



September 2024 Financial Brief

Message from Chairman Grove

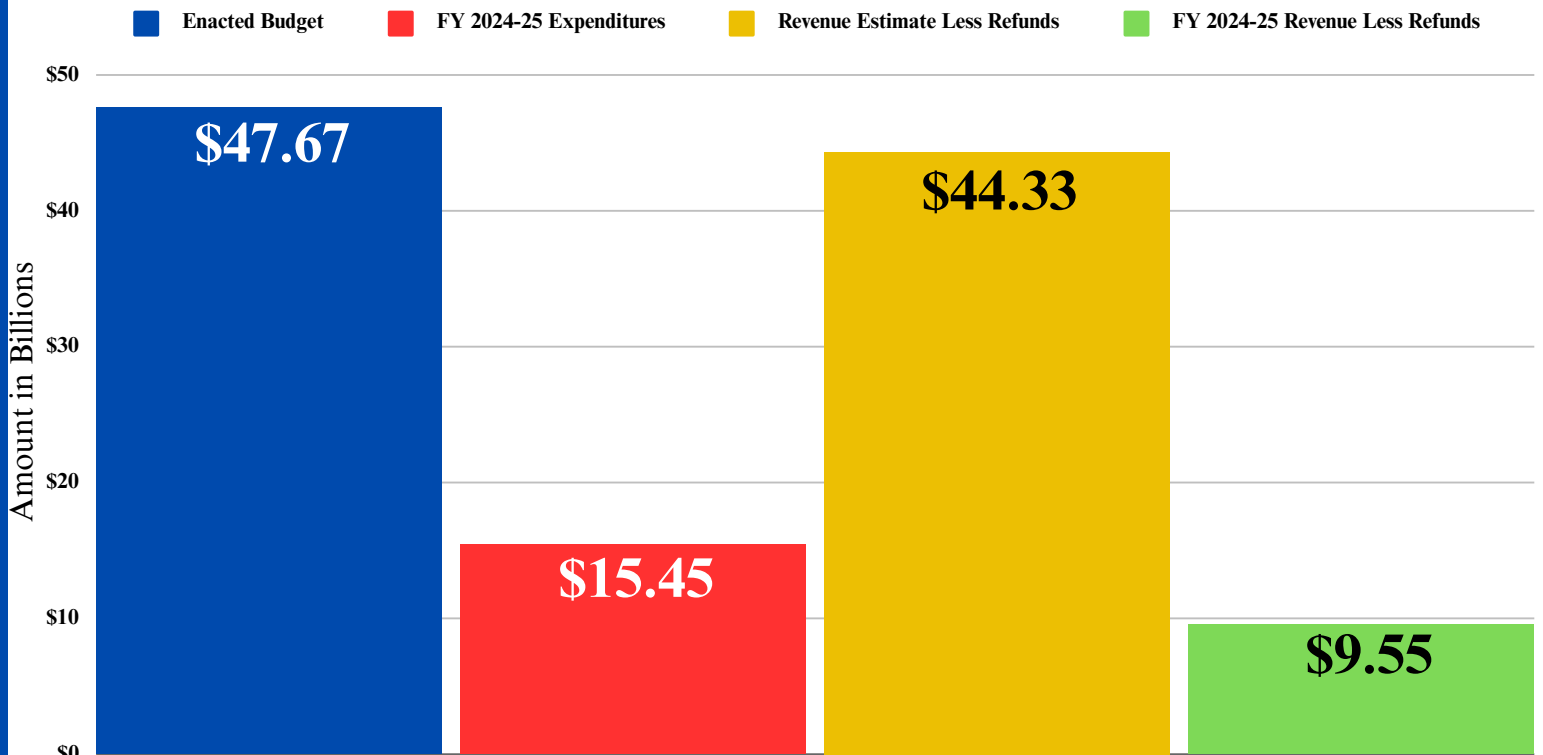


Pennsylvania's September financial data continues the concerning trend of revenue growth unable to cover state spending. Total revenue growth Year-Over-Year is currently 2.5%, less than half of the 6.0% Year-Over-Year increase in spending. As I have previously warned, spending down our budget surplus will result in less non-tax revenue which we are now beginning to see. Treasurer Stacy Garrity has done an excellent job of investing our surplus since taking office, providing us with over \$1 billion in investment returns. However, as the surplus has been spent down and interest rates prematurely lowered that revenue stream is slowing down. The Rainy Day Fund transfer also took place last month, which results in a total of \$7.04 billion in the Fund. It is important to remember that \$7.04 billion would only fund the Commonwealth for roughly 54 days, in an emergency. Total General Fund revenues for September of \$4.2 billion came in at \$33.7 million under estimate, while Year-To-Date collections of \$10.09 billion are only \$20.2 million over estimate. As of September 30, 2024, the Commonwealth has spent 32% of the authorized budget, roughly in line with the 30% mark of the previous two fiscal years.

