



# September 2023

## Economic & Financial Brief

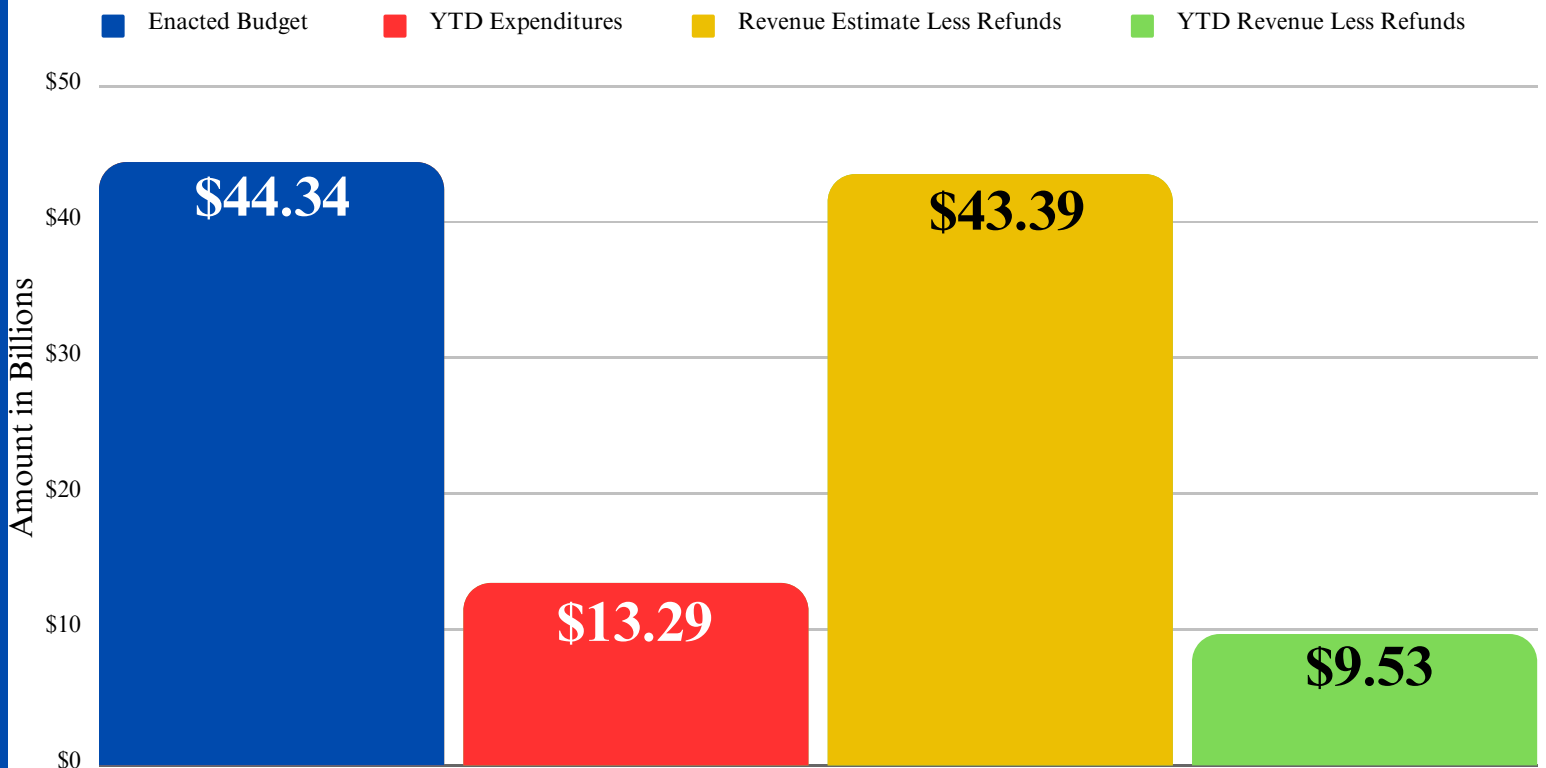
### Message from Chairman Grove



General Fund revenues in the month of September have continued the trend of falling below the official estimate and are now \$167.4 million short for the fiscal year. Only Non-Tax revenues are consistently coming in above estimate – largely due to higher than anticipated Treasury investment earnings. While Total General Fund collections for the fiscal year are only 0.6% above prior year collections through September, it must be noted that Tax Revenue collections are 1.0% below. Of specific concern were the 3rd quarter estimated payments received in September for both Corporate Net Income Tax (CNIT) and Personal Income Tax (PIT). Compared to September 2022 payments, CNIT and PIT estimated payments both declined by 15% and 21%, respectively. These declines in the 3rd quarter estimated payments could be a warning sign of an economic slowdown in the future.

