



Pennsylvania Senate Appropriations Committee

Senator Pat Browne
Chairman



October 2017

Monthly Report

Budget Negotiations Forge Ahead as First Quarter Draws to a Close

Negotiations continue between the General Assembly and the Administration to fully fund the fiscal year 2017-2018 budget. In June, the General Assembly passed a \$31.99 billion spending plan for the state to sufficiently fund our schools and human services for the 2017-2018 fiscal year. The Senate Republican caucus continues to push for a responsible solution to close the revenue deficit despite the policy and procedural hurdles that must be overcome to finalize the budget.

One-fourth of the fiscal year has drawn to a close. Total General Fund revenue for September 2017 was \$2.72 billion, which was \$92.4 million, or 3.5%, higher than General Fund revenue collected in September 2016. The Independent Fiscal Office's (IFO) monthly estimate for September projected slightly higher General Fund revenue collections of \$2.73 billion, leaving actual revenues \$12 million less than the IFO estimate for the month.

For the fiscal year-to-date, total General Fund revenue is 4.8% higher than FY 2016-17. General Fund revenue collections for the first quarter of the fiscal year are \$6.93 billion. The IFO quarterly estimate projected collections of \$6.91 billion, and so General Fund revenues are \$25 million, or 0.4%, ahead of the IFO estimate thus far this fiscal year. Therefore, General Fund revenue collections appear to be on track to meet expectations.

While General Fund revenue appears to be on track to meet the IFO forecast, it is important to note that the combined Personal Income Tax (PIT) and Sales and Use Tax (SUT) amounts are slightly lagging projections. Through September 2017, combined PIT and SUT collections are \$35 million below the forecasted collections in the IFO's quarterly distribution of its revenue estimate. Because, Personal Income Tax and Sales and Use Tax collections typically make up almost three-quarters of total General Fund revenue, it is too early to predict if we will meet or exceed our revenue estimate for the year.

Motor License Fund collections are \$118.2 million, or 17.8%, ahead of last year at this time. Compared to the IFO's quarterly estimate, Motor License Fund collections are \$79.6 million, or 11.3%, more than expected.

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RETIRED



**Greg Jordan retired on
September 27, 2017, and I wish
him all the best!**

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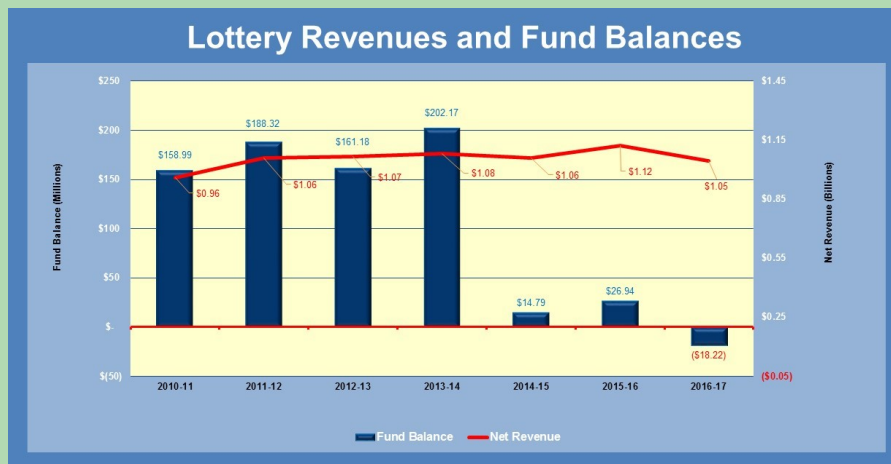
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Lottery Fund Balance Remains Cause for Concern

The Appropriations Committee's October 2016 Monthly Report warned that the Commonwealth's Lottery Fund was under severe financial strain. The Lottery Fund finished the 2016-17 fiscal year with an \$18.2 million negative ending balance, and the early projection for fiscal year 2017-18 looks bleak as well. The Pennsylvania Lottery supports programs for older residents such as pharmaceutical coverage, long-term care services and property tax/rent rebates.

