



April 2024

Financial Brief

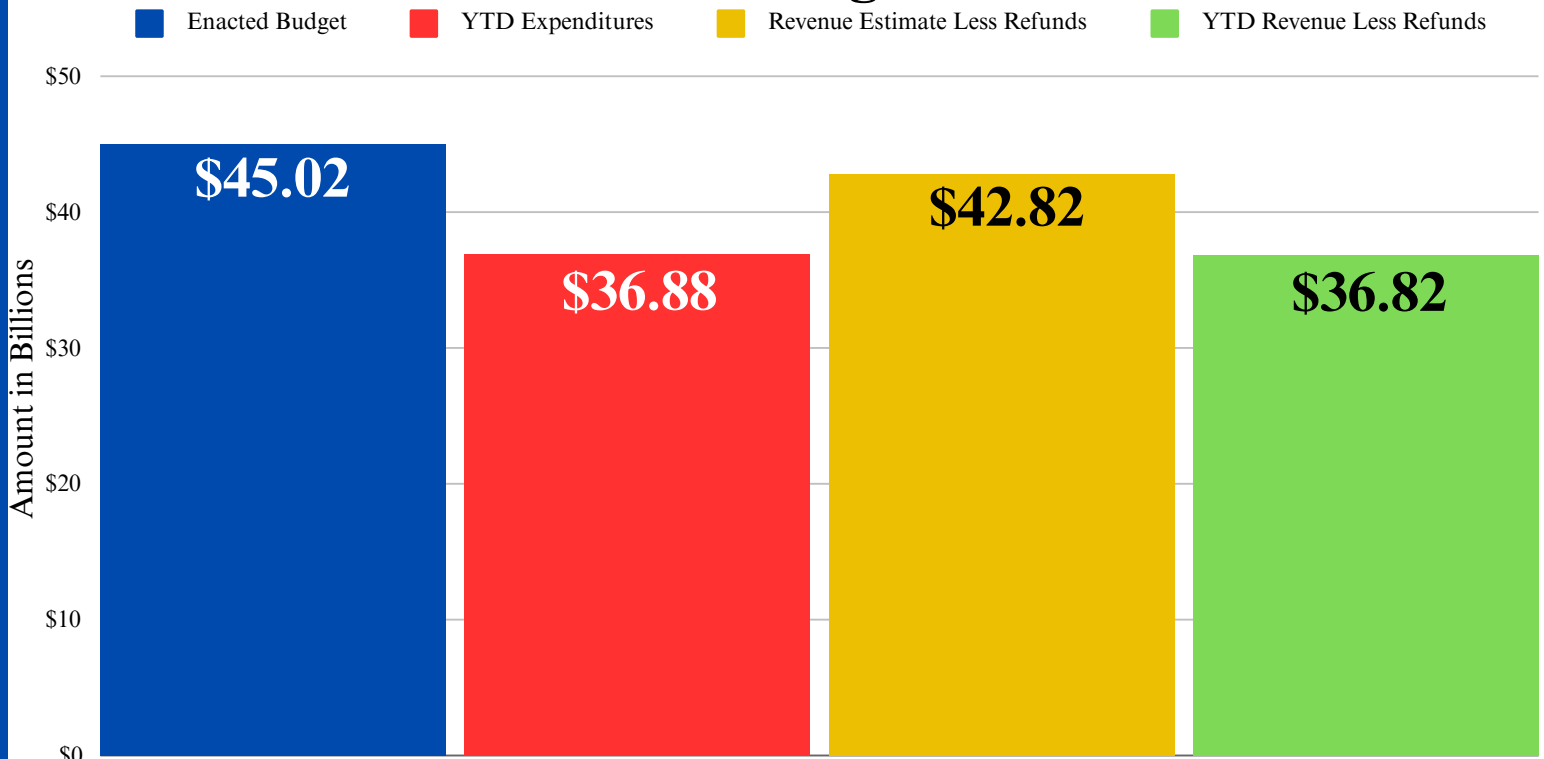
Message from Chairman Grove



With Tax Day 2024 in the rearview mirror, the financial future of the Commonwealth is becoming slightly more defined. General Fund revenues for the month of April exceeded the official monthly estimate by \$373 million and Year-To Date (YTD) collections are exceeding the official estimate by \$739 million, driven primarily by the Corporate Net Income Tax and Treasury Investment Earnings. While exceeding the official monthly and YTD estimates may seem encouraging on the surface, there are alarming warning signs just below. General Fund revenues only exceeded collections of the prior year by 1.4%, with tax revenues growing a mere 0.2% during this same time period. Sales and Use Tax (SUT), and Personal Income Tax, fell short of official monthly estimates for April, and remarkably, SUT unveiled a negative growth rate when compared to April 2023. Combined with the anemic national economic growth recently reported, now is the PERFECT time to construct the 2024-25 budget with an added emphasis on the “Back to Basics” plan by utilizing Governor Shapiro’s successful Zero-Based Budgeting policies implemented when he was a Montgomery County Commissioner. More on that in the Budget Policy Update!