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	September 2023 Actual	September 2023 Estimate	\$ Amount Over / (Under) Estimate	2023-24 YTD Actual	2023-24 YTD Estimate	\$ Amount Over / (Under) YTD Estimate
<b>General Fund</b>	<b>\$4,056,564</b>	<b>\$4,196,800</b>	<b>(\$140,236)</b>	<b>\$9,837,464</b>	<b>\$10,004,900</b>	<b>(\$167,436)</b>
<b>Tax Revenue</b>	<b>\$3,979,379</b>	<b>\$4,139,500</b>	<b>(\$160,121)</b>	<b>\$9,575,061</b>	<b>\$9,789,100</b>	<b>(\$214,039)</b>
<b>Corporation Taxes</b>	<b>\$999,801</b>	<b>\$1,001,700</b>	<b>(\$1,899)</b>	<b>\$1,326,594</b>	<b>\$1,294,000</b>	<b>\$32,594</b>
Accelerated Deposits	\$0	\$0	\$0	\$0	\$0	\$0
Corporate Net Income	\$982,336	\$985,700	(\$3,364)	\$1,293,924	\$1,265,700	\$28,224
Selective Business	\$17,465	\$16,000	\$1,465	\$32,669	\$28,300	\$4,369
Gross Receipts	\$4,702	\$3,000	\$1,702	\$16,852	\$9,500	\$7,352
Utility Property	\$1,437	\$900	\$537	\$2,130	\$1,000	\$1,130
Insurance Premiums	\$935	\$1,100	(\$165)	\$766	\$1,100	(\$334)
Financial Institutions	\$10,392	\$11,000	(\$608)	\$12,921	\$16,700	(\$3,779)
Bank Shares	\$3,998	\$5,000	(\$1,002)	\$5,346	\$9,000	(\$3,654)
Mutual Thrifts	\$6,394	\$6,000	\$394	\$7,574	\$7,700	(\$126)
<b>Consumption Taxes</b>	<b>\$1,273,223</b>	<b>\$1,323,000</b>	<b>(\$49,777)</b>	<b>\$3,935,400</b>	<b>\$4,047,000</b>	<b>(\$111,600)</b>
<b>Sales and Use Tax</b>	<b>\$1,139,078</b>	<b>\$1,182,200</b>	<b>(\$43,122)</b>	<b>\$3,610,479</b>	<b>\$3,706,700</b>	<b>(\$96,221)</b>
Non-Motor Vehicle	\$1,026,073	\$1,064,800	(\$38,727)	\$3,257,829	\$3,348,400	(\$90,571)
Motor Vehicle	\$113,005	\$117,400	(\$4,395)	\$352,650	\$358,300	(\$5,650)
Cigarette	\$83,926	\$87,800	(\$3,874)	\$176,064	\$185,200	(\$9,136)
Other Tobacco Products	\$12,885	\$14,100	(\$1,215)	\$37,449	\$40,100	(\$2,651)
Malt Beverage	\$1,763	\$2,200	(\$437)	\$5,657	\$6,300	(\$643)
Liquor	\$35,572	\$36,700	(\$1,128)	\$105,751	\$108,700	(\$2,949)
<b>Other Taxes</b>	<b>\$1,706,355</b>	<b>\$1,814,800</b>	<b>(\$108,445)</b>	<b>\$4,313,067</b>	<b>\$4,448,100</b>	<b>(\$135,033)</b>
<b>Personal Income Tax</b>	<b>\$1,532,994</b>	<b>\$1,622,500</b>	<b>(\$89,506)</b>	<b>\$3,769,808</b>	<b>\$3,882,500</b>	<b>(\$112,692)</b>
Withholding	\$973,083	\$977,400	(\$4,317)	\$3,049,770	\$3,074,600	(\$24,830)
Estimated	\$496,842	\$611,000	(\$114,158)	\$587,883	\$706,300	(\$118,417)
Annual	\$63,068	\$34,100	\$28,968	\$132,155	\$101,600	\$30,555
Realty Transfer	\$45,882	\$50,500	(\$4,618)	\$107,608	\$123,100	(\$15,492)
Inheritance	\$110,236	\$114,300	(\$4,064)	\$366,828	\$363,300	\$3,528
Gaming	\$27,647	\$38,100	(\$10,453)	\$71,810	\$81,800	(\$9,990)
Minor and Repealed	(\$10,405)	(\$10,600)	\$195	(\$2,987)	(\$2,600)	(\$387)
<b>Non-Tax Revenue</b>	<b>\$77,185</b>	<b>\$57,300</b>	<b>\$19,885</b>	<b>\$262,403</b>	<b>\$215,800</b>	<b>\$46,603</b>
Liquor Store Profits	\$0	\$0	\$0	\$0	\$0	\$0
Licenses and Fees	\$6,877	\$7,300	(\$423)	\$31,697	\$26,900	\$4,797
<b>Miscellaneous</b>	<b>\$64,207</b>	<b>\$43,700</b>	<b>\$20,507</b>	<b>\$211,121</b>	<b>\$169,700</b>	<b>\$41,421</b>
Treasury	\$68,049	\$46,900	\$21,149	\$201,266	\$162,600	\$38,666
Escheats	(\$8,394)	(\$8,300)	(\$94)	(\$19,571)	(\$26,300)	\$6,729
Other Misc & Transfers	\$4,552	\$5,100	(\$548)	\$29,427	\$33,400	(\$3,973)
Fines, Penalties, Interest	\$6,101	\$6,300	(\$199)	\$19,585	\$19,200	\$385

