



October 2023

Financial Brief

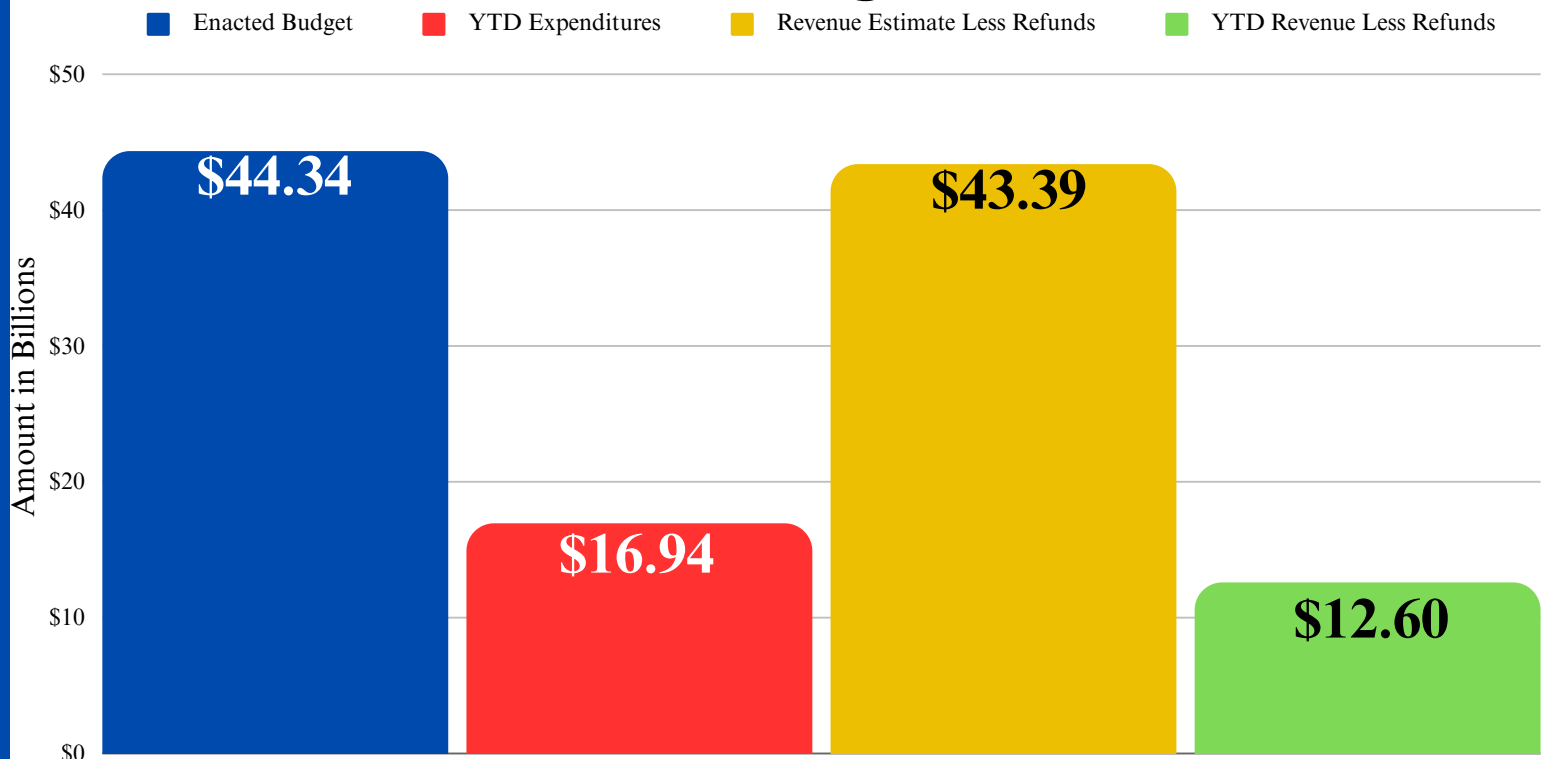
Message from Chairman Grove



After an entire summer and early fall with no bipartisan effort on the part of House Democrats to finish the budget, we finally saw some progress within the last few weeks. The Human Services Code, now Act 15 of 2023, was signed into law. Relative to the budget, Act 15 reauthorized the Quality Care Assessment, set a different rebase year for the nursing facility rate and provided rate increases for EMS providers. Further budgetary-related matters were addressed in the passage of HB 735, now Act 22 of 2023, including language that will ensure the Budget Office will transfer the full \$898.3 million statutorily required amount to the Rainy Day Fund. The House also passed funding for Pennsylvania's State-Related Universities after major reforms were advanced. House Republicans stood firm and delivered on our policy demands for Right-to-Know Law compliance, a tuition freeze, and a further discussion on student grant funding. This progress shows House Republicans continue to lead in advancing good policy even though we are a one-seat minority. If we continue to work in this spirit of cooperation, the partial budget impasse, now over 125 days, can finally conclude.

