Memo

From the House Appropriations Committee (D)

TO: House Democratic Members and Interested Parties

FROM: Rep. Matt Bradford, Chairman

SUBJECT: Revenue Surplus

DATE: May 1, 2019

Let's thank Gov. Tom Wolf for the reality today that the commonwealth is exceeding revenue expectations. Plain and simple: It is good news we are more than $800 million in the black in revenue collections, so far.

Our current surplus is the culmination of a 10-year economic expansion and the improved health of our economy.

However, if you look inside our schools or drive down our highways or think about the hundreds of millions of dollars Pennsylvania will need once the turnpike funding cliff arrives, you might not pound your chest so quickly.

The sobering reality of Pennsylvania's fiscal moment is we still have work to do to get to the day that our revenue picture is healthy and sustainable.

They say the best time to fix your roof is when the sun is shining. So let us fix our roof, and our infrastructure, and our public schools, and raise the minimum wage, too.

We need to resume paying for school construction, cure our sick schools, and stop borrowing billions to pay our basic monthly bills. We also need to continue upholding our end of the bargain with our retirement systems, so taxpayers will not be required to make up the difference.

For many years, we have patched together budgets by delaying our bills, borrowing money, using one-time sources, shifting costs and underfunding critical priorities. It will take years to truly undo the damage done by Republican legislative majorities.

We should proceed to craft an honest budget that ends these games and prepares for the future with a healthy rainy day fund.

We still have an aging population; underfunded schools that lead to higher property taxes; families that struggle to send their kids to college; roads, bridges, water and sewer infrastructure that needs to be fixed; and an approaching mass transit funding cliff.

Our problems are real, and the people of Pennsylvania need and expect us to fix them now while the sun is shining.

FAST FACTS
House Appropriations Committee (D)
MATT BRADFORD, DEMOCRATIC CHAIRMAN May 1, 2019

Turning Heads: April Revenue

General Fund revenues surged in April, exceeding the official estimate for the month by $464.7 million, or 11.8 percent. Through 10 months of the fiscal year, revenues are now $828.2 million more than expected, or 2.9 percent; a major increase from March.

Almost all tax types performed well this past month, with the real story coming from the personal income tax. Many taxpayers file their final payments in April, and these remittances exceeded the estimate by $328.5 million or 34.0 percent. One possible explanation is that taxpayers paid less than normal with their quarterly estimated payments in December and January, but made up the difference with the final payments in April. This shift is a significant change from usual patterns, but federal tax changes have affected normal taxpayer behavior.

In addition to the personal income tax, the other two largest tax categories had strong months. The corporate net income tax finished $76.1 million above estimate, or 31.1 percent – also driven by strong final payments. The sales tax saw collections $43.2 million above estimate, or 4.6 percent.

Looking ahead, May is a much smaller revenue month compared to March and April. The Independent Fiscal Office will issue a new revenue estimate for 2019/20 later in the month.

For April:

- Total General Fund collections were $464.7 million higher than expected (11.8 percent)
- General Fund tax revenues were $463.0 million higher than anticipated (12.5 percent)
- Corporation taxes were $89.7 million above estimate (30.3 percent)
  - ◊ The corporate net income tax was $76.1 million more than expected (31.1%)
- Sales and use tax collections exceeded the estimate by $43.2 million (4.6 percent)
  - ◊ Non-motor collections were $27.8 million higher than projected (3.5 percent)
  - ◊ Motor vehicle collections were $15.4 million above estimate (11.8 percent)
  - Personal income tax collections were $330.5 million higher than expected (15.1 percent)
  - ◊ Employer withholdings on wages and salaries were $4.0 million less than anticipated (0.5 percent)
  - ◊ Non-withheld collections were $334.6 million above projections (25.1 percent)
    - ➢ Quarterly estimated payments were $6.0 million above estimate (1.6 percent)
    - ➢ Final annual payments were $328.5 million above estimate (34.0 percent)
- Non-tax revenues were $1.7 million more than anticipated (0.7 percent)

