



Pennsylvania Senate
**Appropriations
Committee**

Senator Pat Browne
Chairman



September 2017

Monthly Report

Budget Fix Remains Elusive

Despite the overwhelming approval of a state spending plan by both chambers of the General Assembly more than two months ago, additional legislation needed to fund that plan remains unfinished. In July, the Senate passed a responsible revenue package designed to close the \$1.5 billion operating deficit from the previous fiscal year and fully fund indispensable programs such as public education and services for people with intellectual disabilities in the current fiscal year. The House of Representatives has yet to approve legislation necessary to fund the General Appropriations bill that it passed by a vote of 173 to 27 on June 30th.

The House of Representatives is scheduled to return to voting session on September 11, 2017, and solving the budget crisis will be high on its agenda. Because the Commonwealth has not enacted a revenue package, Treasurer Joseph Torsella has indicated that Treasury can no longer prop up General Fund spending without violating his fiduciary duty to be a responsible steward of Commonwealth funds. Governor Tom Wolf has indicated recently that the Commonwealth will run out of money needed to pay its bills on September 15th, despite having received a \$700 million loan transfer from the Commonwealth’s Motor License Fund. Without a revenue package or additional loans, which ultimately must be repaid, the General Fund balance will remain below zero until spring of 2018 when significant tax collections are received in March and April, potentially forcing payments to be delayed or missed entirely.

The Senate revenue package includes a mix of revenue enhancements, expanded gaming and the securitization of future tobacco settlement funds. Revenue enhancements include a severance tax on natural gas and the reinstatement of the gross receipts tax on natural gas. Pennsylvania’s Marcellus Shale gas play has contributed greatly to the boom in domestically produced energy, which in turn has resulted in favorable natural gas prices to consumers.

Inside This Issue

PA State-Related Universities	2
General Fund Revenue Summary.....	4
General Fund Revenue Detail.....	5

State Treasurer Joseph M. Torsella warns that the General Fund will run out of cash to pay its bills by Friday, September 15.



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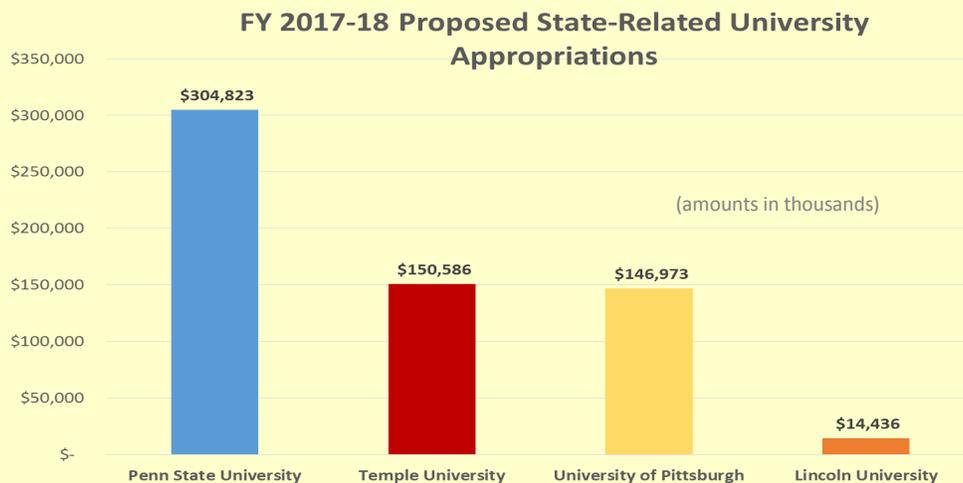
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Budget Fix Remains Elusive Continued

The Senate revenue package contains specific timeframes that provide for the effective implementation of its various provisions. As each month passes without action by the House of Representatives, delayed implementation results in approximately \$55 million of lost revenue. To date, Senate Appropriations estimates more than \$100 million of its revenue package has been lost due to House inaction.

