

April Economic & Financial Brief

Message from Chairman Grove:



As we shared last week, our economic indicators are flashing yellow lights. In addition to slow real GDP growth, Personal Income Taxes were reported below estimate for this month, as did Sales Tax for motor vehicles, and the realty transfer tax. When these revenues decline, it is a fair bet other revenue sources will not be far behind. The bulk of our revenue surplus this month came from the Corporate Net Income Tax, while the Sales and Use Tax only showed a mild increase above projection by \$56 million. The likelihood of a recession is looming – we must hold the line on sensible spending.

Understanding Ledger 5

Ledger 5 is an accounting tool used by the Governor’s Budget Office and State Treasurer’s Office to account for non-budgeted expenditures that arise within a fiscal year. According to the Treasurer’s Office, there are five expenditures that can be recorded in Ledger 5:

- Prior Fiscal Year Appropriation (delayed invoices from a prior year or ongoing project)
- Independent Expenditure Authority (expenditures authorized pursuant to an act of the legislature outside of the annual General fund budget)
- State or Federal Constitutional Mandates (debt service payments or federally funded programs)
- Federal Fair Labor Standards Act (state employees, especially during a budget impasse)
- State Police Powers (necessary action to maintain public health, safety, and welfare)

To spend money through the Ledger 5 process, the Governor’s Budget Office must submit an Expenditure Symbol Notification (ESN) memo to the Treasury. It is then the State Treasurer’s decision to review the ESN to ensure payment is legal and correct before moving forward with the spending.

It is also important to remember, unbudgeted expenses that come up during a fiscal year are often included in the budget package voted on for the upcoming fiscal year. This supplemental budget may move expenditures off Ledger 5. For example, in fiscal year 2021-22 the General Fund only expended 90% of the total amount appropriated by June 30th, this jumped to 93% by July 31st in 2022-23 fiscal year (you can follow how much of the current year budget is being spent by looking at the Status of Appropriation which is included in this report). The spending of prior year funds is not unique to Pennsylvania, nor inherently good or bad. It is, however, important for the General Assembly to be aware of this spending.

State Treasurer Stacy Garrity keeps this information online and is available to view at the [Transparency Portal](#).

PENNSYLVANIA HOUSE OF REPRESENTATIVES
APPROPRIATIONS COMMITTEE
 Republican Caucus

Fiscal Year 2022-23 General Fund Revenues

House Appropriations Committee (R)

Thousands of Dollars

Revenue Source	April 2023 Actual	April 2023 Estimate	Surplus / (Deficit)	2022-23 YTD Actual	2022-23 YTD Estimate	Surplus / (Deficit)	2022-23 % Growth vs. 2021-22
General Fund	\$5,655,707	\$5,604,600	\$51,107	\$37,938,842	\$36,739,000	\$1,199,842	(6.7%)
Tax Revenue	\$5,345,687	\$5,361,000	(\$15,313)	\$36,952,607	\$36,039,600	\$913,007	2.4%
Corporation Taxes	\$992,124	\$730,800	\$261,324	\$7,219,056	\$6,080,900	\$1,138,156	23.7%
Accelerated Deposits	\$4	\$0	\$4	(\$3,430)	\$0	(\$3,430)	27.3%
Corporate Net Income	\$874,019	\$533,300	\$340,719	\$4,700,909	\$3,689,800	\$1,011,109	21.3%
Selective Business	\$118,101	\$197,500	(\$79,399)	\$2,521,577	\$2,391,100	\$130,477	28.6%
Gross Receipts	\$3,868	\$1,300	\$2,568	\$1,180,619	\$1,016,100	\$164,519	15.7%
Utility Property	\$24,220	\$7,800	\$16,420	\$27,508	\$9,300	\$18,208	219.2%
Insurance Premiums	\$79,882	\$180,200	(\$100,318)	\$957,421	\$933,800	\$23,621	95.0%
Financial Institutions	\$10,132	\$8,200	\$1,932	\$356,029	\$431,900	(\$75,871)	(19.2%)
Bank Shares	\$1,995	\$3,400	(\$1,405)	\$328,629	\$406,700	(\$78,071)	(20.6%)
Mutual Thrifts	\$8,136	\$4,800	\$3,336	\$27,401	\$25,200	\$2,201	1.1%
Consumption Taxes	\$1,244,402	\$1,207,600	\$36,802	\$12,817,421	\$12,652,400	\$165,021	1.0%
Sales and Use Tax	\$1,235,610	\$1,192,500	\$43,110	\$11,696,448	\$11,468,800	\$227,648	1.8%
Non-Motor Vehicle	\$1,125,042	\$1,068,800	\$56,242	\$10,566,413	\$10,368,000	\$198,413	5.8%
Motor Vehicle	\$110,568	\$123,700	(\$13,132)	\$1,130,035	\$1,100,800	\$29,235	(25.1%)
Cigarette	(\$41,628)	(\$34,900)	(\$6,728)	\$602,019	\$664,500	(\$62,481)	(13.1%)
Other Tobacco Products	\$13,064	\$14,000	(\$936)	\$127,091	\$135,100	(\$8,009)	2.1%
Malt Beverage	\$1,896	\$1,900	(\$4)	\$18,333	\$17,700	\$633	(0.2%)
Liquor	\$35,460	\$34,100	\$1,360	\$373,531	\$366,300	\$7,231	3.6%
Other Taxes	\$3,109,161	\$3,422,600	(\$313,439)	\$16,916,131	\$17,306,300	(\$390,169)	(3.6%)
Personal Income Tax	\$2,895,391	\$3,217,400	(\$322,009)	\$14,888,838	\$15,295,200	(\$406,362)	(3.2%)
Withholding	\$1,001,973	\$985,900	\$16,073	\$10,516,254	\$10,477,800	\$38,454	5.2%
Estimated	\$453,144	\$639,500	(\$186,356)	\$2,252,640	\$2,714,500	(\$461,860)	1.8%
Annual	\$1,440,274	\$1,592,000	(\$151,726)	\$2,119,945	\$2,102,900	\$17,045	(33.0%)
Realty Transfer	\$41,895	\$63,700	(\$21,805)	\$528,889	\$624,300	(\$95,411)	(24.6%)
Inheritance	\$118,736	\$113,200	\$5,536	\$1,264,222	\$1,227,800	\$36,422	(2.5%)
Gaming	\$29,842	\$25,800	\$4,042	\$307,649	\$263,400	\$44,249	18.0%
Minor and Repealed	\$23,297	\$2,500	\$20,797	(\$73,468)	(\$104,400)	\$30,932	(4.5%)
Non-Tax Revenue	\$310,020	\$243,600	\$66,420	\$986,235	\$699,400	\$286,835	(78.5%)
Liquor Store Profits	\$0	\$0	\$0	\$185,100	\$185,100	\$0	0.0%
Licenses and Fees	(\$136)	\$7,900	(\$8,036)	\$140,208	\$130,300	\$9,908	(11.1%)
Miscellaneous	\$304,569	\$229,800	\$74,769	\$602,766	\$323,800	\$278,966	(85.6%)
Treasury	\$48,607	\$200	\$48,407	\$328,547	\$18,000	\$310,547	2868.4%
Escheats	\$255,573	\$225,700	\$29,873	\$205,811	\$247,500	(\$41,689)	(94.6%)
Other Misc & Transfers	\$389	\$3,900	(\$3,511)	\$68,408	\$58,300	\$10,108	(78.8%)
Fines, Penalties, Interest	\$5,588	\$5,900	(\$312)	\$58,162	\$60,200	(\$2,038)	(4.2%)