Seth Grove, House Republican Appropriations Chairman

General Fund Budget Overview



*Does not include funding for Non-Preferred Appropriations

Fiscal Year 2023-24 General Fund Revenues

Compared to the Official Estimate
House Appropriations Committee (R)
Thousands of Dollars

Revenue Source	October 2023 Actual	October 2023 Estimate	\$ Amount Over / (Under) Estimate	2023-24 YTD Actual	2023-24 YTD Estimate	\$ Amount Over / (Under) YTD Estimate
General Fund	\$3,246,415	\$3,126,500	\$119,915	\$13,083,879	\$13,131,400	(\$47,521)
Tax Revenue	\$3,182,938	\$3,064,300	\$118,638	\$12,757,999	\$12,853,400	(\$95,401)
Corporation Taxes	\$228,453	\$191,500	\$36,953	\$1,555,047	\$1,485,500	\$69,547
Accelerated Deposits	\$0	\$0	\$0	\$0	\$0	\$0
Corporate Net Income	\$215,183	\$186,600	\$28,583	\$1,509,107	\$1,452,300	\$56,807
Selective Business	\$13,270	\$4,900	\$8,370	\$45,940	\$33,200	\$12,740
Gross Receipts	\$1,090	\$3,800	(\$2,710)	\$17,942	\$13,300	\$4,642
Utility Property	\$35	\$200	(\$165)	\$2,166	\$1,200	\$966
Insurance Premiums	\$5,476	\$300	\$5,176	\$6,242	\$1,400	\$4,842
Financial Institutions	\$6,669	\$600	\$6,069	\$19,590	\$17,300	\$2,290
Bank Shares	\$6,623	\$300	\$6,323	\$11,970	\$9,300	\$2,670
Mutual Thrifts	\$45	\$300	(\$255)	\$7,620	\$8,000	(\$380)
Consumption Taxes	\$1,403,060	\$1,416,500	(\$13,440)	\$5,338,460	\$5,463,500	(\$125,040)
Sales and Use Tax	\$1,275,970	\$1,285,500	(\$9,530)	\$4,886,449	\$4,992,200	(\$105,751)
Non-Motor Vehicle	\$1,151,798	\$1,166,900	(\$15,102)	\$4,409,627	\$4,515,300	(\$105,673)
Motor Vehicle	\$124,172	\$118,600	\$5,572	\$476,822	\$476,900	(\$78)
Cigarette	\$77,123	\$76,200	\$923	\$253,187	\$261,400	(\$8,213)
Other Tobacco Products	\$11,862	\$14,100	(\$2,238)	\$49,311	\$54,200	(\$4,889)
Malt Beverage	\$1,631	\$1,900	(\$269)	\$7,288	\$8,200	(\$912)
Liquor	\$36,473	\$38,800	(\$2,327)	\$142,224	\$147,500	(\$5,276)
Other Taxes	\$1,551,426	\$1,456,300	\$95,126	\$5,864,493	\$5,904,400	(\$39,907)
Personal Income Tax	\$1,305,857	\$1,270,200	\$35,657	\$5,075,666	\$5,152,700	(\$77,034)
Withholding	\$1,055,288	\$1,029,500	\$25,788	\$4,105,057	\$4,104,100	\$957
Estimated	\$84,829	\$90,600	(\$5,771)	\$672,712	\$796,900	(\$124,188)
Annual	\$165,741	\$150,100	\$15,641	\$297,896	\$251,700	\$46,196
Realty Transfer	\$52,146	\$50,600	\$1,546	\$159,753	\$173,700	(\$13,947)
Inheritance	\$171,063	\$113,200	\$57,863	\$537,891	\$476,500	\$61,391
Gaming	\$33,829	\$29,400	\$4,429	\$105,640	\$111,200	(\$5,560)
Minor and Repealed	(\$11,470)	(\$7,100)	(\$4,370)	(\$14,457)	(\$9,700)	(\$4,757)
Non-Tax Revenue	\$63,477	\$62,200	\$1,277	\$325,880	\$278,000	\$47,880
Liquor Store Profits	\$0	\$0	\$0	\$0	\$0	\$0
Licenses and Fees	\$8,284	\$7,500	\$784	\$39,981	\$34,400	\$5,581
Miscellaneous	\$49,008	\$48,500	\$508	\$260,130	\$218,200	\$41,930
Treasury	\$59,588	\$39,500	\$20,088	\$260,854	\$202,100	\$58,754
Escheats	(\$12,434)	\$5,300	(\$17,734)	(\$32,006)	(\$21,000)	(\$11,006)
Other Misc & Transfers	\$1,855	\$3,700	(\$1,845)	\$31,282	\$37,100	(\$5,818)
Fines, Penalties, Interest	\$6,185	\$6,200	(\$15)	\$25,770	\$25,400	\$370

Fiscal Year 2023-24 General Fund Revenues

Compared to the Prior Year Collections

House Appropriations Committee (R)