Seth Grove

Seth Grove, House Republican Appropriations Chairman

General Fund Budget Overview



Fiscal Year 2024-25 General Fund Revenues

Compared to the Official Estimate

House Appropriations Committee (R)

Thousands of Dollars

Revenue Source	September 2024 Actual	September 2024 Estimate	\$ Amount over / (under) Estimate	YTD 2024-25 Actual	YTD 2024-25 Estimate	\$ Amount over / (under) Estimate
General Fund	<u>\$4,161,541</u>	<u>\$4,195,200</u>	<u>(\$33,659)</u>	<u>\$10,085,207</u>	<u>\$10,065,000</u>	<u>\$20,207</u>
Tax Revenue	<u>\$4,086,275</u>	<u>\$4,120,000</u>	<u>(\$33,725)</u>	<u>\$9,828,912</u>	<u>\$9,835,000</u>	<u>(\$6,088)</u>
Corporation Taxes	<u>\$993,202</u>	<u>\$962,100</u>	<u>\$31,102</u>	<u>\$1,326,848</u>	<u>\$1,306,700</u>	<u>\$20,148</u>
Accelerated Deposits	\$0	\$0	\$0	\$0	\$0	\$0
Corporate Net Income	\$971,408	\$946,300	\$25,108	\$1,294,514	\$1,281,000	\$13,514
Selective Business	\$21,794	\$15,800	\$5,994	\$32,335	\$25,700	\$6,635
Gross Receipts	\$7,607	\$5,500	\$2,107	\$7,824	\$7,600	\$224
Utility Property	\$1,316	\$800	\$516	\$2,430	\$800	\$1,630
Insurance Premiums	\$634	\$900	(\$266)	\$98	(\$1,300)	\$1,398
Financial Institutions	\$12,237	\$8,600	\$3,637	\$21,983	\$18,600	\$3,383
Bank Shares	\$5,210	\$4,000	\$1,210	\$14,673	\$13,100	\$1,573
Mutual Thrifts	\$7,026	\$4,600	\$2,426	\$7,309	\$5,500	\$1,809
Consumption Taxes	<u>\$1,288,965</u>	<u>\$1,316,000</u>	<u>(\$27,035)</u>	<u>\$3,965,207</u>	<u>\$3,982,400</u>	<u>(\$17,193)</u>
Sales and Use Tax	<u>\$1,170,043</u>	<u>\$1,185,900</u>	<u>(\$15,857)</u>	<u>\$3,667,136</u>	<u>\$3,677,400</u>	<u>(\$10,264)</u>
Non-Motor Vehicle	\$1,052,090	\$1,076,800	(\$24,710)	\$3,310,796	\$3,325,200	(\$14,404)
Motor Vehicle	\$117,953	\$109,100	\$8,853	\$356,340	\$352,200	\$4,140
Cigarette	\$70,814	\$79,300	(\$8,486)	\$149,758	\$157,200	(\$7,442)
Other Tobacco Products	\$12,301	\$12,300	\$1	\$36,628	\$35,500	\$1,128
Malt Beverage	\$1,888	\$1,700	\$188	\$5,435	\$5,000	\$435
Liquor	\$33,918	\$36,800	(\$2,882)	\$106,251	\$107,300	(\$1,049)
Other Taxes	<u>\$1,804,107</u>	<u>\$1,841,900</u>	<u>(\$37,793)</u>	<u>\$4,536,856</u>	<u>\$4,545,900</u>	<u>(\$9,044)</u>
Personal Income Tax	<u>\$1,607,326</u>	<u>\$1,642,000</u>	<u>(\$34,674)</u>	<u>\$3,899,398</u>	<u>\$3,954,400</u>	<u>(\$55,002)</u>
Withholding	\$1,009,308	\$1,023,600	(\$14,292)	\$3,121,446	\$3,153,900	(\$32,454)
Estimated	\$547,661	\$564,900	(\$17,239)	\$653,333	\$678,400	(\$25,067)
Annual	\$50,357	\$53,500	(\$3,143)	\$124,620	\$122,100	\$2,520
Realty Transfer	\$53,108	\$52,200	\$908	\$115,993	\$111,900	\$4,093
Inheritance	\$125,377	\$138,100	(\$12,723)	\$439,003	\$407,000	\$32,003
Gaming	\$29,822	\$21,000	\$8,822	\$87,628	\$76,800	\$10,828
Minor and Repealed	(\$11,526)	(\$11,400)	(\$126)	(\$5,166)	(\$4,200)	(\$966)
Non-Tax Revenue	<u>\$75,266</u>	<u>\$75,200</u>	<u>\$66</u>	<u>\$256,295</u>	<u>\$230,000</u>	<u>\$26,295</u>
Liquor Store Profits	\$0	\$0	\$0	\$0	\$0	\$0
Licenses and Fees	\$8,548	\$8,700	(\$152)	\$21,347	\$23,800	(\$2,453)
Miscellaneous	<u>\$60,656</u>	<u>\$60,400</u>	<u>\$256</u>	<u>\$215,913</u>	<u>\$186,800</u>	<u>\$29,113</u>
Treasury	\$60,922	\$61,200	(\$278)	\$228,293	\$185,300	\$42,993
Escheats	(\$2,179)	(\$2,300)	\$121	(\$31,870)	(\$18,800)	(\$13,070)
Other Misc & Transfers	\$1,913	\$1,500	\$413	\$19,490	\$20,300	(\$810)
Fines, Penalties, Interest	\$6,062	\$6,100	(\$38)	\$19,035	\$19,400	(\$365)

Fiscal Year 2024-25 General Fund Revenues

Compared to the Prior Year Collections

House Appropriations Committee (R)