Revenues Explained

General Fund collections of \$5.66 billion in **April** were **\$51.1 million above the official monthly estimate**. **Year-to-Date collections** of \$37.94 billion are **\$1.2 billion, or 3.3%, above the official estimate**. **Governor Shapiro’s proposed budget assumes revenue collections will exceed estimate by \$347.5 million on June 30, 2023.**

April 2023 monthly collections:

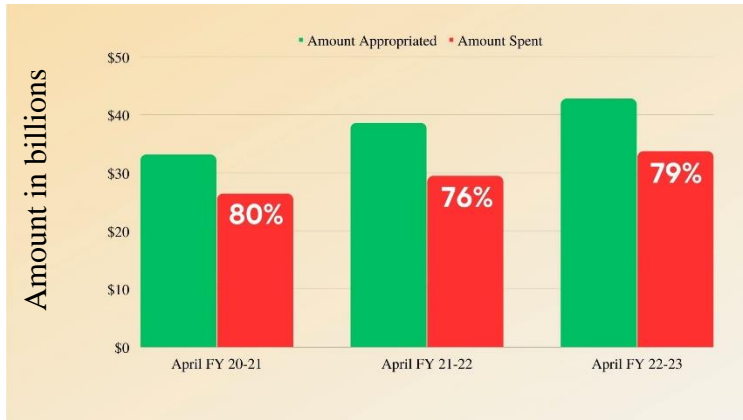
- **Total Tax Revenue** collections **fell short** of the monthly estimate by **\$15.3 million, or 0.3%**.
- **Corporate Net Income Tax** collections continue to be strong and **exceeded the monthly estimate** by **\$340.7 million** due to tax year 2022 annual payments exceeding estimate by \$314.1 million.
- **Insurance Premiums Tax** collections for the month **fell short** of estimate by **\$100.3 million**.
- **Sales and Use Tax (SUT)** non-motor vehicle collections of \$1.13 billion **exceeded** the monthly estimate by **\$56.2 million** and were above collections of the prior year by 5.3%. However, **SUT motor vehicle collections** of \$110.6 million **fell short** of the monthly estimate by **\$13.1 million, or 10.6%**.
- **Personal Income Tax (PIT)** withholding collections of \$1.0 billion **exceeded** the monthly estimate by **\$16.1 million** and were 3.8% above collections of the prior year.
- **PIT annual payments** **fell short** of estimate by **\$151.7 million**. **April 2023** collections represent annual PIT payments for tax year 2022 returns and were **44.7% below last year’s collections**.
- **PIT quarterly estimated payments** in April, which are payments for the 2023 Q1 period, **fell short** of the monthly estimate by **\$186.4 million** and were 21.4% below payments in April 2022.
- **Realty Transfer Tax** collections continue to fall **short of estimate** (**\$21.8 million below**) and were 46.0% below collections of the prior year.
- **Non-Tax Revenue** collections were **above estimate** for the month by **\$66.4 million** due to higher than anticipated interest earnings (\$48.4 million) and unclaimed property payments (\$29.9 million).