# Fiscal Year 2023-24 General Fund Revenues

*Compared to the Prior Year Collections*

**House Appropriations Committee (R)**

*Thousands of Dollars*

Revenue Source	September 2022 Actual	September 2023 Actual	Month % Growth vs Prior Year	2022-23 YTD Actual	2023-24 YTD Actual	YTD % Growth vs Prior Year
<b>General Fund</b>	<b>\$4,217,885</b>	<b>\$4,056,564</b>	<b>(3.8%)</b>	<b>\$9,779,031</b>	<b>\$9,837,464</b>	<b>0.6%</b>
<b>Tax Revenue</b>	<b>\$4,185,552</b>	<b>\$3,979,379</b>	<b>(4.9%)</b>	<b>\$9,669,188</b>	<b>\$9,575,061</b>	<b>(1.0%)</b>
<b>Corporation Taxes</b>	<b>\$1,080,011</b>	<b>\$999,801</b>	<b>(7.4%)</b>	<b>\$1,365,776</b>	<b>\$1,326,594</b>	<b>(2.9%)</b>
Accelerated Deposits	\$197	\$0	(100.0%)	(\$3,209)	\$0	(100.0%)
Corporate Net Income	\$1,062,663	\$982,336	(7.6%)	\$1,315,178	\$1,293,924	(1.6%)
Selective Business	\$17,151	\$17,465	1.8%	\$53,807	\$32,669	(39.3%)
Gross Receipts	\$3,575	\$4,702	31.5%	\$13,631	\$16,852	23.6%
Utility Property	\$2,703	\$1,437	(46.9%)	\$2,841	\$2,130	(25.0%)
Insurance Premiums	\$990	\$935	(5.6%)	\$25,518	\$766	(97.0%)
Financial Institutions	\$9,883	\$10,392	5.1%	\$11,818	\$12,921	9.3%
Bank Shares	\$4,927	\$3,998	(18.9%)	\$5,326	\$5,346	0.4%
Mutual Thrifts	\$4,956	\$6,394	29.0%	\$6,491	\$7,574	16.7%
<b>Consumption Taxes</b>	<b>\$1,279,730</b>	<b>\$1,273,223</b>	<b>(0.5%)</b>	<b>\$3,922,583</b>	<b>\$3,935,400</b>	<b>0.3%</b>
<b>Sales and Use Tax</b>	<b>\$1,136,916</b>	<b>\$1,139,078</b>	<b>0.2%</b>	<b>\$3,564,516</b>	<b>\$3,610,479</b>	<b>1.3%</b>
Non-Motor Vehicle	\$1,020,440	\$1,026,073	0.6%	\$3,200,870	\$3,257,829	1.8%
Motor Vehicle	\$116,475	\$113,005	(3.0%)	\$363,646	\$352,650	(3.0%)
Cigarette	\$91,672	\$83,926	(8.4%)	\$208,204	\$176,064	(15.4%)
Other Tobacco Products	\$13,440	\$12,885	(4.1%)	\$38,209	\$37,449	(2.0%)
Malt Beverage	\$2,244	\$1,763	(21.4%)	\$6,169	\$5,657	(8.3%)
Liquor	\$35,459	\$35,572	0.3%	\$105,484	\$105,751	0.3%
<b>Other Taxes</b>	<b>\$1,825,811</b>	<b>\$1,706,355</b>	<b>(6.5%)</b>	<b>\$4,380,829</b>	<b>\$4,313,067</b>	<b>(1.5%)</b>
<b>Personal Income Tax</b>	<b>\$1,601,251</b>	<b>\$1,532,994</b>	<b>(4.3%)</b>	<b>\$3,756,685</b>	<b>\$3,769,808</b>	<b>0.3%</b>
Withholding	\$924,736	\$973,083	5.2%	\$2,905,617	\$3,049,770	5.0%
Estimated	\$629,257	\$496,842	(21.0%)	\$734,369	\$587,883	(19.9%)
Annual	\$47,258	\$63,068	33.5%	\$116,699	\$132,155	13.2%
Realty Transfer	\$62,416	\$45,882	(26.5%)	\$185,649	\$107,608	(42.0%)
Inheritance	\$128,218	\$110,236	(14.0%)	\$355,117	\$366,828	3.3%
Gaming	\$35,769	\$27,647	(22.7%)	\$81,937	\$71,810	(12.4%)
Minor and Repealed	(\$1,844)	(\$10,405)	464.2%	\$1,441	(\$2,987)	(307.3%)
<b>Non-Tax Revenue</b>	<b>\$32,333</b>	<b>\$77,185</b>	<b>138.7%</b>	<b>\$109,843</b>	<b>\$262,403</b>	<b>138.9%</b>
Liquor Store Profits	\$0	\$0		\$0	\$0	
Licenses and Fees	\$4,509	\$6,877	52.5%	\$24,955	\$31,697	27.0%
<b>Miscellaneous</b>	<b>\$21,962</b>	<b>\$64,207</b>	<b>192.4%</b>	<b>\$66,641</b>	<b>\$211,121</b>	<b>216.8%</b>
Treasury	\$29,332	\$68,049	132.0%	\$67,690	\$201,266	197.3%
Escheats	\$3	(\$8,394)	(295680.8%)	\$3	(\$19,571)	(689225.9%)
Other Misc & Transfers	(\$7,373)	\$4,552	(161.7%)	(\$1,052)	\$29,427	(2897.1%)
Fines, Penalties, Interest	\$5,861	\$6,101	4.1%	\$18,247	\$19,585	7.3%

# Revenues Explained

General Fund collections of \$4.06 billion in September were \$140.2 million less than the official monthly estimate. Year-to-Date (YTD) collections of \$9.84 billion are \$167.4 million, or 1.7%, below the official estimate. All major tax categories fell short of estimate for the month: total corporation taxes (\$1.9 billion), total consumption taxes (\$49.8 billion), and total other taxes (\$108.4 billion).

September 2023 monthly collections:

- **Total Tax Revenue** collections fell short of the monthly estimate by \$160.1 million and were below collections of the prior year by 4.9%.
- **Corporate Net Income Tax (CNIT)** collections fell short of the monthly estimate by \$3.4 million. CNIT estimated payments for the 3rd quarter of 2023 fell short of estimate by \$81.5 million and were partially offset by CNIT annual payments which exceeded estimate by \$78.1 million.
- **Sales and Use Tax (SUT) non-motor vehicle** collections fell short of the monthly estimate by \$38.7 million and SUT motor vehicle collections also fell short of estimate by \$4.4 million.
- **Personal Income Tax (PIT) withholding** collections and quarterly estimated collections were less than the monthly estimate by \$4.3 million and \$114.2 million, respectively, while PIT annual payments exceeded the monthly estimate by \$29.0 million.
- **Realty Transfer Tax** collections fell short of estimate by \$4.6 million, or 9.1%.
- **Non-Tax Revenue** collections of \$77.2 million were above estimate for the month by \$19.9 million, driven largely by higher than anticipated interest earnings.