Thousands of Dollars

Revenue Source	September 2023 Actual	September 2024 Actual	Month % Growth vs Prior Year	2023-24 Actual	2024-25 Actual	% Growth vs Prior Year
<u>General Fund</u>	<u>\$4,056,564</u>	<u>\$4,161,541</u>	<u>2.6%</u>	<u>\$9,837,464</u>	<u>\$10,085,207</u>	<u>2.5%</u>
<u>Tax Revenue</u>	<u>\$3,979,379</u>	<u>\$4,086,275</u>	<u>2.7%</u>	<u>\$9,575,061</u>	<u>\$9,828,912</u>	<u>2.7%</u>
<u>Corporation Taxes</u>	<u>\$999,801</u>	<u>\$993,202</u>	<u>(0.7%)</u>	<u>\$1,326,594</u>	<u>\$1,326,848</u>	<u>0.0%</u>
Accelerated Deposits	\$0	\$0		\$0	\$0	
Corporate Net Income	\$982,336	\$971,408	(1.1%)	\$1,293,924	\$1,294,514	0.0%
Selective Business	\$17,465	\$21,794	24.8%	\$32,669	\$32,335	(1.0%)
Gross Receipts	\$4,702	\$7,607	61.8%	\$16,852	\$7,824	(53.6%)
Utility Property	\$1,437	\$1,316	(8.4%)	\$2,130	\$2,430	14.1%
Insurance Premiums	\$935	\$634	(32.2%)	\$766	\$98	(87.1%)
Financial Institutions	\$10,392	\$12,237	17.8%	\$12,921	\$21,983	70.1%
Bank Shares	\$3,998	\$5,210	30.3%	\$5,346	\$14,673	174.4%
Mutual Thrifts	\$6,394	\$7,026	9.9%	\$7,574	\$7,309	(3.5%)
<u>Consumption Taxes</u>	<u>\$1,273,223</u>	<u>\$1,288,965</u>	<u>1.2%</u>	<u>\$3,935,400</u>	<u>\$3,965,207</u>	<u>0.8%</u>
<u>Sales and Use Tax</u>	<u>\$1,139,078</u>	<u>\$1,170,043</u>	<u>2.7%</u>	<u>\$3,610,479</u>	<u>\$3,667,136</u>	<u>1.6%</u>
Non-Motor Vehicle	\$1,026,073	\$1,052,090	2.5%	\$3,257,829	\$3,310,796	1.6%
Motor Vehicle	\$113,005	\$117,953	4.4%	\$352,650	\$356,340	1.0%
Cigarette	\$83,926	\$70,814	(15.6%)	\$176,064	\$149,758	(14.9%)
Other Tobacco Products	\$12,885	\$12,301	(4.5%)	\$37,449	\$36,628	(2.2%)
Malt Beverage	\$1,763	\$1,888	7.1%	\$5,657	\$5,435	(3.9%)
Liquor	\$35,572	\$33,918	(4.6%)	\$105,751	\$106,251	0.5%
<u>Other Taxes</u>	<u>\$1,706,355</u>	<u>\$1,804,107</u>	<u>5.7%</u>	<u>\$4,313,067</u>	<u>\$4,536,856</u>	<u>5.2%</u>
<u>Personal Income Tax</u>	<u>\$1,532,994</u>	<u>\$1,607,326</u>	<u>4.8%</u>	<u>\$3,769,808</u>	<u>\$3,899,398</u>	<u>3.4%</u>
Withholding	\$973,083	\$1,009,308	3.7%	\$3,049,770	\$3,121,446	2.4%
Estimated	\$496,842	\$547,661	10.2%	\$587,883	\$653,333	11.1%
Annual	\$63,068	\$50,357	(20.2%)	\$132,155	\$124,620	(5.7%)
Realty Transfer	\$45,882	\$53,108	15.7%	\$107,608	\$115,993	7.8%
Inheritance	\$110,236	\$125,377	13.7%	\$366,828	\$439,003	19.7%
Gaming	\$27,647	\$29,822	7.9%	\$71,810	\$87,628	22.0%
Minor and Repealed	(\$10,405)	(\$11,526)	10.8%	(\$2,987)	(\$5,166)	73.0%
<u>Non-Tax Revenue</u>	<u>\$77,185</u>	<u>\$75,266</u>	<u>(2.5%)</u>	<u>\$262,403</u>	<u>\$256,295</u>	<u>(2.3%)</u>
Liquor Store Profits	\$0	\$0		\$0	\$0	
Licenses and Fees	\$6,877	\$8,548	24.3%	\$31,697	\$21,347	(32.7%)
<u>Miscellaneous</u>	<u>\$64,207</u>	<u>\$60,656</u>	<u>(5.5%)</u>	<u>\$211,121</u>	<u>\$215,913</u>	<u>2.3%</u>
Treasury	\$68,049	\$60,922	(10.5%)	\$201,266	\$228,293	13.4%
Escheats	(\$8,394)	(\$2,179)	(74.0%)	(\$19,571)	(\$31,870)	62.8%
Other Misc & Transfers	\$4,552	\$1,913	(58.0%)	\$29,427	\$19,490	(33.8%)
Fines, Penalties, Interest	\$6,101	\$6,062	(0.6%)	\$19,585	\$19,035	(2.8%)

Revenues Explained

General Fund collections of \$4.16 billion in September were \$33.7 million less than the official monthly estimate. All major tax types, except Corporation Taxes, fell short of estimate for the month. Year-to-Date (YTD) General Fund collections of \$10.09 billion exceed estimate by 0.2%. Total Tax Revenue collections of \$4.09 billion in September exceeded collections of September 2023 by 2.7%. Similarly, YTD Total Tax Revenue collections of \$9.83 billion exceed collections of the prior fiscal year by 2.7%.

September 2024 monthly collections:

- **Total Tax Revenue** collections of \$4.09 billion were **less than the official monthly estimate by \$33.7 million**.
- **Total Corporation Taxes** of \$993.2 million were **higher than the official monthly estimate by \$31.1 million**, led by the **Corporate Net Income Tax**, which collections of \$971.4 million **exceeded estimate by \$25.1 million**.
- **Total Sales and Use Tax (SUT)** collections of \$1.17 billion were **less than the official monthly estimate by \$15.9 million**. SUT **non-motor vehicle** collections of \$1.05 billion **fell short of estimate by \$24.7 million** while SUT **motor vehicle** collections of \$118.0 million **exceeded estimate by \$8.9 million**.
- **Total Personal Income Tax (PIT) (annual, quarterly estimated, and withholding)** collections of \$1.61 billion were **below the official monthly estimate by \$34.7 million**. All three tax types fell **short of estimate by \$3.4 million, \$17.2 million, and \$14.3 million, respectively**.
- **Realty Transfer Tax** collections of \$53.1 million **exceeded the official monthly estimate by \$908,000**.
- **Inheritance Tax** collections **fell short of the official monthly estimate by \$12.7 million**.
- **Non-Tax Revenue** collections of \$75.3 million **narrowly exceeded the official monthly estimate by \$66,000**. Of these collections, **treasury investment earnings**, which contributed significantly to the FY 2023-24 ending balance surplus, were **less than estimate by \$278,000**.

