inheritance & Estate	1,053,588	80,097	101,900	(21,803)	1,082,038	1,100,100	(18,062)
Minor & Repealed	(23,008)	(933)	9,400	(10,333)	(44,304)	(46,900)	2,596
Gaming	131,673	4,746	18,400	(13,654)	143,022	181,100	(38,078)
<b>TOTAL - MOTOR LICENSE FUND</b>	<b>2,849,251</b>	<b>246,856</b>	<b>253,010</b>	<b>(6,154)</b>	<b>2,663,479</b>	<b>2,849,900</b>	<b>(186,421)</b>
<b>TOTAL - Liquid Fuels Taxes</b>	<b>1,837,184</b>	<b>129,039</b>	<b>156,100</b>	<b>(27,061)</b>	<b>1,708,438</b>	<b>1,821,900</b>	<b>(113,462)</b>
Motor Carriers/IFTA	133,968	28,002	5,700	22,302	128,948	135,400	(6,452)
Alternative Fuels	15,591	666	1,300	(634)	12,966	15,500	(2,534)
Oil Company Franchise	1,687,605	100,378	149,100	(48,722)	1,566,547	1,671,000	(104,453)
Minor & Repealed	20	(7)	0	(7)	(24)	0	(24)
<b>TOTAL - Licenses, Fees &amp; Other</b>	<b>1,012,067</b>	<b>117,817</b>	<b>96,910</b>	<b>20,907</b>	<b>955,041</b>	<b>1,028,000</b>	<b>(72,959)</b>
Licenses and Fees	992,389	113,097	94,300	18,797	954,044	1,008,600	(54,556)
Other Motor Receipts	19,678	4,720	2,610	2,110	997	19,400	(18,403)