



Pennsylvania Senate Appropriations Committee

Senator Pat Browne
Chairman



Monthly Report May 2021

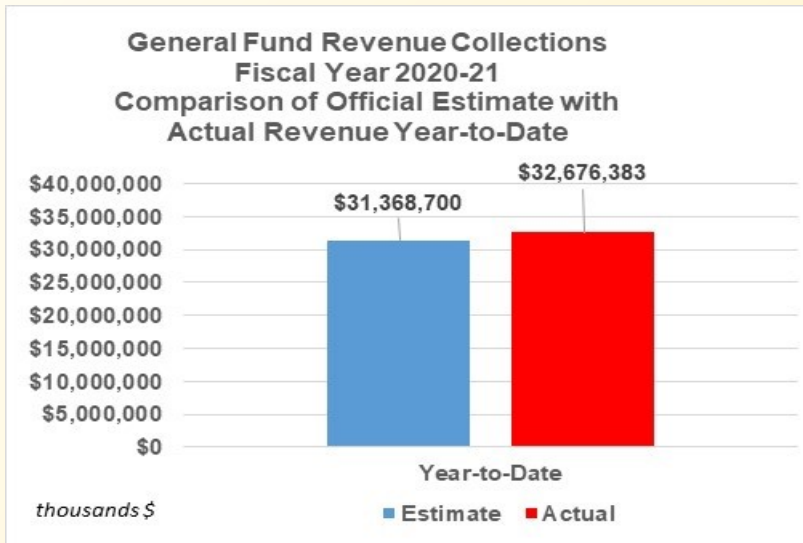
April Revenues Slightly Above Estimate Despite Delayed Tax Filing

General Fund revenue collections for April exceeded the monthly estimate by \$28.2 million. General Fund revenues are now \$1.3 billion above the Official Revenue Estimate for the year-to-date with two months remaining in the fiscal year. Pennsylvania personal income tax (PIT) returns normally due in April were extended to May 17, 2021, to match the federal extended due date. As a result, payments on annual PIT returns missed the estimate by \$531.3 million for the month. However, PIT annual payments should rebound to be significantly higher than the estimate for the month of May because April's payments were delayed for approximately one month.

Despite the shortfall in PIT collections, General Fund revenues were buoyed by continued strong collections in corporate net income tax and consumption taxes such as the sales and use tax. The

billions of dollars of federal stimulus money injected into Pennsylvania's economy over the past year is creating a surge in consumer spending. Each consumption tax type, from sales and use tax, including on motor vehicles, to liquor tax and gaming taxes, was well above estimate in April. Corporations also appear to be benefitting from a surge in consumer demand as corporate net income tax collections nearly doubled April's monthly estimate.

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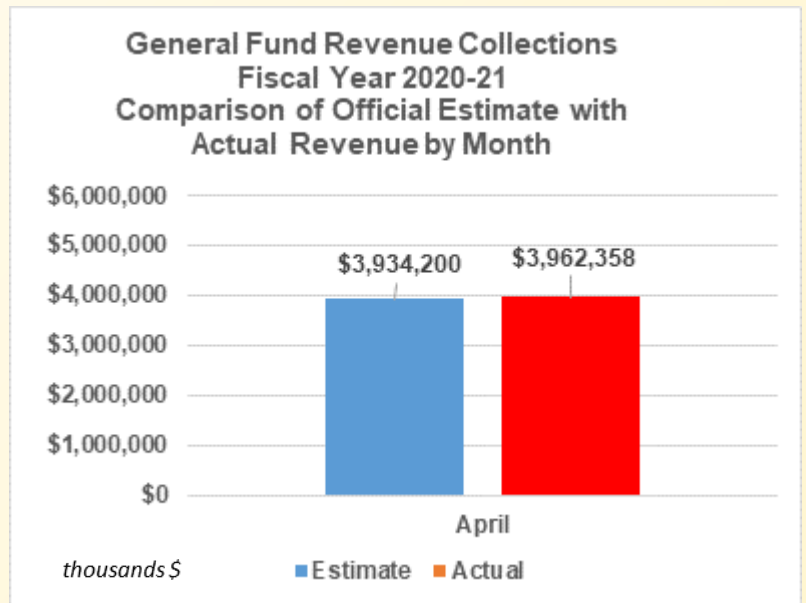
April Revenues Slightly Above Estimate Despite Delayed Tax Filing Continued.....