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

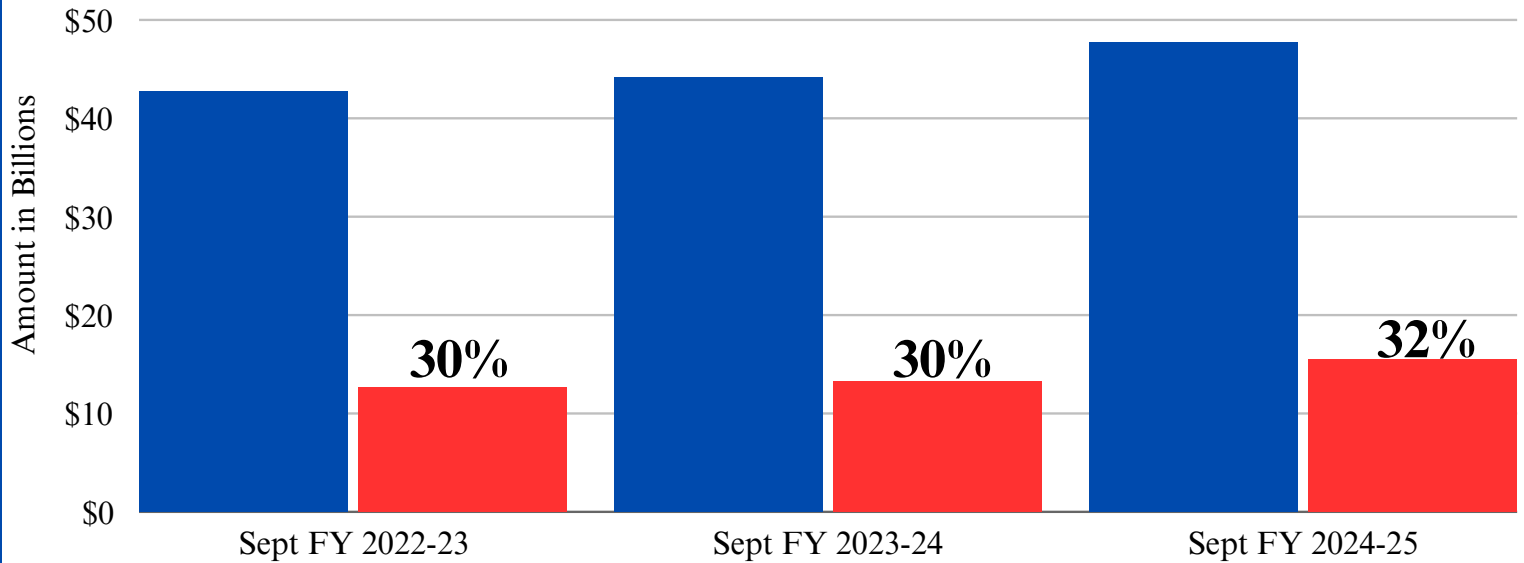
- **Total Tax Revenue** collections **exceed the YTD collections of the prior fiscal year by \$253.9 million, or 2.7%**.
- **YTD Corporate Net Income Tax** collections of \$1.30 billion are **on par with YTD collections of the prior year**.
- **YTD Total Sales and Use Tax** collections **exceed YTD collections of the prior fiscal year by 1.6%**. SUT **non-motor vehicle** collections of \$3.31 billion are **above collections of the prior fiscal year by 1.6%** while SUT **motor vehicle** collections of \$356.3 million are **above collections of the prior fiscal year by 1.0%**.
- **YTD Total PIT** collections of \$3.90 billion are **above collections of the prior fiscal year by 3.4%**: **YTD PIT withholding and YTD PIT estimated payments** are **above by 2.4% and 11.1%, respectfully**, while **YTD PIT annual** is **less than the prior year by 5.7%**.
- **YTD Realty Transfer Tax** collections of \$116.0 million through the month of September are **above collections of the prior fiscal year by \$8.4 million, or 7.8%**.
- **YTD Inheritance Tax** collections of \$439.0 million **exceed YTD collections of the prior year by 19.7%**.
- **YTD Gaming Tax** collections **exceed YTD collections of the prior fiscal year by 22.0%**.
- **YTD Non-Tax Revenue** collections of \$256.3 million are **below collections of the prior fiscal year by 2.3%**. **Treasury investment earnings** remain strong and are **13.4 % higher than the previous fiscal year**.