Thousands of Dollars

Revenue Source	October 2022 Actual	October 2023 Actual	Month % Growth vs Prior Year	2022-23 YTD Actual	2023-24 YTD Actual	YTD % Growth vs Prior Year
General Fund	<u>\$3,124,940</u>	<u>\$3,246,415</u>	<u>3.9%</u>	<u>\$12,903,971</u>	<u>\$13,083,879</u>	<u>1.4%</u>
Tax Revenue	<u>\$3,079,570</u>	<u>\$3,182,938</u>	<u>3.4%</u>	<u>\$12,748,758</u>	<u>\$12,757,999</u>	<u>0.1%</u>
Corporation Taxes	<u>\$183,360</u>	<u>\$228,453</u>	<u>24.6%</u>	<u>\$1,549,135</u>	<u>\$1,555,047</u>	<u>0.4%</u>
Accelerated Deposits	\$56	\$0	(100.0%)	(\$3,153)	\$0	(100.0%)
Corporate Net Income	\$176,353	\$215,183	22.0%	\$1,491,531	\$1,509,107	1.2%
Selective Business	\$6,950	\$13,270	90.9%	\$60,757	\$45,940	(24.4%)
Gross Receipts	\$5,770	\$1,090	(81.1%)	\$19,401	\$17,942	(7.5%)
Utility Property	\$414	\$35	(91.5%)	\$3,255	\$2,166	(33.5%)
Insurance Premiums	\$290	\$5,476	1786.0%	\$25,808	\$6,242	(75.8%)
Financial Institutions	\$475	\$6,669	1302.8%	\$12,293	\$19,590	59.4%
Bank Shares	\$365	\$6,623	1712.8%	\$5,692	\$11,970	110.3%
Mutual Thrifts	\$110	\$45	(59.0%)	\$6,601	\$7,620	15.4%
Consumption Taxes	<u>\$1,398,948</u>	<u>\$1,403,060</u>	<u>0.3%</u>	<u>\$5,321,531</u>	<u>\$5,338,460</u>	<u>0.3%</u>
Sales and Use Tax	<u>\$1,265,558</u>	<u>\$1,275,970</u>	<u>0.8%</u>	<u>\$4,830,074</u>	<u>\$4,886,449</u>	<u>1.2%</u>
Non-Motor Vehicle	\$1,145,195	\$1,151,798	0.6%	\$4,346,066	\$4,409,627	1.5%
Motor Vehicle	\$120,363	\$124,172	3.2%	\$484,009	\$476,822	(1.5%)
Cigarette	\$80,903	\$77,123	(4.7%)	\$289,108	\$253,187	(12.4%)
Other Tobacco Products	\$12,984	\$11,862	(8.6%)	\$51,193	\$49,311	(3.7%)
Malt Beverage	\$1,964	\$1,631	(16.9%)	\$8,133	\$7,288	(10.4%)
Liquor	\$37,538	\$36,473	(2.8%)	\$143,022	\$142,224	(0.6%)
Other Taxes	<u>\$1,497,263</u>	<u>\$1,551,426</u>	<u>3.6%</u>	<u>\$5,878,092</u>	<u>\$5,864,493</u>	<u>(0.2%)</u>
Personal Income Tax	<u>\$1,286,234</u>	<u>\$1,305,857</u>	<u>1.5%</u>	<u>\$5,042,920</u>	<u>\$5,075,666</u>	<u>0.6%</u>
Withholding	\$991,379	\$1,055,288	6.4%	\$3,896,995	\$4,105,057	5.3%
Estimated	\$94,904	\$84,829	(10.6%)	\$829,273	\$672,712	(18.9%)
Annual	\$199,952	\$165,741	(17.1%)	\$316,651	\$297,896	(5.9%)
Realty Transfer	\$64,340	\$52,146	(19.0%)	\$249,989	\$159,753	(36.1%)
Inheritance	\$123,301	\$171,063	38.7%	\$478,418	\$537,891	12.4%
Gaming	\$28,445	\$33,829	18.9%	\$110,382	\$105,640	(4.3%)
Minor and Repealed	(\$5,058)	(\$11,470)	126.8%	(\$3,617)	(\$14,457)	299.7%
Non-Tax Revenue	<u>\$45,370</u>	<u>\$63,477</u>	<u>39.9%</u>	<u>\$155,213</u>	<u>\$325,880</u>	<u>110.0%</u>
Liquor Store Profits	\$0	\$0		\$0	\$0	
Licenses and Fees	\$5,593	\$8,284	48.1%	\$30,548	\$39,981	30.9%
Miscellaneous	<u>\$34,023</u>	<u>\$49,008</u>	<u>44.0%</u>	<u>\$100,664</u>	<u>\$260,130</u>	<u>158.4%</u>
Treasury	\$29,168	\$59,588	104.3%	\$96,859	\$260,854	169.3%
Escheats	\$0	(\$12,434)		\$3	(\$32,006)	(1127060.0%)
Other Misc & Transfers	\$4,855	\$1,855	(61.8%)	\$3,803	\$31,282	722.6%
Fines, Penalties, Interest	\$5,754	\$6,185	7.5%	\$24,001	\$25,770	7.4%

Revenues Explained

General Fund collections of \$3.25 billion in October were \$119.9 million over the official monthly estimate. Year-to-Date (YTD) collections of \$13.08 billion are \$47.5 million, or 0.4%, below the official estimate. In comparison to the year prior, October collections were \$121.5 million, or 3.9%, over collections of October 2022 and are \$179.9 million, or 1.4%, higher for the current fiscal year to date than the prior fiscal year.