April General Fund Revenue:

- General Fund revenue collections of \$3.96 billion were above the monthly estimate by \$28.2 million, or 0.7%.
- General Fund tax revenues were ahead of estimate by \$68 million, or 1.9%.
- Corporation taxes were \$251.8 million, or 84.1%, above estimate.
- Sales and use tax (SUT) collections beat the estimate by \$273.1 million, or 29.6%, for the month.
 - General SUT collections were \$219.2 million, or 27.6%, above estimate.
 - SUT collections on motor vehicle sales were \$53.9 million, or 41.6%, over the estimate.
- Personal income tax (PIT) collections were below the estimate by \$571.8 million, or 24.9%, as a result of the tax filing extension into May.
- Non-tax revenues were below estimate by \$39.9 million, or 15%.

Fiscal Year 2020-21 vs. the Official Revenue Estimate To-Date:

- Total General Fund revenues are \$1.3 billion, or 4.2%, higher than the Official Revenue Estimate through the month of April.
- General Fund tax revenue is \$1.31 billion, or 4.3%, higher than estimated.
- Corporation taxes are \$728.4 million, or 16.3%, above estimate.
- Sales and use taxes are \$529.9 million, or 5.3%, above estimate.
 - General SUT collections are \$474.8 million, or 5.6%, above estimate.
 - SUT collections on motor vehicle sales are \$55.1 million, or 3.8%, over the estimate.
- Personal income tax collections are below estimate by \$299.3 million, or 2.3%, but will rebound in May.
 - Withheld PIT is \$90.4 million, or 1%, higher than the estimate.
 - Non-withheld PIT (annual & estimated payments) is \$389.7 million, or 1.7%, below estimate because of the PIT return filing extension.
- Realty transfer tax revenues are \$80.7 million, or 18.5%, more than the estimate.
- Inheritance tax collections are \$163 million, or 17.2%, above estimate.
- General Fund gaming taxes exceed estimate by \$27.5 million, or 16.3%.
- Non-tax revenues are \$2.8 million, or 0.3%, below estimate.