September 2024 Revenue Collections

Total General Fund		Personal Income Tax	
Estimate: \$4.195 billion	Actual: \$4.162 billion ↓	Estimate: \$1.642 billion	Actual: \$1.607 billion ↓
Total Corporation Taxes		Sales Tax	
Estimate: \$962.1 million	Actual: \$993.2 million ↑	Estimate: \$1.186 billion	Actual: \$1.170 billion ↓
Non-Tax Revenue		All Other Taxes	
Estimate: \$75.2 million	Actual: \$75.3 million ↑	Estimate: \$330.0 million	Actual: \$315.7 million ↓

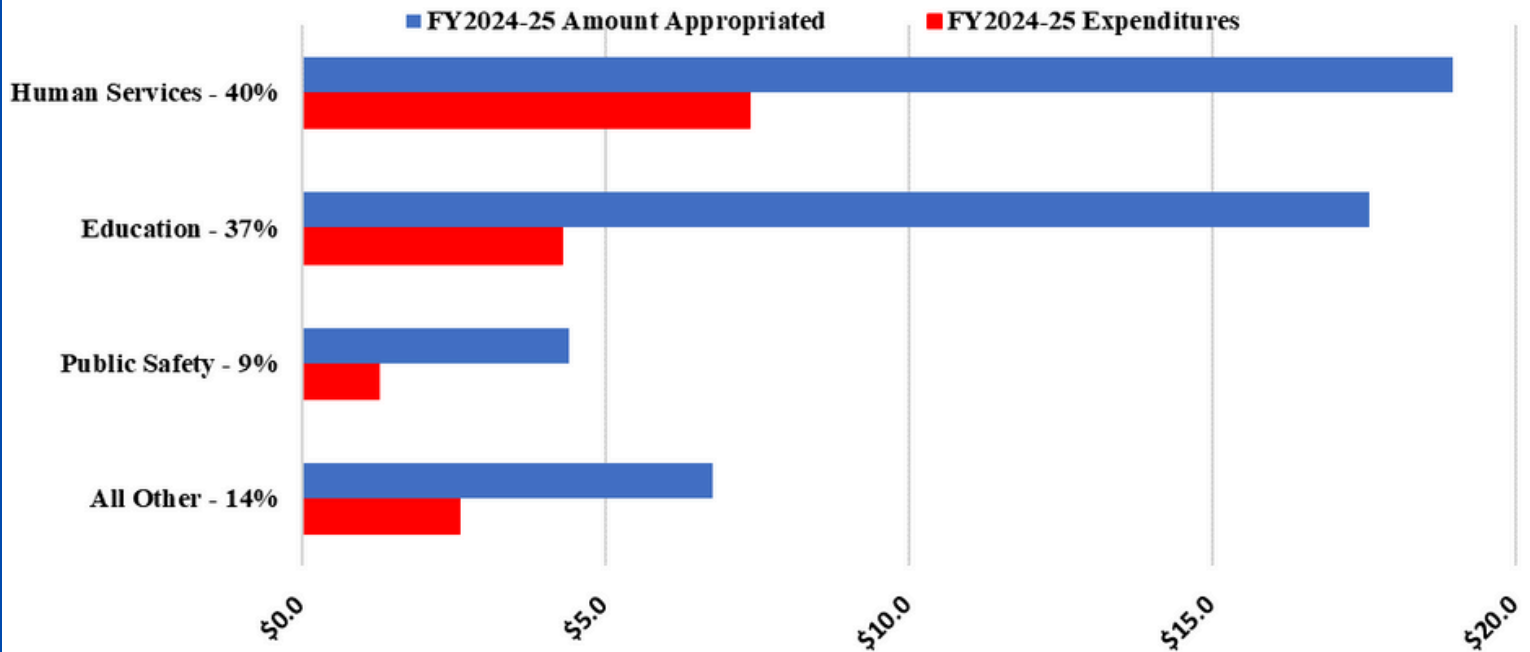
Status of Appropriations

Amount Appropriated Amount Expended



FY2024-25 Budget - Top 3 Areas (86% of Budget) Status of Appropriations as of September 2024

Amounts in Billions (\$)

