



August 2024 Financial Brief

Message from Chairman Grove

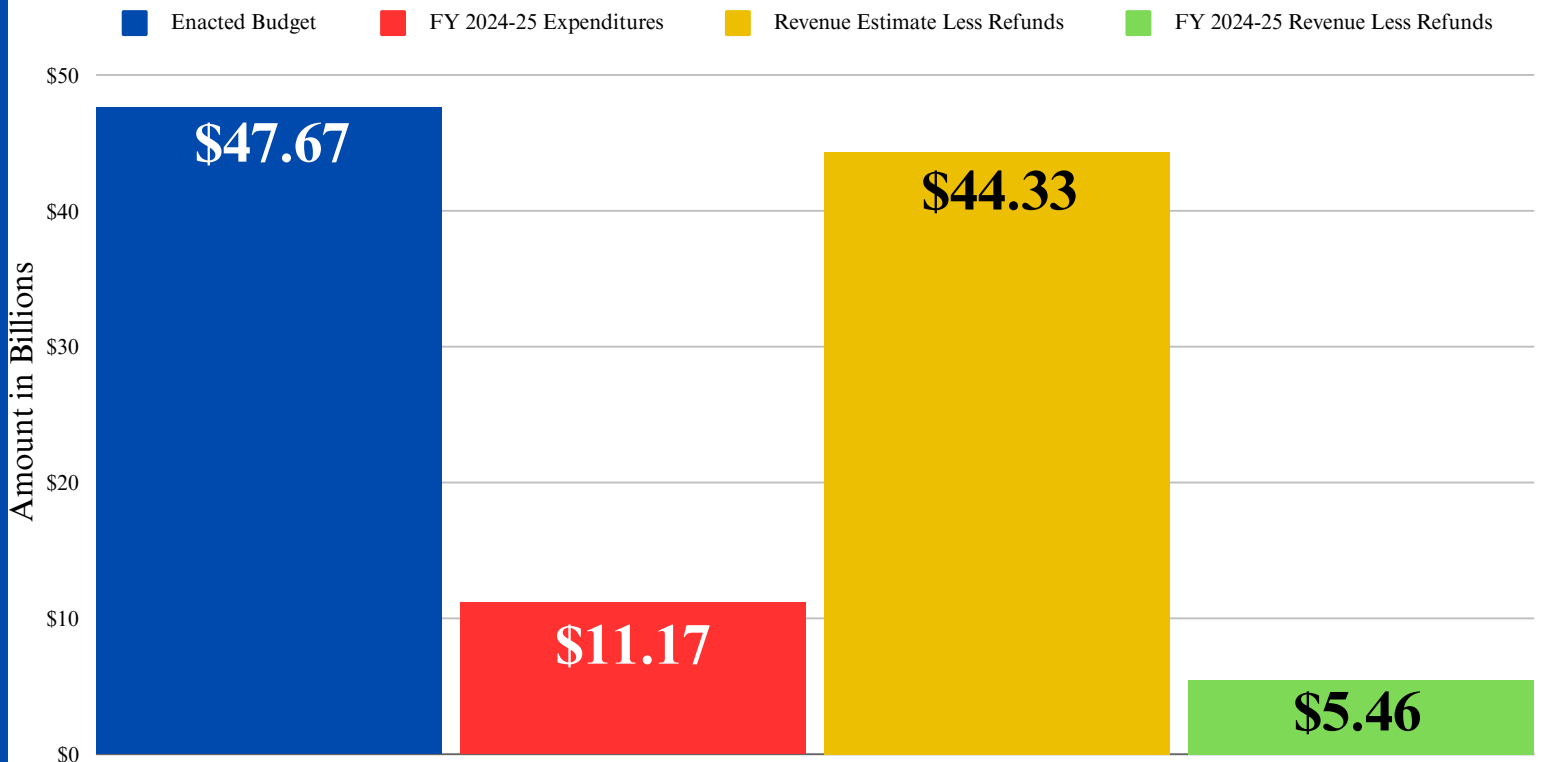


Pennsylvania's August financial data shows some major concerns for the fiscal health of the Commonwealth moving forward. While total General Fund revenues exceeded the official estimate by \$53.87 million and have grown by 2.5% over the prior fiscal year to date; several warning signs are showing. General Fund Total Tax Revenue for August only grew at 0.7% when compared to August 2023. In August 2024, Total Personal Income Tax dropped 6.9% below August 2023, matched by a 6.9% decline in Motor Vehicle Sales Tax. These were exceeded by a 15.4% drop in Corporation Taxes, due to the reduction of the tax rate. These factors, taken

in concert with the revelation that total US jobs were overreported by 904,000 by the Bureau of Labor Statistics, may result in an even faster drain of our budget surplus simply to keep up with spending than previously expected.