Pennsylvania's State-Related Universities

Penn State University, The University of Pittsburgh, Temple University and Lincoln University are referred to as state-related universities. As state-related universities, they receive an annual, non-preferred financial appropriation requiring a two-thirds majority vote by the House of Representatives and the Senate. In return for the state funds, the state-related universities offer discounted tuition to students who are Pennsylvania residents. Chart 1 below shows the proposed appropriations levels for state-related universities for the current fiscal year, totaling \$618.8 million. Currently, funding for the state-related universities is awaiting action by the House of Representatives.



Each of the universities' boards of trustees includes a minority of state-appointed representatives. Legally, however, state-related universities are separate and private entities, in contrast to the 14 state-owned schools that are part of the Pennsylvania State System of Higher Education (PASSHE). This public-private hybrid system of higher education is unique in the nation.

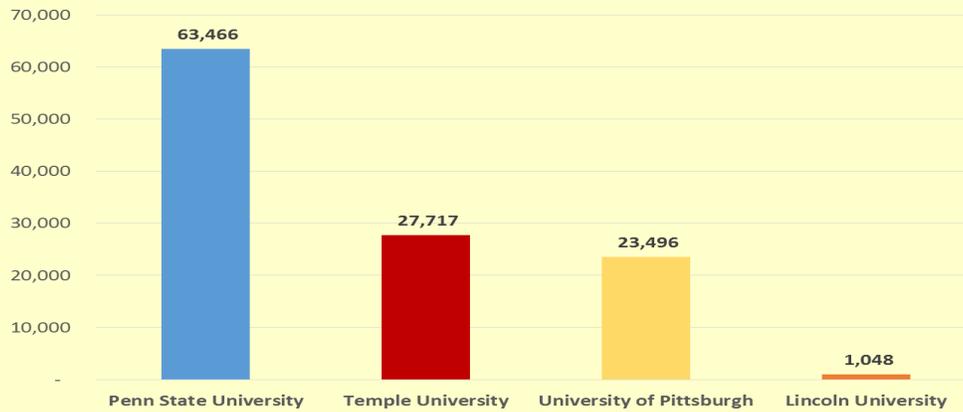
In fiscal year 2016-17, the Commonwealth appropriated a total of \$614.1 million to the state-related universities. Specifically, \$562.3 million to support education and general programs and \$51.8 million to support agricultural research and extension services provided by Penn State University.

The fiscal year 2017-18 budget contemplated by the Senate would appropriate a total of \$618.8 million to the state-related universities, \$2.7 million more than last year. Specifically, \$564.5 million will support education and general programs, and \$52.3 million will support agricultural research and extension services provided by Penn State University.

Unfortunately, the House of Representatives has yet to act upon a revenue package to support the budget and enact the non-preferred bills required to appropriate funds to the state-related universities.

In addition to the state-related universities, the University of Pennsylvania's School of Veterinary Medicine, the only other non-preferred appropriation, is also without funding due to the House of Representatives' inaction.

Pennsylvania Resident Student Enrollment by State-Related University

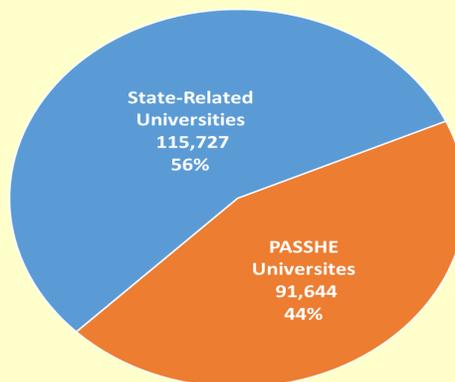


In the short-term, the lack of state support for the state-related universities will have little impact on the large universities. However, in the long term, the lack of state funds will require the state-related universities to significantly raise tuition rates for Pennsylvania’s students to make up for the loss of revenue. It will also cause Penn State University to lose both state and federal funds for its agricultural programs and likely result in the curtailment or closure of those programs.

