

# February 2023 House Republican Economic & Financial Brief



## Message from Chairman Grove:

Welcome to the monthly House Republican Budget Brief! This monthly update will keep you up-to-date on the expenditures and revenues of the current fiscal year, provide you with information relating to budget policies, and useful information to share with constituents.

## Policy Update - The Unwinding of Medical Assistance

Thank you to those who were able to attend our Roundtable Discussions. These meetings focused on the fiscal health of our Commonwealth, not just for this coming fiscal year, but further down the road. The Roundtables revealed structural deficits will be on the horizon if we don't slow our spending or raise revenues.

One Roundtable focused on eligibility redeterminations for Medical Assistance (Medicaid) recipients. Because of the Federal COVID Public Health Emergency, states were barred from terminating Medical Assistance benefits even if someone was ineligible for the program. A recent change in federal law allows states to remove ineligible recipients starting April 1st. During our Roundtable Managed Care Organizations (MCOs), stated the Office of Income Maintenance under the Department of Human Services (DHS) will do eligibility redeterminations, but because they intend to do this as individual enrollment is due combined with the appeals process, it may be 12 to 14 months before the process is complete.

Spotlight PA recently published a story DHS, "estimates that roughly 618,000 people will lose their Medicaid coverage because they no longer qualify for the program. It is keeping a separate list of 598,000 Medicaid recipients who haven't resubmitted their annual paperwork over the past three years and are considered to be at higher risk of losing benefits due to logistical issues, even if they still qualify." That's nearly 1.2 million people who could be removed from our Medical Assistance rolls!

I have encouraged Governor Shapiro to complete the redeterminations in no less than six months potentially saving hundreds of millions of dollars.

