



August 2023

Economic and Financial Brief

Message from Chairman Grove

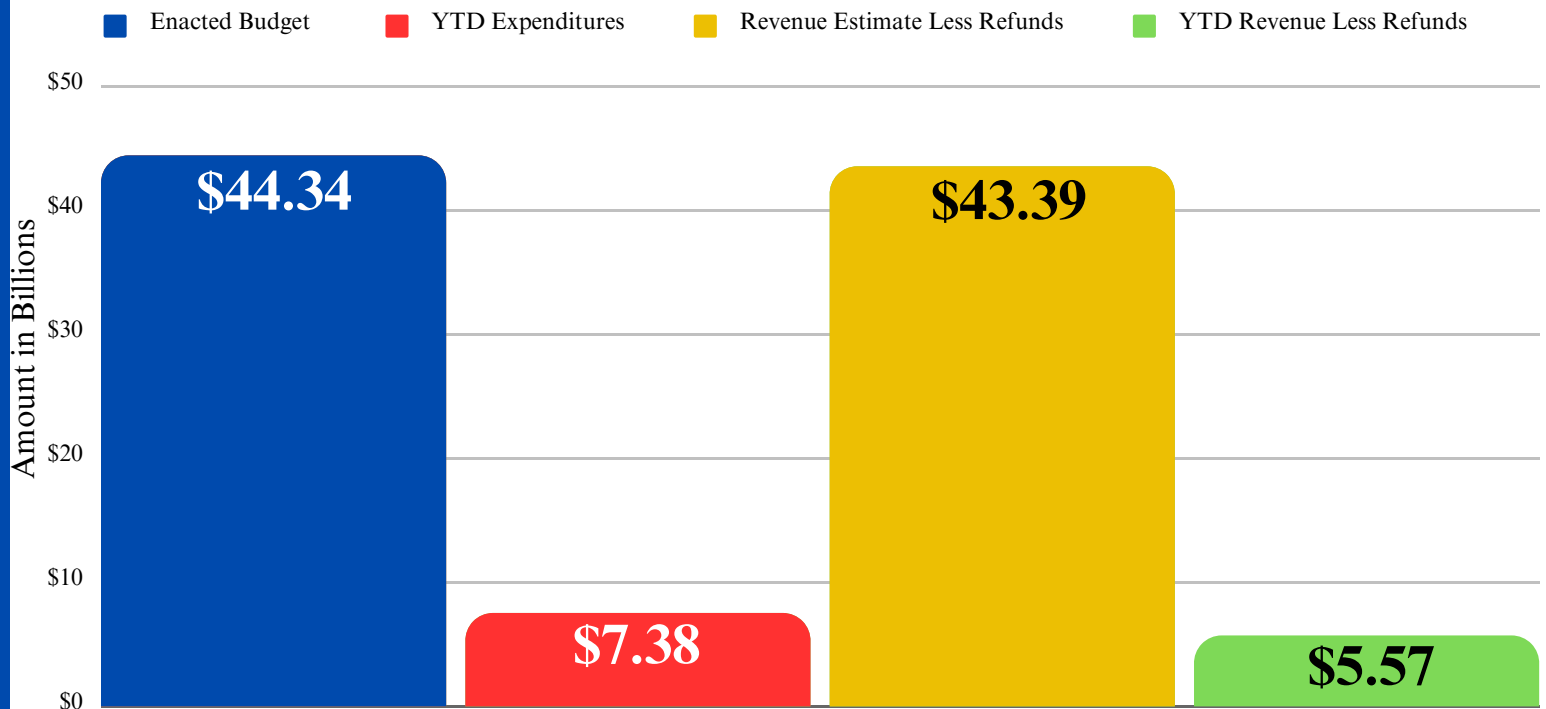


The Pennsylvania Senate met on August 30th to take further steps to complete the 2023-24 State Budget. Two bills were ultimately passed by the Senate: House Bill 1300 and Senate Bill 757. HB 1300 includes general budget implementation language, such as an increased reimbursement for EMS providers and authorization to fund our local schools, hospitals, community colleges, and PASSHE schools. SB 757 includes a \$150 million total increase in the Educational Tax Credits (ETC and OSTC) and, notably, establishes the PA Award for Student Success (PASS), otherwise known as Lifeline Scholarships. As the House has yet to vote on either bill, and neither chamber has passed funding for state-related universities, the Commonwealth remains in a partial budget impasse for over 80 days.

Seth Grove

House Republican Appropriations Chairman

General Fund Budget Overview



*Excludes Non-Preferred Appropriations

Budget Policy Update

Union Contracts Ratified

The start of Governor Shapiro's term coincides with the end of a four-year contract agreement for two of Pennsylvania's largest public sector unions – the American Federation of State, County, and Municipal Employees (AFSCME) Council 13 and the Service Employees International Union (SEIU) Local 668, who represent 27,259 employees and 9,187 employees, respectively. Historically, these contracts have served as the model for the other 17 unions the Commonwealth of Pennsylvania negotiates with, as well as the model for salary increases for non-union and management employees.

