



March 2024

Financial Brief

Message from Chairman Grove

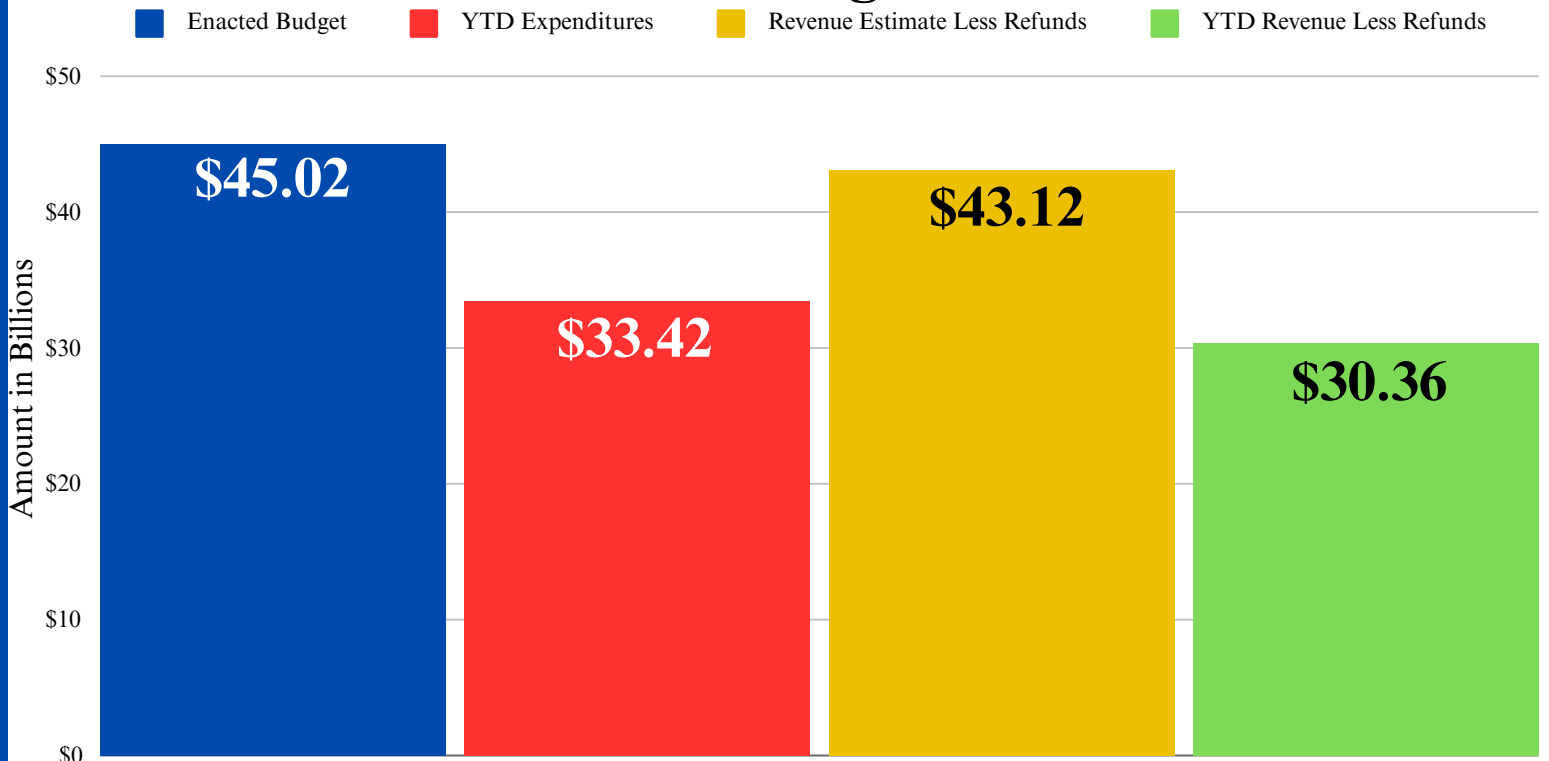


The past month concluded the FY 2024-25 budget hearings and saw members of the House of Representatives return for the first weeks of voting session this calendar year. March, which represents the highest estimated monthly collections of FY 2023-24, saw General Fund revenues of \$6.28 billion exceed the official estimate by \$289.9 million with Year-to-Date General Fund collections of \$32.80 billion running \$366.0 million above the official estimate. While these figures look encouraging, we remain cautiously optimistic about future revenue collections. Tax revenues are only slightly higher than collections of the prior fiscal year by \$133.4 million through March, growing a mere 0.4%. Governor Shapiro's Executive Budget assumes General Fund collections for FY 2023-24 will exceed the official estimate by \$656.5 million come June 30, 2024. Should overall General Fund collections meet the Governor's assumption of \$656.5 million, the additional revenues will likely not come from tax collections, but rather from higher interest earnings on the General Fund surplus that he is proposing to spend down in FY 2024-25. House Republicans have remained stalwarts in defending the surplus, and the decisions made by Treasurer Stacy Garrity on how to invest this surplus in a prudent manner, which has resulted in interest earnings remaining substantially higher than expected.