# Fiscal Year 2022-23 General Fund Revenues

## House Appropriations Committee (R)

Thousands of Dollars

Revenue Source	February 2023 Actual	February 2023 Estimate	Surplus / (Deficit)	2022-23 YTD Actual	2022-23 YTD Estimate	Surplus / (Deficit)	2022-23 % Growth over 2021-22*
<b>General Fund</b>	<b><u>\$2,827,817</u></b>	<b><u>\$2,476,000</u></b>	<b><u>\$351,817</u></b>	<b><u>\$26,092,821</u></b>	<b><u>\$25,443,500</u></b>	<b><u>\$649,321</u></b>	<b><u>(8.7%)</u></b>
<b>Tax Revenue</b>	<b><u>\$2,778,048</u></b>	<b><u>\$2,460,700</u></b>	<b><u>\$317,348</u></b>	<b><u>\$25,658,488</u></b>	<b><u>\$25,157,300</u></b>	<b><u>\$501,188</u></b>	<b><u>5.0%</u></b>
<b>Corporation Taxes</b>	<b><u>\$303,843</u></b>	<b><u>\$137,100</u></b>	<b><u>\$166,743</u></b>	<b><u>\$3,266,075</u></b>	<b><u>\$2,756,900</u></b>	<b><u>\$509,175</u></b>	<b><u>16.6%</u></b>
Accelerated Deposits	\$1	\$0	\$1	(\$3,439)	\$0	(\$3,439)	20.2%
Corporate Net Income	\$207,485	\$83,200	\$124,285	\$3,034,988	\$2,572,900	\$462,088	15.9%
Selective Business	\$96,357	\$53,900	\$42,457	\$234,526	\$184,000	\$50,526	25.5%
Gross Receipts	\$39,540	\$23,200	\$16,340	\$77,990	\$50,500	\$27,490	27.8%
Utility Property	\$5	\$0	\$5	\$3,288	\$1,200	\$2,088	67.9%
Insurance Premiums	\$42,368	\$20,800	\$21,568	\$116,483	\$94,800	\$21,683	37.2%
Financial Institutions	\$14,444	\$9,900	\$4,544	\$36,766	\$37,500	(\$734)	(5.8%)
Bank Shares	\$13,701	\$9,900	\$3,801	\$21,744	\$21,900	(\$156)	0.8%
Mutual Thrifts	\$744	\$0	\$744	\$15,022	\$15,600	(\$578)	(13.9%)
<b>Consumption Taxes</b>	<b><u>\$1,122,844</u></b>	<b><u>\$1,058,700</u></b>	<b><u>\$64,144</u></b>	<b><u>\$10,379,266</u></b>	<b><u>\$10,223,000</u></b>	<b><u>\$156,266</u></b>	<b><u>1.8%</u></b>
<b>Sales and Use Tax</b>	<b><u>\$1,001,924</u></b>	<b><u>\$938,800</u></b>	<b><u>\$63,124</u></b>	<b><u>\$9,388,810</u></b>	<b><u>\$9,179,300</u></b>	<b><u>\$209,510</u></b>	<b><u>2.6%</u></b>
Non-Motor Vehicle	\$912,490	\$856,300	\$56,190	\$8,499,078	\$8,337,900	\$161,178	6.4%
Motor Vehicle	\$89,433	\$82,500	\$6,933	\$889,732	\$841,400	\$48,332	(23.3%)
Cigarette	\$74,163	\$73,300	\$863	\$572,136	\$624,400	(\$52,264)	(11.0%)
Other Tobacco Products	\$12,760	\$13,100	(\$340)	\$102,352	\$108,700	(\$6,348)	2.3%
Malt Beverage	\$1,470	\$1,600	(\$130)	\$14,734	\$14,300	\$434	(0.6%)
Liquor	\$32,528	\$31,900	\$628	\$301,235	\$296,300	\$4,935	3.4%
<b>Other Taxes</b>	<b><u>\$1,351,361</u></b>	<b><u>\$1,264,900</u></b>	<b><u>\$86,461</u></b>	<b><u>\$12,013,147</u></b>	<b><u>\$12,177,400</u></b>	<b><u>(\$164,253)</u></b>	<b><u>5.1%</u></b>
<b>Personal Income Tax</b>	<b><u>\$1,160,536</u></b>	<b><u>\$1,079,300</u></b>	<b><u>\$81,236</u></b>	<b><u>\$10,364,238</u></b>	<b><u>\$10,499,600</u></b>	<b><u>(\$135,362)</u></b>	<b><u>7.4%</u></b>
Withholding	\$1,078,495	\$1,003,800	\$74,695	\$8,163,796	\$8,164,800	(\$1,004)	5.4%
Estimated	\$29,872	\$44,300	(\$14,428)	\$1,699,076	\$1,964,200	(\$265,124)	10.8%
Annual	\$52,169	\$31,200	\$20,969	\$501,367	\$370,600	\$130,767	35.0%
Realty Transfer	\$29,057	\$47,600	(\$18,543)	\$436,478	\$498,800	(\$62,322)	(20.6%)
Inheritance	\$133,253	\$117,000	\$16,253	\$984,822	\$980,900	\$3,922	(2.0%)
Gaming	\$29,197	\$19,900	\$9,297	\$242,203	\$209,000	\$33,203	17.6%
Minor and Repealed	(\$681)	\$1,100	(\$1,781)	(\$14,595)	(\$10,900)	(\$3,695)	(187.9%)
<b>Non-Tax Revenue</b>	<b><u>\$49,769</u></b>	<b><u>\$15,300</u></b>	<b><u>\$34,469</u></b>	<b><u>\$434,333</u></b>	<b><u>\$286,200</u></b>	<b><u>\$148,133</u></b>	<b><u>(89.5%)</u></b>
Liquor Store Profits	\$0	\$0	\$0	\$100,000	\$100,000	\$0	0.0%
Licenses and Fees	\$9,238	\$7,900	\$1,338	\$86,369	\$83,300	\$3,069	(16.4%)
<b>Miscellaneous</b>	<b><u>\$35,232</u></b>	<b><u>\$2,100</u></b>	<b><u>\$33,132</u></b>	<b><u>\$201,667</u></b>	<b><u>\$54,200</u></b>	<b><u>\$147,467</u></b>	<b><u>(94.8%)</u></b>
Treasury	\$38,483	\$200	\$38,283	\$237,671	\$17,500	\$220,171	2519.1%
Escheats	(\$8,303)	(\$1,800)	(\$6,503)	(\$103,458)	(\$16,300)	(\$87,158)	(102.7%)
Other Misc & Transfers	\$5,052	\$3,700	\$1,352	\$67,454	\$53,000	\$14,454	29.7%
Fines, Penalties, Interest	\$5,299	\$5,300	(\$1)	\$46,298	\$48,700	(\$2,402)	(6.2%)

\*This column compares FY 22-23 to FY 21-22

House Republican Appropriations Committee

(717) 787- 1711

www.PABudget.com

245 Main Capitol

## Revenues Explained





General Fund collections of \$2.83 billion in February were \$351.8 million above the official monthly estimate. Included in this monthly overage is an additional \$93.5 million of delayed deposits from January collections which is attributed to the implementation of the Pennsylvania Tax Hub (PATH) software transition for business taxes. Year-to-Date collections of \$26.1 billion are \$649.3 million, 2.6% above the official estimate.