The Lottery Fund typically includes a reserve balance that has been maintained at \$75 million in recent years. For fiscal year 2016-17, the reserve balance was spent down, leaving no reserve carried over into the current fiscal year. In order to shore up the fund going forward, the Administration may look to move more program expenditures out of the Lottery Fund and into other areas, such as the General Fund. However, as evidenced by the ongoing budget stalemate, there is very little room to accommodate additional spending in the General Fund.

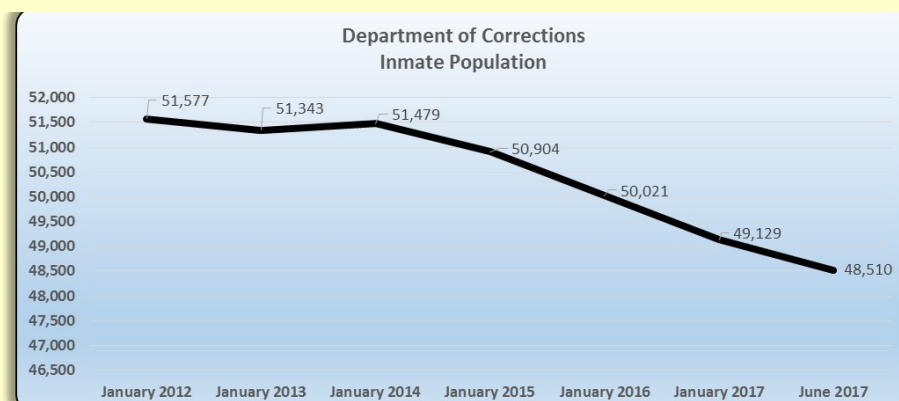
The chart offers a snapshot of Lottery Fund ending balances and net revenues, and highlights why the Appropriations Committee remains concerned about the fund.



Department of Corrections Population

The Department of Corrections (DOC) population decreased by nearly 6%, from 51,577 in 2012 to 48,510 in June of 2017. The large reduction in DOC population can be attributed to the success of the Justice Reinvestment Initiative (JRI), which aims to reduce the inmate population, while redirecting resources to crime prevention programs. JRI was enacted in 2012, and, in 2014, the inmate population within state correctional institutions decreased by 883, the largest one-year drop in population since 1971.

To build on prior efforts and to address current challenges related to costs, supervision and recidivism, state leaders have again embarked on a justice reinvestment approach to develop policies that will increase the state's return on investment in corrections. By adopting these proposed policies, Pennsylvania is projected to reduce the state prison population by 1,032 people and avert at least \$108 million in corrections costs between FY2018 and FY2022. This will enable the state to reinvest savings in strategies to improve public safety, including strengthening probation and parole supervision and increasing funding for alternatives to incarceration that have been shown to reduce recidivism.