Seth Grove, House Republican Appropriations Chairman

General Fund Budget Overview



Fiscal Year 2023-24 General Fund Revenues

Compared to the Official Estimate

House Appropriations Committee (R)

Thousands of Dollars

Revenue Source	April 2024 Actual	April 2024 Estimate	\$ Amount over / (under) Estimate	2023-24 YTD Actual	2023-24 YTD Estimate	\$ Amount over / (under) Estimate
General Fund	<u>\$5,685,584</u>	<u>\$5,312,300</u>	<u>\$373,284</u>	<u>\$38,484,404</u>	<u>\$37,745,100</u>	<u>\$739,304</u>
Tax Revenue	<u>\$5,292,162</u>	<u>\$5,043,900</u>	<u>\$248,262</u>	<u>\$37,032,496</u>	<u>\$36,690,500</u>	<u>\$341,996</u>
Corporation Taxes	<u>\$835,315</u>	<u>\$655,800</u>	<u>\$179,515</u>	<u>\$7,171,057</u>	<u>\$6,838,900</u>	<u>\$332,157</u>
Accelerated Deposits	\$0	\$0	\$0	\$0	\$0	\$0
Corporate Net Income	\$701,714	\$538,900	\$162,814	\$4,378,946	\$4,191,100	\$187,846
Selective Business	\$133,602	\$116,900	\$16,702	\$2,792,111	\$2,647,800	\$144,311
Gross Receipts	\$2,484	\$2,000	\$484	\$1,380,999	\$1,306,200	\$74,799
Utility Property	\$24,930	\$22,500	\$2,430	\$27,307	\$23,700	\$3,607
Insurance Premiums	\$95,362	\$85,000	\$10,362	\$1,001,318	\$993,400	\$7,918
Financial Institutions	\$10,826	\$7,400	\$3,426	\$382,487	\$324,500	\$57,987
Bank Shares	\$729	\$2,000	(\$1,271)	\$354,766	\$299,500	\$55,266
Mutual Thrifts	\$10,097	\$5,400	\$4,697	\$27,722	\$25,000	\$2,722
Consumption Taxes	<u>\$1,212,289</u>	<u>\$1,218,200</u>	<u>(\$5,911)</u>	<u>\$12,861,952</u>	<u>\$12,838,400</u>	<u>\$23,552</u>
Sales and Use Tax	<u>\$1,211,410</u>	<u>\$1,211,500</u>	<u>(\$90)</u>	<u>\$11,832,848</u>	<u>\$11,750,200</u>	<u>\$82,648</u>
Non-Motor Vehicle	\$1,081,442	\$1,103,900	(\$22,458)	\$10,723,058	\$10,670,300	\$52,758
Motor Vehicle	\$129,968	\$107,600	\$22,368	\$1,109,790	\$1,079,900	\$29,890
Cigarette	(\$46,869)	(\$45,900)	(\$969)	\$517,639	\$548,500	(\$30,861)
Other Tobacco Products	\$11,592	\$14,200	(\$2,608)	\$121,207	\$135,900	(\$14,693)
Malt Beverage	\$1,549	\$1,800	(\$251)	\$17,439	\$18,000	(\$561)
Liquor	\$34,608	\$36,600	(\$1,992)	\$372,819	\$385,800	(\$12,981)
Other Taxes	<u>\$3,244,558</u>	<u>\$3,169,900</u>	<u>\$74,658</u>	<u>\$16,999,488</u>	<u>\$17,013,200</u>	<u>(\$13,712)</u>
Personal Income Tax	<u>\$2,953,971</u>	<u>\$2,968,600</u>	<u>(\$14,629)</u>	<u>\$15,024,427</u>	<u>\$15,181,900</u>	<u>(\$157,473)</u>
Withholding	\$1,084,506	\$1,060,400	\$24,106	\$11,017,667	\$10,953,700	\$63,967
Estimated	\$463,442	\$514,300	(\$50,858)	\$1,983,399	\$2,324,700	(\$341,301)
Annual	\$1,406,023	\$1,393,900	\$12,123	\$2,023,362	\$1,903,500	\$119,862
Realty Transfer	\$48,747	\$45,300	\$3,447	\$427,395	\$413,900	\$13,495
Inheritance	\$210,831	\$123,400	\$87,431	\$1,368,364	\$1,231,000	\$137,364
Gaming	\$29,794	\$30,800	(\$1,006)	\$304,304	\$309,500	(\$5,196)
Minor and Repealed	\$1,214	\$1,800	(\$586)	(\$125,003)	(\$123,100)	(\$1,903)
Non-Tax Revenue	<u>\$393,422</u>	<u>\$268,400</u>	<u>\$125,022</u>	<u>\$1,451,908</u>	<u>\$1,054,600</u>	<u>\$397,308</u>
Liquor Store Profits	\$0	\$0	\$0	\$185,100	\$185,100	\$0
Licenses and Fees	(\$1,573)	\$1,300	(\$2,873)	\$157,613	\$142,900	\$14,713
Miscellaneous	<u>\$388,902</u>	<u>\$261,100</u>	<u>\$127,802</u>	<u>\$1,049,791</u>	<u>\$667,100</u>	<u>\$382,691</u>
Treasury	\$54,687	\$17,300	\$37,387	\$647,132	\$347,900	\$299,232
Escheats	\$327,361	\$243,300	\$84,061	\$320,738	\$227,700	\$93,038
Other Misc & Transfers	\$6,854	\$500	\$6,354	\$81,921	\$91,500	(\$9,579)
Fines, Penalties, Interest	\$6,093	\$6,000	\$93	\$59,404	\$59,500	(\$96)

Fiscal Year 2023-24 General Fund Revenues

Compared to the Prior Year Collections

House Appropriations Committee (R)