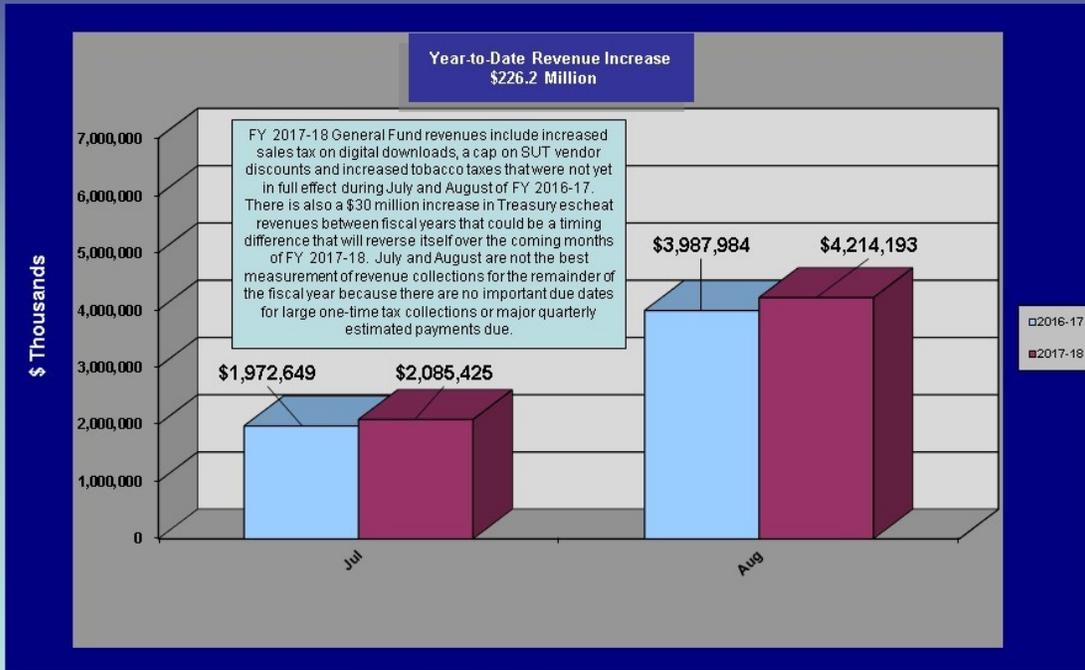
At present, 115,727 Pennsylvania resident students attend the state-related universities, which represents 56% of the Pennsylvania resident students enrolled in the Commonwealth’s four-year public institutions of higher education.

A recent report in the Chronicle of Higher Education listed the 50 most expensive 4-year public institutions of higher education with the highest published charges for tuition, fees, room, and board for state-residents included 11 of Pennsylvania’s state-related university campuses. The report included Penn State University at University Park (#4) and its branch campuses (Harrisburg (#15), Berks (#16), Penn College of Technology (#21), Altoona (#25), Hazleton (#34), Beaver (#37), Mont Alto (#37) and Greater Allegheny (#39)), the University of Pittsburgh main campus (#5) and Temple University (#24). One of the primary reasons for the high cost for tuition, fees, room, and board at our state-related universities is that state support has not kept pace with inflation. In FY 2016-17, the Commonwealth appropriated of \$614.1 million for the state-related universities, just \$6 million more than it appropriated in FY 1997-98.