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	August 2024 Actual	August 2024 Estimate	\$ Amount over / (under) Estimate	YTD 2024-25 Actual	YTD 2024-25 Estimate	\$ Amount over / (under) Estimate
General Fund	<u>\$2,932,576</u>	<u>\$2,878,700</u>	<u>\$53,876</u>	<u>\$5,923,666</u>	<u>\$5,869,800</u>	<u>\$53,866</u>
Tax Revenue	<u>\$2,831,741</u>	<u>\$2,804,200</u>	<u>\$27,541</u>	<u>\$5,742,637</u>	<u>\$5,715,000</u>	<u>\$27,637</u>
Corporation Taxes	<u>\$117,272</u>	<u>\$128,300</u>	<u>(\$11,028)</u>	<u>\$333,646</u>	<u>\$344,600</u>	<u>(\$10,954)</u>
Accelerated Deposits	\$0	\$0	\$0	\$0	\$0	\$0
Corporate Net Income	\$110,790	\$122,400	(\$11,610)	\$323,105	\$334,700	(\$11,595)
Selective Business	\$6,482	\$5,900	\$582	\$10,541	\$9,900	\$641
Gross Receipts	\$2,264	\$4,200	(\$1,936)	\$216	\$2,100	(\$1,884)
Utility Property	\$1,092	\$0	\$1,092	\$1,114	\$0	\$1,114
Insurance Premiums	\$2,035	\$400	\$1,635	(\$535)	(\$2,200)	\$1,665
Financial Institutions	\$1,092	\$1,300	(\$208)	\$9,746	\$10,000	(\$254)
Bank Shares	\$812	\$400	\$412	\$9,463	\$9,100	\$363
Mutual Thrifts	\$280	\$900	(\$620)	\$283	\$900	(\$617)
Consumption Taxes	<u>\$1,331,022</u>	<u>\$1,321,200</u>	<u>\$9,822</u>	<u>\$2,676,242</u>	<u>\$2,666,400</u>	<u>\$9,842</u>
Sales and Use Tax	<u>\$1,206,206</u>	<u>\$1,200,600</u>	<u>\$5,606</u>	<u>\$2,497,093</u>	<u>\$2,491,500</u>	<u>\$5,593</u>
Non-Motor Vehicle	\$1,090,469	\$1,080,200	\$10,269	\$2,258,706	\$2,248,400	\$10,306
Motor Vehicle	\$115,737	\$120,400	(\$4,663)	\$238,387	\$243,100	(\$4,713)
Cigarette	\$73,204	\$72,200	\$1,004	\$78,944	\$77,900	\$1,044
Other Tobacco Products	\$12,490	\$11,400	\$1,090	\$24,326	\$23,200	\$1,126
Malt Beverage	\$1,840	\$1,600	\$240	\$3,547	\$3,300	\$247
Liquor	\$37,281	\$35,400	\$1,881	\$72,332	\$70,500	\$1,832
Other Taxes	<u>\$1,383,448</u>	<u>\$1,354,700</u>	<u>\$28,748</u>	<u>\$2,732,749</u>	<u>\$2,704,000</u>	<u>\$28,749</u>
Personal Income Tax	<u>\$1,099,443</u>	<u>\$1,119,800</u>	<u>(\$20,357)</u>	<u>\$2,292,072</u>	<u>\$2,312,400</u>	<u>(\$20,328)</u>
Withholding	\$1,022,296	\$1,040,500	(\$18,204)	\$2,112,138	\$2,130,300	(\$18,162)
Estimated	\$45,312	\$53,100	(\$7,788)	\$105,672	\$113,500	(\$7,828)
Annual	\$31,835	\$26,200	\$5,635	\$74,263	\$68,600	\$5,663
Realty Transfer	\$65,980	\$62,800	\$3,180	\$62,885	\$59,700	\$3,185
Inheritance	\$184,928	\$140,200	\$44,728	\$313,626	\$268,900	\$44,726
Gaming	\$32,809	\$30,800	\$2,009	\$57,807	\$55,800	\$2,007
Minor and Repealed	\$287	\$1,100	(\$813)	\$6,360	\$7,200	(\$840)
Non-Tax Revenue	<u>\$100,835</u>	<u>\$74,500</u>	<u>\$26,335</u>	<u>\$181,029</u>	<u>\$154,800</u>	<u>\$26,229</u>
Liquor Store Profits	\$0	\$0	\$0	\$0	\$0	\$0
Licenses and Fees	\$5,219	\$7,500	(\$2,281)	\$12,798	\$15,100	(\$2,302)
Miscellaneous	<u>\$89,015</u>	<u>\$60,100</u>	<u>\$28,915</u>	<u>\$155,257</u>	<u>\$126,400</u>	<u>\$28,857</u>
Treasury	\$107,018	\$63,700	\$43,318	\$167,371	\$124,100	\$43,271
Escheats	(\$18,420)	(\$5,200)	(\$13,220)	(\$29,691)	(\$16,500)	(\$13,191)
Other Misc & Transfers	\$417	\$1,600	(\$1,183)	\$17,576	\$18,800	(\$1,224)
Fines, Penalties, Interest	\$6,601	\$6,900	(\$299)	\$12,973	\$13,300	(\$327)