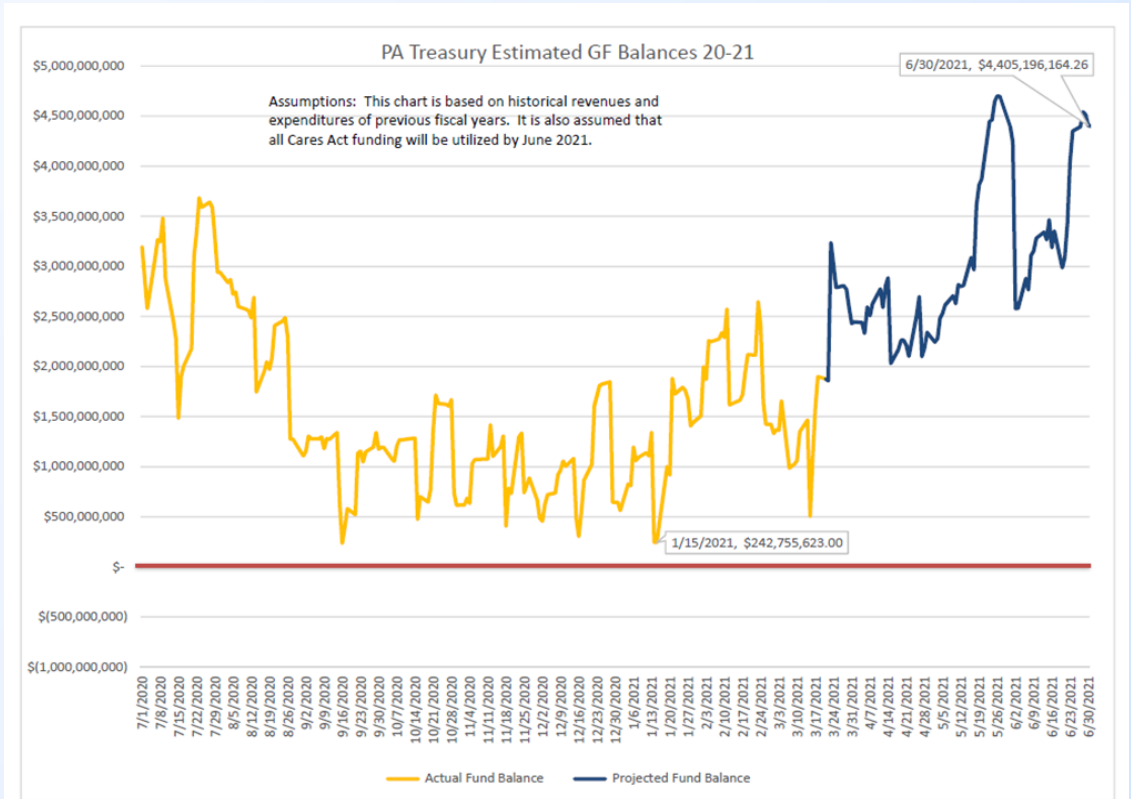
Motor License Fund:

- Motor License Fund revenues are below the estimate by \$14.5 million, or 0.6%, through April.
- Motor License Fund revenues are \$120.1 million, or 5.5%, higher than last fiscal year at this time; however, significant disruptions caused by COVID-19 in the collection of revenue in the spring of 2020 make a comparison with last year unrealistic.