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

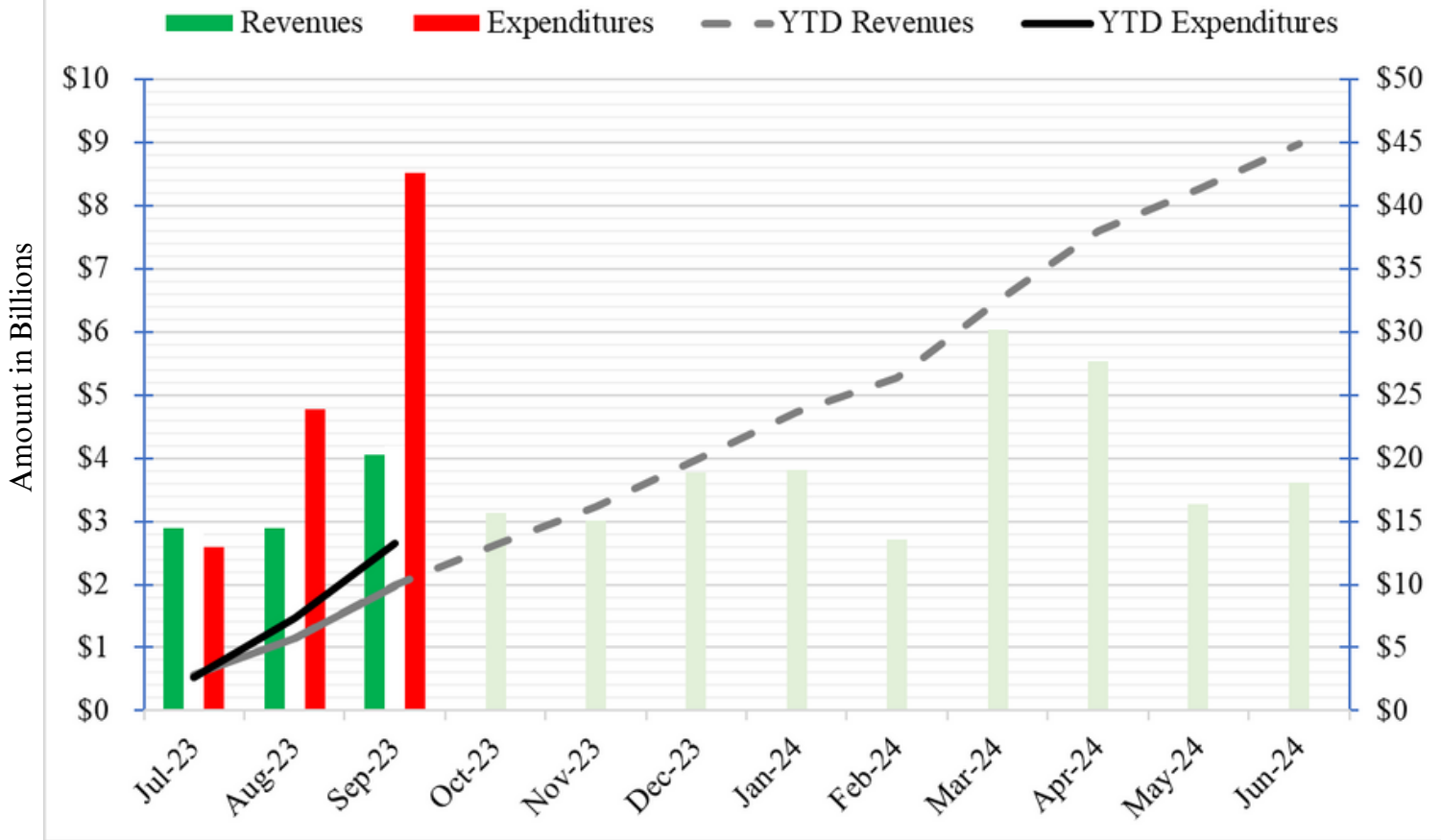
- **Total Tax Revenue** collections for the fiscal year through the month of September are less than the YTD estimate by \$214.0 million and are below YTD collections of the prior fiscal year by \$94.1 million, or 1.0%.
- **YTD Corporate Net Income Tax** collections of \$1.29 billion are \$28.2 million above estimate.
- **YTD Sales and Use Tax non-motor vehicle** collections of \$3.26 billion and **motor vehicle collections** of \$352.7 million are below estimate by \$90.6 million and \$5.7 million, respectively.
- **Personal Income Tax (PIT) withholding** collections and PIT quarterly estimated payments are below the fiscal year estimate by \$24.8 million and \$118.4 million, respectively. However, annual payments are in excess of the YTD estimate by \$30.6 million.
- **Realty Transfer Tax** YTD collections of \$107.6 million through September are below estimate by \$15.5 million, or 12.6%.

## September 2023 Revenue Collections

Total General Fund		Personal Income Tax	
Estimate: \$4.197 billion	Actual: \$4.057 billion ↓	Estimate: \$1.623 billion	Actual: \$1.533 billion ↓
Total Corporation Taxes		Sales Tax	
Estimate: \$1.002 billion	Actual: \$999.8 million ↓	Estimate: \$1.182 billion	Actual: \$1.139 billion ↓
Non-Tax Revenue		All Other Taxes	
Estimate: \$57.3 million	Actual: \$77.2 million ↑	Estimate: \$333 million	Actual: \$308 million ↓