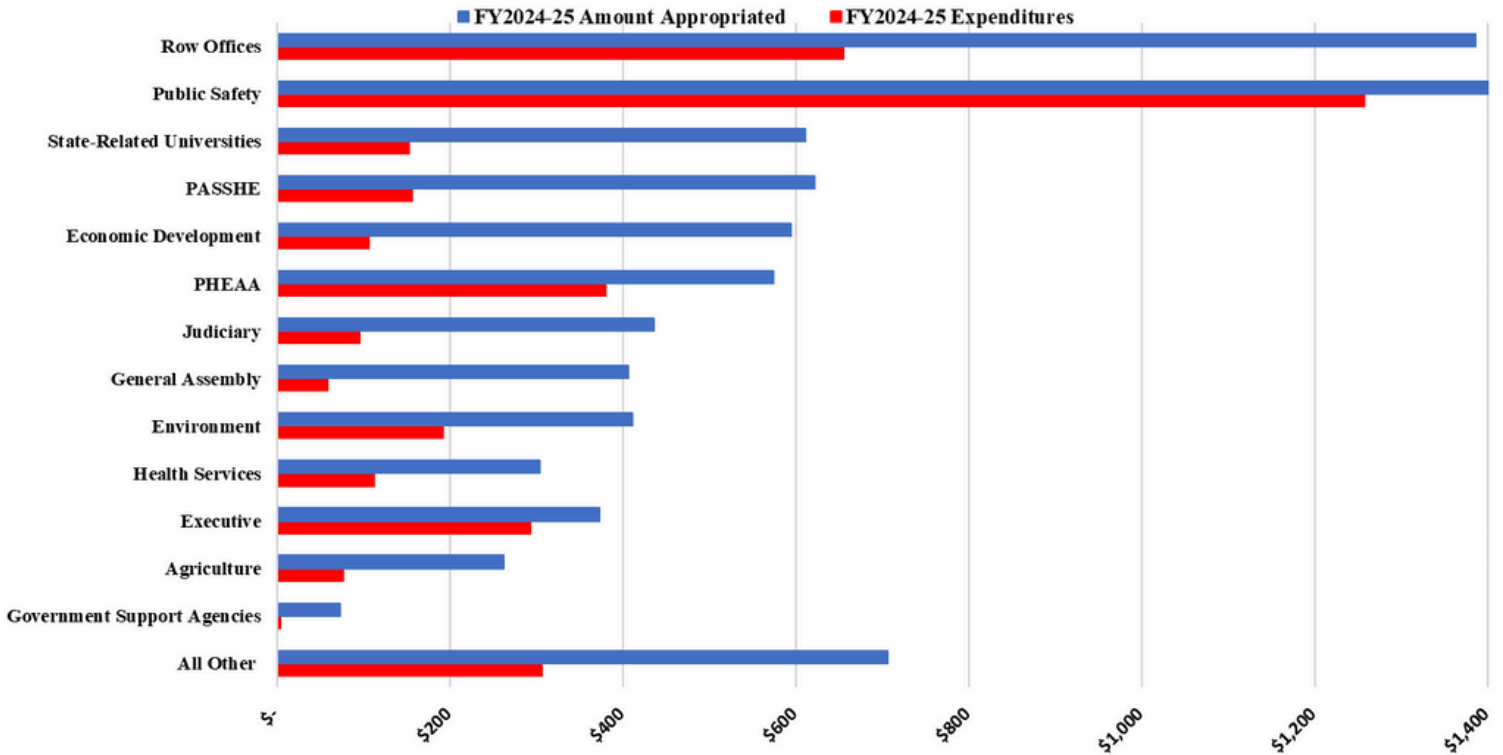


All Spending information from Commonwealth Accounting System, Status of Appropriations Report.

FY2024-25 Budget - All Other Agencies (14% of Budget)

Status of Appropriations as of September 2024

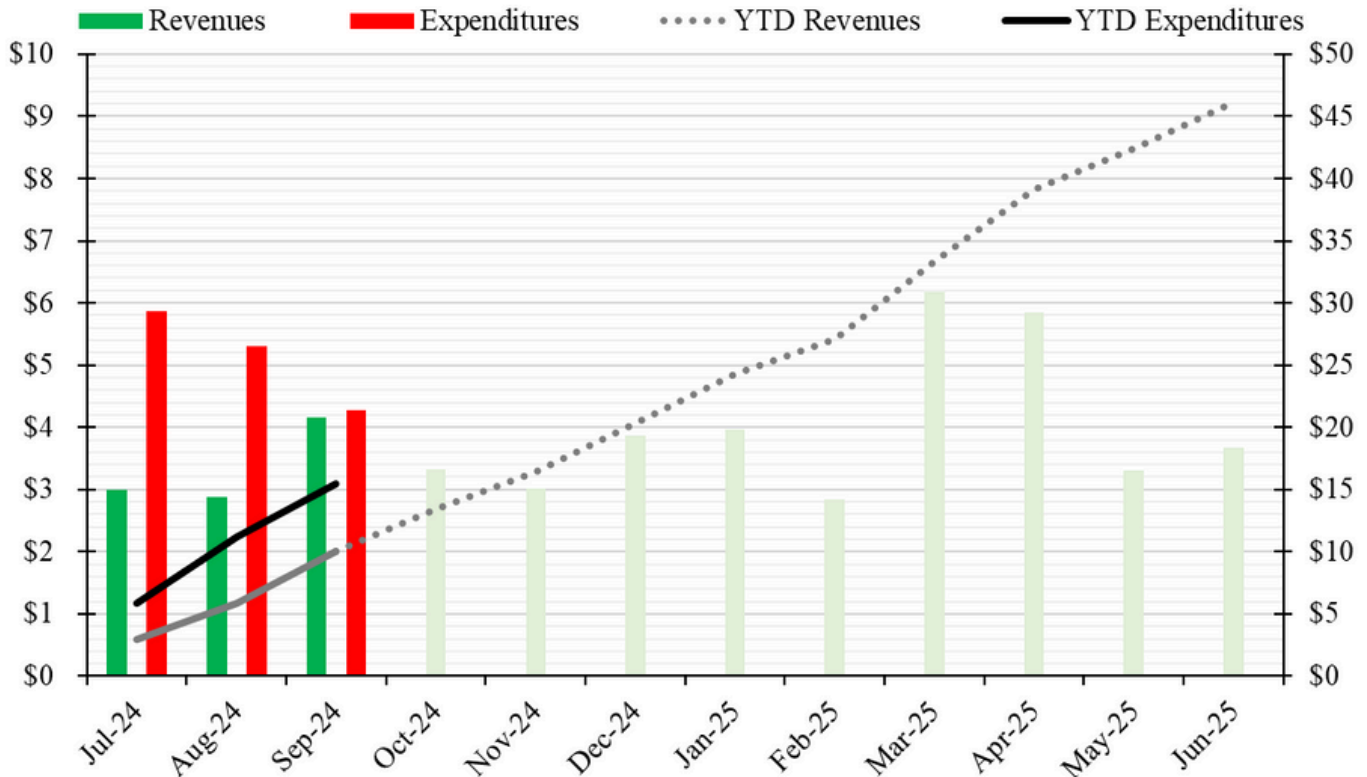
Amounts in Millions (\$)