Thousands of Dollars

Revenue Source	April 2023 Actual	April 2024 Actual	Month % Growth vs Prior Year	2022-23 YTD Actual	2023-24 YTD Actual	YTD % Growth vs Prior Year
General Fund	<u>\$5,655,707</u>	<u>\$5,685,584</u>	<u>0.5%</u>	<u>\$37,938,842</u>	<u>\$38,484,404</u>	<u>1.4%</u>
Tax Revenue	<u>\$5,345,687</u>	<u>\$5,292,162</u>	<u>(1.0%)</u>	<u>\$36,952,607</u>	<u>\$37,032,496</u>	<u>0.2%</u>
Corporation Taxes	<u>\$992,124</u>	<u>\$835,315</u>	<u>(15.8%)</u>	<u>\$7,219,056</u>	<u>\$7,171,057</u>	<u>(0.7%)</u>
Accelerated Deposits	\$4	\$0	(100.0%)	(\$3,430)	\$0	(100.0%)
Corporate Net Income	\$874,019	\$701,714	(19.7%)	\$4,700,909	\$4,378,946	(6.8%)
Selective Business	\$118,101	\$133,602	13.1%	\$2,521,577	\$2,792,111	10.7%
Gross Receipts	\$3,868	\$2,484	(35.8%)	\$1,180,619	\$1,380,999	17.0%
Utility Property	\$24,220	\$24,930	2.9%	\$27,508	\$27,307	(0.7%)
Insurance Premiums	\$79,882	\$95,362	19.4%	\$957,421	\$1,001,318	4.6%
Financial Institutions	\$10,132	\$10,826	6.9%	\$356,029	\$382,487	7.4%
Bank Shares	\$1,995	\$729	(63.4%)	\$328,629	\$354,766	8.0%
Mutual Thrifts	\$8,136	\$10,097	24.1%	\$27,401	\$27,722	1.2%
Consumption Taxes	<u>\$1,244,402</u>	<u>\$1,212,289</u>	<u>(2.6%)</u>	<u>\$12,817,421</u>	<u>\$12,861,952</u>	<u>0.3%</u>
Sales and Use Tax	<u>\$1,235,610</u>	<u>\$1,211,410</u>	<u>(2.0%)</u>	<u>\$11,696,448</u>	<u>\$11,832,848</u>	<u>1.2%</u>
Non-Motor Vehicle	\$1,125,042	\$1,081,442	(3.9%)	\$10,566,413	\$10,723,058	1.5%
Motor Vehicle	\$110,568	\$129,968	17.5%	\$1,130,035	\$1,109,790	(1.8%)
Cigarette	(\$41,628)	(\$46,869)	12.6%	\$602,019	\$517,639	(14.0%)
Other Tobacco Products	\$13,064	\$11,592	(11.3%)	\$127,091	\$121,207	(4.6%)
Malt Beverage	\$1,896	\$1,549	(18.3%)	\$18,333	\$17,439	(4.9%)
Liquor	\$35,460	\$34,608	(2.4%)	\$373,531	\$372,819	(0.2%)
Other Taxes	<u>\$3,109,161</u>	<u>\$3,244,558</u>	<u>4.4%</u>	<u>\$16,916,131</u>	<u>\$16,999,488</u>	<u>0.5%</u>
Personal Income Tax	<u>\$2,895,391</u>	<u>\$2,953,971</u>	<u>2.0%</u>	<u>\$14,888,838</u>	<u>\$15,024,427</u>	<u>0.9%</u>
Withholding	\$1,001,973	\$1,084,506	8.2%	\$10,516,254	\$11,017,667	4.8%
Estimated	\$453,144	\$463,442	2.3%	\$2,252,640	\$1,983,399	(12.0%)
Annual	\$1,440,274	\$1,406,023	(2.4%)	\$2,119,945	\$2,023,362	(4.6%)
Realty Transfer	\$41,895	\$48,747	16.4%	\$528,889	\$427,395	(19.2%)
Inheritance	\$118,736	\$210,831	77.6%	\$1,264,222	\$1,368,364	8.2%
Gaming	\$29,842	\$29,794	(0.2%)	\$307,649	\$304,304	(1.1%)
Minor and Repealed	\$23,297	\$1,214	(94.8%)	(\$73,468)	(\$125,003)	70.1%
Non-Tax Revenue	<u>\$310,020</u>	<u>\$393,422</u>	<u>26.9%</u>	<u>\$986,235</u>	<u>\$1,451,908</u>	<u>47.2%</u>
Liquor Store Profits	\$0	\$0		\$185,100	\$185,100	0.0%
Licenses and Fees	(\$136)	(\$1,573)	1053.5%	\$140,208	\$157,613	12.4%
Miscellaneous	<u>\$304,569</u>	<u>\$388,902</u>	<u>27.7%</u>	<u>\$602,766</u>	<u>\$1,049,791</u>	<u>74.2%</u>
Treasury	\$48,607	\$54,687	12.5%	\$328,547	\$647,132	97.0%
Escheats	\$0	\$327,361		\$3	\$320,738	11293487.0%
Other Misc & Transfers	\$255,962	\$6,854	(97.3%)	\$274,217	\$81,921	(70.1%)
Fines, Penalties, Interest	\$5,588	\$6,093	9.0%	\$58,162	\$59,404	2.1%

Revenues Explained

General Fund collections of \$5.69 billion in April were \$373.3 million higher than the official monthly estimate, led by the Corporate Net Income Tax and the Inheritance Tax. Year-to-Date (YTD) General Fund collections of \$38.48 billion exceed estimate by \$739.3 million through April.

Governor Shapiro's Executive Budget assumes fiscal year 2023-24 General Fund collections will exceed estimate by \$656.5 million come June 30, 2024.

Over the course of the month, the Office of the Budget issued two ESNs to increase the refund reserve by a total of \$350 million to account for higher-than-expected tax refunds being issued with the filing of 2023 tax returns.