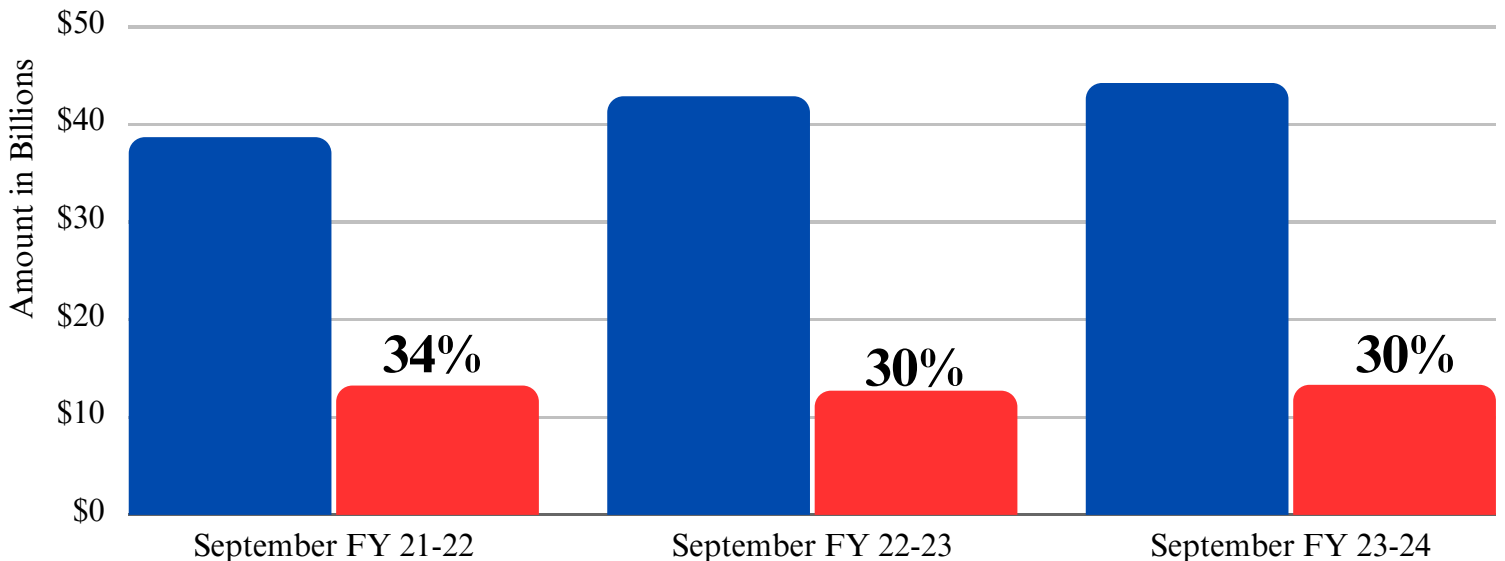
# 2023-24 GENERAL FUND

## Expenditures and Revenues



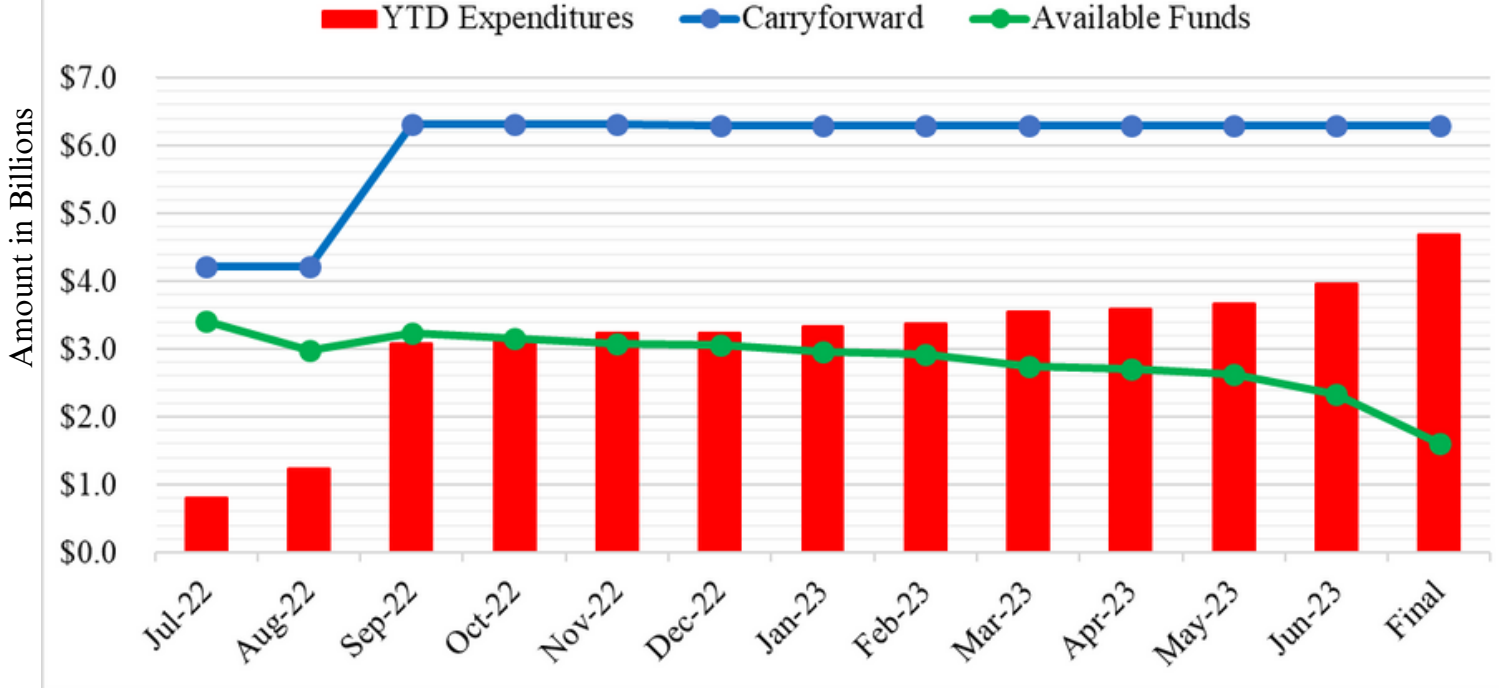
## Status of Appropriations

■ Amount Appropriated ■ Amount Expended

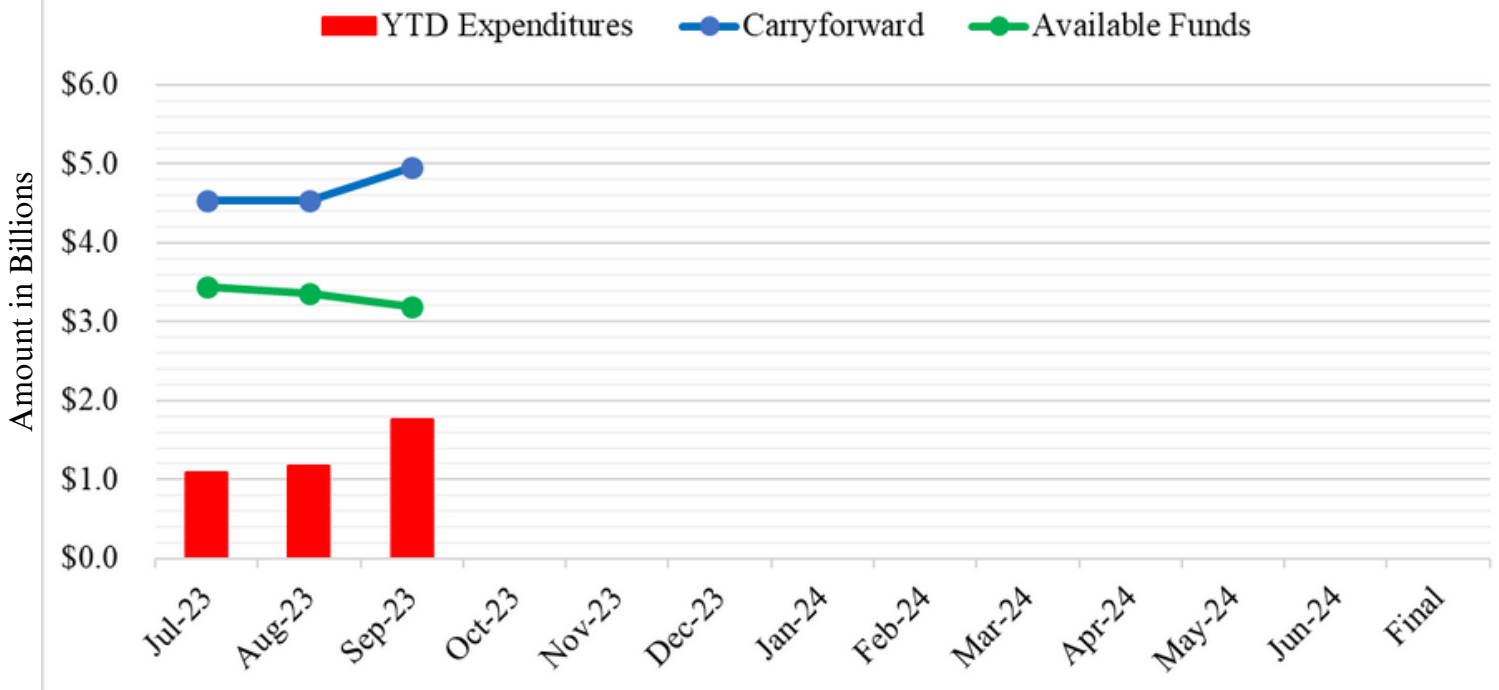


All Spending information from Commonwealth Accounting System, Status of Appropriations Report.

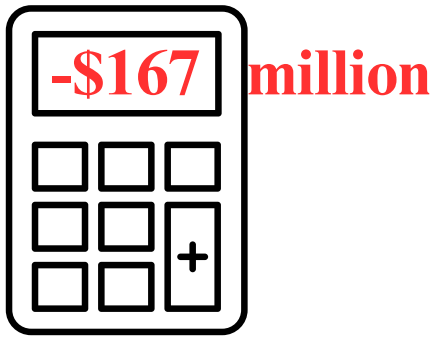
## PRIOR YEAR FUNDS FY2022-23 General Fund



## PRIOR YEAR FUNDS FY2023-24 General Fund



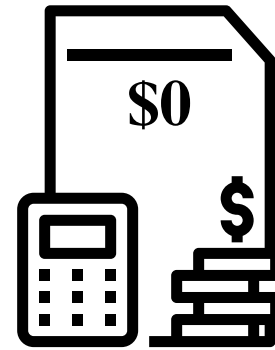
## YTD Revenue Performance



**Budget Surplus**



## Ledger 5 Expenditures



**Rainy Day Fund**



**45 Days of Sunshine**

## Budget Policy Update

### Credit “Upgrades” No Cause for Celebration

Moody’s Investors Service and S&P Global Ratings recently updated Pennsylvania’s outlook from “stable” to “positive,” a development Governor Josh Shapiro felt the need to tout as an example of his “fiscally responsible management” of Pennsylvania’s finances.

Great news, right? Not so much when you consider the facts.

Moody’s and S&P upgraded Pennsylvania's outlook but did not see fit to raise the actual credit rating, mired at Aa3 since 2014 and A+ since 2018, respectively. For comparison, our neighboring states of New York, Ohio, and Virginia all currently have higher credit ratings from both Moody’s and Standard and Poor (S&P).

Moody’s also stated, “Pennsylvania's positive outlook is based on the significant increase in budget reserves over the past three fiscal years to levels consistent with higher-rated peers.” Moody’s is correct. Pennsylvania finally has a Budget Surplus and a significant balance in the Rainy Day Fund.

So, what’s the concern? Why not increase the credit rating?