Pennsylvania Resident Student Enrollment in 4-Year Public Higher Education

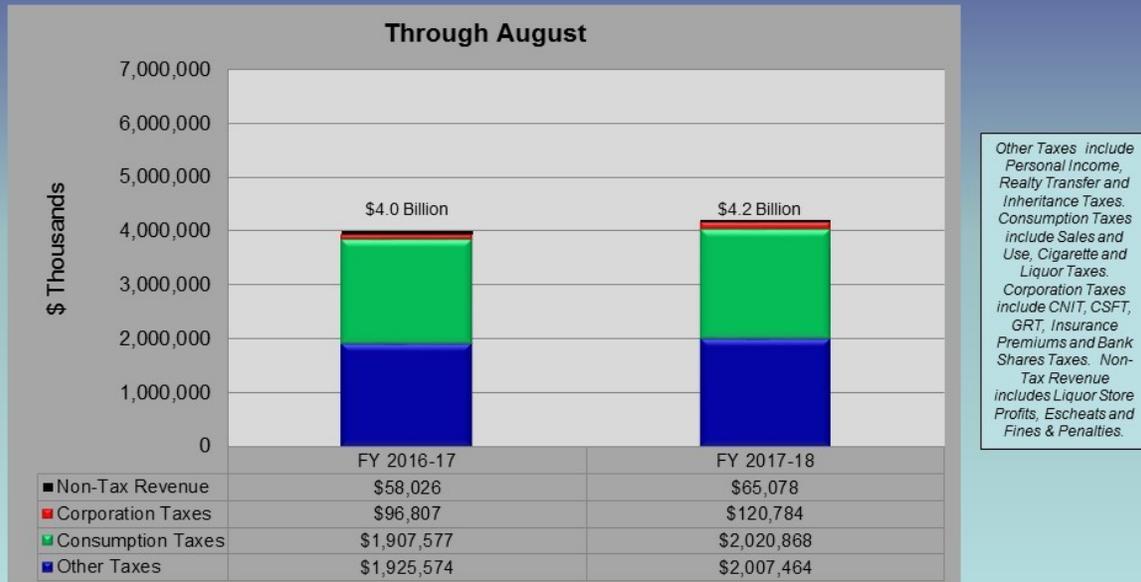


*General Fund Revenue Collections
Fiscal Year 2017-18
Revenue Comparison with Last Year*



Senate Appropriations Committee, Patrick M. Browne, Chairman

**General Fund
Year-to-Date Revenue Compared with Prior Year**



Senate Appropriations Committee, Patrick M. Browne, Chairman

Fiscal Year 2017-18

Senate Appropriations Committee

Monthly Revenue Report

REVENUE SOURCES	August 2017 Actual	August 2016 Actual	% Change vs. Prior Year	YTD Actual	Prior YTD Actual	% Change vs. Prior Year
TOTAL - GENERAL FUND	2,128,768	2,015,335	5.6%	4,214,193	3,987,984	5.7%
TOTAL - NON-TAX REVENUE	42,934	19,564	119.5%	65,078	58,026	12.2%
TOTAL - TAX REVENUE	2,085,834	1,995,772	4.5%	4,149,115	3,929,958	5.6%
TOTAL - Corporation Taxes	59,021	35,580	65.9%	120,784	96,807	24.8%
Accelerated Deposits	(595)	415	-243.6%	(213)	326	-165.3%
Corp. Net Income	47,495	26,870	76.8%	107,003	81,333	31.6%
Gross Receipts	1,997	5,056	-60.5%	3,069	7,812	-60.7%
PURTA	164	901	-81.8%	170	907	-81.3%
Insurance Premiums	9,239	1,593	480.0%	9,721	2,208	340.3%
Financial Institutions	721	745	-3.2%	1,034	4,222	-32.7%
TOTAL - Consumption Taxes	987,466	920,385	7.3%	2,020,868	1,907,577	5.9%
Sales and Use	838,691	790,818	6.1%	1,751,379	1,683,105	4.1%
General (net of transfers)	718,088	664,093	8.1%	1,514,882	1,448,054	4.6%
Motor Vehicle Sales	120,603	126,725	-4.8%	236,497	235,052	0.6%
Cigarette Tax	108,079	99,919	8.2%	187,536	163,837	14.5%
Other Tobacco Products	9,356	0	0.0%	19,443	0	0.0%
Malt Beverage	2,155	2,187	-1.5%	4,562	4,441	2.7%
Liquor	29,185	27,461	6.3%	57,948	56,194	3.1%
TOTAL - Other Taxes	1,039,348	1,039,807	0.0%	2,007,464	1,925,574	4.3%
Personal Income	899,531	893,728	0.6%	1,726,516	1,654,140	4.4%
Withholding	852,085	849,143	0.3%	1,628,637	1,566,793	3.9%
Non-Withholding	47,447	44,585	6.4%	97,879	87,347	12.1%
Realty Transfer	49,758	45,252	10.0%	90,158	778,036	15.9%
Inheritance & Estate	83,316	81,756	1.9%	166,343	158,816	4.7%
Minor & Repealed	(3,076)	10,510	-129.3%	5,031	16,264	-69.1%
Table Games	9,819	8,561	14.7%	19,417	18,551	4.7%