October 2023 monthly collections:

- **Total Tax Revenue** collections exceeded the monthly estimate by \$118.6 million and were above collections of the prior year by 3.4%.
- **Total Corporation Taxes** were above the monthly estimate by \$37.0 million, led by **Corporate Net Income Tax** collections and **Bank Shares Tax** collections, which exceeded the monthly estimate by \$28.6 million and \$6.3 million, respectively.
- **Sales and Use Tax (SUT) non-motor vehicle** collections again fell short of the monthly estimate by \$15.1 million, but **SUT motor vehicle** collections exceeded estimate by \$5.6 million.
- **Personal Income Tax (PIT) withholding** and **PIT annual payments** exceeded the monthly estimate by \$25.8 million and \$15.6 million, respectively. **PIT quarterly estimated collections**, however, were less than the monthly estimate by \$5.8 million.
- **Realty Transfer Tax** collections narrowly exceeded estimate by \$1.5 million.
- **Inheritance Tax** collections of \$171.1 million exceeded the monthly estimate by \$57.9 million, or 51.1%.
- **Non-Tax Revenue** collections of \$63.5 million were above estimate for the month by \$1.3 million, led by continued strength of **interest earnings**, which exceeded estimate by \$20.1 million.

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

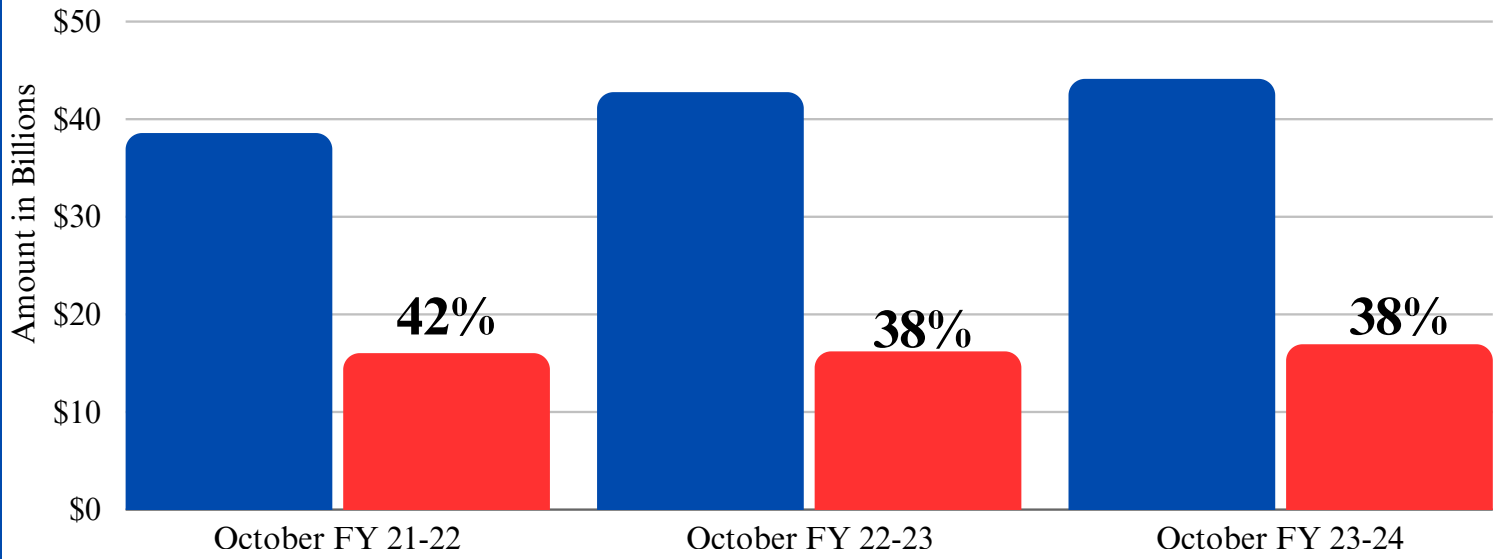
- **Total Tax Revenue** collections for the fiscal year through the month of October are less than the YTD estimate by \$95.4 million but are marginally higher than the YTD collections of the prior fiscal year by \$9.2 million, or 0.1%.
- **YTD Corporate Net Income Tax** collections of \$1.51 billion are \$56.8 million above estimate.
- **YTD SUT non-motor vehicle** collections of \$4.41 billion are above collection so the prior fiscal year by 1.5% while **SUT motor vehicle** collections of \$476.8 million are below collections of the prior fiscal year by 1.5%.
- **PIT withholding** collections of \$4.11 billion are above collections of the prior fiscal year by 5.3%; however, **PIT estimated payments** are below collections of the prior fiscal year by 18.9%.
- **Realty Transfer Tax** YTD collections of \$159.8 million through the month of October remain below estimate by \$13.9 million and are below collections of the prior fiscal year by 36.1%.

October 2023 Revenue Collections

Total General Fund		Personal Income Tax	
Estimate: \$3.127 billion	Actual: \$3.246 billion ↑	Estimate: \$1.270 billion	Actual: \$1.306 billion ↑
Total Corporation Taxes		Sales Tax	
Estimate: \$191.5 billion	Actual: \$228.5 million ↑	Estimate: \$1.286 billion	Actual: \$1.276 billion ↓
Non-Tax Revenue		All Other Taxes	
Estimate: \$62.2 million	Actual: \$63.5 million ↑	Estimate: \$317 million	Actual: \$373 million ↑