The negotiation process for these contracts is conducted behind closed doors with no oversight by the General Assembly, with the governor having unilateral authority over the awards that are granted in the final product, regardless of the costs nor campaign donations made by those unions. However, the Independent Fiscal Office is required to analyze the contract, which it did for members of AFSCME Council 13.

An IFO research brief published on August 14th projects that, during the length of the proposed AFSCME Council 13 contract, the average salary for an AFSCME employee will increase by \$11,506 to \$63,576, or 22.1%. The research brief further projects that if contracts with terms similar are ratified for the remaining collective bargaining agreements, as well as management and non-represented workers, the total cost to Pennsylvania taxpayers would be an additional \$3.2 billion over the length of the contracts.

It is important to keep in mind, salary is just a part of the total compensation for state employees. In 2022, employer-sponsored benefits and healthcare, as a percent of average salary, was at 74.5%, down from a high of 80.6% in 2018. The average salary for all state employees (union and non-union) in 2022 was \$63,465 meaning the average total cost for an employee was \$110,726.

In 2022, the Executive Branch employed 76,546 (70,687 salaried and 5,859 waged) employees, 80% of whom are represented by a union. Nationally, Pennsylvania ranked 47th in terms of employees per 10,000 residents, but 15th in average salary according to the US Census Bureau in 2021. Personnel costs as a percentage of the budget for FY 2021-22 was at 7.5%, down from 8.6% in FY 2020-21.

SEIU Local 668 contract has also been ratified. The IFO has projected the costs of this contract to be \$540 million dollars over four years.

The Office of Administration keeps a copy of all contracts with unions on their website [here](#) and information in the Pennsylvania State Government Workforce Statistics report [here](#).