April 2024 monthly collections:

- **Total Tax Revenue** collections **exceeded the monthly estimate by \$248.3 million**; however, collections were **below that of the prior year by \$53.5 million, or 1.0%**.
- **Total Corporation Taxes** were **above the official monthly estimate by \$179.5 million**, led by strong collections of the Corporate Net Income Tax, which **exceeded the official monthly estimate by \$162.8 million**.
- **Total Sales and Use Tax (SUT)** collections narrowly **missed the official monthly estimate by \$90,000**. **SUT non-motor vehicle** collections **fell short of the official monthly estimate by \$22.5 million and were 3.9% less than collections of April 2023**. **SUT motor vehicle** collections **exceeded the official monthly estimate by \$22.4 million**.
- **Total Personal Income Tax (PIT) (PIT annual, PIT quarterly estimated, and PIT withholding)** collections **fell short of the official monthly estimate by \$14.6 million**. **PIT annual and PIT withholding both exceeded the official monthly estimate by \$12.1 and \$24.1 million, respectively**, while **PIT quarterly estimated** collections were **\$50.9 million short of the official monthly estimate**.
- **Inheritance Tax** collections **exceeded the monthly estimate by \$87.4 million**.
- **Non-Tax Revenue** collections of \$393.4 million were **above estimate for the month by \$125.0 million**, led by **unclaimed property, otherwise known as "escheats"**, which **exceeded the officially monthly estimate by \$84.1 million**, and continued strength of **interest earnings**, which **exceeded the official monthly estimate by \$37.4 million**.

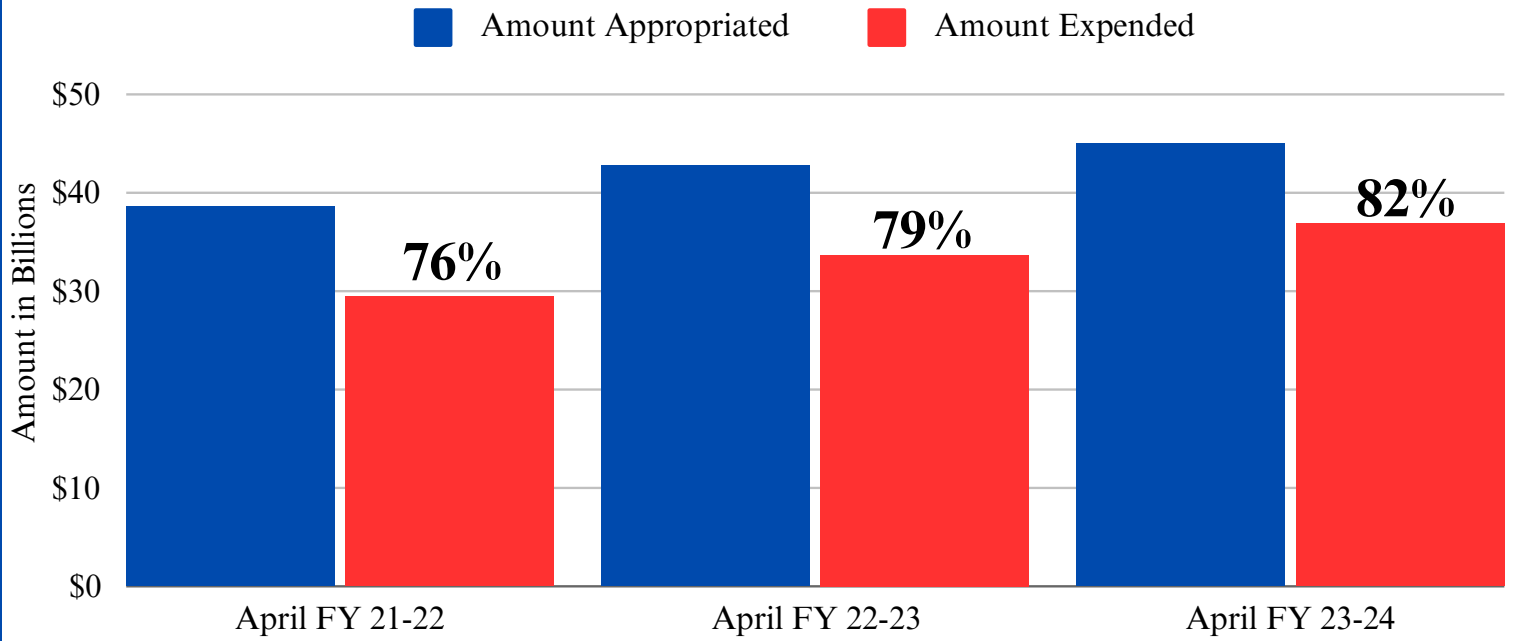
Fiscal Year-to-Date (YTD) collections through the month of April 2024:

- **Total Tax Revenue** collections of \$38.48 billion through April 2024 are **narrowly above the YTD collections of the prior fiscal year by 1.4%, or \$545.6 million**.
- **YTD Corporate Net Income Tax** collections of \$4.38 billion are **below YTD collections of the prior fiscal year by 6.8%**.
- **YTD Total Sales and Use Tax** collections are **above YTD collections of the prior fiscal year by 1.2%**. **SUT non-motor vehicle** collections of \$10.72 billion are **above collections of the prior fiscal year by 1.5%** while **SUT motor vehicle** collections of \$1.11 billion are **below collections of the prior fiscal year by 1.8%**.
- **YTD Total PIT** collections of \$15.02 billion are slightly **above collections of the prior fiscal year by 0.9%**. **YTD PIT withholding is above collections of the prior fiscal year by 4.8%** while **YTD PIT annual and YTD PIT estimated payments remain below collections of the prior fiscal year by 4.6% and 12.0%, respectively**.
- **Realty Transfer Tax YTD** collections of \$427.4 million through the month of April remain **below collections of the prior year by \$101.5 million, or 19.2%**.
- **YTD Non-Tax Revenue** collections of \$1.45 billion are **above collections of the prior fiscal year by 47.2%**. This is attributable to the exceptional strength of **interest earnings**, which total **\$647.1 million**.