Fiscal Year 2024-25 General Fund Revenues

Compared to the Prior Year Collections

House Appropriations Committee (R)

Thousands of Dollars

Revenue Source	August 2023 Actual	August 2024 Actual	Month % Growth vs Prior Year	2023-24 Actual	2024-25 Actual	% Growth vs Prior Year
General Fund	<u>\$2,899,429</u>	<u>\$2,932,576</u>	<u>1.1%</u>	<u>\$5,780,900</u>	<u>\$5,923,666</u>	<u>2.5%</u>
Tax Revenue	<u>\$2,812,906</u>	<u>\$2,831,741</u>	<u>0.7%</u>	<u>\$5,595,682</u>	<u>\$5,742,637</u>	<u>2.6%</u>
Corporation Taxes	<u>\$138,607</u>	<u>\$117,272</u>	<u>(15.4%)</u>	<u>\$326,792</u>	<u>\$333,646</u>	<u>2.1%</u>
Accelerated Deposits	\$0	\$0		\$0	\$0	
Corporate Net Income	\$129,714	\$110,790	(14.6%)	\$311,588	\$323,105	3.7%
Selective Business	\$8,893	\$6,482	(27.1%)	\$15,204	\$10,541	(30.7%)
Gross Receipts	\$10,083	\$2,264	(77.5%)	\$12,150	\$216	(98.2%)
Utility Property	\$584	\$1,092	87.0%	\$694	\$1,114	60.6%
Insurance Premiums	\$481	\$2,035	323.1%	(\$169)	(\$535)	217.2%
Financial Institutions	(\$2,254)	\$1,092	(148.4%)	\$2,529	\$9,746	285.3%
Bank Shares	(\$2,554)	\$812	(131.8%)	\$1,349	\$9,463	601.6%
Mutual Thrifts	\$299	\$280	(6.4%)	\$1,181	\$283	(76.0%)
Consumption Taxes	<u>\$1,278,027</u>	<u>\$1,331,022</u>	<u>4.1%</u>	<u>\$2,662,177</u>	<u>\$2,676,242</u>	<u>0.5%</u>
Sales and Use Tax	<u>\$1,153,650</u>	<u>\$1,206,206</u>	<u>4.6%</u>	<u>\$2,471,401</u>	<u>\$2,497,093</u>	<u>1.0%</u>
Non-Motor Vehicle	\$1,029,362	\$1,090,469	5.9%	\$2,231,756	\$2,258,706	1.2%
Motor Vehicle	\$124,288	\$115,737	(6.9%)	\$239,645	\$238,387	(0.5%)
Cigarette	\$76,926	\$73,204	(4.8%)	\$92,138	\$78,944	(14.3%)
Other Tobacco Products	\$12,068	\$12,490	3.5%	\$24,564	\$24,326	(1.0%)
Malt Beverage	\$1,697	\$1,840	8.5%	\$3,894	\$3,547	(8.9%)
Liquor	\$33,686	\$37,281	10.7%	\$70,179	\$72,332	3.1%
Other Taxes	<u>\$1,396,272</u>	<u>\$1,383,448</u>	<u>(0.9%)</u>	<u>\$2,606,712</u>	<u>\$2,732,749</u>	<u>4.8%</u>
Personal Income Tax	<u>\$1,181,409</u>	<u>\$1,099,443</u>	<u>(6.9%)</u>	<u>\$2,236,814</u>	<u>\$2,292,072</u>	<u>2.5%</u>
Withholding	\$1,105,336	\$1,022,296	(7.5%)	\$2,076,686	\$2,112,138	1.7%
Estimated	\$45,922	\$45,312	(1.3%)	\$91,041	\$105,672	16.1%
Annual	\$30,151	\$31,835	5.6%	\$69,087	\$74,263	7.5%
Realty Transfer	\$60,621	\$65,980	8.8%	\$61,726	\$62,885	1.9%
Inheritance	\$128,676	\$184,928	43.7%	\$256,592	\$313,626	22.2%
Gaming	\$25,333	\$32,809	29.5%	\$44,163	\$57,807	30.9%