Status of Appropriations

■ Amount Appropriated ■ Amount Expended

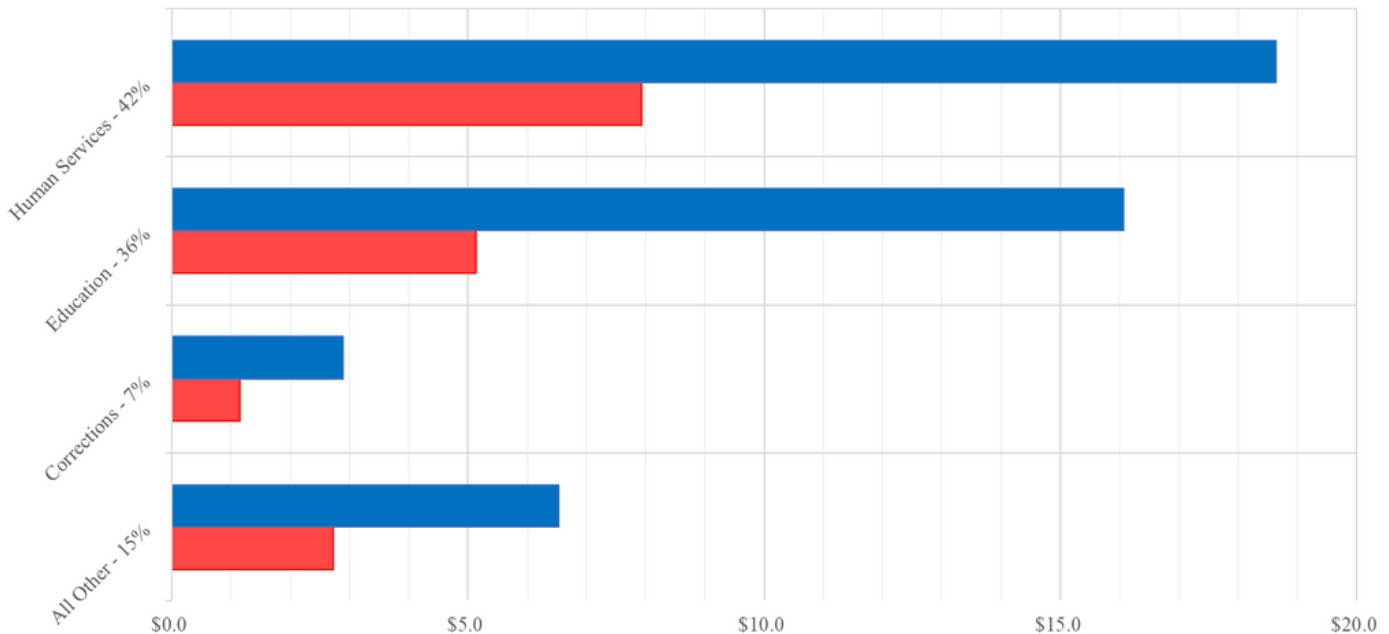


FY2023-24 Budget - Top 3 Agencies (85% of Budget)

Status of Appropriations as of October 2023

Amounts in Billions

■ FY2023-24 Amount Appropriated ■ FY2023-24 YTD Expenditures

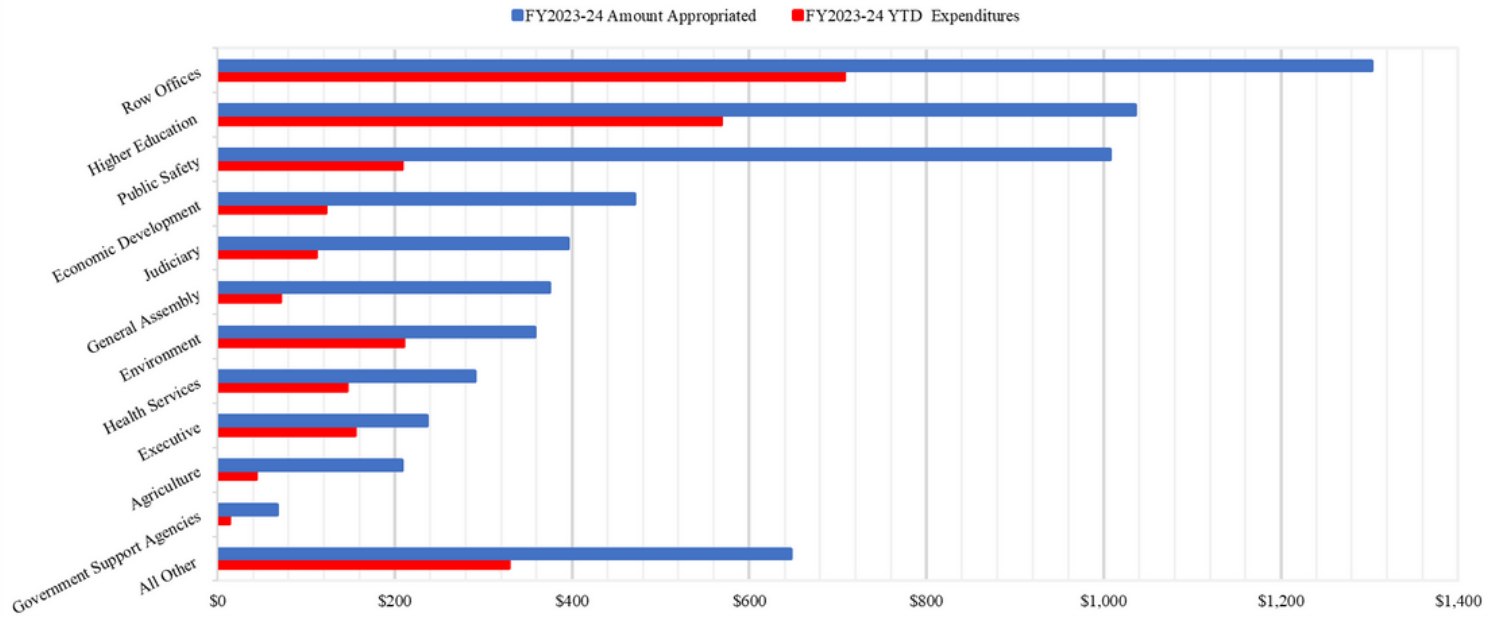


All Spending information from Commonwealth Accounting System, Status of Appropriations Report.

