



# Pennsylvania Senate Appropriations Committee

Senator Pat Browne  
Chairman



MARCH 2018

## Monthly Report

### Context Needed as February Revenue Collections Exceed Estimates

General Fund revenue collections for the month of February exceeded expectations, largely as the result of proceeds received from the securitization of \$1.5 billion of Tobacco Settlement Fund (TSF) revenues. Included as part of the FY 2017-18 budget's Official Revenue Estimate, approximately \$1.25 billion was anticipated to be received from the securitization. Actual revenues received from the transaction totaled \$1.5 billion, which, along with Category 4 gaming license fee and Liquor Store profit payments, resulted in non-tax revenues surpassing the monthly revenue estimate by nearly \$400 million. February's revenue performance brings the year-to-date surplus to nearly \$500 million.

However, It is important to note that the FY 2017-18 Official Revenue Estimate anticipates the transfer of \$200 million from the Joint Underwriting Association (JUA) to occur in June 2018. The association sued the Commonwealth in federal court to block the \$200 million transfer, and it is an open question whether the issue will be resolved before fiscal year's end. Therefore, although February's non-tax revenues exceeded the estimate, similar non-tax revenues due in June might not be realized. The net effect is that this month's windfall likely will be undone in June.

In addition, the enactment of federal tax reform in late 2017 resulted in early prepayments of tax liabilities in December and January that would normally be paid in the spring of 2018. These accelerated payments could depress payments received in March, April and May by approximately \$100 million to \$200 million, in effect largely offsetting the remaining year-to-date surplus. Nevertheless, this year's financial position has greatly improved from one year ago when General Fund revenues were nearly \$450 million below estimate.

~Continued~

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Senator Browne and other Republican  
leaders react to Governor Wolfe's  
FY 2018-19 budget proposal.

<http://>

[www.senatorbrowne.com/2018/02/06/  
response-governors-budget-address/](http://www.senatorbrowne.com/2018/02/06/response-governors-budget-address/)

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## Context Needed as February Revenue Collections Exceed Estimates, Continued.....

### February General Fund Revenue:

- General Fund revenue collections of \$3.58 billion exceeded the monthly estimate by \$406.3 million.
  - ♦ \$398.8 million of the monthly surplus is attributable to non-tax revenues mostly resulting from the TSF securitization revenues and, to a lesser extent, Liquor Store profits and Category 4 gaming license fees.
- General Fund tax revenues were above estimate by \$7.5 million, or 0.4%.
- Corporation taxes were \$6.4 million, or 7.7%, below the estimate.
- Sales and use tax collections were ahead of estimate by \$1.7 million, or 0.2%, for the month.
- Personal income tax collections were above the estimate by \$5.1 million, or 0.6%.
- Non-tax revenues, including TSF securitization revenues beat the estimate by \$398.8 million, or 31.2%.

### Fiscal Year 2017-18 vs. the Official Revenue Estimate To-Date:

- Total General Fund revenues are \$496 million, or 2.4%, higher than the Official Revenue Estimate through the month of February.
- General Fund tax revenue is \$95.7 million, or 0.5%, more than estimate.
- Corporation taxes are \$30.5 million, or 2%, short of the estimate.
- Sales and use taxes are \$4.3 million, or 0.1%, below the estimate.

## Pennsylvania's State Business Tax Climate Index Recedes

According to a recent study by the Tax Foundation, Pennsylvania's *State Business Tax Climate Index* receded slightly to 26<sup>th</sup> for 2018 compared to other states. Bolstered by the phase-out of the capital stock & franchise tax, the Commonwealth's business tax climate index had been steadily improving from 30<sup>th</sup> in 2015; to 28<sup>th</sup> in 2016; and to 23<sup>rd</sup> in 2017. The recent slip in the index to 26<sup>th</sup> for 2018 deserves consideration, especially as policy makers formulate decisions in reaction to the Federal Tax Cuts and Jobs Act.

The Tax Foundation rankings are based upon state tax systems as of July 1, 2017. Therefore, the index is based upon state tax systems prior to the enactment of federal tax reform in late 2017. The Wolf Administration's decision to not only disallow 100% bonus depreciation but also to provide for no additional mechanism for cost recovery with respect to qualified property for which the federal bonus rules apply until it is either sold or disposed of can only serve to negatively affect Pennsylvania's ranking in the future. The Senate Republican Caucus is working to mitigate the effects of the Administration's detrimental actions as part of the FY 2018-19 budget process.

Please refer to the table on page 3 for a list of rankings.