Fiscal Year 2023-24 General Fund Revenues

House Appropriations Committee

Thousands of Dollars

Revenue Source	August 2023 Actual	August 2023 Estimate	Surplus / (Deficit)	2023-24 YTD Actual	2023-24 YTD Estimate	Surplus / (Deficit)	2023-24 % Growth vs. 2022-23
General Fund	<u>\$2,899,429</u>	<u>\$2,926,500</u>	<u>(\$27,071)</u>	<u>\$5,780,900</u>	<u>\$5,808,100</u>	<u>(\$27,200)</u>	<u>4.0%</u>
Tax Revenue	<u>\$2,812,906</u>	<u>\$2,866,800</u>	<u>(\$53,894)</u>	<u>\$5,595,682</u>	<u>\$5,649,600</u>	<u>(\$53,918)</u>	<u>2.0%</u>
Corporation Taxes	<u>\$138,607</u>	<u>\$104,000</u>	<u>\$34,607</u>	<u>\$326,792</u>	<u>\$292,300</u>	<u>\$34,492</u>	<u>14.4%</u>
Accelerated Deposits	\$0	\$0	\$0	\$0	\$0	\$0	(100.0%)
Corporate Net Income	\$129,714	\$98,100	\$31,614	\$311,588	\$280,000	\$31,588	23.4%
Selective Business	\$8,893	\$5,900	\$2,993	\$15,204	\$12,300	\$2,904	(58.5%)
Gross Receipts	\$10,083	\$4,400	\$5,683	\$12,150	\$6,500	\$5,650	20.8%
Utility Property	\$584	\$0	\$584	\$694	\$100	\$594	405.2%
Insurance Premiums	\$481	\$600	(\$119)	(\$169)	\$0	(\$169)	(100.7%)
Financial Institutions	(\$2,254)	\$900	(\$3,154)	\$2,529	\$5,700	(\$3,171)	30.7%
Bank Shares	(\$2,554)	\$100	(\$2,654)	\$1,349	\$4,000	(\$2,651)	237.5%
Mutual Thrifts	\$299	\$800	(\$501)	\$1,181	\$1,700	(\$520)	(23.1%)
Consumption Taxes	<u>\$1,278,027</u>	<u>\$1,339,800</u>	<u>(\$61,773)</u>	<u>\$2,662,177</u>	<u>\$2,724,000</u>	<u>(\$61,823)</u>	<u>0.7%</u>
Sales and Use Tax	<u>\$1,153,650</u>	<u>\$1,206,700</u>	<u>(\$53,050)</u>	<u>\$2,471,401</u>	<u>\$2,524,500</u>	<u>(\$53,099)</u>	<u>1.8%</u>
Non-Motor Vehicle	\$1,029,362	\$1,081,200	(\$51,838)	\$2,231,756	\$2,283,600	(\$51,844)	2.4%
Motor Vehicle	\$124,288	\$125,500	(\$1,212)	\$239,645	\$240,900	(\$1,255)	(3.0%)
Cigarette	\$76,926	\$82,200	(\$5,274)	\$92,138	\$97,400	(\$5,262)	(20.9%)
Other Tobacco Products	\$12,068	\$13,500	(\$1,432)	\$24,564	\$26,000	(\$1,436)	(0.8%)
Malt Beverage	\$1,697	\$1,900	(\$203)	\$3,894	\$4,100	(\$206)	(0.8%)
Liquor	\$33,686	\$35,500	(\$1,814)	\$70,179	\$72,000	(\$1,821)	0.2%
Other Taxes	<u>\$1,396,272</u>	<u>\$1,423,000</u>	<u>(\$26,728)</u>	<u>\$2,606,712</u>	<u>\$2,633,300</u>	<u>(\$26,588)</u>	<u>2.0%</u>
Personal Income Tax	<u>\$1,181,409</u>	<u>\$1,204,700</u>	<u>(\$23,291)</u>	<u>\$2,236,814</u>	<u>\$2,260,000</u>	<u>(\$23,186)</u>	<u>3.8%</u>
Withholding	\$1,105,336	\$1,125,900	(\$20,564)	\$2,076,686	\$2,097,200	(\$20,514)	4.8%
Estimated	\$45,922	\$50,200	(\$4,278)	\$91,041	\$95,300	(\$4,259)	(13.4%)
Annual	\$30,151	\$28,600	\$1,551	\$69,087	\$67,500	\$1,587	(0.5%)
Realty Transfer	\$60,621	\$71,500	(\$10,879)	\$61,726	\$72,600	(\$10,874)	(49.9%)
Inheritance	\$128,676	\$121,100	\$7,576	\$256,592	\$249,000	\$7,592	13.1%
Gaming	\$25,333	\$24,900	\$433	\$44,163	\$43,700	\$463	(4.3%)
Minor and Repealed	\$233	\$800	(\$567)	\$7,418	\$8,000	(\$582)	125.8%
Non-Tax Revenue	<u>\$86,523</u>	<u>\$59,700</u>	<u>\$26,823</u>	<u>\$185,218</u>	<u>\$158,500</u>	<u>\$26,718</u>	<u>139.0%</u>
Liquor Store Profits	\$0	\$0	\$0	\$0	\$0	\$0	
Licenses and Fees	\$14,527	\$9,300	\$5,227	\$24,819	\$19,600	\$5,219	21.4%
Miscellaneous	<u>\$64,577</u>	<u>\$43,600</u>	<u>\$20,977</u>	<u>\$146,915</u>	<u>\$126,000</u>	<u>\$20,915</u>	<u>228.8%</u>
Treasury	\$71,826	\$54,300	\$17,526	\$133,217	\$115,700	\$17,517	247.3%
Escheats	(\$9,538)	(\$16,400)	\$6,862	(\$11,177)	(\$18,000)	\$6,823	
Other Misc & Transfers	\$2,289	\$5,700	(\$3,411)	\$24,875	\$28,300	(\$3,425)	293.5%
Fines, Penalties, Interest	\$7,419	\$6,800	\$619	\$13,484	\$12,900	\$584	8.9%

Revenues Explained

General Fund collections of \$2.90 billion in August were \$27.07 million less than the official monthly estimate. Year-to-Date collections of \$5.78 billion are \$27.2 million, or 0.5%, below the official estimate.

All major tax types fell short of estimate, except for Corporate Net Income Tax payments and Personal Income Tax annual payments.

August 2023 monthly collections:

- Total Tax Revenue collections **fell short of the monthly estimate by \$53.89 million, or 1.9%.**
- Corporate Net Income Tax collections **exceeded the monthly estimate by \$31.61 million, or 32.2%.**
- Sales and Use Tax (SUT) non-motor vehicle collections of \$1.03 billion were **less than the monthly estimate by \$51.84 million, or 4.8%.** SUT motor vehicle collections of \$124.29 million were also **less than the official monthly estimate by \$1.2 million, or 1.0%.**
- Personal Income Tax (PIT) withholding collections of \$1.11 billion were **less than the monthly estimate by \$20.56 million, or 1.8%.**
- PIT annual payments were **above the official estimate by \$1.55 million;** however, PIT estimated payments **fell short by \$4.28 million.**
- Realty Transfer Tax collections **fell short of estimate by \$10.88 million, or 15.2%.**
- Non-Tax Revenue collections of \$86.52 million were **above estimate for the month by \$26.82 million,** driven largely by various licenses and fees and higher than anticipated interest earnings.

