

May Economic & Financial Brief

Message from Chairman Grove:



The Independent Fiscal Office released its Initial Revenue Estimate for Fiscal Year 2023-24. The good news from the report is thanks to smart budgeting from the House Republican caucus, our structural deficit has dropped to \$1.8 billion. While the current fiscal year’s revenues continue to remain above projection, it is largely driven by the Corporate Net Income Tax. As we prepare to negotiate the budget, it is important we look at the entire budget picture, not just a temporary surplus. The IFO is also projecting turbulent economic times ahead of us. To prepare for this we must hold firm against budgeting in excess.

Rainy Day Fund

This week, Treasurer Stacy Garrity [announced](#) between the General Fund budgetary reserves and the balance in the Rainy Day Fund, by June 30, 2023, the General Fund will have earned \$437 million in interest payments from investment income and the Rainy Day Fund will have earned another \$158 million. This equates to nearly \$600 million in investment earnings in the current fiscal year, and with continued smart budgeting practices for fiscal year 2023-24, this number will only grow larger.

The Rainy Day Fund holds \$5 billion, additional budgetary reserves hold \$7.9 billion. Currently, Pennsylvania’s Rainy Day Fund could fund the Commonwealth for roughly 42.4 days. The national average is 44.5 days according to Treasurer Garrity. As recently as FY 2018-19 Pennsylvania joined our neighbor New Jersey with zero dollars in the Rainy Day Fund. Starting in the fiscal year 2019-20 we fulfilled our obligation to add dollars to the fund and have increased from a low of only 2 hours (that’s right two hours!) to our current 42.4 days of reserves.

I am also happy to share the voters of Philadelphia understand the importance of keeping the Rainy Day Fund sound. This past election, Philadelphia voted 67% in favor of amending the Philadelphia Home Rule Charter by requiring an annual minimum appropriation to the Budget Stabilization Fund. Philadelphia first created the Budget Stabilization Fund – a fancy way of saying rainy day fund – through a home rule charter amendment in 2011. The amendment was proposed by then City Councilmember Jim Kenney, but it never saw major contributions due to the funding triggers. Now Philadelphia will move funds to the Budget Stabilization Fund when their budget has a projected balance of 3% or higher.

You can follow the status of the Rainy Day Fund for Pennsylvania and our neighboring states on the [Transparency Portal](#) maintained by the PA Treasurer’s Office. I am proud to report, we are currently second among our neighbors in the number of days worth of General Fund expenditures in the Rainy Day Fund.

Surrounding States Days Worth of General Fund Expenditures in Rainy Day Fund:

Delaware:	19.9 days	Maryland:	30.6 days	New Jersey:	0.0 days
New York:	25.2 days	Ohio:	35.8 days	West Virginia:	75.6 days

PENNSYLVANIA HOUSE OF
REPRESENTATIVES
APPROPRIATIONS COMMITTEE
Republican Caucus

Fiscal Year 2022-23 General Fund Revenues

House Appropriations Committee (R)