FY2023-24 Budget - All Other Agencies (15% of Budget)

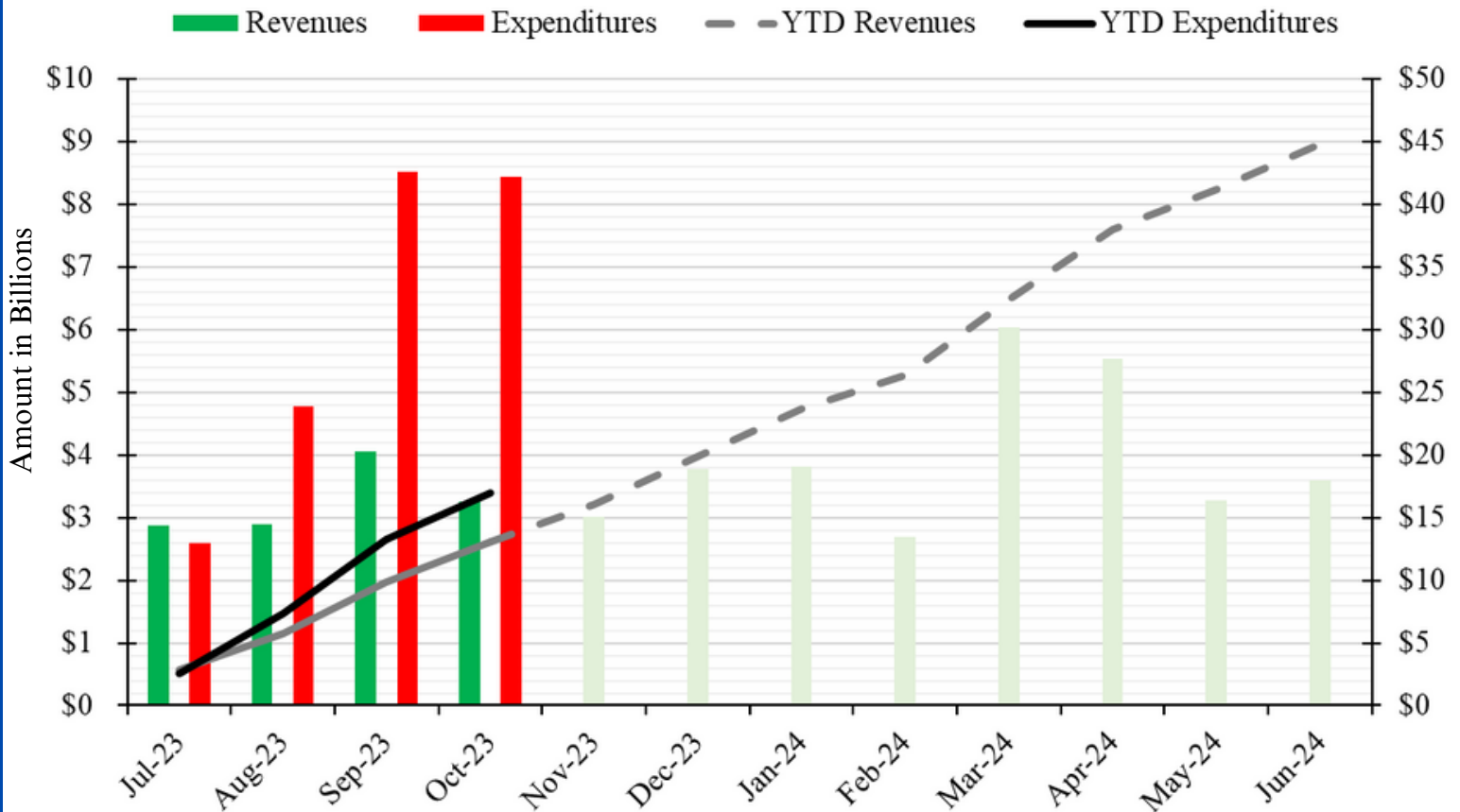
Status of Appropriations as of October 2023