Fiscal Year-to-Date (YTD) collections through the month of August 2023:

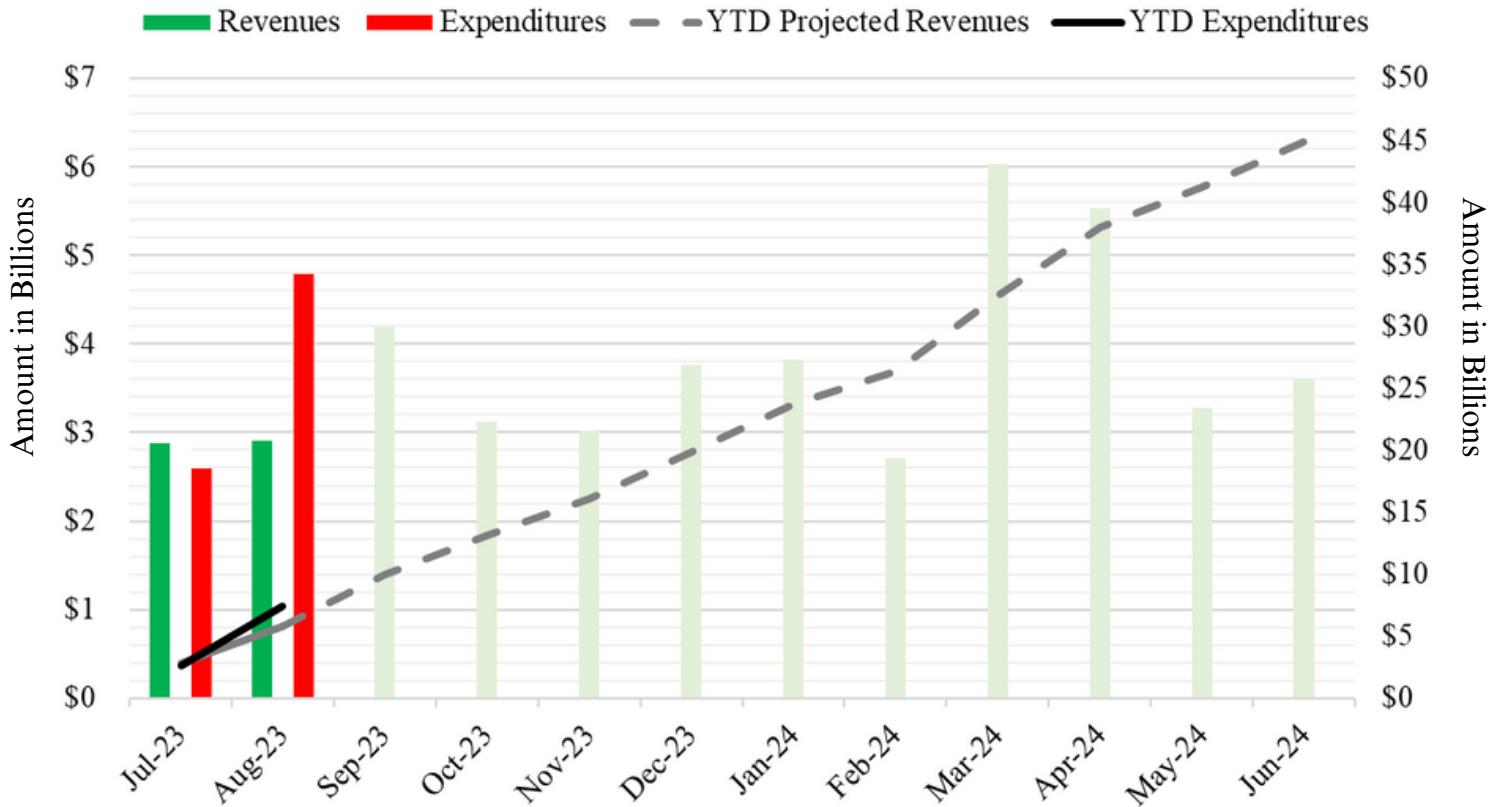
- Total Tax Revenue collections for the fiscal year through the month of August are **less than the YTD estimate by \$53.92 million, or 1.0%;** however, they are above **YTD collections of the prior fiscal year by \$112.0 million, or 2.0%.**
- YTD Corporate Net Income Tax collections of \$311.59 million are **\$31.59 million above estimate and 23.4% above collections for the same period of the prior fiscal year.**
- YTD Sales and Use Tax non-motor vehicle collections (\$2.23 billion) and motor vehicle collections (\$239.65 million) are **less than the prior fiscal year by \$51.84 million and \$1.26 million,** respectively.
- Personal Income Tax (PIT) withholding collections and PIT quarterly estimated payments are **below the fiscal year estimate by \$20.51 million and \$4.26 million,** respectively. However, annual payments are **in excess of the YTD estimate by \$1.59 million, or 2.4%.**
- Realty Transfer Tax YTD collections of \$61.73 million through August are **below estimate by \$10.87 million.**

