

Week of October 31, 2016

**HEADLINES**

**Pa.'s revenue picture improved in October but still has some ground to make up**

Pennsylvania's revenue picture showed some improvement in. The state Department of Revenue issued its monthly revenue report showing that the state took in $2.2 billion in October, which is a little less than 2 percent, or $36 million, more than was estimated. But revenues for the first four months of the fiscal year continue to run behind. The year-to-date collections total $8.8 billion, which is $182 million, or 2 percent, below estimate. Matt Knittel, director of the state's Independent Fiscal Office, said the state's fiscal picture in the first few months of the fiscal year, which began July 1, showed some weakness. "But things are starting to recover a bit so we're cautiously hoping we moved past the period of weakness," he said. House Democratic Appropriations Committee Chairman Joe Markosek also welcomed October's higher-than-estimated revenues but expressed concern by the year to date lag in revenues to support the state's $31.5 billion general fund budget. The monthly revenue report showed two of the three major revenue sources were above estimate. Sales tax receipts brought in $872 million, which was $2 million above estimate; the personal income tax produced $874 million, $6 million below estimate; and corporation tax revenue was $191 million, or nearly $32 million above estimate. As for the state's smaller general fund revenue producers, the inheritance tax raised $76 million; realty transfer tax, $42 million; vice taxes on cigarettes, other tobacco, malted beverages, liquor and table games, $175 million; and interest and non-tax revenue generated $4 million for the month.

**State Supreme Court turns down request to Immediately hear soda tax case**

The Pennsylvania Supreme Court on Wednesday denied a request that it immediately take up a legal challenge to the city's new tax on sweetened beverages. The decision means that Common Pleas Court will have to rule on the case before it can be appealed. The tax, which is to go into effect Jan. 1, will add 1.5 cents per ounce to the cost of most sugary and diet beverages. Mayor Kenney plans to use the revenue to expand early-childhood education and on other initiatives. A group of residents, businesses, and organizations, including the American Beverage Association, has challenged the tax as unconstitutional. Expecting the case to wind up before the state Supreme Court, lawyers representing the plaintiffs asked the court to hear it immediately. A city Law Department spokesperson said the city was pleased with the decision.

**Changes by Pa. House could sink bill to replace towns' casino tax revenues**

Pennsylvania towns that depend on millions of dollars in casino taxes were plunged into new uncertainty last Thursday when legislators failed to approve a plan to replace funding that will be stripped from them by a Supreme Court ruling last month. After getting a proposal from the Senate to temporarily continue the payments from casinos to their host communities, a House committee added a provision authorizing internet gambling and fantasy sports regulation. But the Senate signaled it wouldn't consider the amended plan. The developments mean the legislature may recess for the year - lawmakers left town with no more voting days expected - without resolving how it will raise the $100 million in new gambling revenue it promised as part of this summer's budget deal. And it could leave host communities for casinos statewide scrambling to replace the money they have been getting from slot-machine taxes. House Majority Leader Dave Reed (R., Indiana), defended the legislators' actions Thursday, saying amending the bill was critical to resolve the gambling revenue plank in the budget.

**PA Treasury Announces $100 Million Impact Investing Initiative**

Pennsylvania Treasurer Timothy A. Reese announced the launch of a $100 million impact investment initiative that will provide the “double-bottom line” benefit of providing a competitive rate of return while supporting state investments in affordable housing, small business, health and educational facilities, and infrastructure projects. Treasury will invest the funds through RBC Global Asset Management’s (RBC GAM) Access Capital Community Investment Strategy which will design a portfolio of high-quality, securitized, fixed-income investments in Pennsylvania projects. Since 1998, the RBC Access Capital Investment Strategy has developed a track record of working with governments and institutional investors to invest in customized U.S. agency guaranteed mortgage-backed securities and government-backed loans and municipal securities that support affordable rental housing, small businesses, healthcare, education and job creation targeted to low- and moderate-income residents and communities. As of September 30, 2016, the Access Capital Community Investment Strategy had more than US $910 million in assets under management.Investment performance for Treasury’s funds will be measured against the Barclays Capital Aggregate Index.