Amounts in Millions

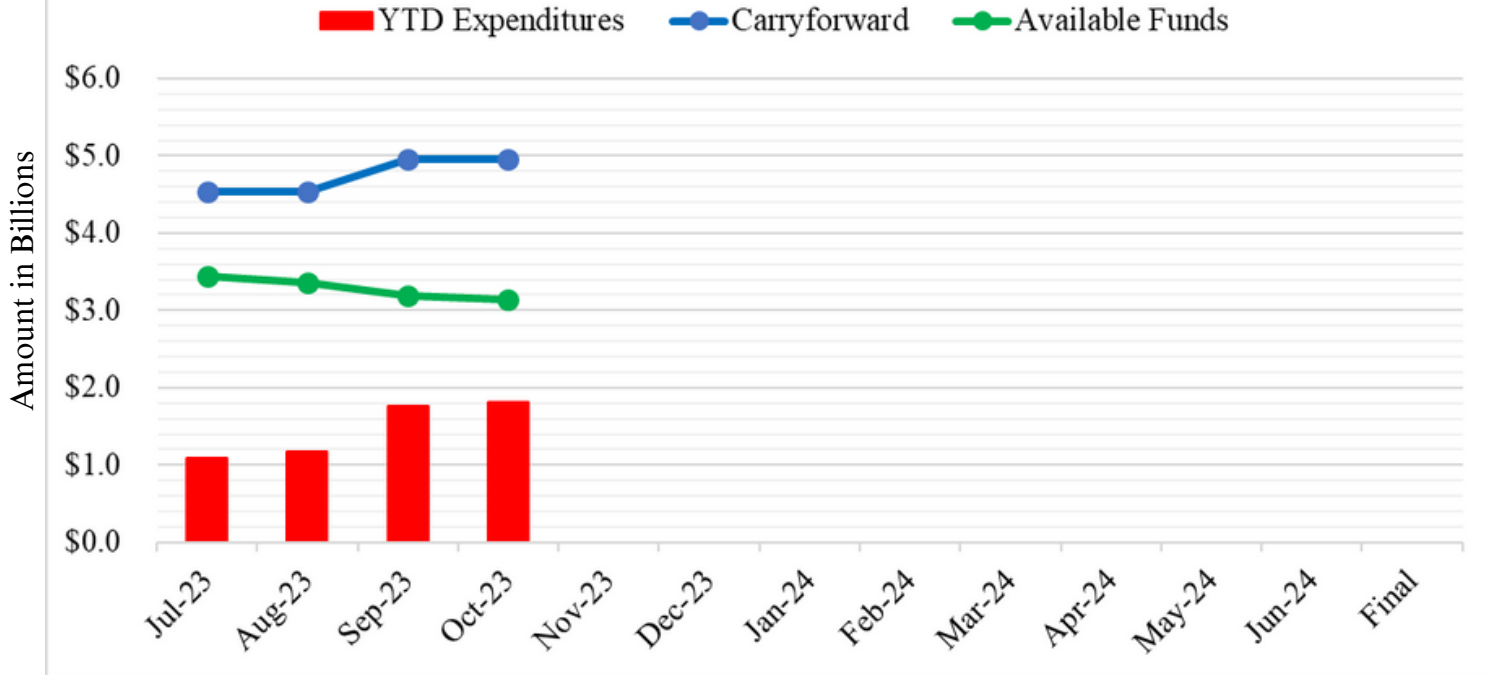


2023-24 GENERAL FUND

Expenditures and Revenues



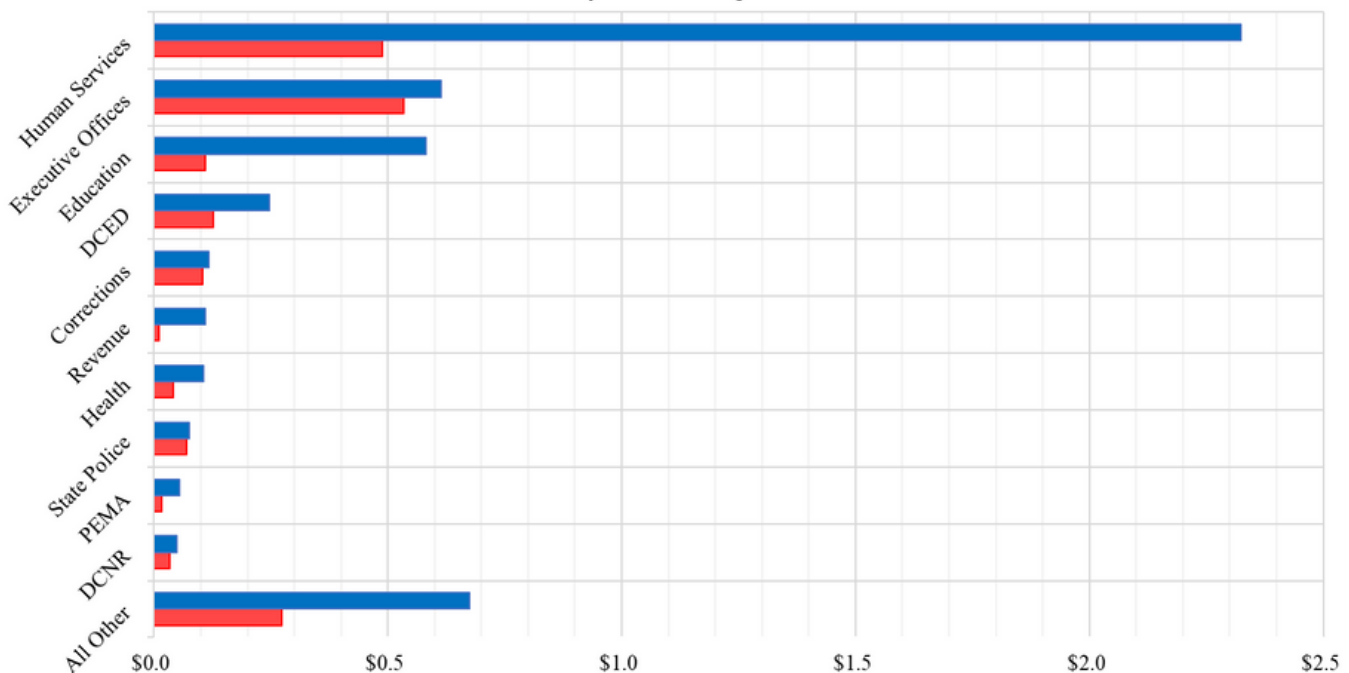
PRIOR YEAR FUNDS FY2023-24 General Fund



PRIOR YEAR FUNDS - TOP 10 AGENCIES* FY2023-24 as of October 2023

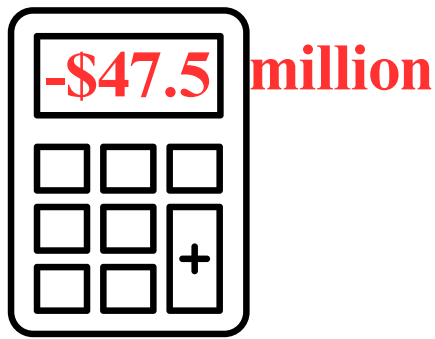
Amounts in Billions

Carryforward Expenditures



*Under the Governor's jurisdiction

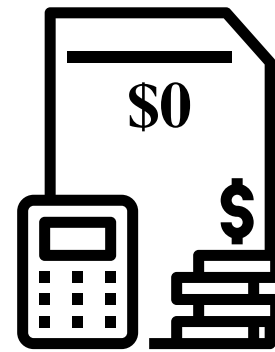
YTD Revenue Performance



Budget Surplus



Ledger 5 Expenditures



Rainy Day Fund



45 Days of Sunshine

Budget Policy Update

Democrats Unsustainable Spending

Since returning to session in late September, House Democrats have used the worst characteristics of Washington DC Democrat political tactics in Harrisburg: they rammed through spending bills, flawed election code bills, and an untenable tax code bill that stands no chance of being signed into law.

We are now more than 100 days into the partial budget impasse, which one would think would urge House Democrats to work in a bipartisan manner to end the stalemate. However, this has not occurred, and to compound this inaction, Governor Shapiro is missing in action, showing no leadership at all.

Let's recap the House Democrats' reckless spending proposals.

Before October 2nd, the 2023-24 fiscal year budget was in a \$2.2 billion deficit; that number would be \$3.4 billion if House Democrats get their way. The additional spending is due to unneeded appropriations from a "supplemental budget" and a tax code bill with corporate welfare, tax cuts for millionaires, and Hollywood elites, not to mention a fiscal code that contains countless special interest handouts and spending.

Democrats Unsustainable Spending (continued)

The details of these bills matter, and they must be brought to light. The proposed changes to our Tax Code have a host of issues.

Let's start with the PA Child and Dependent Care Enhancement Tax Credit updates. Under Republican leadership, the Pennsylvania House instituted this tax credit by providing a higher benefit for lower wage earners. House Democrats have removed this provision, treating millionaires and people at the poverty line equally.