## 2018 State Business Tax Climate Index Ranks and Component Tax Ranks

	Overall Rank	Corporate Tax Rank	Individual Income Tax Rank	Sales Tax Rank	Property Tax Rank	Unemployment Insurance Tax Rank
Alabama	35	22	22	49	12	11
Alaska	3	26	1	5	38	25
Arizona	21	13	18	47	6	15
Arkansas	39	39	30	44	22	32
California	48	32	50	41	13	13
Colorado	18	18	15	39	14	35
Connecticut	44	31	37	27	49	19
Delaware	15	50	34	1	20	3
Florida	4	19	1	29	10	2
Georgia	36	10	42	28	23	38
Hawaii	27	14	31	23	16	27
Idaho	20	25	23	26	3	46
Illinois	29	36	16	35	45	42
Indiana	9	23	10	9	4	10
Iowa	40	48	33	19	39	34
Kansas	23	38	19	31	19	12
Kentucky	33	27	29	14	36	47
Louisiana	42	40	27	50	30	4
Maine	28	41	26	8	41	44
Maryland	43	20	46	18	42	24
Massachusetts	22	35	12	12	46	49
Michigan	12	8	14	11	21	48
Minnesota	46	43	45	25	28	37
Mississippi	24	11	20	38	35	5
Missouri	16	5	28	24	7	7
Montana	6	12	21	3	9	20
Nebraska	25	28	24	13	40	9
Nevada	5	33	1	42	8	45
New Hampshire	7	45	9	2	44	43
New Jersey	50	42	48	46	50	36
New Mexico	34	24	35	40	1	16
New York	49	7	49	43	47	30
North Carolina	11	3	13	20	32	6
North Dakota	30	16	36	34	2	14
Ohio	45	47	47	30	11	8
Oklahoma	32	9	38	36	15	1
Oregon	10	34	32	4	18	31
<b>Pennsylvania</b>	<b>26</b>	<b>44</b>	<b>17</b>	<b>21</b>	<b>33</b>	<b>50</b>
Rhode Island	41	30	39	22	43	23
South Carolina	37	15	41	32	24	29
South Dakota	2	1	1	33	25	39
Tennessee	14	21	8	45	29	22
Texas	13	49	6	37	37	26
Utah	8	4	11	17	5	21
Vermont	47	37	44	16	48	18
Virginia	31	6	40	10	31	41
Washington	17	46	6	48	27	17
West Virginia	19	17	25	15	17	28
Wisconsin	38	29	43	7	26	40
Wyoming	1	1	1	6	34	33
Dist. of Columbia	47	26	43	34	45	30

Note: A rank of 1 is best, 50 is worst. Rankings do not average to the total. States without a tax rank equally as 1. D.C.'s score and rank do not affect other states. The report shows tax systems as of July 1, 2017 (the beginning of Fiscal Year 2018).

Source: Tax Foundation. [https://files.taxfoundation.org/20171016171625/SBTCL\\_2018.pdf](https://files.taxfoundation.org/20171016171625/SBTCL_2018.pdf)



## FY 2018-19 Budget Hearings Update

Each year following the announcement of the Governor's Executive Budget, the Senate and House Appropriations Committees hold several weeks of public hearings to review the Governor's proposal and budget requests from state agencies. The Senate Appropriations Committee kicked off this year's hearing process on February 20<sup>th</sup>, and hearings are scheduled to conclude with testimony from the Governor's Budget Secretary on March 8<sup>th</sup>.

Throughout the hearings, Senate Appropriations Committee members, and the public, have the opportunity to perform a thorough review in order to learn more about the Governor's \$33.2 billion spending plan from department and row office officials. Committee members gathered more information about the approximately \$300 million in new or expanded initiatives, as well as proposed policy and programmatic changes, such as the merger of the departments of Health and Human Services. As hearings draw to a close, discussions between the Senate, House and the Governor will begin in earnest to work toward a final FY 2018-19 budget deal.

Video and summaries of the hearings can be found on the Senate Republican's website;  
<http://www.pasenategop.com/budget-hearings-summary/>.





# Fiscal Year 2017-18

## Senate Appropriations Committee

### Monthly Revenue Report

(\$ thousands)