Seth Grove

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 | March 2024 Actual | March 2024 Estimate | \$ Amount over / (under) Estimate | 2023-24 YTD Actual | 2023-24 YTD Estimate | \$ Amount over / (under) Estimate |
|----------------------------|-------------------------|---------------------------|---|--------------------------|----------------------------|---|
| General Fund | \$6,279,610 | \$5,989,700 | \$289,910 | \$32,798,819 | \$32,432,800 | \$366,019 |
| Tax Revenue | \$6,026,397 | \$5,763,700 | \$262,697 | \$31,740,334 | \$31,646,600 | \$93,734 |
| Corporation Taxes | \$3,147,424 | \$3,083,600 | \$63,824 | \$6,335,741 | \$6,183,100 | \$152,641 |
| Accelerated Deposits | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Corporate Net Income | \$685,650 | \$751,100 | (\$65,450) | \$3,677,232 | \$3,652,200 | \$25,032 |
| Selective Business | \$2,461,773 | \$2,332,500 | \$129,273 | \$2,658,509 | \$2,530,900 | \$127,609 |
| Gross Receipts | \$1,330,906 | \$1,243,300 | \$87,606 | \$1,378,515 | \$1,304,200 | \$74,315 |
| Utility Property | \$5 | \$0 | \$5 | \$2,377 | \$1,200 | \$1,177 |
| Insurance Premiums | \$795,360 | \$809,300 | (\$13,940) | \$905,956 | \$908,400 | (\$2,444) |
| Financial Institutions | \$335,502 | \$279,900 | \$55,602 | \$371,661 | \$317,100 | \$54,561 |
| Bank Shares | \$332,225 | \$275,900 | \$56,325 | \$354,036 | \$297,500 | \$56,536 |
| Mutual Thrifts | \$3,277 | \$4,000 | (\$723) | \$17,625 | \$19,600 | (\$1,975) |
| Consumption Taxes | \$1,224,631 | \$1,163,000 | \$61,631 | \$11,649,662 | \$11,620,200 | \$29,462 |
| Sales and Use Tax | \$1,114,657 | \$1,041,400 | \$73,257 | \$10,621,438 | \$10,538,700 | \$82,738 |
| Non-Motor Vehicle | \$997,428 | \$924,700 | \$72,728 | \$9,641,616 | \$9,566,400 | \$75,216 |
| Motor Vehicle | \$117,228 | \$116,700 | \$528 | \$979,822 | \$972,300 | \$7,522 |
| Cigarette | \$60,918 | \$69,300 | (\$8,382) | \$564,508 | \$594,400 | (\$29,892) |
| Other Tobacco Products | \$11,263 | \$12,600 | (\$1,337) | \$109,615 | \$121,700 | (\$12,085) |
| Malt Beverage | \$1,807 | \$1,600 | \$207 | \$15,891 | \$16,200 | (\$309) |
| Liquor | \$35,985 | \$38,100 | (\$2,115) | \$338,211 | \$349,200 | (\$10,989) |
| Other Taxes | \$1,654,343 | \$1,517,100 | \$137,243 | \$13,754,930 | \$13,843,300 | (\$88,370) |
| Personal Income Tax | \$1,531,156 | \$1,408,600 | \$122,556 | \$12,070,456 | \$12,213,300 | (\$142,844) |
| Withholding | \$1,249,251 | \$1,201,200 | \$48,051 | \$9,933,161 | \$9,893,300 | \$39,861 |
| Estimated | \$121,619 | \$89,000 | \$32,619 | \$1,519,957 | \$1,810,400 | (\$290,443) |
| Annual | \$160,286 | \$118,400 | \$41,886 | \$617,339 | \$509,600 | \$107,739 |
| Realty Transfer | \$40,084 | \$32,600 | \$7,484 | \$378,649 | \$368,600 | \$10,049 |
| Inheritance | \$142,197 | \$140,400 | \$1,797 | \$1,157,532 | \$1,107,600 | \$49,932 |
| Gaming | \$34,084 | \$35,300 | (\$1,216) | \$274,510 | \$278,700 | (\$4,190) |
| Minor and Repealed | (\$93,178) | (\$99,800) | \$6,622 | (\$126,217) | (\$124,900) | (\$1,317) |
| Non-Tax Revenue | \$253,212 | \$226,000 | \$27,212 | \$1,058,485 | \$786,200 | \$272,285 |
| Liquor Store Profits | \$85,100 | \$85,100 | \$0 | \$185,100 | \$185,100 | \$0 |
| Licenses and Fees | \$55,123 | \$56,100 | (\$977) | \$159,185 | \$141,600 | \$17,585 |
| Miscellaneous | \$107,382 | \$79,000 | \$28,382 | \$660,889 | \$406,000 | \$254,889 |
| Treasury | \$50,668 | \$19,300 | \$31,368 | \$592,444 | \$330,600 | \$261,844 |
| Escheats | \$50,427 | \$59,000 | (\$8,573) | (\$6,623) | (\$15,600) | \$8,977 |
| Other Misc & Transfers | \$6,287 | \$700 | \$5,587 | \$75,067 | \$91,000 | (\$15,933) |
| Fines, Penalties, Interest | \$5,608 | \$5,800 | (\$192) | \$53,311 | \$53,500 | (\$189) |

Fiscal Year 2023-24 General Fund Revenues

Compared to the Prior Year Collections

House Appropriations Committee (R)