### February 2023 collections compared to Monthly Estimates:

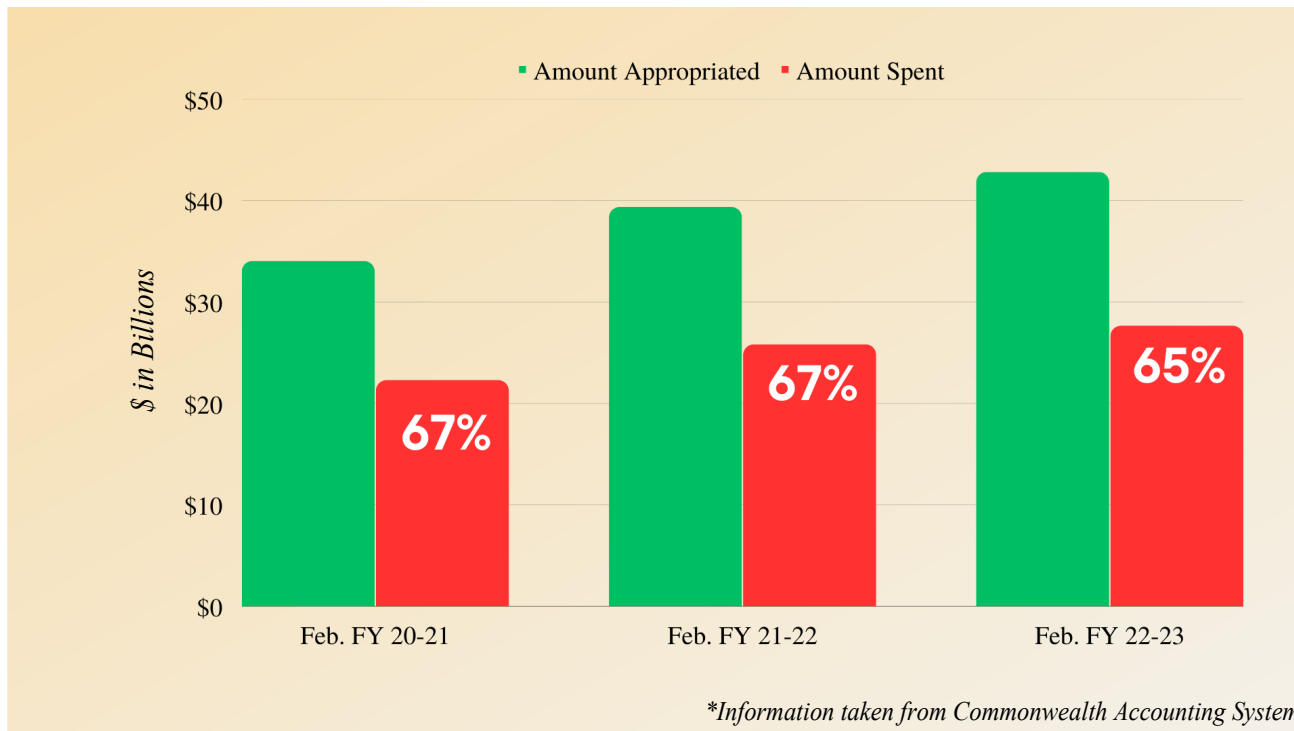
**Total Tax Revenue** collections **exceeded** the monthly estimate by **\$317.3 million, or 12.9%**. **Corporate Net Income Tax** collections of \$207.5 million were **\$124.3 million above estimate**. **Sales and Use Tax** non-motor vehicle collections (\$912.5 million) and **motor vehicle collections** (\$89.4 million) **exceeded** estimate for the month by **\$56.2 million** and **\$6.9 million**, respectively. **Personal Income Tax (PIT)** withholding collections of \$1.08 billion **exceeded** estimate for the month by **\$74.7 million**. However, after adjusting for the January delayed deposits, collections for the month of February essentially met estimate. **PIT annual payments** for the month **exceeded** estimate by **\$21.0 million**; however, **PIT quarterly estimated payments** **fell below** the monthly estimate by **\$14.4 million**. **Non-Tax Revenue** collections were **above estimate** for the month by **\$34.5 million** largely due to interest earnings on the fiscal year 2021-22 carryover cash balance in the General Fund.