# Credit “Upgrades” continued

That’s because the unaddressed issue in Moody’s outlook was that Pennsylvania’s fiscal year 2023-24 budget spends more than the revenue it brings in. If this trend continues, the result will be that our ‘budget reserves’ referenced by Moody’s – built up over the past three years mainly from the availability of one-time COVID-19 federal funds – will be depleted.

“We expect that core rainy day reserves will remain near current levels due to sound budget management and continued steady revenue growth,” Moody’s said. We should not just accept this but demand this type of budget management. However, the execution is already lacking just nine months into the Shapiro Administration.

The S&P outlook came with an important warning: “We could lower the rating if the resolution of the education funding litigation required significant new spending and the commonwealth was unable to identify or agree on reoccurring funding sources in a timely manner.” Additionally, S&P warned of “projected revenue and expenditure misalignment,” which House Republicans have warned about for years.

Even worse, General Fund revenues this fiscal year are already falling **short of estimate by \$167 million** through September. The need to reach into our reserves may occur sooner than anticipated.

Earlier this year, for only the second time in history, the Federal Government’s credit rating was downgraded by Fitch Ratings. On the downgrade, Fitch cited “a high and growing general government debt burden” and “repeated debt limit standoffs and last-minute resolutions.”

The notice was eerily similar to S&P’s downgrade of Pennsylvania in 2017. “The downgrade largely reflects the commonwealth’s chronic structural imbalance dating back nearly a decade, a history of late budget adoption, and our opinion that this pattern could continue,” S&P said.