Thousands of Dollars

| Revenue Source | March 2023 Actual | March 2024 Actual | Month % Growth vs Prior Year | 2022-23 YTD Actual | 2023-24 YTD Actual | YTD % Growth vs Prior Year |
|----------------------------|-------------------------|-------------------------|------------------------------------|--------------------------|--------------------------|----------------------------------|
| General Fund | \$6,190,314 | \$6,279,610 | 1.4% | \$32,283,135 | \$32,798,819 | 1.6% |
| Tax Revenue | \$5,948,432 | \$6,026,397 | 1.3% | \$31,606,920 | \$31,740,334 | 0.4% |
| Corporation Taxes | \$2,960,857 | \$3,147,424 | 6.3% | \$6,226,931 | \$6,335,741 | 1.7% |
| Accelerated Deposits | \$5 | \$0 | (100.0%) | (\$3,434) | \$0 | (100.0%) |
| Corporate Net Income | \$791,902 | \$685,650 | (13.4%) | \$3,826,890 | \$3,677,232 | (3.9%) |
| Selective Business | \$2,168,949 | \$2,461,773 | 13.5% | \$2,403,476 | \$2,658,509 | 10.6% |
| Gross Receipts | \$1,098,761 | \$1,330,906 | 21.1% | \$1,176,751 | \$1,378,515 | 17.1% |
| Utility Property | (\$0) | \$5 | (2625.0%) | \$3,288 | \$2,377 | (27.7%) |
| Insurance Premiums | \$761,056 | \$795,360 | 4.5% | \$877,539 | \$905,956 | 3.2% |
| Financial Institutions | \$309,132 | \$335,502 | 8.5% | \$345,898 | \$371,661 | 7.4% |
| Bank Shares | \$304,889 | \$332,225 | 9.0% | \$326,633 | \$354,036 | 8.4% |
| Mutual Thrifts | \$4,243 | \$3,277 | (22.8%) | \$19,265 | \$17,625 | (8.5%) |
| Consumption Taxes | \$1,193,752 | \$1,224,631 | 2.6% | \$11,573,019 | \$11,649,662 | 0.7% |
| Sales and Use Tax | \$1,072,028 | \$1,114,657 | 4.0% | \$10,460,838 | \$10,621,438 | 1.5% |
| Non-Motor Vehicle | \$942,293 | \$997,428 | 5.9% | \$9,441,371 | \$9,641,616 | 2.1% |
| Motor Vehicle | \$129,735 | \$117,228 | (9.6%) | \$1,019,467 | \$979,822 | (3.9%) |
| Cigarette | \$71,511 | \$60,918 | (14.8%) | \$643,647 | \$564,508 | (12.3%) |
| Other Tobacco Products | \$11,675 | \$11,263 | (3.5%) | \$114,027 | \$109,615 | (3.9%) |
| Malt Beverage | \$1,703 | \$1,807 | 6.1% | \$16,437 | \$15,891 | (3.3%) |
| Liquor | \$36,835 | \$35,985 | (2.3%) | \$338,070 | \$338,211 | 0.0% |
| Other Taxes | \$1,793,823 | \$1,654,343 | (7.8%) | \$13,806,970 | \$13,754,930 | (0.4%) |
| Personal Income Tax | \$1,629,210 | \$1,531,156 | (6.0%) | \$11,993,448 | \$12,070,456 | 0.6% |
| Withholding | \$1,350,484 | \$1,249,251 | (7.5%) | \$9,514,280 | \$9,933,161 | 4.4% |
| Estimated | \$100,420 | \$121,619 | 21.1% | \$1,799,496 | \$1,519,957 | (15.5%) |
| Annual | \$178,305 | \$160,286 | (10.1%) | \$679,672 | \$617,339 | (9.2%) |
| Realty Transfer | \$50,516 | \$40,084 | (20.7%) | \$486,995 | \$378,649 | (22.2%) |
| Inheritance | \$160,665 | \$142,197 | (11.5%) | \$1,145,487 | \$1,157,532 | 1.1% |
| Gaming | \$35,604 | \$34,084 | (4.3%) | \$277,807 | \$274,510 | (1.2%) |
| Minor and Repealed | (\$82,171) | (\$93,178) | 13.4% | (\$96,766) | (\$126,217) | 30.4% |
| Non-Tax Revenue | \$241,881 | \$253,212 | 4.7% | \$676,215 | \$1,058,485 | 56.5% |
| Liquor Store Profits | \$85,100 | \$85,100 | 0.0% | \$185,100 | \$185,100 | 0.0% |
| Licenses and Fees | \$53,975 | \$55,123 | 2.1% | \$140,344 | \$159,185 | 13.4% |
| Miscellaneous | \$96,530 | \$107,382 | 11.2% | \$298,197 | \$660,889 | 121.6% |
| Treasury | \$42,268 | \$50,668 | 19.9% | \$279,939 | \$592,444 | 111.6% |
| Escheats | \$0 | \$50,427 | | \$3 | (\$6,623) | (233298.4%) |
| Other Misc & Transfers | \$54,262 | \$6,287 | (88.4%) | \$18,255 | \$75,067 | 311.2% |
| Fines, Penalties, Interest | \$6,276 | \$5,608 | (10.6%) | \$52,574 | \$53,311 | 1.4% |

Revenues Explained

General Fund collections of \$6.28 billion in March were \$289.9 million higher than the official monthly estimate; all major tax categories as well as total non-tax collections exceeded estimate for the month. Year-to-Date (YTD) General Fund collections of \$32.8 billion exceed estimate by \$366.0 million through March.

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

March 2024 monthly collections:

- **Total Tax Revenue** collections exceeded the monthly estimate by \$262.7 million and were above collections of the prior year by \$78.0 million, or 1.3%.
- **Total Corporation Taxes** were above the official monthly estimate by \$63.8 million; however, **Corporate Net Income** collections were below the official monthly estimate by \$65.5 million.
- **Sales and Use Tax (SUT) non-motor vehicle** collections remained strong and again exceeded the monthly estimate by \$72.7 million. Similarly, **SUT motor vehicle** collections exceeded estimate by \$528,000.
- All categories of **Personal Income Tax (PIT) (annual, quarterly estimated, and withholding)** collections exceeded the official estimates for the second straight month. Collectively, these tax collections were \$122.6 million over the official estimate for the month.
- **Realty Transfer Tax** collections exceeded the monthly estimate by \$7.5 million.
- **Inheritance Tax** collections exceeded the monthly estimate by \$1.8 million.
- **Non-Tax Revenue** collections of \$253.2 million were above estimate for the month by \$27.2 million, led by continued strength of interest earnings which exceeded the official monthly estimate by \$31.4 million.