April 2024 Revenue Collections

Total General Fund		Personal Income Tax	
Estimate: \$5.312 billion	Actual: \$5.686 billion 	Estimate: \$2.969 billion	Actual: \$2.954 billion 
Total Corporation Taxes		Sales Tax	
Estimate: \$655.8 million	Actual: \$835.3 million 	Estimate: \$1.212 billion	Actual: \$1.211 billion 
Non-Tax Revenue		All Other Taxes	
Estimate: \$268.4 million	Actual: \$393.4 million 	Estimate: \$208 million	Actual: \$291.5 million 

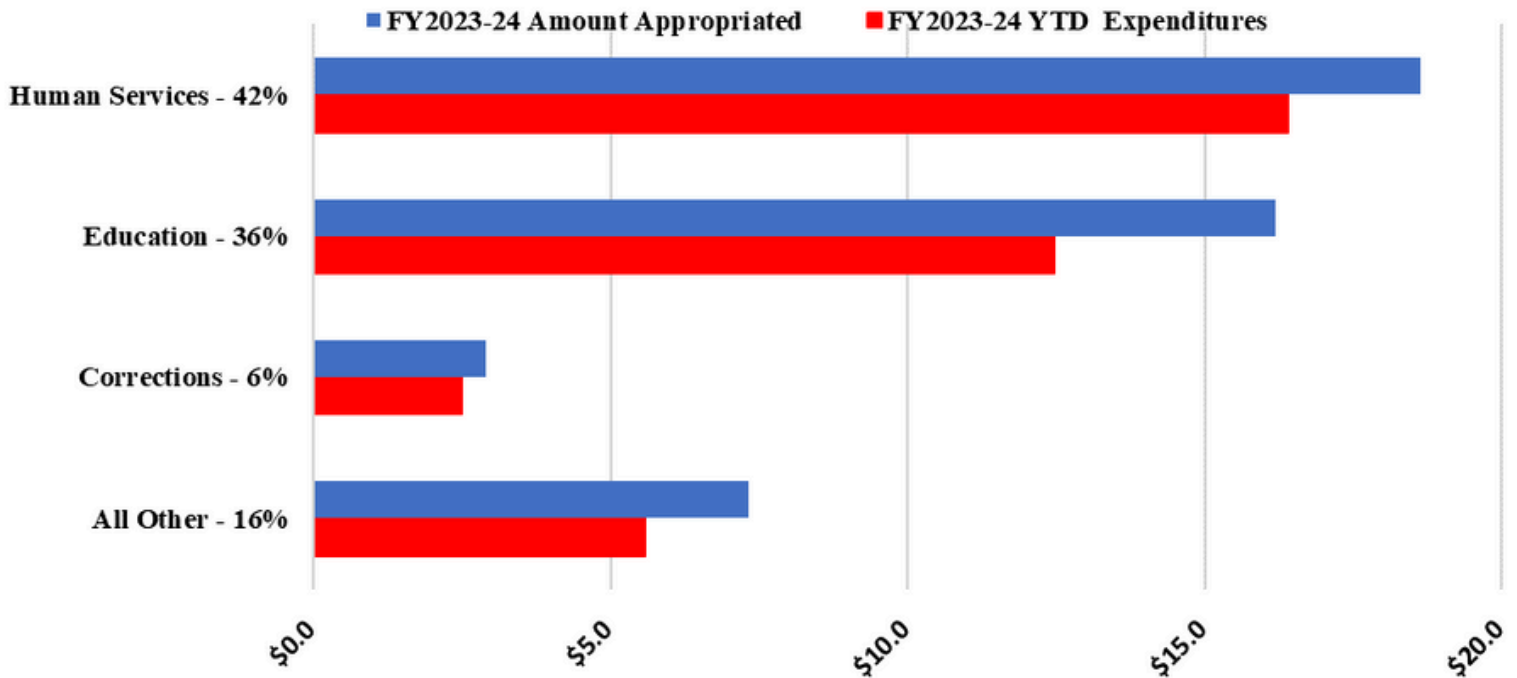
Status of Appropriations



FY2023-24 Budget - Top 3 Agencies (84% of Budget)