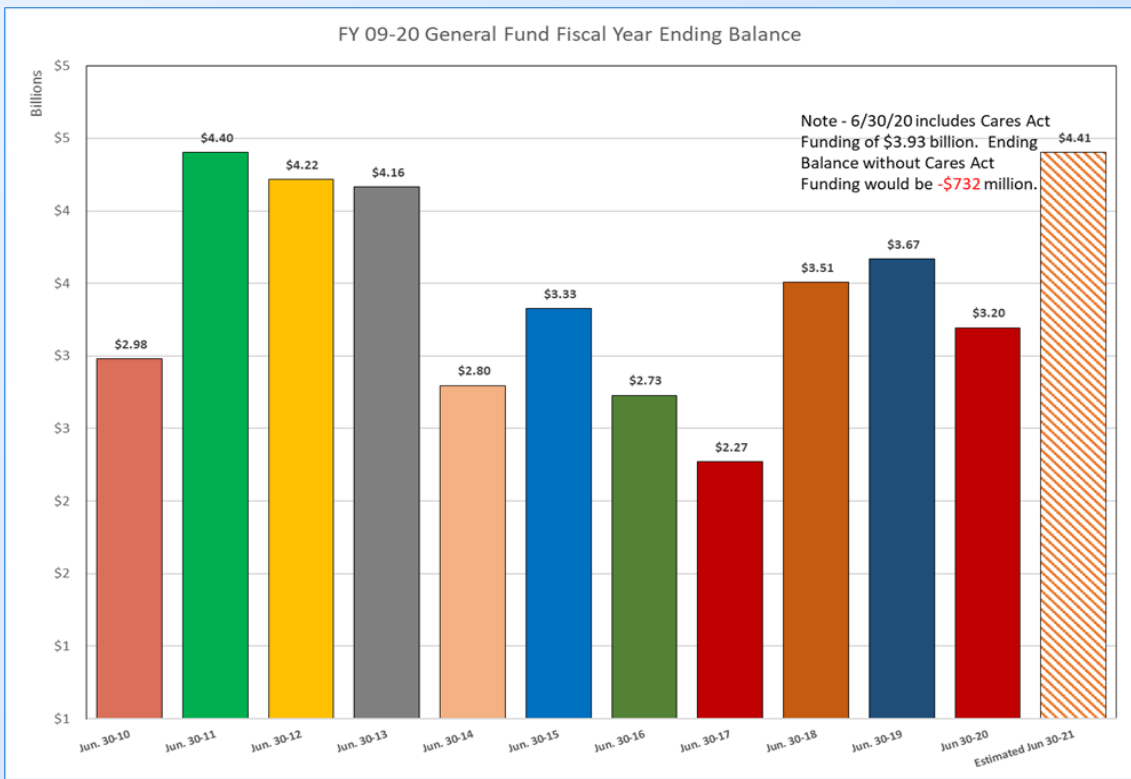
Commonwealth's Cash Flow Improves

The Treasury Department's current cash flow projections show a \$4.4 billion balance in the General Fund at the end of FY 2020-21. According to the following analysis provided by the Treasury Department, Treasury does not foresee any need for short-term borrowing over the next fiscal year.

Several factors play a role in the revised General Fund ending year balance relative to projections from earlier in the fiscal year. The first is that revenue collections, across all revenue categories (including, Sales, Corporate, and PIT), have consistently exceeded prior estimates. Currently, General Fund revenues are now \$1.3 billion, or 4.2%, above the Official Revenue Estimate from November 2020. Assuming current revenue trends continue, Treasury predicts that strong collections throughout the rest of FY 2020-21 and the entirety of FY 2021-22 will negate any need for short-term borrowing.



Another factor that will increase the General Fund balance is the enhanced Federal Medical Assistance Percentage (FMAP). This is the amount Pennsylvania is reimbursed for medical assistance payments from the federal government. This has been expanded through to at least December 2021 and will continue to significantly boost the General Fund throughout the first half of FY 2021-22.



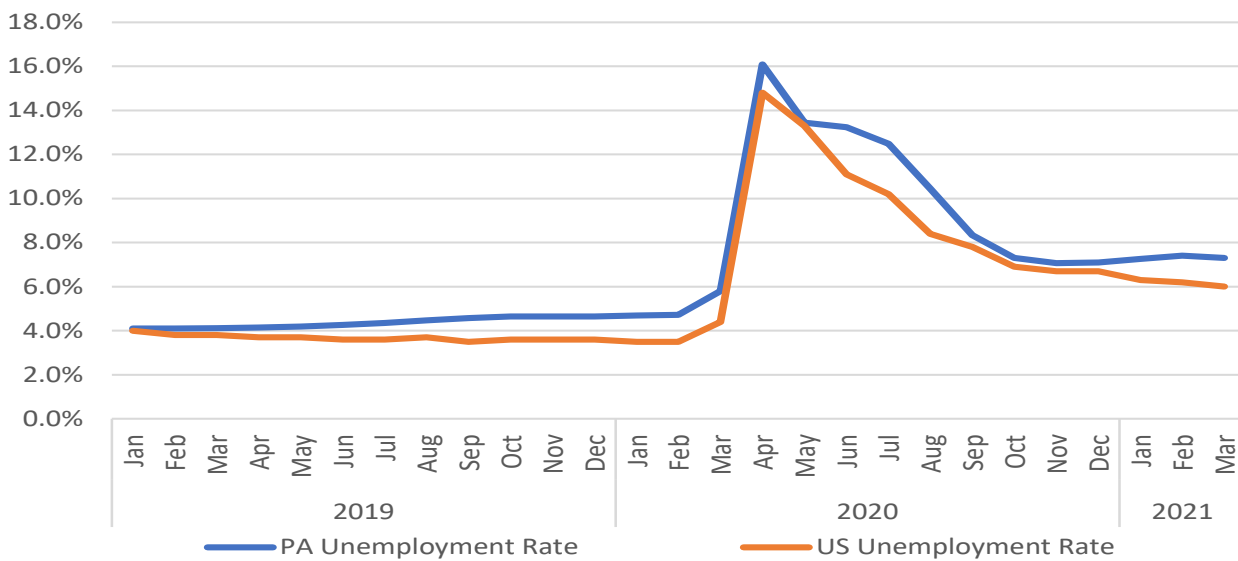
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Commonwealth's Cash Flow Improves Continued....