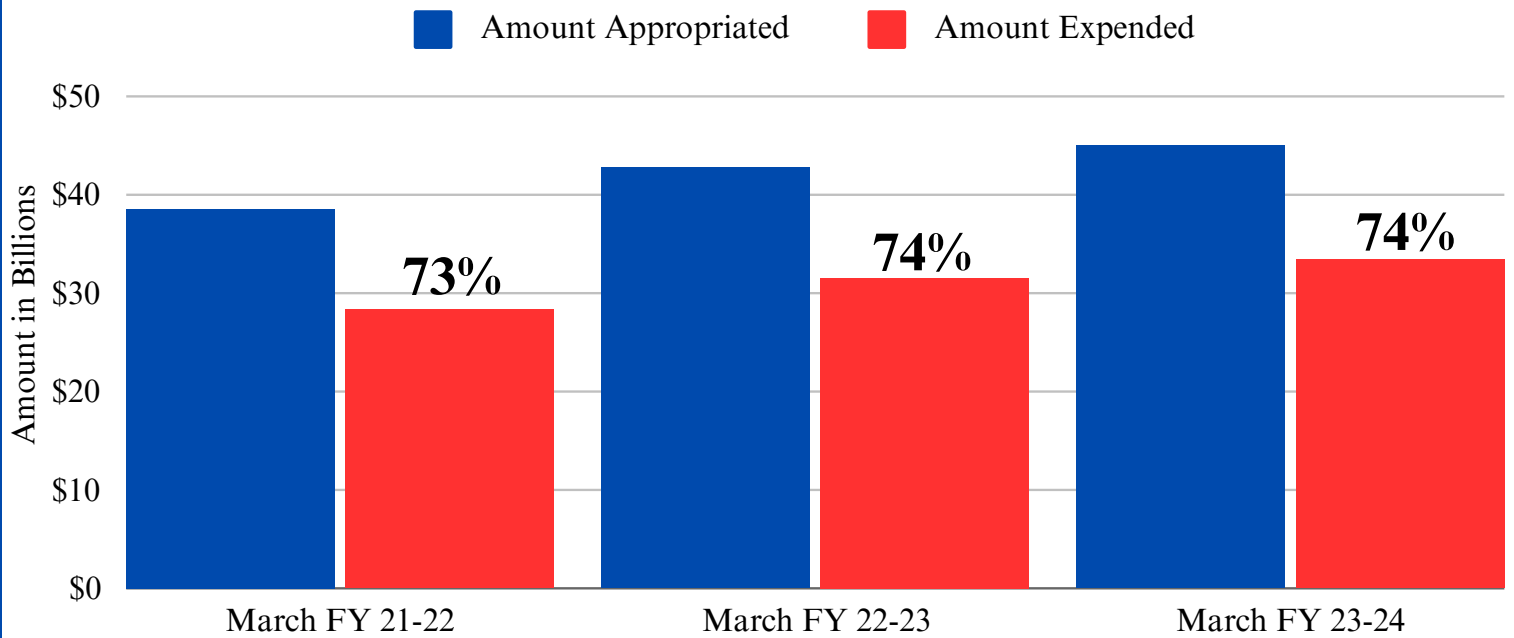
Fiscal Year-to-Date (YTD) collections through the month of March 2024:

- **Total Tax Revenue** collections of \$31.74 billion through March 2024 are narrowly above the YTD collections of the prior fiscal year by \$133.4 million, or 0.4%.
- **YTD Corporate Net Income Tax** collections of \$3.68 billion are below YTD collections of the prior fiscal year by 3.9%.
- **YTD SUT non-motor vehicle** collections of \$9.64 billion are above collections of the prior fiscal year by 2.1%; however, **SUT motor vehicle** collections of \$979.8 million are below collections of the prior fiscal year by 3.9%.
- **YTD PIT withholding** collections of \$9.93 billion are above collections of the prior fiscal year by 4.4%; however, **YTD PIT annual** and **YTD PIT estimated payments** remain below collections of the prior fiscal year by 9.2% and 15.5%, respectively.
- **Realty Transfer Tax YTD** collections of \$378.6 million through the month of March remain below collections of the prior year by \$108.3 million, or 22.2%.
- **YTD Non-Tax Revenue** collections of \$1.06 billion are above collections of the prior fiscal year by 56.5%. This is attributable to the exceptional strength of interest earnings which totaled \$660.9 million.

March 2024 Revenue Collections

| March 2024 Revenue Collections | | | |
|--------------------------------|---------------------------|---------------------------|---------------------------|
| Total General Fund | | Personal Income Tax | |
| Estimate: \$5.990 billion | Actual: \$6.280 billion ↑ | Estimate: \$1.409 billion | Actual: \$1.531 billion ↑ |
| Total Corporation Taxes | | Sales Tax | |
| Estimate: \$3.084 million | Actual: \$3.147 million ↑ | Estimate: \$1.041 million | Actual: \$1.115 billion ↑ |
| Non-Tax Revenue | | All Other Taxes | |
| Estimate: \$226.0 million | Actual: \$253.2 million ↑ | Estimate: \$230.1 million | Actual: \$233.2 million ↑ |