August 2023 Revenue Collections

Total General Fund		Personal Income Tax	
Estimate: \$2.927 billion	Actual: \$2.899 billion ↓	Estimate: \$1.205 billion	Actual: \$1.181 billion ↓
Total Corporation Taxes		Sales Tax	
Estimate: \$104 million	Actual: \$139 million ↑	Estimate: \$1.208 billion	Actual: \$1.154 billion ↓
Non-Tax Revenue		All Other Taxes	
Estimate: \$60 million	Actual: \$87 million ↑	Estimate: \$351 million	Actual: \$339 million ↓

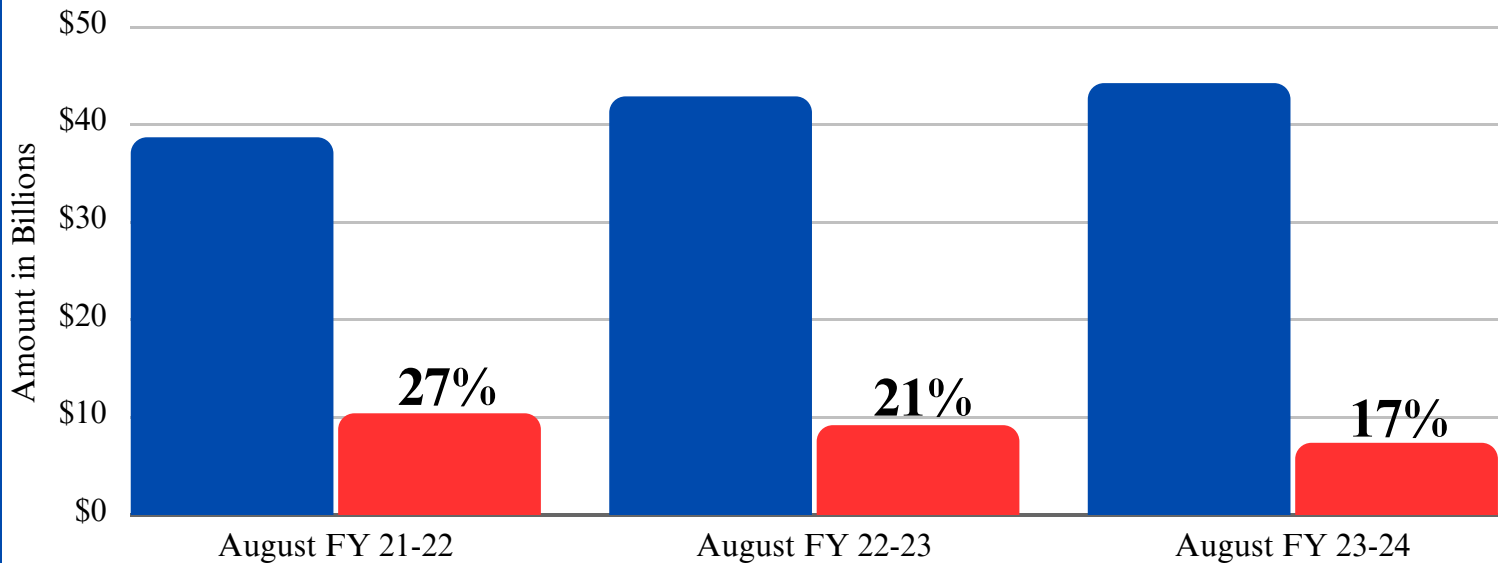
2023-24 GENERAL FUND

Expenditures and Revenues



Status of Appropriations

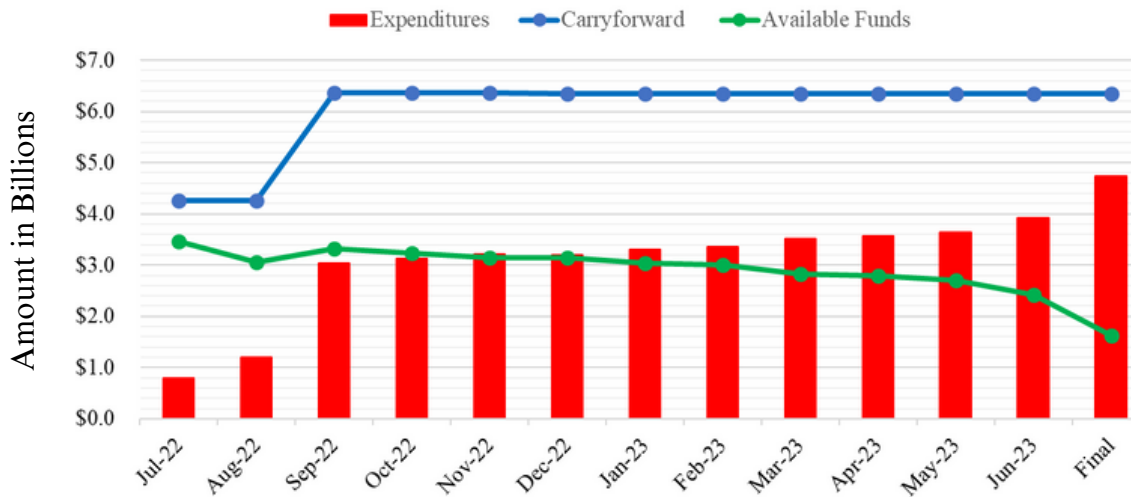
Amount Appropriated Amount Expended



Information from Commonwealth Accounting System,
Status of Appropriations Report.