Status of Appropriations as of April 2024

Amounts in Billions

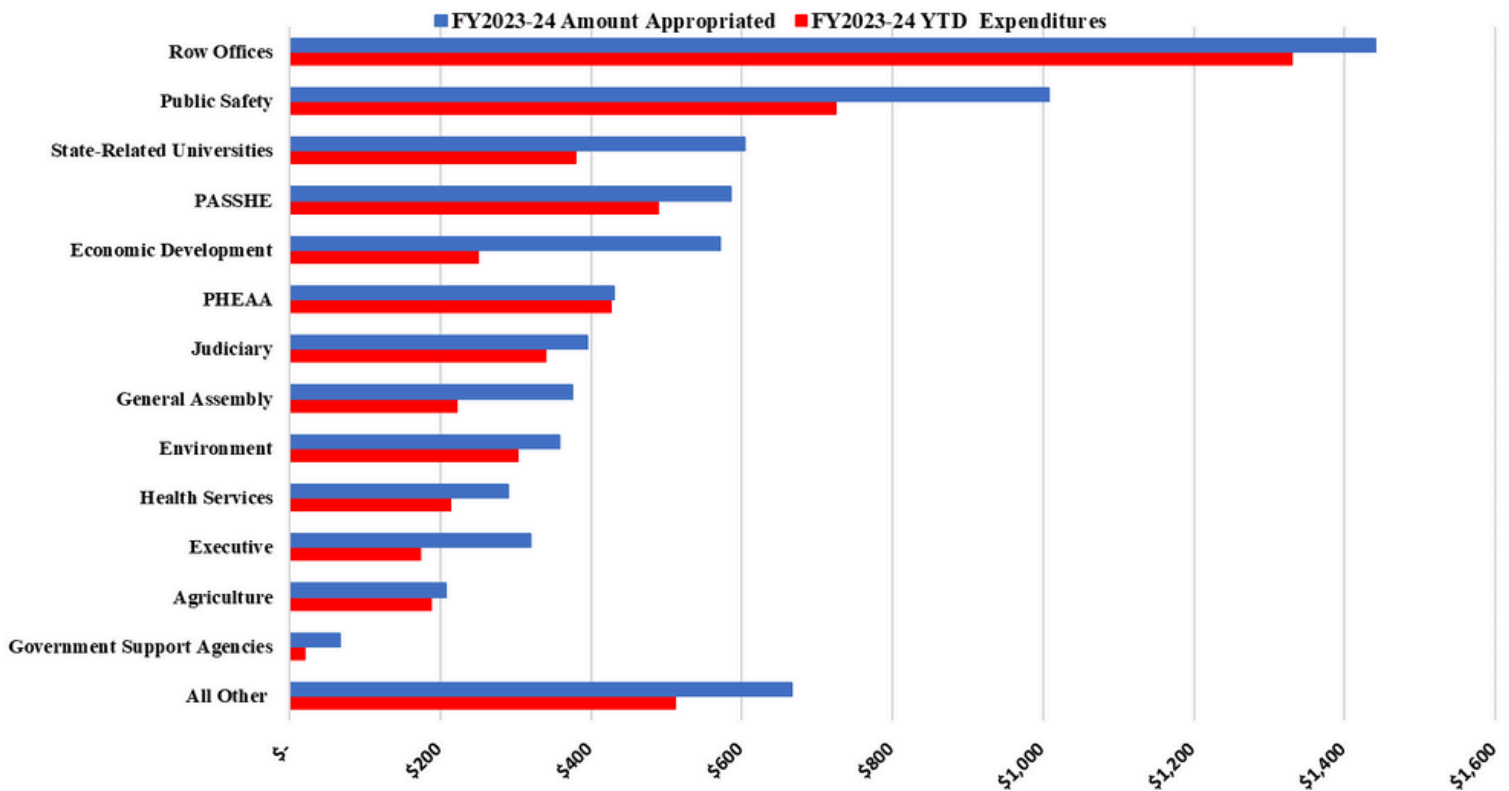


All Spending information from Commonwealth Accounting System, Status of Appropriations Report.

FY2023-24 Budget - All Other Agencies (16% of Budget)

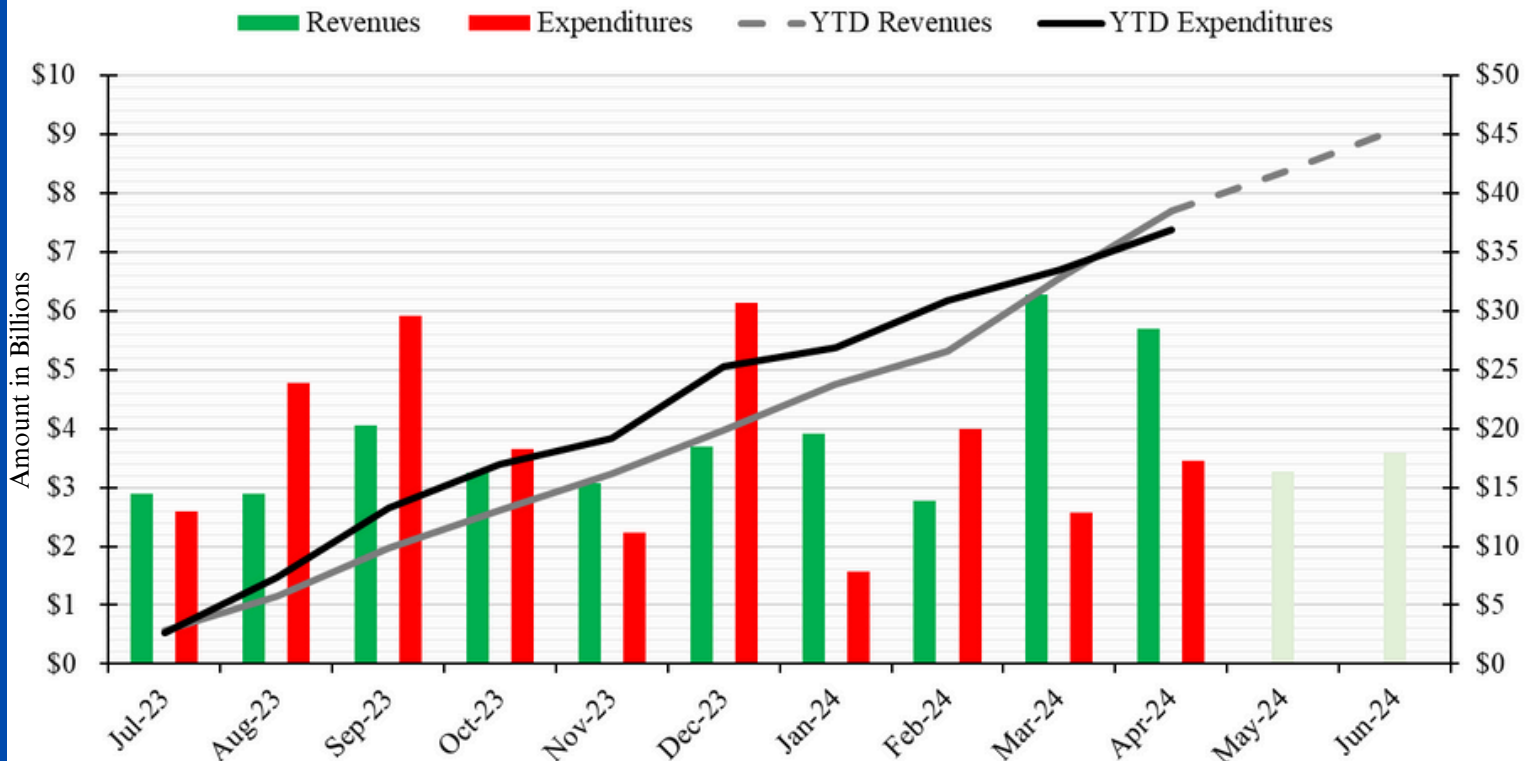
Status of Appropriations as of April 2024