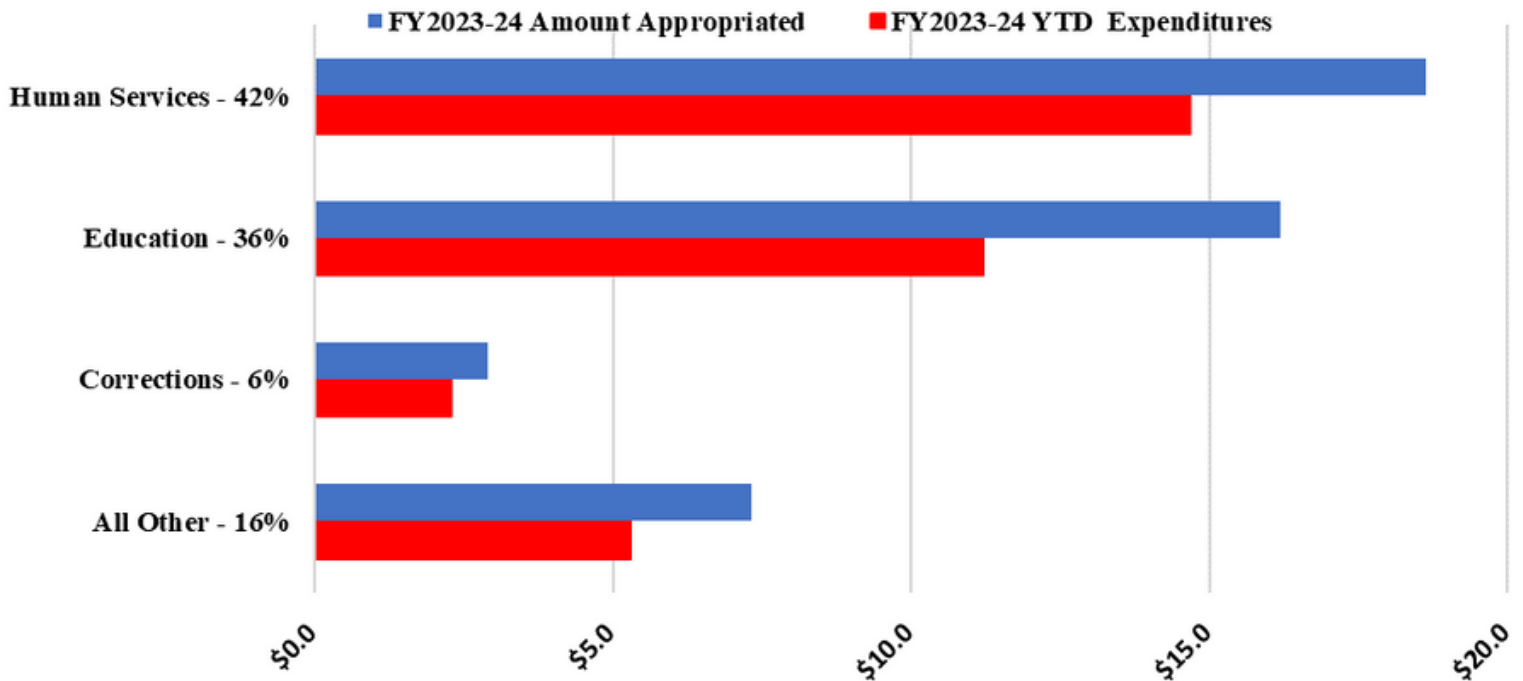
Status of Appropriations



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

Status of Appropriations as of March 2024

Amounts in Billions



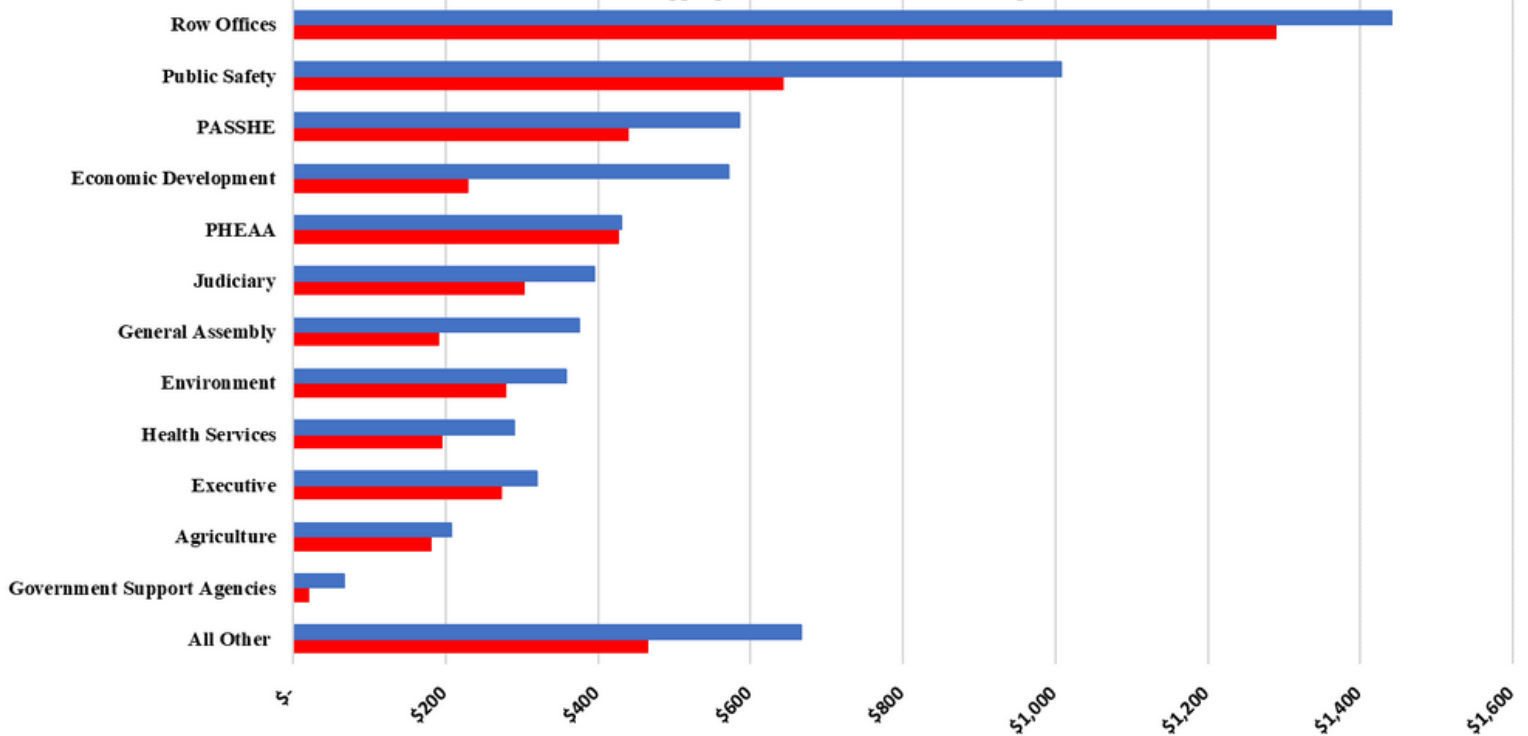
All Spending information from Commonwealth Accounting System, Status of Appropriations Report.