FISCAL YEAR 2024-25

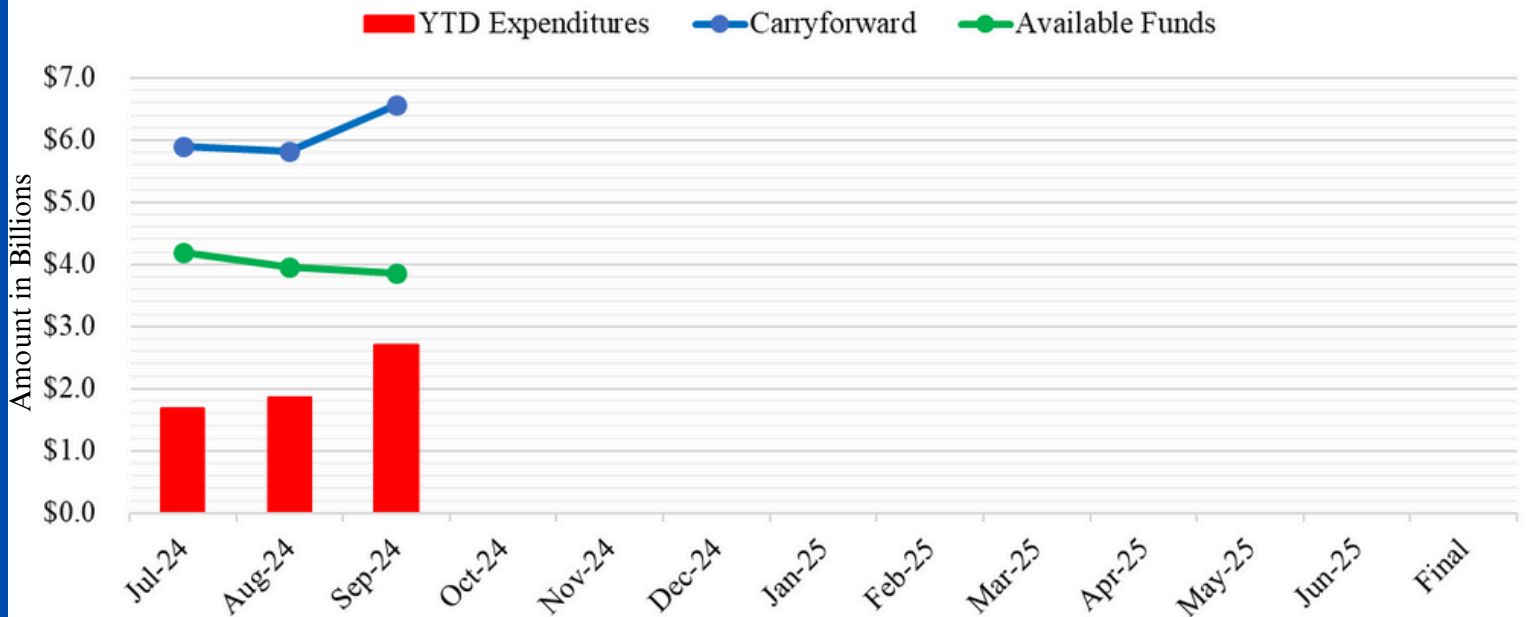
GENERAL FUND REVENUES & EXPENDITURES

Amounts in Billions (\$)

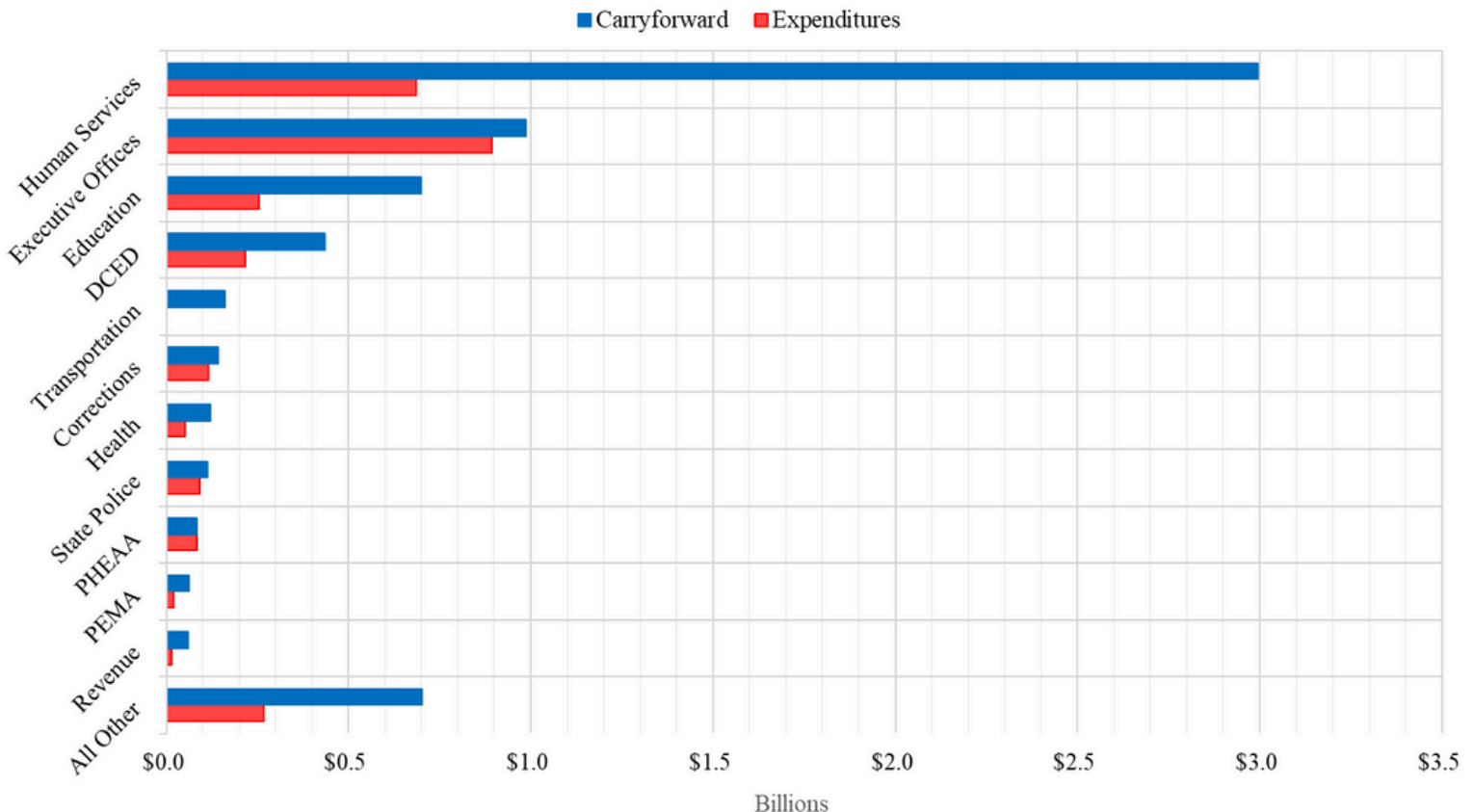


All Spending information from Commonwealth Accounting System, Status of Appropriations Report.