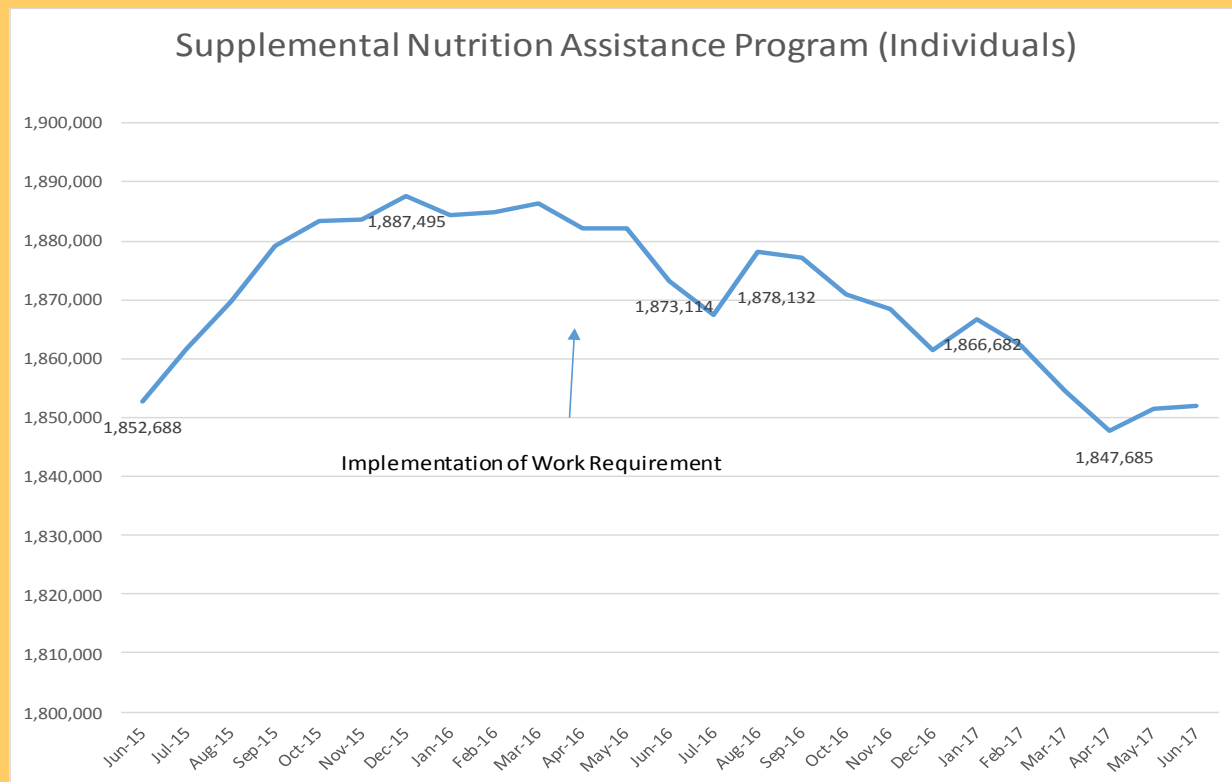
Supplemental Nutrition Assistance Program

Supplemental Nutrition Assistance Program (SNAP), formerly known as the Food Stamp program, is a federally funded program that provides a monthly supplement for purchasing nutritious food. Qualified recipients spend their benefits (provided on an Electronic Benefits Transfer card that is used like an ATM card) to buy eligible food in authorized retail food stores. To be eligible for SNAP, most households must meet certain resource and income limits. A household with an elderly or disabled household member needs only to meet the net income limit.

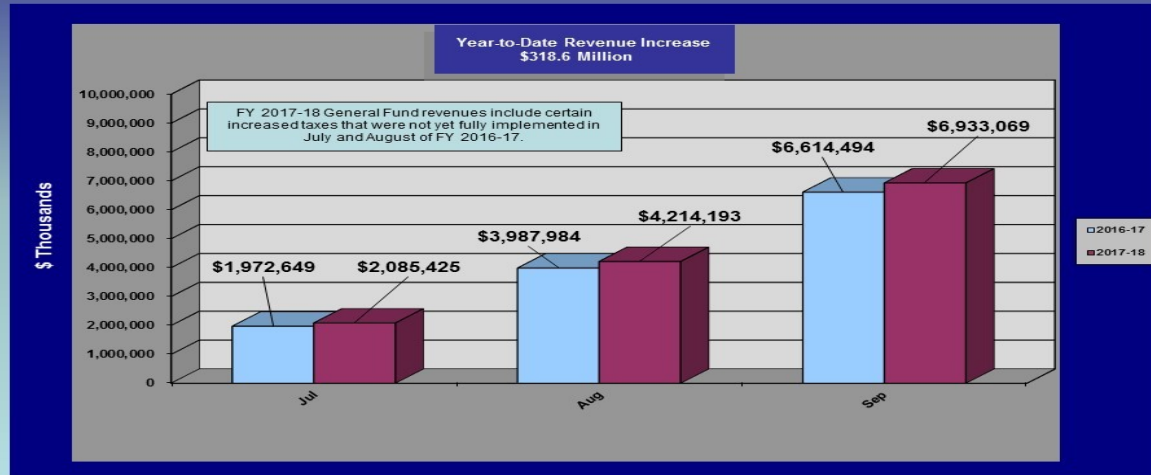
Since the 2008 economic crisis, Pennsylvania was approved to waive the SNAP work requirements. The waiver expired on December 31, 2015, and the Commonwealth was not eligible for an extension. Beginning on March 1, 2016, SNAP recipients classified as "Able-Bodied Adults Without Dependents", ages 18 through 49 with no dependents, are required to fulfill work requirements in order to continue receiving SNAP benefits. The work requirements are an average of 80 hours or more per month; participating in and complying with a Workforce Innovation and Opportunity Act program, a Trade Adjustment Assistance Act program or an approved employment and training program for 80 hours or more per month; or participating in and complying with a workforce program for 80 hours or more per month.