**Gas tax hike goes in effect in New Jersey**

At 12:01 a.m. Tuesday, a 23-cent increase in the state gasoline tax went into effect, the first increase in 28 years. The tax per gallon is now 37.5 cents per gallon, the sixth highest in the nation. The previous tax of 14,5 cents had been the second lowest in the nation behind Alaska. The gas tax increase was part of a deal between Gov. Christie and lawmakers that includes an 8-year, $16 billion transportation trust fund and cuts to the estate and sales taxes. New Jersey voters will vote next week on a Constitutional Amendment that would dedicate all gas tax revenues to transportation projects. The price increases will cause a loss of Pennsylvania customers who came to New Jersey to shop and buy gas.

**GOVERNOR WOLF SIGNS OPIOID LEGISLATION**

Wednesday,Governor Wolf signed legislation to battle Pennsylvania’s heroin and opioid epidemic. This legislation will strengthen the Prescription Drug Monitoring Program, restrict the number of pills that can be prescribed to minors or in emergency rooms, establish education curriculum on safe prescribing, and create more locations for the drop-off of prescription drugs. He signed HB 1699, HB 1737, SB 1367, SB 1368 and SB 1202.

**GOVERNOR WOLF SIGNS UNEMPLOYMENT COMPENSATION LEGISLATION**

Thursday, Governor Tom Wolf signed HB 319 into law which will provide nearly 44,000 additional people with insurance in the event they lose their job or cannot find work. Act 144 will help to ensure that seasonal workers and those who need unemployment insurance will have access to those funds. The previous rule mandated that 49.5 percent of wages must be earned outside the highest quarter of earning for an individual to receive unemployment insurance. This percentage was prohibitively high and left many individuals and families of seasonal workers without this important financial bridge to cover leaner work months. The change made in this legislation, lowering that bar to 37 percent of wages earned outside the highest quarter, removes a significant barrier to receiving benefits.

**PENNSYLVANIA GENERAL ASSEMBLY SESSION SCHEDULE:**

**2016 SENATE SESSION SCHEDULE**

November16

**2016 HOUSE SESSION SCHEDULE**

November       14, 15

**DEPARTMENT OF REVENUE UPDATE**

**Revenue Department Releases October 2016 Collections**

Pennsylvania collected $2.2 billion in General Fund revenue in October, which was $36.1 million, or 1.6 percent, more than anticipated, Secretary of Revenue Eileen McNulty reported. Fiscal year-to-date General Fund collections total $8.8 billion, which is $182.4 million, or 2 percent, below estimate. Sales tax receipts totaled $871.9 million for October, $2.2 million above estimate. Year-to-date sales tax collections total $3.4 billion, which is $70.3 million, or 2 percent, less than anticipated. Personal income tax (PIT) revenue in October was $874.1 million, $6.1 million below estimate. This brings year-to-date PIT collections to $3.6 billion, which is $60.9 million, or 1.7 percent, below estimate. October corporation tax revenue of $191.3 million was $31.8 million above estimate. Year-to-date corporation tax collections total $775.3 million, which is $30 million, or 3.7 percent, below estimate. Inheritance tax revenue for the month was $76.3 million, $100,000 below estimate, bringing the year-to-date total to $299.9 million, which is $9.5 million, or 3.1 percent, below estimate. Realty transfer tax revenue was $41.9 million for October, $8.8 million below estimate, bringing the fiscal-year total to $161.5 million, which is $26.2 million, or 13.9 percent, less than anticipated. Other General Fund tax revenue, including cigarette, other tobacco products, malt beverage, liquor and table games taxes, totaled $175.1 million for the month, $24.9 million above estimate and bringing the year-to-date total to $577.2 million, which is $14.9 million, or 2.6 percent, above estimate. Non-tax revenue totaled $4.2 million for the month, $7.7 million below estimate, bringing the year-to-date total to $63.2 million, which is $400,000, or 0.6 percent, below estimate. In addition to the General Fund collections, the Motor License Fund received $206 million for the month, $4.9 million below estimate. Fiscal year-to-date collections for the fund – which include the commonly known gas and diesel taxes, as well as other license, fine and fee revenues – total $869.6 million, which is $4.8 million, or 0.5 percent, below estimate.

**IRRC UPDATES**

None