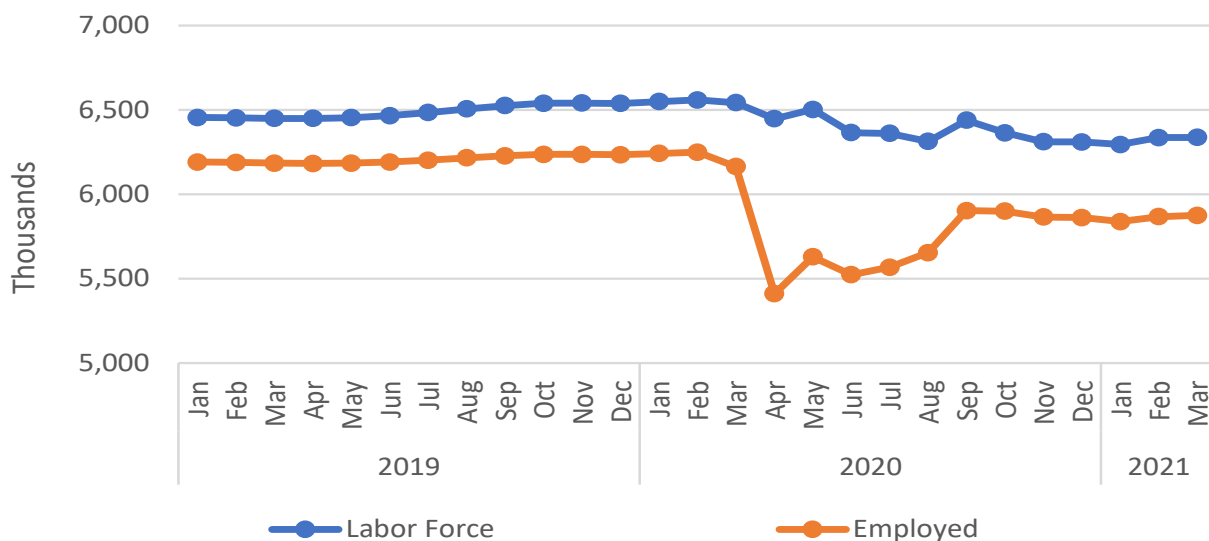
General Fund year end balances can provide an indication of whether or not borrowing will be necessary in the fiscal year forthcoming. For a recent example, the General Fund ending balance in FY 2017-18 was \$3.5 billion, and in FY 2018-19 only approximately \$300 million of borrowing was necessary to get through that year's low point. Historical revenue/expenditure trends and STIP line-of-credit utilization, when taken together, show that short-term borrowing is not needed when the General Fund ending balance for the preceding fiscal year is above \$3.7 billion. FY 2020-21's projected ending balance of \$4.41 billion is \$710 million above this mark – providing the General Fund a buffer if FY 2021-22 revenue collections come in below projections.

Finally, Treasury's predictions do not factor in the federal dollars that Pennsylvania will receive pursuant to the American Rescue Plan (ARP). The economic indicators that Treasury has outlined are strong enough that even absent increased federal funding from the American Rescue Plan Act, the department does not believe the Commonwealth would have any need for short-term borrowing in FY 2021-22.