There are currently 43 counties that have the work requirement fully implemented and 8 counties where the work requirement is implemented but with some civil subdivision exemptions. These subdivisions and the remaining 16 counties do not need to implement a work requirement because their unemployment rate is at least 20% above the national average.

From June 2015 through February 2016, 32,085 additional individuals enrolled in SNAP (1.7% increase). Since the implementation of the work requirement on March 2016 through June 2017, Pennsylvania has seen a decline of 34,305 SNAP recipients (1.8% reduction).

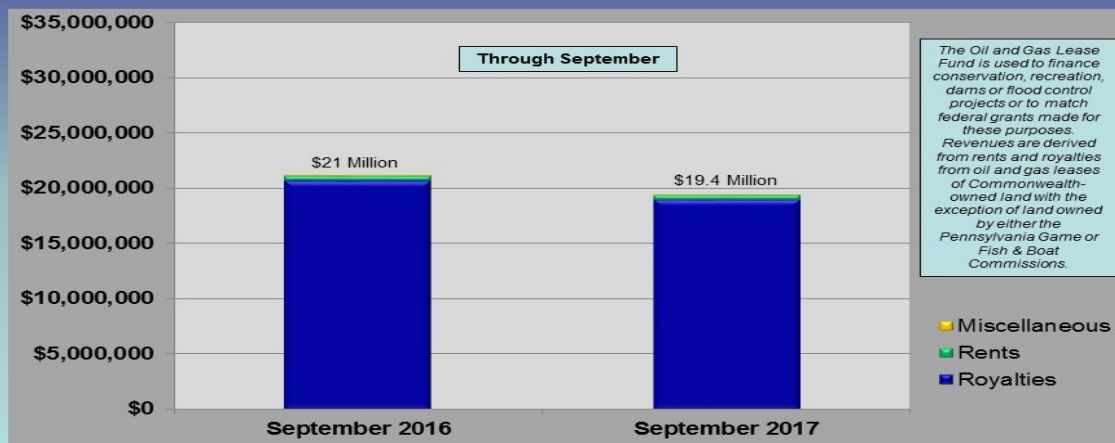


General Fund Revenue Collections
Fiscal Year 2017-18
Revenue Comparison with Last Year