Pennsylvania will likely see a downgrade again if we continue to add to our already growing structural deficit as Governor Shapiro did this fiscal year. The warning signs are all flashing yellow.

Rather than celebrating the status quo, it is incumbent upon Governor Shapiro to work with the legislature on budget practices that will provide for Pennsylvanians while also increasing our credit rating. I know we can do this together. A great place to start would be passing the Budget Reform Package and implementing zero-based budgeting as Shapiro did in Montgomery County.

This package of bills will close the loophole that allows an out-of-balance budget to become law, ensure a balanced budget amid revenue shortfalls, and limit the authority of the Budget Secretary to spend unlapsd funds.

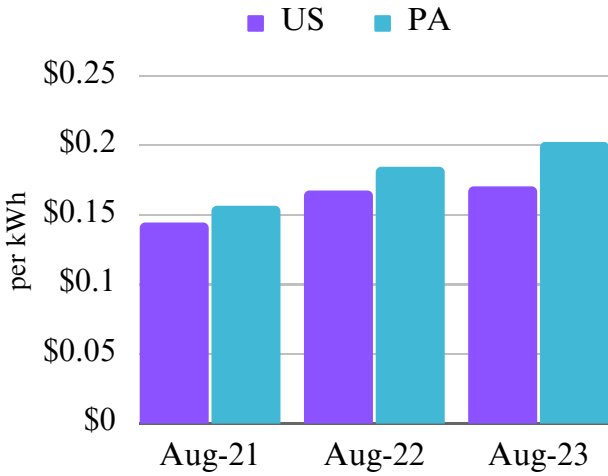
We know for a fact protracted budget impasses – like the impasse we still face – and overspending won’t upgrade our credit. That’s why I’ll continue calling on the Governor to work with us on sound budget practices and policies.