PRIOR YEAR FUNDS FY2024-25 General Fund

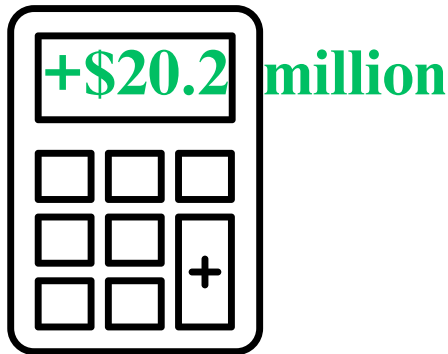


PRIOR YEAR FUNDS - TOP 10 AGENCIES* FY2024-25 as of September 2024



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

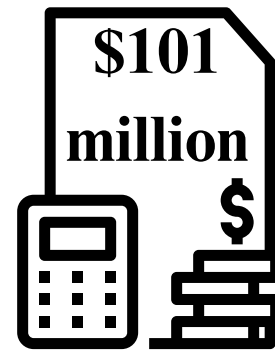
YTD Revenue Performance



Budget Surplus



Ledger 5 Expenditures



Rainy Day Fund



54 Days of Sunshine

Budget Policy Update

Regulations and the PA Budget

The Appropriations Committee, a key player in the state's financial management, is notably responsible for crafting the state budget. This involves a meticulous process of evaluating the state's financial needs, revenue sources, and spending priorities. In addition to this, the committee is also tasked with providing a fiscal note for each bill voted on by the House on final passage. A fiscal note serves as an estimated price tag for the policy initiative within each bill – most of the time, it projects more spending, but we occasionally see a reduction in costs.

The Independent Regulatory Review Commission (IRRC) shares a similar charge, in that it reviews regulations promulgated by state agencies. The commission uses a set of criteria including “economic impact, public health and safety, reasonableness, impact on small businesses and clarity” to evaluate these regulations. While IRRC’s responsibilities also include determining the statutory authority, legislative intent, and serve as a conduit for input on proposed regulations – the financial impact is often the most cumbersome aspect of regulations (and legislation!).

Like the Appropriations Committee, IRRC uses the best available data to determine its recommendations. However, unlike Appropriations, IRRC has the ultimate power to reject a proposed regulation and, in certain circumstances, eliminate some regulations.

Regulations and the PA Budget (continued)

Last Session, House Republicans asked IRRC to use this power in a coordinated effort between six standing committees, each with its own area of expertise and oversight responsibilities. The House Aging and Older Adult Services, Children and Youth, Health, Labor and Industry, Judiciary, and State Government Committees asked IRRC to review 10 agencies with questionable regulations in September of 2022. After reviewing hundreds of regulations, the committees requested that IRRC review specific regulations under the authority of Section 8.1 of the Regulatory Review Act, which permits legislative committees to make such requests.

According to IRRC, the six committee letters involved the review of 40 prior rulemakings, 103 chapters of regulations, and two subchapters within the ten agencies covered.

The results were astounding. At the September 2024 meeting, all five IRRC commissioners voted in the affirmative for recommendations broken down by five agencies. The Departments of Aging, Corrections, Health, Labor and Industry, and State were all included in the final report. The unanimous votes demonstrate the strong consensus on the need for regulatory reform.

One of the regulations voted on by IRRC involved a particularly egregious regulation at the Department of Labor and Industry regarding “Blasting, Demolition, Fireworks and Explosives.” Not only does the department no longer regulate this activity, but the regulation has not been amended since 1969 and was based on a statute that was amended in 1971. IRRC said in its report keeping the regulation in place could “cause confusion and impose unnecessary costs.”

Another regulation IRRC saw fit to discard was at the Department of State, which still had a regulation permitting campaign finance reports to be filed on diskettes. IRRC noted this regulation was “inconsistent with the Department guidance on its website” and recommended the Department of State “align with current technologies and practices.”

Just as legislation typically comes with a cost, so too do regulations. When we remove regulations that are no longer needed, and in many cases from the report – contradictory to current practices – government is able to work more efficiently and save taxpayer dollars.

IRRC's actions last month are proof government can work to improve itself if we properly use the tools at our disposal. It also is proof we can make government more efficient without creating more government in the process.

Dating back as far as Governor Ridge, each new Pennsylvania governor – including Governor Shapiro – established an office dedicated to government efficiency. Unsurprisingly, these offices all require new funding. To their credit, IRRC was able to absorb this review within their budget and only hired one temporary employee to assist with the reviews.

Why can't we do this more? The answer, of course, is that we can do it if we have the courage and persistence to do the hard work. The IRRC report was released with little fanfare and no fancy social media videos with heat-activated mugs, but make no mistake, it got a lot of stuff done.

If we genuinely want to change Pennsylvania's business climate and increase government efficiency, we need to expand on our latest IRRC victory. I'm confident with the right leadership, we can and we will.