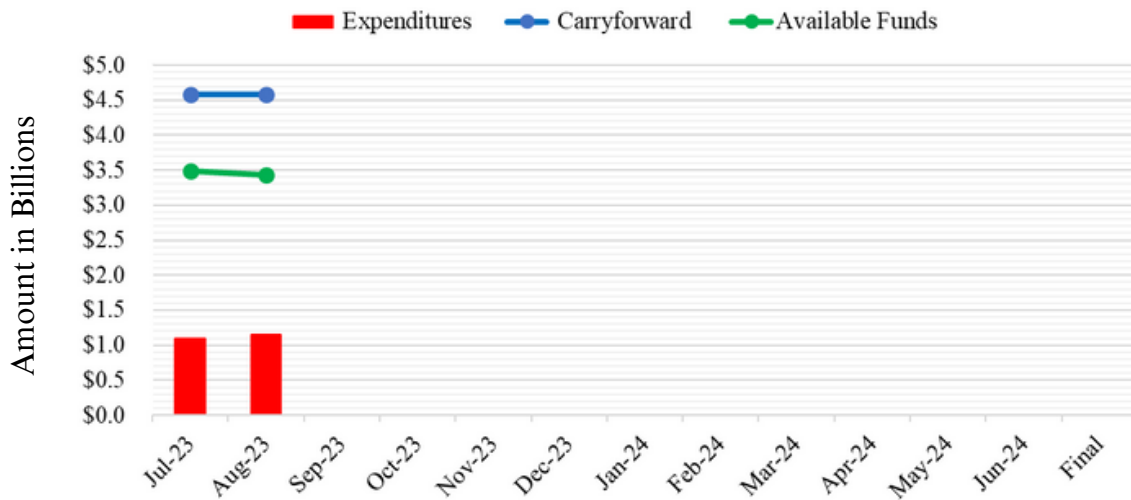
PRIOR YEAR FUNDS

FY2022-23 General Fund



PRIOR YEAR FUNDS

FY2023-24 General Fund



Budget Surplus



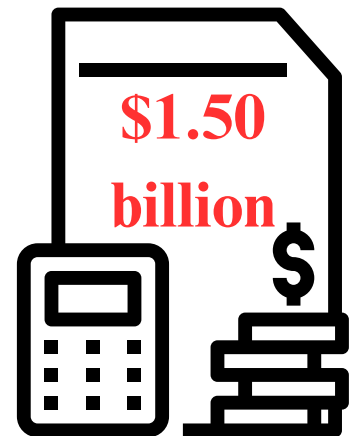
FY 2023-24 projected ending balance

Rainy Day Fund



42 Days of Sunshine

Ledger 5 Expenditures

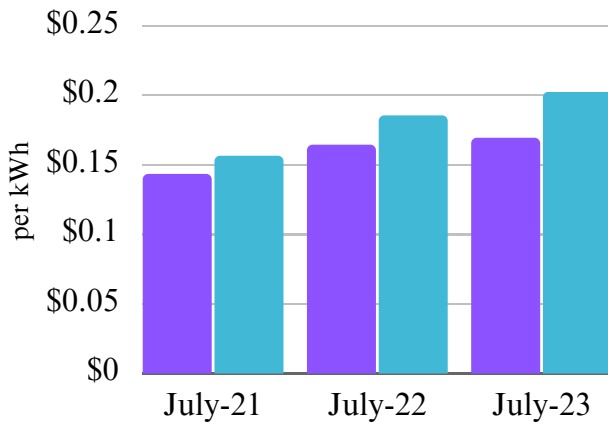


Energy Update

Electricity Rates

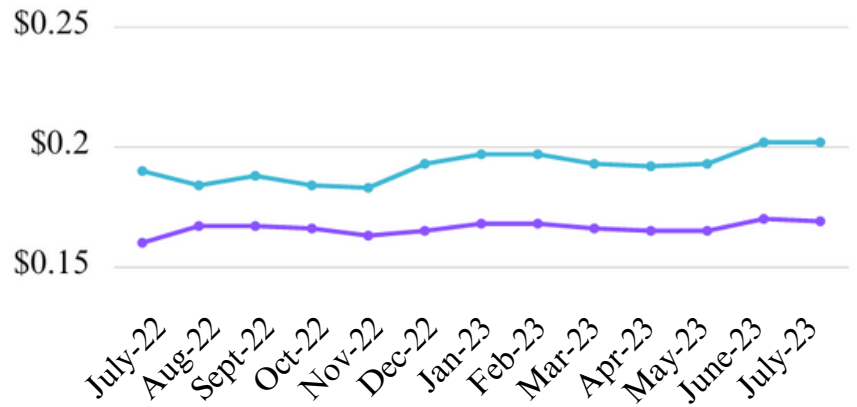
Three Year Comparison

■ US ■ PA



One Year Look Back

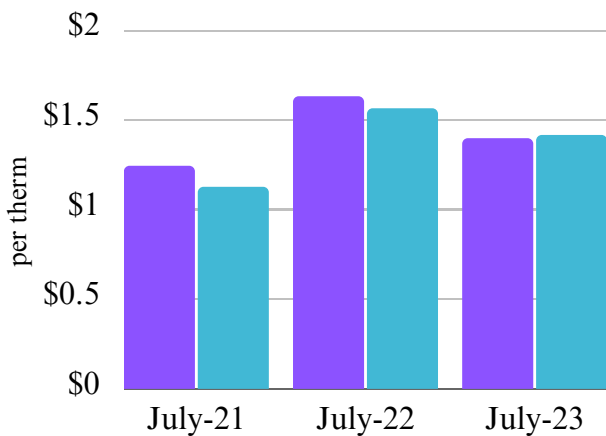
■ US ■ PA



Natural Gas

