

FASTFACTS

House Appropriations Committee (D)

JOE MARKOSEK, DEMOCRATIC CHAIRMAN

June 1, 2017



General Fund Revenue Update: May

May is normally a quiet month for General Fund revenues, but not this year. With many moving parts complicating the story, the General Fund gained back some financial ground, finishing \$98.5 million higher than expected.

Timing issues for the corporate net income tax and escheats revenues pushed May collections higher (offsetting lower than expected performances last month). At the same time, a major revenue source assumed in last summer's revenue package – the \$200 million JUA loan – failed to materialize and spawned a lawsuit in the process. Finally, cost trends in the Medicaid budget triggered a separate loan to the General Fund, which was recognized as revenue this month.

Entering June, our year-to-date revenue shortfall is over \$1 billion. A responsible 2017/18 budget demands real, recurring, sustainable revenues, not shaky promises for revenues that may or may not materialize at some point. Continued rejection of dependable revenues will only lead to more cuts that shirk our responsibilities and pass the buck to our local governments.

For May:

- Total General Fund collections were \$98.5 million higher than expected (4.0 percent)
- General Fund tax revenues were \$60.1 million more than anticipated (2.7 percent)
- Corporation taxes were \$132.4 million above estimate (135.0 percent)

Corporate net income tax revenues were \$142.3 million higher than expected.

As discussed in last month's report, this overage is driven by a timing change.

Last year, Act 84 changed the due date for the corporate net income tax for tax years 2016 and later to 30 days after the taxpayer's federal return is due.

A good portion of April's shortfall was made up by higher May revenues for this tax type.

- Sales and use tax collections were lower than estimate, finishing \$5.8 million less than expected (0.7 percent)
 - Non-motor collections were \$7.7 million lower than projected (1.1 percent)

Motor vehicle collections were \$1.9 million above estimate (1.5 percent)

- Personal income tax collections were \$38.0 million lower than expected (4.0 percent)
 - Employer withholdings on wages and salaries were \$11.6 million less than anticipated (1.3 percent)
 - Non-withheld collections were \$26.4 million below estimate (34.1 percent)
- Non-tax revenues were \$38.4 million more than anticipated (13.4 percent).

Escheats revenue from unclaimed property also exhibited some shifting between months, coming in \$76.0 million above May's estimate after falling short by \$57 million last month.

One of the major revenue sources assumed as part of the revenue package passed last summer was a \$200 million loan to the General Fund from the Pennsylvania Professional Liability Joint Underwriting Association, or JUA. The JUA is a nonprofit that was established in statute to provide medical professional liability insurance.

It operates no differently from other medical professional liability insurers, with independent management and rate setting that must be reviewed by the Insurance Department.

On May 18, the JUA sued in federal court to challenge the loan. As a result, this revenue will not be realized this fiscal year, if at all.