Pennsylvania vs. United States Unemployment Rate



Labor Force vs Total Employed



Fiscal Year 2020-21
Senate Appropriations Committee
Monthly Revenue Report
(\$ thousands)

REVENUE SOURCES	YTD FY 2019-20	April 2021 Actual	April 2021 Estimated	Surplus/ (Deficit)	YTD Actual	YTD Estimated	Surplus/ (Deficit)
TOTAL - GENERAL FUND	27,495,370	3,962,358	3,934,200	28,158	32,676,383	31,368,700	1,307,683
TOTAL - NON-TAX REVENUE	577,560	226,321	266,200	(39,879)	1,051,670	1,054,500	(2,830)
TOTAL - TAX REVENUE	26,917,810	3,736,037	3,668,000	68,037	31,624,713	30,314,200	1,310,513
TOTAL - Corporation Taxes	4,294,624	551,157	299,400	251,757	5,189,141	4,460,700	728,441
Accelerated Deposits	3,546	25,493	0	25,493	27,772	0	27,772
Corp. Net Income	2,318,757	478,548	243,100	235,448	3,294,726	2,586,100	708,626
Gross Receipts	1,104,560	2,078	2,300	(222)	990,402	1,005,900	(15,498)
PURTA	9,384	8,977	20,500	(11,523)	12,041	22,800	(10,759)
Insurance Premiums	470,832	28,428	29,700	(1,272)	456,622	483,100	(26,478)
Financial Institutions	387,545	7,633	3,800	3,833	407,578	362,800	44,778
TOTAL - Consumption Taxes	10,328,776	1,229,872	927,700	302,172	11,731,013	11,142,600	588,413
Sales and Use	9,144,501	1,195,584	922,500	273,084	10,478,492	9,948,600	529,892
General (net of transfers)	7,988,196	1,012,092	792,900	219,192	8,972,459	8,497,700	474,759
Motor Vehicle Sales	1,156,306	183,492	129,600	53,892	1,506,033	1,450,900	55,133
Cigarette Tax	747,323	(15,711)	(37,200)	21,489	776,915	729,700	47,215
Other Tobacco Products	106,773	12,024	10,000	2,024	111,228	104,600	6,628
Malt Beverage	18,863	2,700	1,900	800	19,075	19,300	(225)
Liquor	311,316	35,275	30,500	4,775	345,303	340,400	4,903
TOTAL - Other Taxes	12,294,410	1,955,008	2,440,900	(485,892)	14,704,560	14,710,900	(6,340)
Personal Income	10,871,409	1,723,576	2,295,400	(571,824)	12,932,041	13,231,300	(299,259)
Withholding	9,034,216	884,448	899,700	(15,252)	8,997,320	8,906,900	90,420
Non-Withholding	1,837,193	839,128	1,395,700	(556,572)	3,934,721	4,324,400	(389,679)
Realty Transfer	431,683	52,626	40,600	12,026	518,223	437,500	80,723
Inheritance & Estate	932,794	145,492	88,300	57,192	1,108,650	945,700	162,950
Minor & Repealed	(75,708)	4,366	1,200	3,166	(50,282)	(72,000)	21,718
Gaming	134,232	28,948	15,400	13,548	195,928	168,400	27,528
TOTAL - MOTOR LICENSE FUND	2,195,690	283,207	268,830	14,377	2,315,824	2,330,300	(14,476)
TOTAL - Liquid Fuels Taxes	1,444,072	159,856	161,300	(1,444)	1,385,276	1,446,900	(61,624)
Motor Carriers/IFTA	100,735	1,731	2,300	(569)	94,341	96,000	(1,659)
Alternative Fuels	11,629	1,263	1,300	(37)	9,732	10,000	(268)
Oil Company Franchise	1,331,718	156,861	157,700	(839)	1,281,244	1,340,900	(59,656)
Minor & Repealed	(9)	1	0	1	(41)	0	(41)
TOTAL - Licenses, Fees & Other	751,618	123,351	107,530	15,821	930,547	883,400	47,147
Licenses and Fees	748,191	114,604	106,300	8,304	909,499	874,400	35,099
Other Motor Receipts	3,427	8,748	1,230	7,518	21,049	9,000	12,049