<b>REVENUE SOURCES</b>	<b>YTD FY 2016-17</b>	<b>February 2018 Actual</b>	<b>February 2018 Estimated</b>	<b>Surplus/ (Deficit)</b>	<b>YTD Actual</b>	<b>YTD Estimated</b>	<b>Surplus/ (Deficit)</b>
<b>TOTAL - GENERAL FUND</b>	<b>17,972,553</b>	<b>3,581,379</b>	<b>3,175,100</b>	<b>406,279</b>	<b>20,949,162</b>	<b>20,453,200</b>	<b>495,962</b>
<b>TOTAL - NON-TAX REVENUE</b>	<b>292,755</b>	<b>1,676,813</b>	<b>1,278,000</b>	<b>398,813</b>	<b>2,220,875</b>	<b>1,820,600</b>	<b>400,275</b>
<b>TOTAL - TAX REVENUE</b>	<b>17,679,799</b>	<b>1,904,567</b>	<b>1,897,100</b>	<b>7,467</b>	<b>18,728,288</b>	<b>18,632,600</b>	<b>95,688</b>
<b>TOTAL - Corporation Taxes</b>	<b>1,452,889</b>	<b>76,982</b>	<b>83,400</b>	<b>(6,418)</b>	<b>1,517,706</b>	<b>1,548,200</b>	<b>(30,494)</b>
Accelerated Deposits	1,726	2,145	0	2,145	4,527	0	4,527
Corp. Net Income	1,280,678	59,535	50,800	8,735	1,383,208	1,422,600	(39,392)
Cap. Stock & Franchise	34,953	0	0	0	0	0	0
Gross Receipts	47,319	3,525	6,400	(2,875)	43,317	44,400	(1,083)
PURTA	2,344	0	0	0	1,504	1,300	204
Insurance Premiums	62,950	8,891	23,200	(14,309)	57,129	49,600	7,529
Financial Institutions	22,920	2,885	3,000	(115)	28,020	30,300	(2,280)
<b>TOTAL - Consumption Taxes</b>	<b>7,716,362</b>	<b>860,589</b>	<b>857,600</b>	<b>2,989</b>	<b>7,995,821</b>	<b>8,022,600</b>	<b>(26,779)</b>
Sales and Use	6,596,182	734,182	732,500	1,682	6,859,569	6,863,900	(4,331)
General (net of transfers)	5,712,498	643,201	635,800	7,401	5,968,872	5,954,700	14,172
Motor Vehicle Sales	883,684	90,981	96,700	(5,719)	890,698	909,200	(18,502)
Cigarette Tax	814,900	88,653	86,400	2,253	792,687	807,000	(14,313)
Other Tobacco Products	44,571	9,691	9,700	(9)	78,491	79,200	(709)
Malt Beverage	16,463	1,387	1,800	(413)	15,855	16,200	(345)
Liquor	244,246	26,675	27,200	(525)	249,219	256,300	(7,081)
<b>TOTAL - Other Taxes</b>	<b>8,510,548</b>	<b>966,996</b>	<b>956,100</b>	<b>10,896</b>	<b>9,214,761</b>	<b>9,061,800</b>	<b>152,961</b>
Personal Income	7,522,755	857,208	852,100	5,108	8,161,222	8,023,000	138,222
Withholding	6,253,268	806,749	790,900	15,849	6,654,502	6,626,900	27,602
Non-Withholding	1,269,488	50,459	61,200	(10,741)	1,506,720	1,396,100	110,620
Realty Transfer	309,746	27,797	30,500	(2,703)	334,457	336,000	(1,543)
Inheritance & Estate	598,489	71,206	63,700	7,506	629,280	631,400	(2,120)
Minor & Repealed	2,248	1,215	500	715	10,403	(8,000)	18,403
Table Games (Gaming)	77,309	9,570	9,300	270	79,400	79,400	(0)
<b>TOTAL - MOTOR LICENSE FUND</b>	<b>1,720,452</b>	<b>254,778</b>	<b>233,710</b>	<b>21,068</b>	<b>1,948,301</b>	<b>1,895,040</b>	<b>53,261</b>
<b>TOTAL - Liquid Fuels Taxes</b>	<b>1,147,167</b>	<b>158,661</b>	<b>161,700</b>	<b>(3,039)</b>	<b>1,264,380</b>	<b>1,266,700</b>	<b>(2,320)</b>
Liquid Fuels	58	1	0	1	6	0	6
Fuels	0	0	0	0	0	0	0
Motor Carriers/IFTA	69,189	28,616	23,800	4,816	97,022	88,300	8,722
Alternative Fuels	6,866	1,156	1,000	156	9,475	8,600	875
Oil Company Franchise	1,071,053	128,889	136,900	(8,011)	1,157,877	1,169,800	(11,923)
<b>TOTAL - Licenses, Fees &amp; Other</b>	<b>573,285</b>	<b>96,117</b>	<b>72,010</b>	<b>24,107</b>	<b>683,921</b>	<b>628,340</b>	<b>55,581</b>
Licenses and Fees	562,667	89,744	70,900	18,844	636,293	584,500	51,793
Other Motor Receipts	10,618	6,373	1,110	5,263	47,628	43,840	3,788