Thousands of Dollars

Revenue Source	May 2023 Actual	May 2023 Estimate	Surplus / (Deficit)	2022-23 YTD Actual	2022-23 YTD Estimate	Surplus / (Deficit)	2022-23 % Growth vs. 2021-22
General Fund	\$3,292,192	\$3,338,300	(\$46,108)	\$41,231,034	\$40,077,300	\$1,153,734	(6.1%)
Tax Revenue	\$3,209,763	\$3,300,500	(\$90,737)	\$40,162,370	\$39,340,100	\$822,270	2.2%
Corporation Taxes	\$445,354	\$473,900	(\$28,546)	\$7,664,409	\$6,554,800	\$1,109,609	20.8%
Accelerated Deposits	\$0	\$0	\$0	(\$3,430)	\$0	(\$3,430)	46.0%
Corporate Net Income	\$424,376	\$443,500	(\$19,124)	\$5,125,285	\$4,133,300	\$991,985	17.7%
Selective Business	\$20,977	\$30,400	(\$9,423)	\$2,542,554	\$2,421,500	\$121,054	27.5%
Gross Receipts	(\$3,186)	(\$5,200)	\$2,014	\$1,177,433	\$1,010,900	\$166,533	15.5%
Utility Property	\$18,041	\$30,500	(\$12,459)	\$45,549	\$39,800	\$5,749	15.3%
Insurance Premiums	\$2,838	\$1,400	\$1,438	\$960,258	\$935,200	\$25,058	95.4%
Financial Institutions	\$3,285	\$3,700	(\$415)	\$359,314	\$435,600	(\$76,286)	(19.0%)
Bank Shares	\$516	\$3,700	(\$3,184)	\$329,144	\$410,400	(\$81,256)	(20.5%)
Mutual Thrifts	\$2,769	\$0	\$2,769	\$30,170	\$25,200	\$4,970	1.4%
Consumption Taxes	\$1,254,190	\$1,303,400	(\$49,210)	\$14,071,610	\$13,955,800	\$115,810	0.3%
Sales and Use Tax	\$1,116,239	\$1,165,400	(\$49,161)	\$12,812,687	\$12,634,200	\$178,487	0.9%
Non-Motor Vehicle	\$985,142	\$1,044,500	(\$59,358)	\$11,551,555	\$11,412,500	\$139,055	4.9%
Motor Vehicle	\$131,098	\$120,900	\$10,198	\$1,261,132	\$1,221,700	\$39,432	(25.0%)
Cigarette	\$85,362	\$85,400	(\$38)	\$687,381	\$749,900	(\$62,519)	(11.9%)
Other Tobacco Products	\$12,127	\$13,600	(\$1,473)	\$139,218	\$148,700	(\$9,482)	1.9%
Malt Beverage	\$1,789	\$1,900	(\$111)	\$20,122	\$19,600	\$522	(1.2%)
Liquor	\$38,671	\$37,100	\$1,571	\$412,202	\$403,400	\$8,802	4.0%
Other Taxes	\$1,510,220	\$1,523,200	(\$12,980)	\$18,426,351	\$18,829,500	(\$403,149)	(2.5%)
Personal Income Tax	\$1,299,081	\$1,290,500	\$8,581	\$16,187,920	\$16,585,700	(\$397,780)	(1.8%)
Withholding	\$1,143,339	\$1,144,600	(\$1,261)	\$11,659,593	\$11,622,400	\$37,193	6.5%
Estimated	\$31,368	\$49,100	(\$17,732)	\$2,284,007	\$2,763,600	(\$479,593)	1.1%
Annual	\$124,374	\$96,800	\$27,574	\$2,244,320	\$2,199,700	\$44,620	(31.5%)
Realty Transfer	\$50,336	\$64,200	(\$13,864)	\$579,226	\$688,500	(\$109,274)	(24.9%)
Inheritance	\$131,427	\$117,300	\$14,127	\$1,395,650	\$1,345,100	\$50,550	(2.3%)
Gaming	\$28,934	\$28,500	\$434	\$336,583	\$291,900	\$44,683	16.8%
Minor and Repealed	\$441	\$22,700	(\$22,259)	(\$73,028)	(\$81,700)	\$8,672	10.2%
Non-Tax Revenue	\$82,429	\$37,800	\$44,629	\$1,068,664	\$737,200	\$331,464	(76.8%)
Liquor Store Profits	\$0	\$0	\$0	\$185,100	\$185,100	\$0	0.0%
Licenses and Fees	\$10,802	\$8,900	\$1,902	\$151,010	\$139,200	\$11,810	(6.8%)
Miscellaneous	\$64,778	\$22,200	\$42,578	\$667,544	\$346,000	\$321,544	(84.1%)
Treasury	\$56,655	\$600	\$56,055	\$385,202	\$18,600	\$366,602	2590.1%
Escheats	\$7,387	\$18,900	(\$11,513)	\$213,198	\$266,400	(\$53,202)	(94.4%)
Other Misc & Transfers	\$736	\$2,700	(\$1,964)	\$69,144	\$61,000	\$8,144	(79.5%)
Fines, Penalties, Interest	\$6,849	\$6,700	\$149	\$65,010	\$66,900	(\$1,890)	(3.1%)

Revenues Explained

General Fund collections of \$3.29 billion in **May** were **\$46.1 million less than the official monthly estimate**. **Year-to-Date** collections of \$41.23 billion are **\$1.15 billion, or 2.9%, above the official estimate**.

All major tax categories fell below the official estimate for the month of May.

While Governor Shapiro’s budget proposal on March 7th assumed revenue collections will exceed estimate by \$347.5 million by June 30, 2023, the Independent Fiscal Office (IFO) released their initial revenue estimate on May 24th which assumes revenue collections will exceed estimate by \$1.13 billion by June 30, 2023.

May 2023 monthly collections:

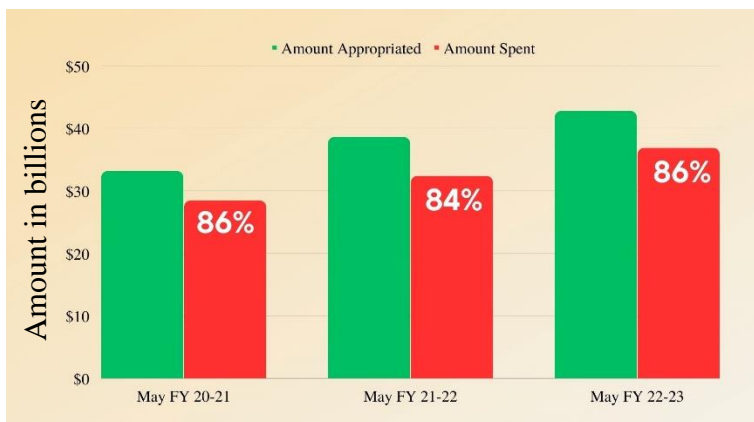
- **Total Tax Revenue** collections **fell short of the monthly estimate** by **\$90.7 million, or 2.7%**.
- **Corporate Net Income Tax** collections **fell below the monthly estimate** by **\$28.5 million, or 6.0%**, after several consecutive months of strong collections.
- **Sales and Use Tax (SUT) non-motor vehicle** collections of \$985.1 million were **less than the monthly estimate** by **\$59.4 million, or 5.7%**, and below collections of May 2022 by 4.3%. **SUT motor vehicle** collections of \$131.1 million were **above the official monthly estimate** by **\$10.2 million, or 8.4%**.
- **Personal Income Tax (PIT) withholding** collections of \$1.14 billion narrowly **missed the monthly estimate** by **\$1.3 million, or 0.1%**, but remained slightly above the year-to-date estimate by 0.3%.
- **PIT annual** payments were **above the official estimate** by **\$27.6 million**, however, **PIT estimated** payments **fell short** by **\$17.7 million**.
- **Realty Transfer Tax** collections **continue to fall short of estimate** (**\$13.9 million below**) and are 15.9% below the year-to-date estimate.
- **Non-Tax Revenue** collections of \$82.4 million were **above estimate** for the month by **\$44.6 million** largely due to higher than anticipated interest earnings.

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

- **Total Tax Revenue** collections for the fiscal year through the month of May **exceed the YTD estimate** by **\$822.3 million, or 2.1%**; and are above YTD collections of the prior fiscal year by 2.2%
- **YTD Corporate Net Income Tax** collections of \$5.1 billion are **\$992.0 million above estimate** and 17.7% above collections for the same period of the prior fiscal year.
- **YTD Sales and Use Tax non-motor vehicle collections** (\$11.55 billion) **exceed the fiscal year estimate** by **\$139.1 million** and **motor vehicle collections** (\$1.26 billion) are **above the fiscal year estimate** by **\$39.4 million**.
- **Personal Income Tax (PIT) withholding** collections **and annual** collections for the fiscal year are **above estimate** by **\$37.2 million** and **\$44.6 million**, respectively, while **PIT quarterly estimated payments** are **below estimate** for the fiscal year by **\$479.6 million**.
- **Realty Transfer Tax** collections of \$579.2 million through May are **below estimate** by **\$109.3 million** and below YTD collections of the prior fiscal year by 24.9%.

May Revenue Collections			
Total General Fund		Personal Income Taxes	
Estimate: \$3.338 billion	Actual: \$3.292 billion ↓	Estimate: \$1.291 billion	Actual: \$1.299 billion ↑
Corporation Taxes		Sales Taxes	
Estimate: \$474 million	Actual: \$445 million ↓	Estimate: \$1.165 billion	Actual: \$1.116 billion ↓
Non-Tax Revenue		All Other Taxes:	
Estimate: \$37 million	Actual: \$82 million ↑	Estimate: \$371 million	Actual: \$349 million ↓

Status of Appropriations



Status of Appropriations provided by Office of the Budget. Employment Statistics and Consumer Price Index from the Bureau of Labor Statistics.

PA Employment Statistics

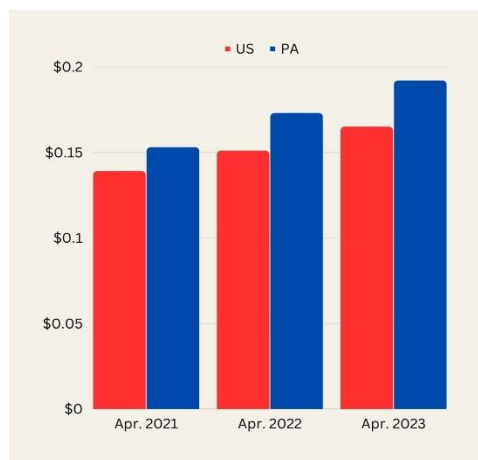
	Apr. 2023	Change
Labor Force	6.51 (mil)	+0.01 (mil) ↑
Unemployment Rate	4.1%	-0.1% ↓
Total Nonfarm Jobs	6.1 (mil)	Even
12 MONTH CHANGE		
Total Nonfarm Jobs	+159,300	↑
Unemployment Rate	-0.2	↓
<i>Surrounding States Unemployment Rates:</i>		
DE: 4.3%	MD: 2.5%	NJ: 3.5%
NY: 4.0%	OH: 3.7%	WV: 3.3%

Inflation Update

The national inflation rate for April 2023 was 4.9%, representing a modest decline from 5% for March 2023. This was the 10th consecutive month of declines, but still above the 2% goal of the Federal Reserve.

Energy Update

Electric Rates



Gas Prices



US: \$3.839/gallon

PA: \$3.666/gallon

Natural Gas Rate



Electric rates continue to run higher than the national average, gasoline prices were 17 cents cheaper than the national average, and natural gas prices are now slightly higher than the national average.

Information from the US Bureau of Labor Statistics – Philadelphia area