Amounts in Millions



2023-24 GENERAL FUND

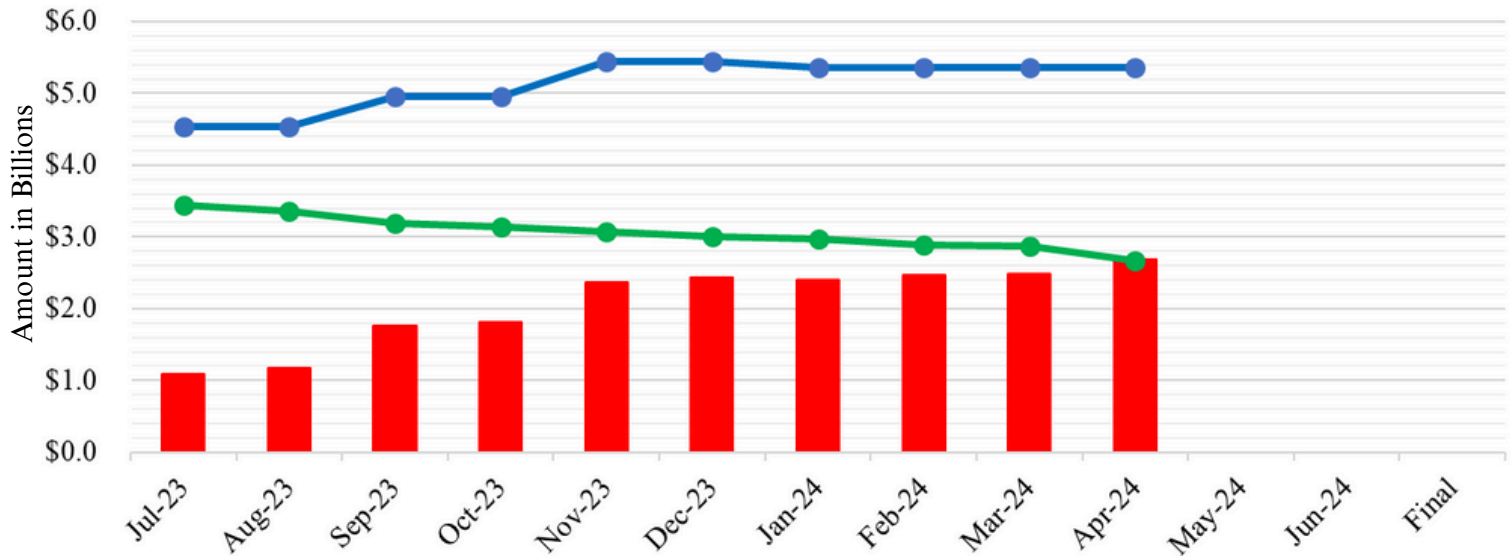
Expenditures and Revenues



All Spending information from Commonwealth Accounting System, Status of Appropriations Report.

PRIOR YEAR FUNDS FY2023-24 General Fund

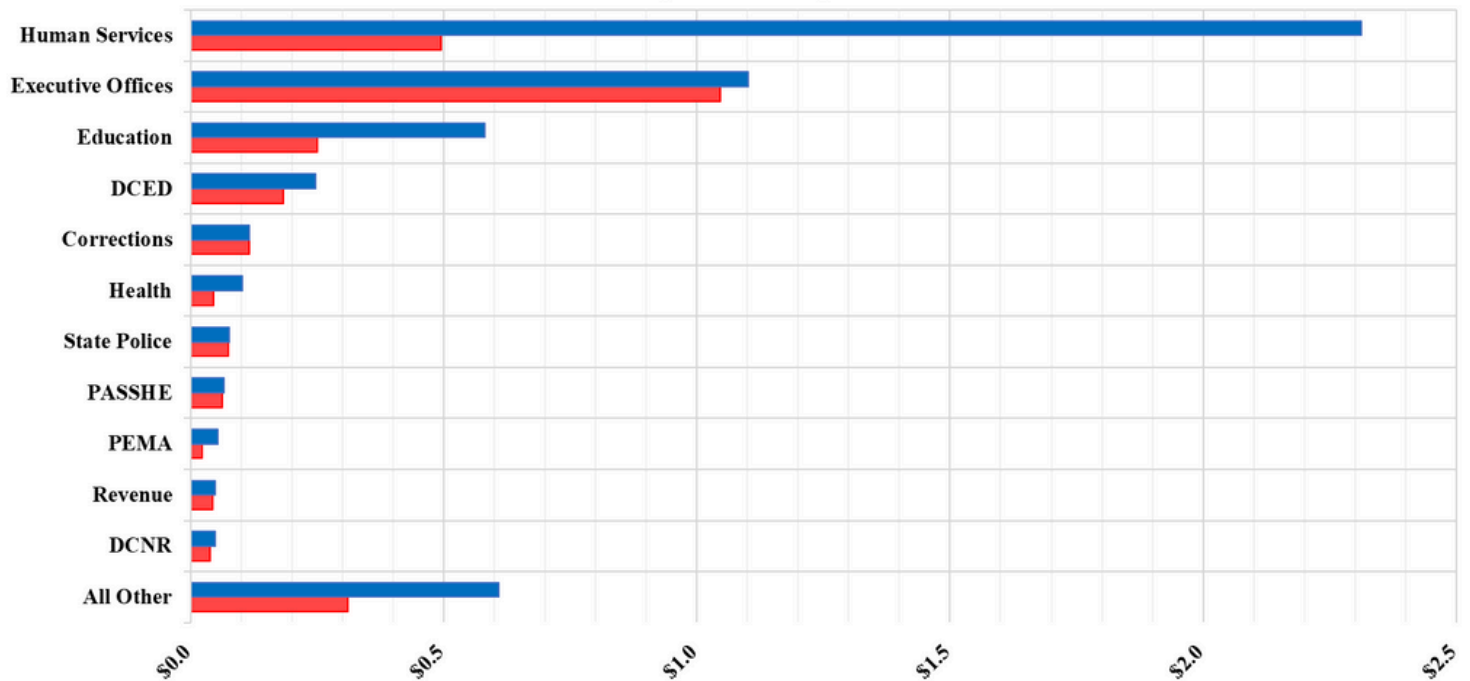
YTD Expenditures Carryforward Available Funds