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

Status of Appropriations as of March 2024

Amounts in Millions

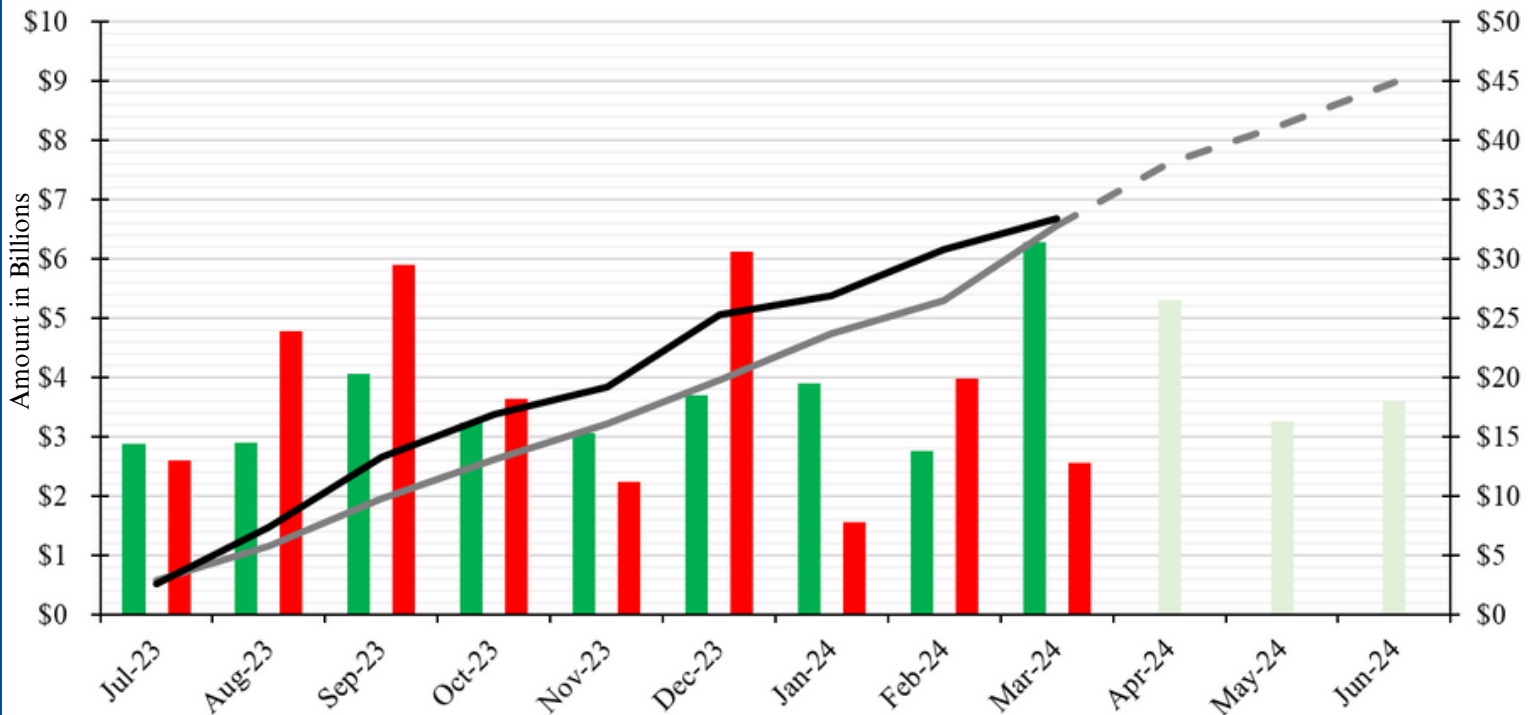
FY2023-24 Amount Appropriated FY2023-24 YTD Expenditures