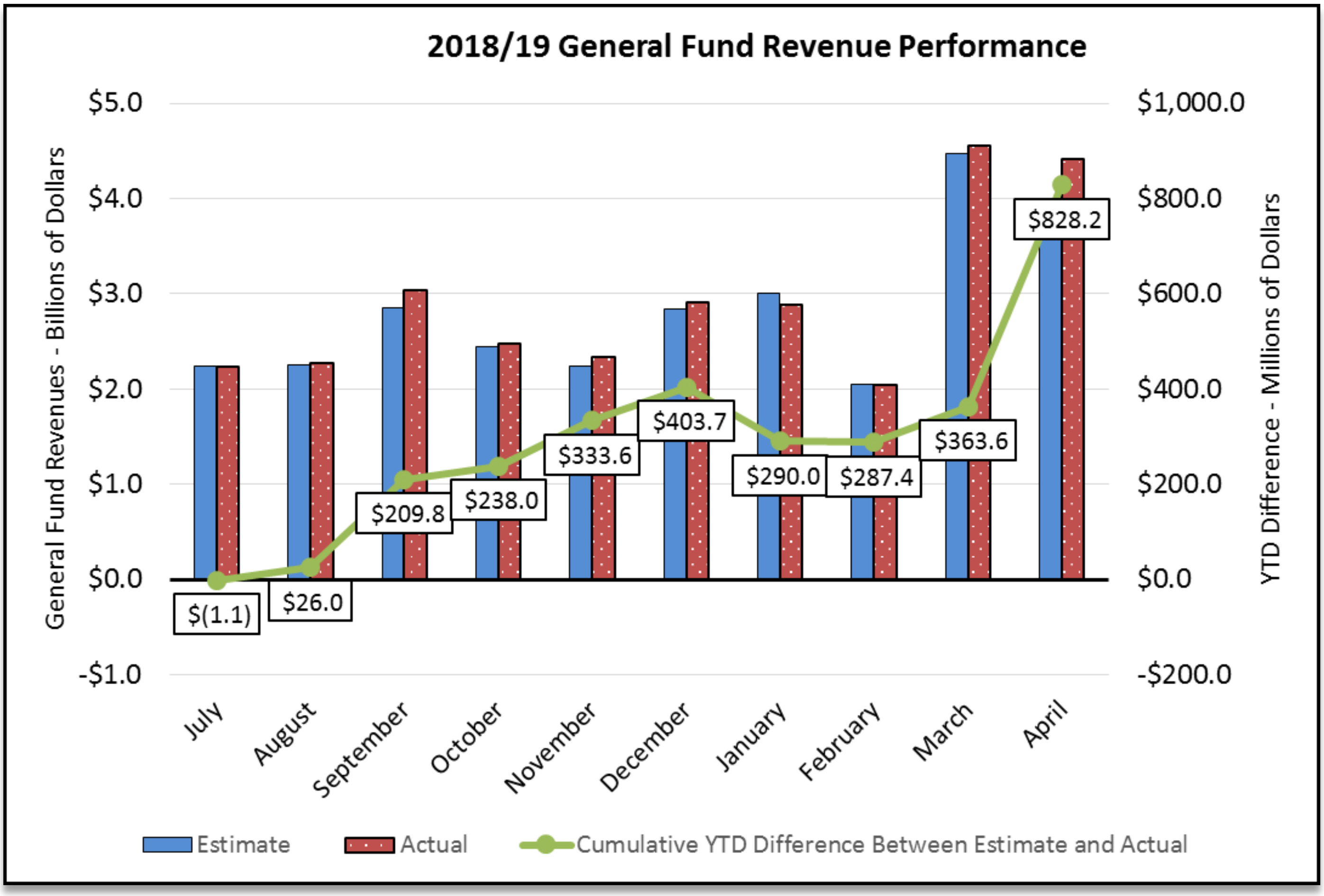
Through 10 months of the fiscal year:

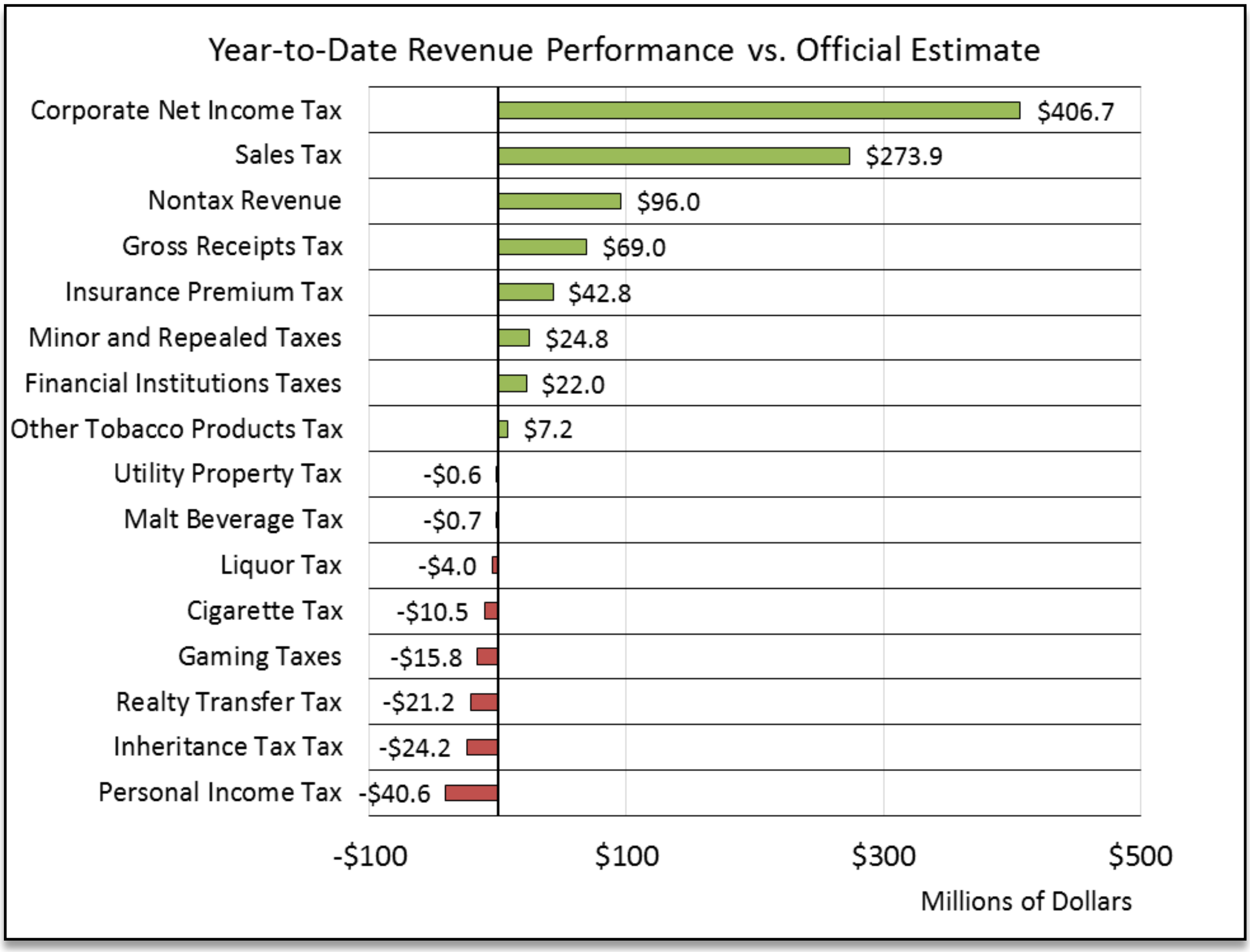
- Cumulative General Fund revenues are $828.2 million higher than expected (2.9 percent)
- General Fund tax revenue is $732.2 million higher than projected (2.6 percent)
- Corporation taxes are $543.3 million above the official estimate (13.5 percent)

- Sales and use taxes are $273.9 million higher than expected (3.1 percent)
- Personal income tax collections are $40.6 million less than anticipated (0.3 percent)
- Non-tax revenues are $96.0 million above the estimate (14.3 percent)

Compared to year-to-date collections during the last fiscal year:

- Total General Fund revenues are 0.5 percent lower (a comparison skewed by the Tobacco Settlement borrowing in February 2018)
- General Fund tax revenue is 6.9 percent higher
- Corporation taxes are 13.2 percent higher
- Sales and use taxes have increased by 7.6 percent
- Personal income tax collections are 5.5 percent higher





House Appropriations Committee (D)

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