PRIOR YEAR FUNDS - TOP 10 AGENCIES* FY2023-24 as of April 2024

Amounts in Billions

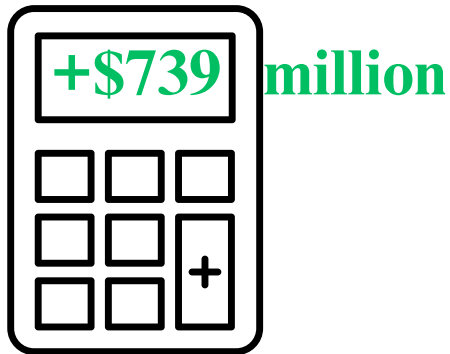
Carryforward Expenditures



*Under the Governor's jurisdiction

All Spending information from Commonwealth Accounting System, Status of Appropriations Report.

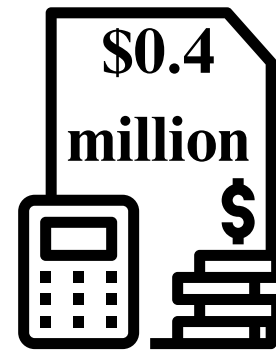
YTD Revenue Performance



Budget Surplus



Ledger 5 Expenditures



Rainy Day Fund



50 Days of Sunshine

Budget Policy Update

What We Can Learn from Josh Shapiro About Budgeting

Pennsylvania faces a structural deficit, and no one disputes this. The lingering question is, how do we fix it?

While Democrats seem content to cross their fingers that recurring revenues will eventually catch up to new and recurring expenses before the surplus runs out, there is another path.

The way forward isn't indiscriminate cuts such as sequestration, debt, budget gimmicks, or massive increases, as some fear-mongering Democrats want to claim. Our best option is one utilized by a former Democrat Montgomery County Commissioner: Zero-Based Budgeting. That former Montgomery County Commissioner with the successful track record: Josh Shapiro.

Zero-Based Budgeting is not a new concept. The origins of this system date back to the late 1960s, when an accounting manager at Texas Instruments named Pete Pyhrr first developed the plan. By the early 1970s, then-Georgia Governor Jimmy Carter implemented Zero-Based Budgeting at the state level and eventually, he did so as President.

Shapiro Budget (continued)

For several decades, Zero-Based Budgeting weaved its way in and out of budgetary conversations in both the public and private sectors. Enter County Commissioner Shapiro in 2012.

The Philadelphia Citizen reported in 2016 that Shapiro “faced a \$10 million budget hole and a structural deficit of \$49 million—percentage-wise, more of a shortfall than Governor-elect Tom Wolf faces right now. So what did he do? He started over. Literally.”

Governor Shapiro utilized Zero-Based Budgeting to push county finances in line, close a structural deficit, and set the county up for financial success even though he moved on to higher offices.

How successful was the Zero-Based Budgeting? The Philadelphia Citizen again reports:

Within a year, the shortfall was transformed into a balanced budget with no new taxes, one that increased pension funding, grew the county’s reserves for the first time in four years, and eliminated all earmarks. Last year, the county finished with a \$1.6 million surplus; overall spending was down 10 percent compared to 2011, but investment in human services, education and public safety were all up without any corresponding uptick in debt.

The reason for the success lies in the execution of the program. Rather than starting the budget from the previous year’s amount, Zero-Based Budgeting starts the budget conversion at \$0. As programs are added to the budget, they are examined for effectiveness, necessity, and cost/benefit analysis.

Zero-Based Budgeting will reduce or cut bloated and ineffective government programs. It also ensures that worthwhile, effective, and efficient government programs receive continued and, in some cases, increased funding.

During the 2024 budget hearings, Department of Community and Economic Development (DCED) Secretary Rick Siger admitted to studying all economic development programs within his department. When pressed on what areas are performing well and which areas are not, Secretary Siger declined to share those findings.

A closer examination of the DCED budget reveals some obvious candidates for a Zero-Based Budget review. For example, the Base Realignment and Closure (BRAC) line item is proposed to cost taxpayers \$687,000 this year. While the goal of keeping military bases open in Pennsylvania is good, there is no talk of the Federal government convening a BRAC study.

The Zero-Based Budgeting approach would catch issues like this.

Asking agencies to start from zero and build their budget from there while justifying every valuable taxpayer dollar might seem like a formidable task, especially for larger agencies. However, there are already tools in place for agencies to utilize, such as the Pennsylvania Independent Fiscal Office’s [Performance-Based Budgeting reviews](#). Each of these reports contains ideas to improve government programs that can be used in spending justification. There are also dozens of federal and state audits with findings that go unaddressed every year. Zero-Based Budgeting would shine a bright light on these findings.

Secretary Uri Monson said during his budget hearing that Zero-Based Budgeting’s most important key to success is “leadership buy-in.” Let’s work together to get the rest of Harrisburg to buy in.