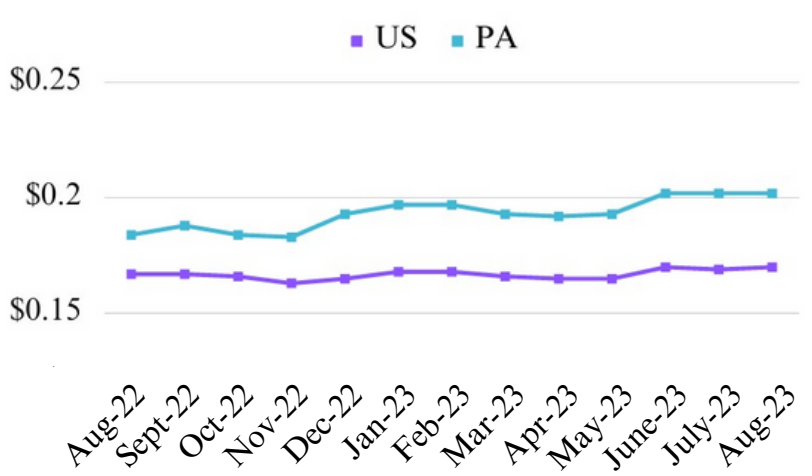
# Energy Update

## Electricity Rates

Three Year Comparison

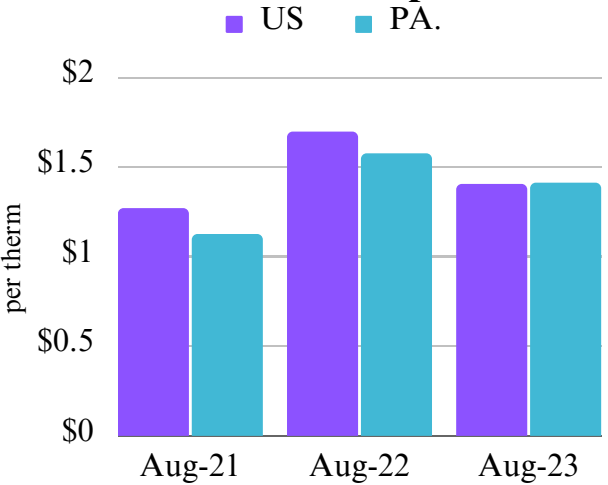


One Year Look Back

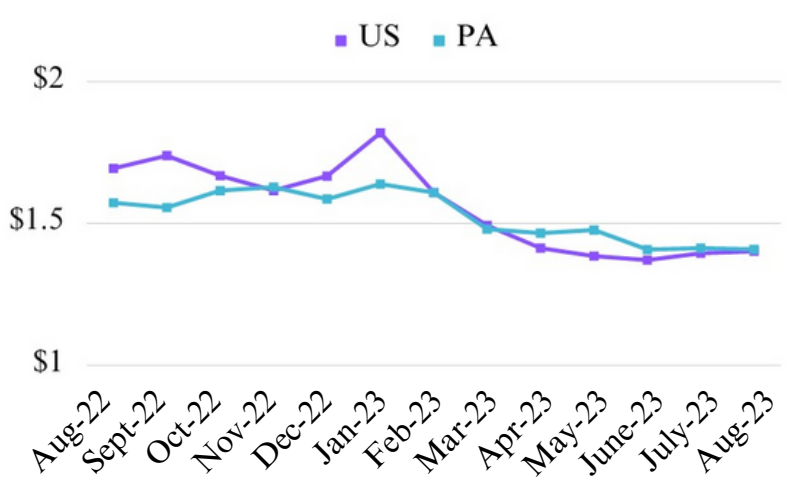


## Natural Gas

Three Year Comparison

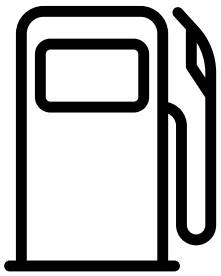


One Year Look Back



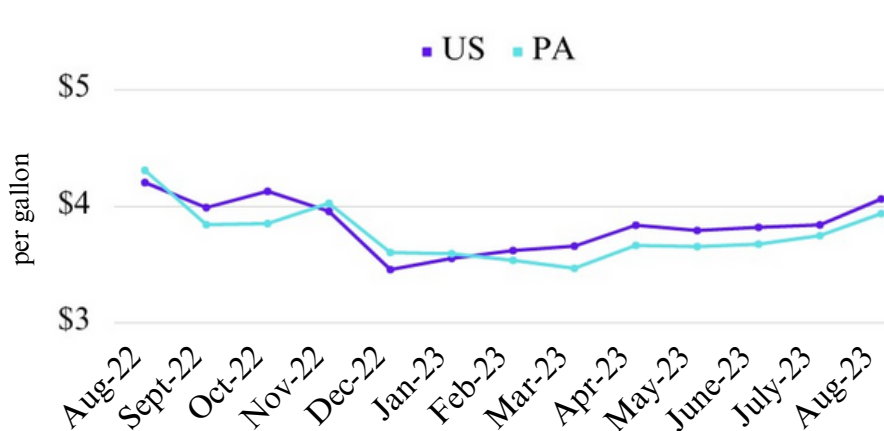
## Gasoline

August 2023



US: \$4.064/gallon  
PA: \$3.939/gallon

One Year Look Back



All Energy Update Information from the US Bureau of Labor Statistics - Philadelphia Area

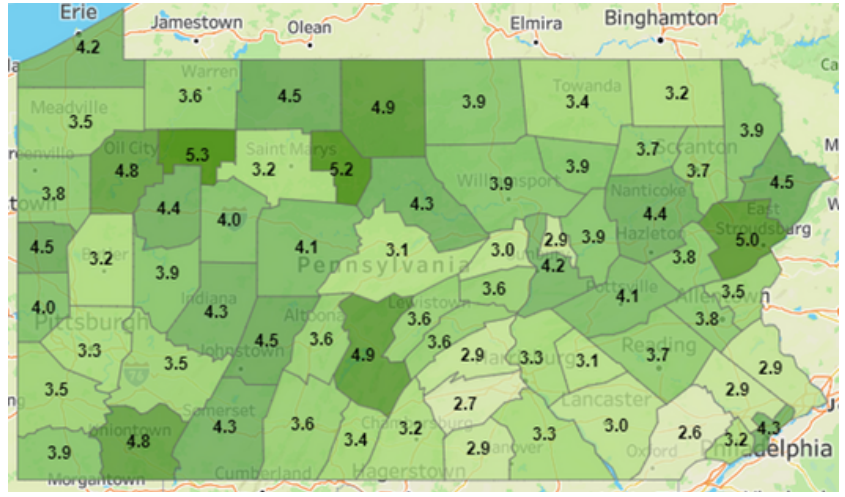
# Employment Data

## PA Employment Statistics

	August 2023	Monthly Change
Labor Force	6.50 (mil)	Even <span style="color: blue;">█</span>
Unemployment Rate	3.5%	Even <span style="color: blue;">█</span>
Total Nonfarm Jobs	6.16 (mil)	Even <span style="color: blue;">█</span>
Labor Force Participation Rate	61.9%	Even <span style="color: blue;">█</span>
<b>12 Month Change</b>		
Total Nonfarm Jobs	+153,800	<span style="color: green;">↑</span>
Unemployment Rate	-0.8%	<span style="color: green;">↓</span>

## Unemployment Rate by County

(June 2023)



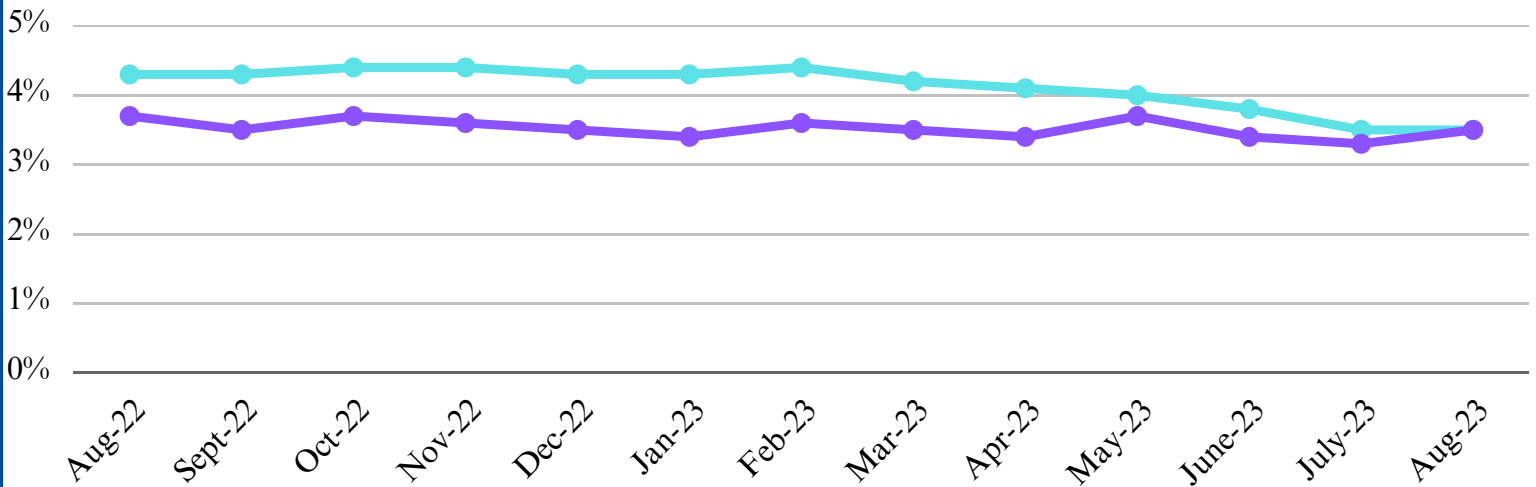
## Surrounding States

### Unemployment:

DE: 4.1%   MD: 1.7%   NJ: 4.2%  
 NY: 3.9%   OH: 3.4%   WV: 3.6%

## Unemployment Rate One Year Look Back

■ PA Unemployment Rate   ■ US Unemployment



Information from the US Bureau of Labor Statistics - Philadelphia Area & Department of Labor and Industry