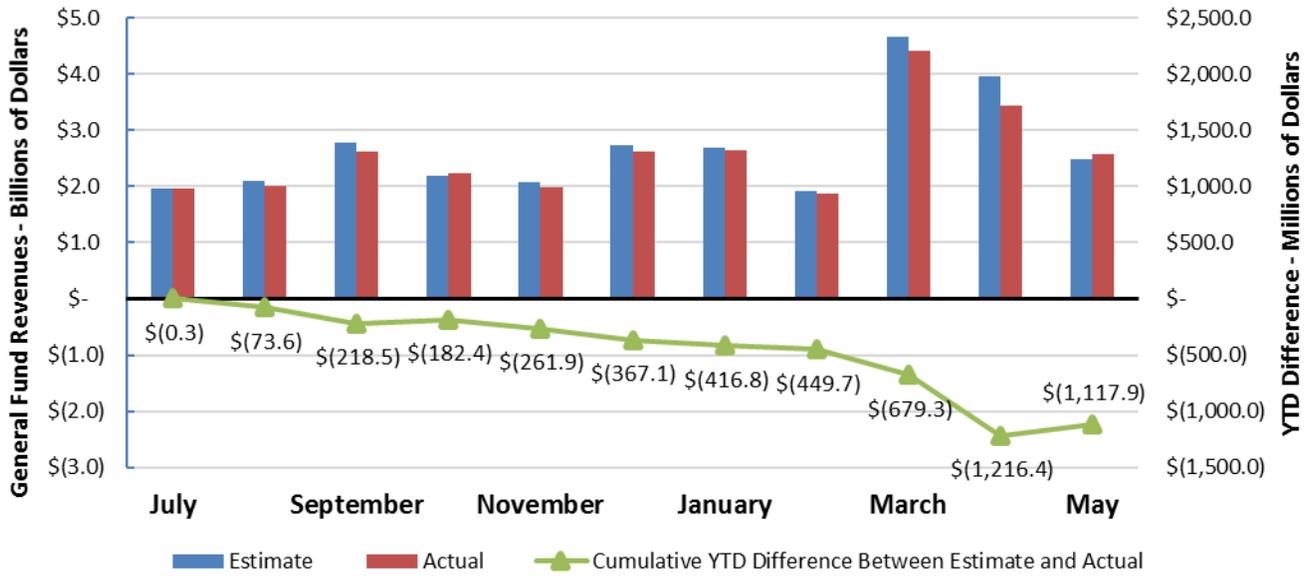
Offsetting part of the failed JUA loan is a \$165 million loan to the General Fund from the Workers' Compensation Security Fund (WCSF). Because the Secretary of the Budget certified a deficiency was expected in Medical Assistance appropriations for 2016/17 and supplemental appropriations are required, the General Appropriations Act authorized the loan, which was recognized as revenue this month. Current law requires this loan to be repaid to the WCSF within 90 days.

- As we enter the final month of the 2016/17 fiscal year:
 - Cumulative General Fund revenues are \$1.117 billion lower than expected (3.8 percent)
 - General Fund tax revenue is \$1.111 billion lower than projected (3.9 percent)
 - Corporation taxes are \$445.0 million below the official estimate (9.7 percent)
 - Sales and use taxes are \$195.8 million less than expected (2.1 percent)
 - Personal income tax collections are \$362.7 million lower than anticipated (3.1 percent)
 - Non-tax revenues are \$6.1 million lower than estimated (0.7 percent).

- Compared to year-to-date collections during the last fiscal year,
 - Total General Fund revenues are 2.0 percent higher
 - General Fund tax revenue is 1.1 percent higher
 - Corporation taxes are 8.9 percent lower
 - Sales and use taxes have increased by 1.5 percent
 - Personal income tax collections are 1.8 percent higher

General Fund Revenues - Year-to-Date Performance vs Official Estimate				
	<i>Amount in Millions</i>	YTD Estimate	YTD Collections	Change
General Fund Total		29,523.3	28,405.4	(1,117.9)
Tax Revenue Total		28,638.4	27,526.5	(1,111.9)
Corporation Taxes		4,610.3	4,165.3	(445.0)
Consumption Taxes		10,820.1	10,581.4	(238.7)
Sales and Use Tax		9,207.3	9,011.5	(195.8)
Cigarette Tax		1,192.8	1,142.2	(50.6)
Other Tobacco Products		54.9	73.5	18.6
Malt Beverage Tax		22.0	22.1	0.1
Liquor Tax		343.1	332.2	(10.9)
Other Taxes		13,208.0	12,779.8	(428.2)
Personal Income Tax		11,806.4	11,443.7	(362.7)
Realty Transfer Tax		492.0	424.2	(67.8)
Inheritance Tax		880.4	855.3	(25.1)
Table Games		109.0	109.7	0.7
Minor and Repealed		(79.8)	(53.1)	26.7
Non-Tax Revenue		884.9	878.8	(6.1)

2016/17 General Fund Revenue Performance



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Miriam A. Fox, Executive Director

Eric Dice, Budget Analyst

Mark Shade, Communications Director