### Fiscal Year-to-Date collections compared to Official Revenue Estimate

**Total Tax Revenue** collections of \$25.7 billion through the month of February **exceed** the official estimate by **\$501.2 million, or 2.0%**. For the fiscal year, **Corporate Net Income Tax** collections of \$3.03 billion **exceed** the official estimate by **\$462.1 million, or 18%**. **Total Sales and Use Tax** collections for the fiscal year of \$9.4 billion are **above estimate** by **\$209.5 million, or 2.3%**. **Personal Income Tax (PIT)** annual collections to-date **exceed** the official estimate by **\$130.8 million** largely due to payments made on extension from the calendar year 2021 tax returns. Calendar year 2022 tax returns and payments are due by April 15, 2023. **PIT collections for both employer withholding and quarterly estimated payments** are **below estimate** for the fiscal year through the month of February by **\$1.0 million and \$265.1 million**, respectively. **Non-Tax Revenue** collections of \$434.3 million **exceed estimate** for the fiscal year by **\$148.1 million**. Higher than anticipated interest earnings (\$220.2 million above estimate) are partially offset by lower than anticipated collections of unclaimed property (\$87.2 million short).

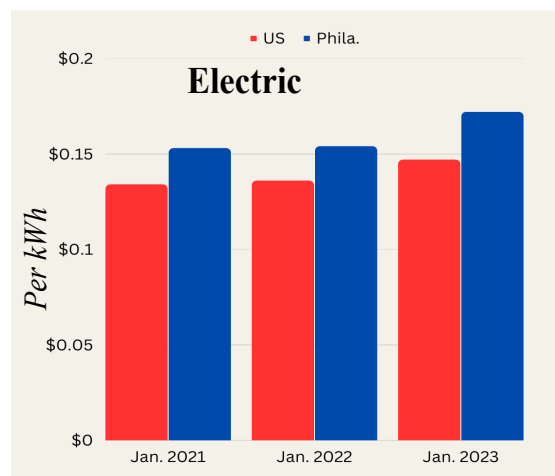
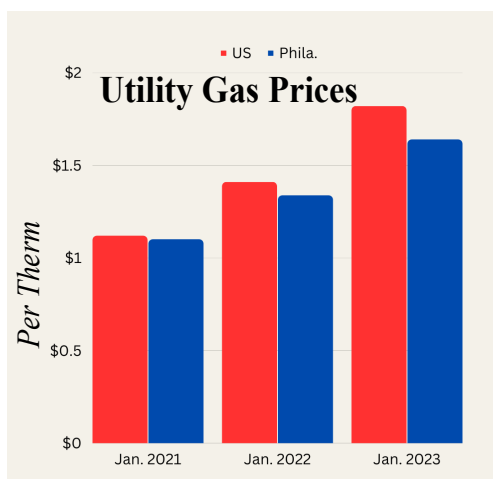
Estimate:	Actual:		Estimate:	Actual:
<b>Total General Fund</b>			<b>Personal Income Taxes</b>	
<b>\$25.44 Billion</b>	<b>\$26.09 Billion</b>		<b>\$10.50 Billion</b>	<b>\$10.36 Billion</b>
<b>Corporation Taxes</b>			<b>Non-Tax Revenue</b>	
<b>\$2.76 Billion</b>	<b>\$3.27 Billion</b>		<b>\$286 Million</b>	<b>\$434 Million</b>
<b>Sales Tax</b>				
<b>\$9.18 Billion</b>	<b>\$9.39 Billion</b>			

## Status of Appropriations



**As of February 28, 2023, the Commonwealth has spent 65% of the \$42.7 Billion Appropriated for F/Y 22-23.**

## Energy Prices



**Average Gas and Electricity prices continue to rise and are higher in Pennsylvania, while Natural Gas remains cheaper compared to other states.**

*\*Information taken from US Bureau of Labor Statistics*