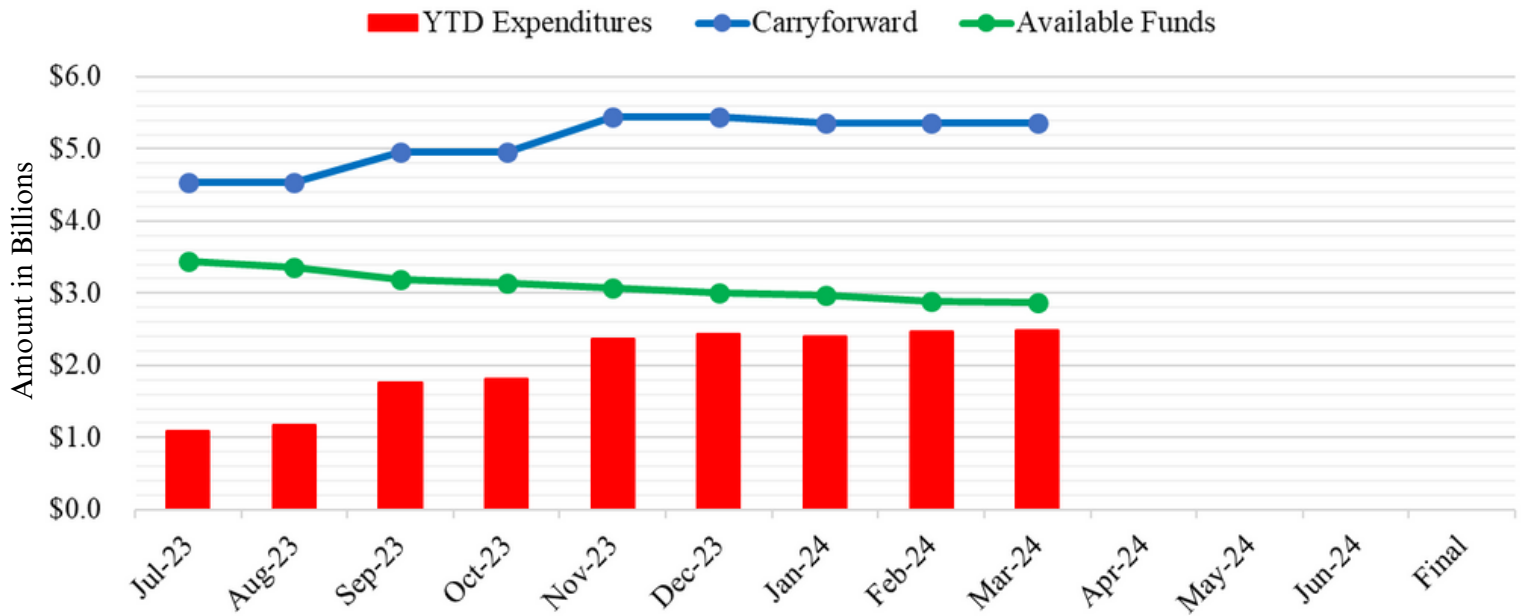
2023-24 GENERAL FUND

Expenditures and Revenues

Revenues Expenditures YTD Revenues YTD Expenditures

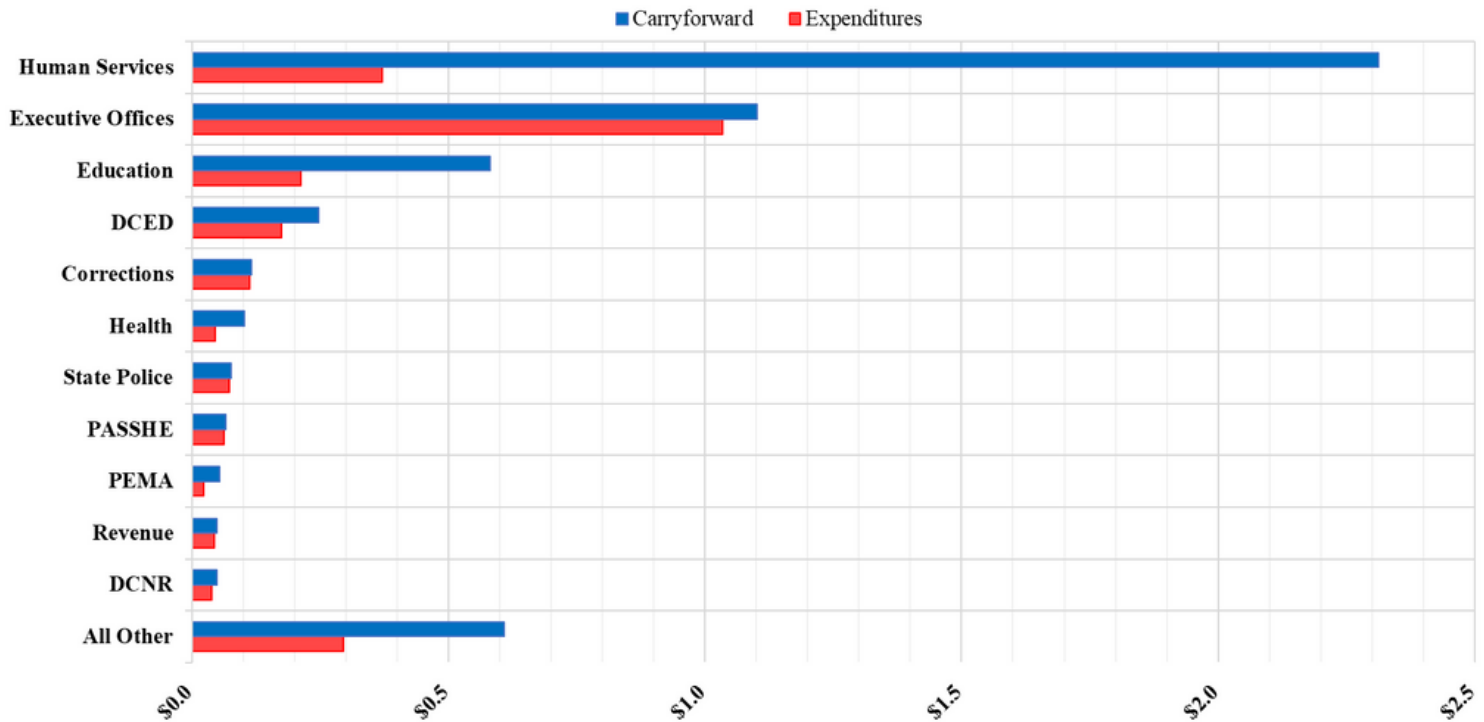


PRIOR YEAR FUNDS FY2023-24 General Fund



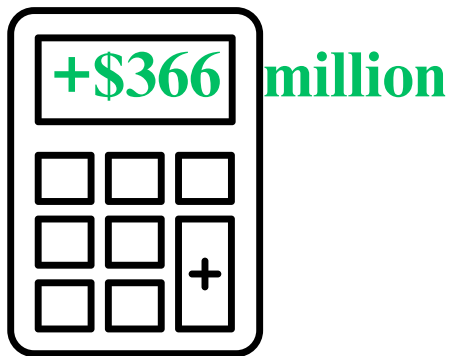
PRIOR YEAR FUNDS - TOP 10 AGENCIES* FY2023-24 as of March 2024

Amounts in Billions



*Under the Governor's jurisdiction

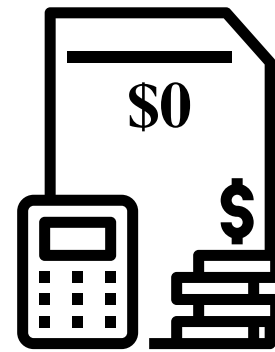
YTD Revenue Performance



Budget Surplus



Ledger 5 Expenditures



Rainy Day Fund



49 Days of Sunshine

Budget Policy Update What We (Didn't) Learn from the 2024 Budget Hearings

"If I were planning to do a get-out-of-business sale, this is the kind of budget I would do: I would empty my reserves, sell my assets, and get out of town." This is how I concluded my questions with Budget Secretary Uri Monson, the last testifier to appear before the Appropriations Committee after three long and often frustrating weeks of budget hearings.

Throughout the budget hearings, each agency leader deflected to the Budget Office questions about their own agency's financial management. Appropriations Committee Members were shocked at the lack of details provided to implement the countless new and expanded spending programs and the new revenue enhancements proposed by the Governor from agency leaders.

After his budget address, Governor Shapiro told the press, "Analysis can't be used as an excuse for paralysis." While true, analysis cannot be an excuse for paralysis, but what will lead to paralysis is a lack of detail. The examples of agencies with no details were numerous.

Budget Hearings (continued)

For example, Shapiro's budget calls for the Department of Agriculture to implement and administer adult-use cannabis, yet during their hearing, Secretary Russell Redding had no details of the Governor's plan, let alone draft legislation. Just as concerning, the Departments of Health, Drug and Alcohol Programs, and even the State Police haven't seen the adult-use cannabis plan either. Another example was the Department of Community and Economic Development, who will be responsible for implementing the \$500 million PA SITES program, yet Sec. Rick Siger had no details of that plan.

Even worse, not only did some agencies show just how unprepared they are to implement the new programs proposed by the Governor, but clearly demonstrated they are failing to perform even their basic government functions. The most egregious example was the Department of Aging.

During their budget hearing, Department of Aging Secretary Jason Kavulich could provide no details on the new \$11.7 million appropriation titled "Aging Our Way, PA." It was also revealed that the department still has a staggering number of unresolved reports of abuse or neglect of seniors. Investigating potential abuse of seniors is a core function of the Department of Aging. How can you take on more responsibilities when you can't do the basics?