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

- **Total Tax Revenue** collections for the fiscal year through the month of April **exceed** the YTD estimate by **\$913.0 million, or 2.5%**. YTD collections are above collections of the prior fiscal year by 2.4%.
- **YTD Corporate Net Income Tax** collections of \$4.70 billion are **\$1.01 billion above estimate** and 21.3% above collections for the same period of the prior fiscal year.
- While **Insurance Premiums Tax** collections fell short of estimate for the month, YTD collections of \$957.4 million are **\$23.6 million above estimate**.
- **YTD Sales and Use Tax** non-motor vehicle collections (\$10.57 billion) and **motor vehicle collections** (\$1.13 billion) **exceed** the fiscal year **estimate** by **\$198.4 million** and **\$29.2 million**, respectively.
- **Personal Income Tax (PIT)** withholding collections for the fiscal year of \$10.52 billion **exceed the estimate** by **\$38.5 million** and **PIT annual payments** for the fiscal year **exceed estimate** by **\$17.0 million**; however, **YTD PIT quarterly estimated payments** are **below estimate** by **\$461.9 million**.
- **Realty Transfer Tax** collections of \$528.9 million through April are **below estimate** by **\$95.4 million** and below YTD collections of the prior fiscal year by 24.6%.

April Revenue Collections			
Total General Fund		Personal Income Taxes	
Estimate: \$5.605 billion	Actual: \$5.656 billion ↑	Estimate: \$3.217 billion	Actual: \$2.895 billion ↓
Corporation Taxes		Sales Taxes	
Estimate: \$731 million	Actual: \$992 million ↑	Estimate: \$1.193 billion	Actual: \$1.236 billion ↑
Non-Tax Revenue		All Other Taxes:	
Estimate: \$244 million	Actual: \$310 million ↑	Estimate: \$220 million	Actual: \$223 million ↑

Status of Appropriations



Status of Appropriations provided by Office of the Budget.
 Employment Statistics from the Bureau of Labor Statistics.
 Inflation information from Wall Street Journal.

PA Employment Statistics

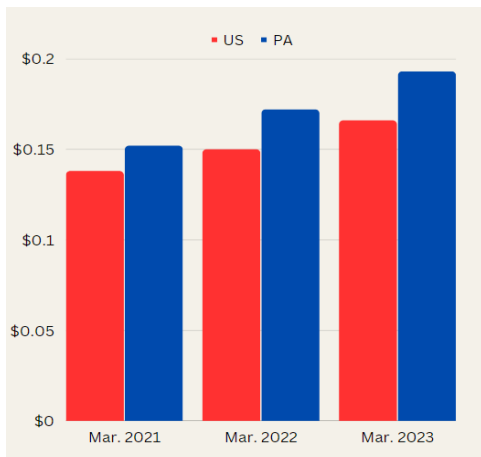
	Mar. 2023	Change
Labor Force	6.51 (mil)	+0.01 (mil) ↑
Unemployment Rate	4.2%	-0.2% ↓
Total Nonfarm Jobs	6.1 (mil)	Even
12 MONTH CHANGE		
Total Nonfarm Jobs	+159,000	↑
Unemployment Rate	-0.2	↓
<i>Surrounding States Unemployment Rates:</i>		
DE: 4.4%	MD: 2.7%	NJ: 3.5%
NY: 4.1%	OH: 3.8%	WV: 3.8%

Inflation Update

The national inflation rate for March 2023 was 5%, representing a decline from 6% for February 2023. While encouraging, this is still a major concern as the Federal Reserve has set a benchmark goal of achieving a 2% inflation rate.

Energy Update

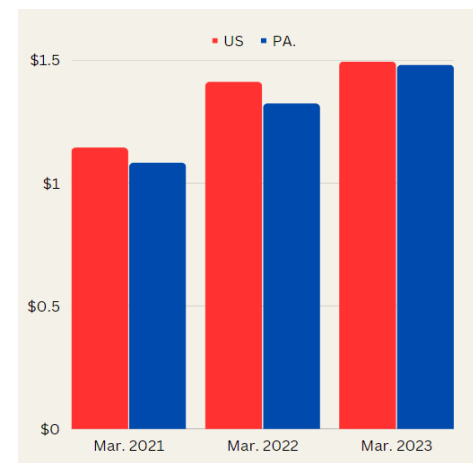
Electric Rates



Gas Prices

US: \$3.660/gallon
 PA: \$3.470/gallon

Natural Gas Rate



Electric rates continue to run higher than the national average, gasoline prices were 19 cents cheaper than the national average, and natural gas prices are slightly cheaper than the national average.

Information from the US Bureau of Labor Statistics – Philadelphia area