Federal data for returns filed by Pennsylvania families shows that in the 2020 tax year, 62% of the benefits of the federal Child and Dependent Care Tax Credit program went to recipients making \$75,000 or more annually. That means those who make less than \$75,000 annually only saw 38% of the benefits. Eliminating this vital calculation ensures that a higher percentage of benefits will go to high-wage earners in the Commonwealth. To put these figures into context, the 2020 Census shows that Pennsylvania's median household income was \$67,587.

By removing the needs-based calculation for state tax purposes, as proposed by the House Democrats, the new Tax Code won't benefit the working poor as they claim.

House Democrats are also helping some of their biggest campaign donors outside of public sector unions, Hollywood liberal elites. This time, House Democrats added an extra \$50 million to the Entertainment Production Tax Credit, commonly known as the "Film Tax Credit," bringing the total to \$150 million annually.

Apparently, taxes in Hollywood are so high that even the film stars are looking to go somewhere else, and House Democrats can't wait to welcome them to Pennsylvania with open arms.

House Democrats also seek to send an additional \$311 million through the Sales and Use Tax for mass transit with no reforms attached to the funding. In FY 2022-23, mass transit received \$1.16 billion in financing from the Sales Tax, yet PennDOT has confirmed statewide mass transit use had dropped 46.7%.

House Democrats also passed a "supplemental budget."

This included a "grant program" for our state-related universities to avoid the traditional non-preferred appropriations process. This plan is fraught with issues, not the least of which is how the PA Department of Education will transfer the Penn State Agricultural Extension dollars our state agriculture industry heavily relies on.

For some unknown reason, House Democrats also added \$7.4 million to the Supreme Court's budget. Act 1A of 2023 already increased their FY 2023-24 budget by 11.4%, giving them a budget of \$63.9 million. The courts as a whole saw a 9% increase worth \$32.7 million.

Instead of working with House Republicans to complete the 2023-24 Budget, we have a slim House majority obsessed with passing legislation 102-101 and calling it "governing" – that's not governing.