In a category all its own was Education.

During the Community Colleges budget hearing, it was uncovered that there had been a grand total of TWO meetings on the Governor's so-called "Blueprint for Higher Education," which includes Community Colleges and PASSHE schools. The interim president of the Pennsylvania Commission for Community Colleges received the "blueprint" marketing document at the same time the public did. PASSHE Chancellor Dan Greenstein had not been involved in any discussions before his budget hearing.

Further, the "blueprint" will cost Pennsylvania taxpayers at least \$1 million in consulting fees, a significant chunk of which will go to Department of Education Deputy Secretary Kate Shaw's former employer.

As for Department of Education Secretary Khalid Mumin, he seemed entirely in the dark on the "Blueprint for Higher Education," just as he was completely unacquainted with the Basic Education Funding Commission (BEFC) report. Unable to answer even basic questions about the proposal, he left Deputy Secretary Carrie Rowe and Budget Director Jessica Sites to clarify the details. Director Sites eventually confirmed that the Democrat Basic Education Funding Commission report adopted by the BEFC calls for a \$291 million increase in school property taxes.

Armed with many questions, House Republicans finally had a chance to ask Sec. Monson for the budget details that agency leaders were unequipped to provide as well as the overall direction of Commonwealth finances. Sec. Monson tried to convince the Appropriations Committee that the Governor's FY 2024-25 budget proposal is fiscally responsible, conservative and sustainable. However, House Republicans remained skeptical that the Governor's significant spending would become more conservative the longer he remained in office, as the Budget Secretary claimed.

Sec. Monson also followed the trend of other agency leaders and said details on major budget initiatives would be forthcoming. According to the Secretary's timeline, the legislature should receive all required legislation at the end of March or early April. This leaves just three months to review these large proposals and meet the June 30th budget deadline (assuming this legislation is introduced posthaste) that Sec. Monson said is crucial to meet.

If the budget is late this year, we will undoubtedly look back on the lack of planning from the Shapiro Administration as a leading cause. We could also conclude it's all a part of the four-year "get-out-of-business and into the White House" plan. Either way, it is terrible news for Pennsylvanians.