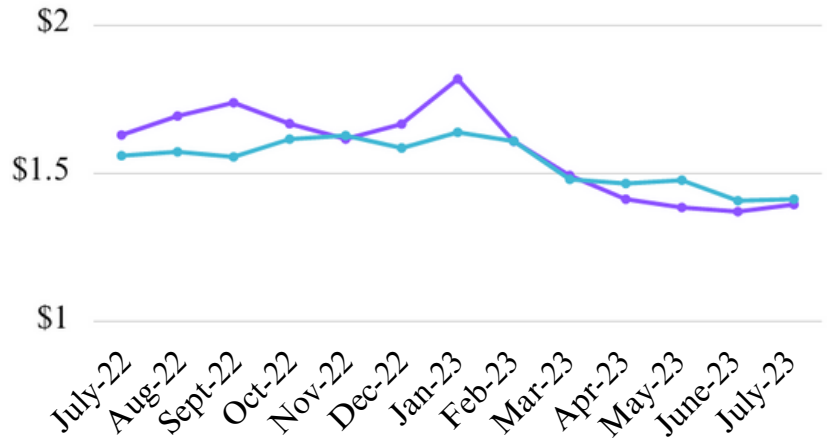
Three Year Comparison

■ US ■ PA



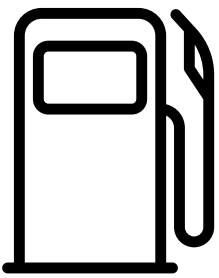
One Year Look Back

■ US ■ PA



Gasoline

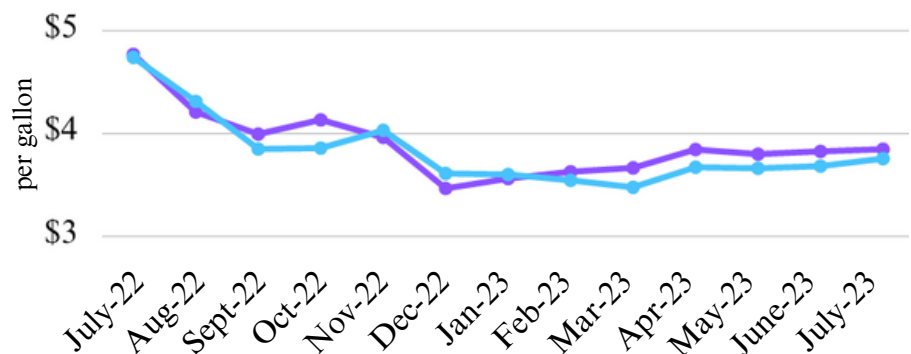
July 2023



US: \$3.842/gallon
PA: \$3.750/gallon

One Year Look Back







■ US ■ PA



Information from the US Bureau of Labor Statistics - Philadelphia Area

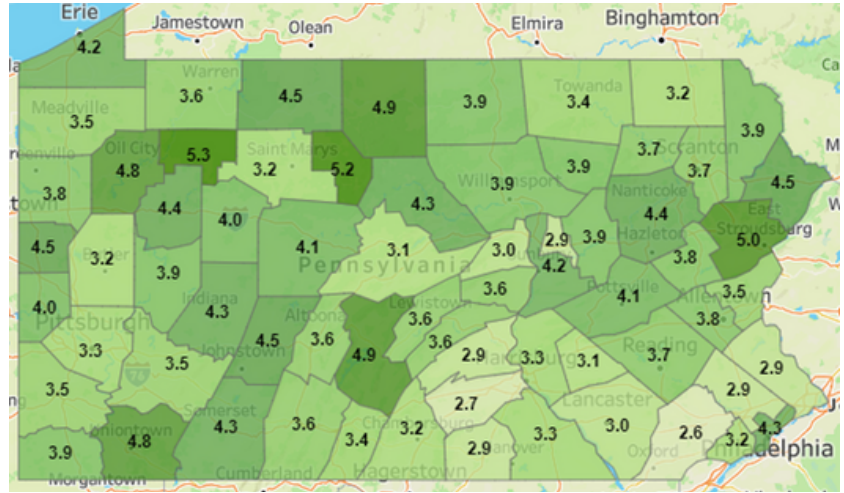
Employment Data

PA Employment Statistics

	July 2023	Monthly Change
Labor Force	6.50 (mil)	Even 
Unemployment Rate	3.5%	-0.3% 