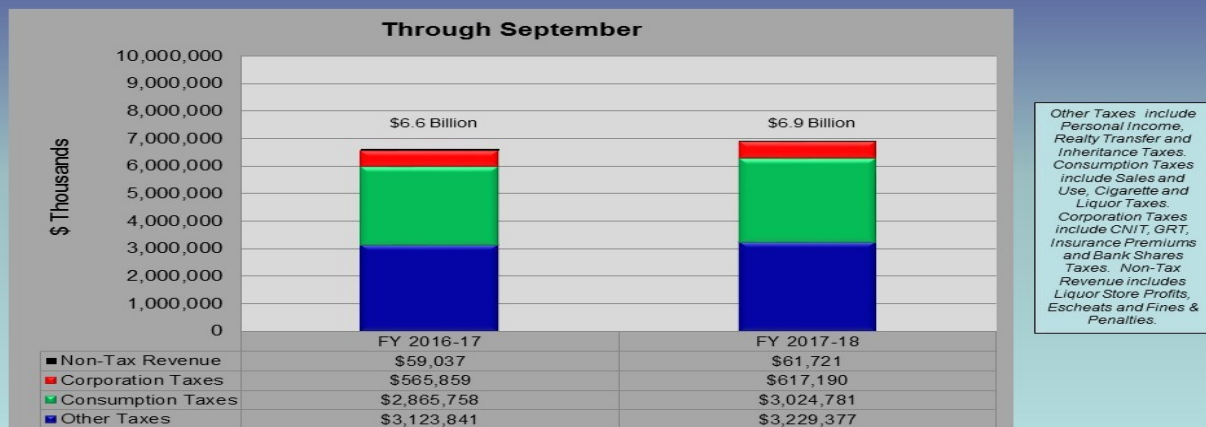
Senate Appropriations Committee, Patrick M. Browne, Chairman

Oil and Gas Lease Fund
Year-to-Date Revenue Compared with Prior 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

(\$ thousands)

REVENUE SOURCES	September 2017 Actual	September 2016 Actual	% Change vs. Prior Year	YTD Actual	Prior YTD Actual	% Change vs. Prior Year
TOTAL - GENERAL FUND	2,718,876	2,626,510	3.5%	6,933,069	6,614,494	4.8%
TOTAL - NON-TAX REVENUE	(3,357)	1,011	-432.0%	61,721	59,037	4.5%
TOTAL - TAX REVENUE	2,722,233	2,625,499	3.7%	6,871,348	6,555,458	4.8%
TOTAL - Corporation Taxes	496,407	469,052	5.8%	617,190	565,859	9.1%
Accelerated Deposits	195	837	-76.7%	(18)	1,163	-101.5%
Corp. Net Income	480,139	447,836	7.2%	587,142	529,169	11.0%
Gross Receipts	296	9,855	-97.0%	3,364	17,666	-81.0%
PURTA	925	1,287	-28.1%	1,095	2,194	-50.1%
Insurance Premiums	163	1,083	-85.0%	9,884	3,291	200.4%
Financial Institutions	14,689	8,154	80.1%	15,723	12,376	27.0%
TOTAL - Consumption Taxes	1,003,913	958,180	4.8%	3,024,781	2,865,758	5.5%
Sales and Use	839,783	811,451	3.5%	2,591,162	2,494,556	3.9%
General (net of transfers)	721,584	688,523	4.8%	2,236,466	2,136,577	4.7%
Motor Vehicle Sales	118,200	122,928	-3.8%	354,696	357,979	-0.9%
Cigarette Tax	121,860	115,914	5.1%	309,395	279,751	10.6%
Other Tobacco Products	10,368	23		29,811	23	
Malt Beverage	2,359	2,546	-7.3%	6,920	6,986	-0.9%
Liquor	29,543	28,247	4.6%	87,491	84,441	3.6%
TOTAL - Other Taxes	1,221,913	1,198,267	2.0%	3,229,377	3,123,841	3.4%
Personal Income	1,110,042	1,077,430	3.0%	2,836,557	2,731,570	3.8%
Withholding	750,467	711,442	5.5%	2,379,103	2,278,235	4.4%
Non-Withholding	359,575	365,988	-1.8%	457,454	453,334	0.9%
Realty Transfer	39,934	41,884	-4.7%	130,092	119,688	8.7%
Inheritance & Estate	67,361	64,741	4.0%	233,704	223,556	4.5%
Minor & Repealed	(6,811)	3,175	-314.5%	(1,780)	19,438	-109.2%
Table Games	11,388	11,038	3.2%	30,804	29,589	4.1%