Total Nonfarm Jobs	6.15 (mil)	Even 
Labor Force Participation Rate	61.9%	-0.1% 
12 Month Change		
Total Nonfarm Jobs	+143,100	
Unemployment Rate	-0.8%	

Unemployment Rate by County

(June 2023)



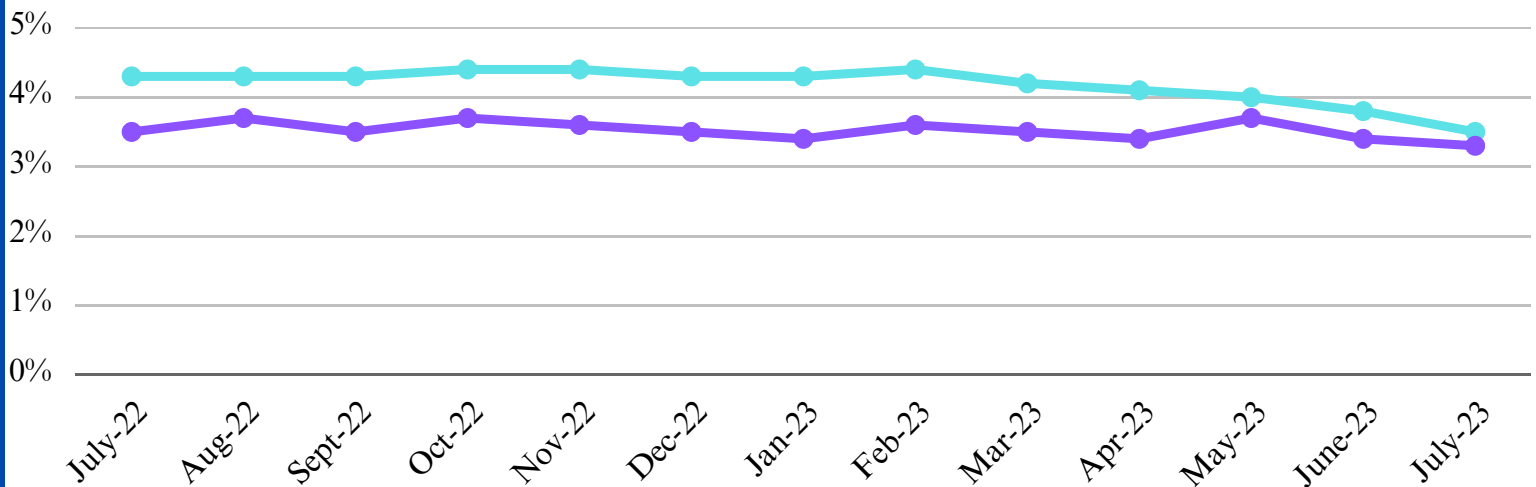
Surrounding States

Unemployment:

DE: 4.1% MD: 1.8% NJ: 3.9%
 NY: 3.9% OH: 3.3% WV: 3.4%

Unemployment Rate One Year Look Back

■ PA Unemployment Rate ■ US Unemployment



Information from the US Bureau of Labor Statistics - Philadelphia Area
 & Department of Labor and Industry