Minor and Repealed	\$233	\$287	23.5%	\$7,418	\$6,360	(14.3%)
Non-Tax Revenue	<u>\$86,523</u>	<u>\$100,835</u>	<u>16.5%</u>	<u>\$185,218</u>	<u>\$181,029</u>	<u>(2.3%)</u>
Liquor Store Profits	\$0	\$0		\$0	\$0	
Licenses and Fees	\$14,527	\$5,219	(64.1%)	\$24,819	\$12,798	(48.4%)
Miscellaneous	<u>\$64,577</u>	<u>\$89,015</u>	<u>37.8%</u>	<u>\$146,915</u>	<u>\$155,257</u>	<u>5.7%</u>
Treasury	\$71,826	\$107,018	49.0%	\$133,217	\$167,371	25.6%
Escheats	(\$9,538)	(\$18,420)	93.1%	(\$11,177)	(\$29,691)	165.7%
Other Misc & Transfers	\$2,289	\$417	(81.8%)	\$24,875	\$17,576	(29.3%)
Fines, Penalties, Interest	\$7,419	\$6,601	(11.0%)	\$13,484	\$12,973	(3.8%)

Revenues Explained

General Fund collections of \$2.93 billion in August were \$53.9 million higher than the official monthly estimate, led by strong Inheritance Tax collections and higher than expected treasury investment earnings. Year-to-Date (YTD) General Fund collections of \$5.92 billion exceed estimate by 0.9%.

Total Tax Revenue collections of \$2.83 billion in August exceed collections of August 2023 by 0.7%. YTD Total Tax Revenue collections of \$5.74 billion exceed collections of the prior fiscal year by 2.6%.







August 2024 monthly collections:

- **Total Tax Revenue** collections of \$2.83 billion **exceeded the official monthly estimate by \$27.5 million.**
- **Total Corporation Taxes** of \$117.3 million were **less than the official monthly estimate by \$11.0 million**, a decline of 15.4% from collections of August 2023.
- **Total Sales and Use Tax (SUT)** collections of \$1.21 billion **exceeded the official monthly estimate by \$5.61 million.** SUT non-motor vehicle collections of \$1.09 billion **exceeded estimate by \$10.3 million**, while SUT motor vehicle collections of \$115.7 million **fell short of estimate by \$4.7 million.**
- **Total Personal Income Tax (PIT)** (annual, quarterly estimated, and withholding) collections of \$1.10 billion were **below the official monthly estimate by \$20.4 million**; while PIT annual collections **exceeded estimate by \$5.6 million**, PIT quarterly estimated and PIT withholding collections **fell short by \$18.2 million and \$7.8 million, respectively.**
- **Realty Transfer Tax** collections of \$66.0 million **exceeded the official monthly estimate by \$3.2 million.**
- **Inheritance Tax** collections significantly **exceeded the official monthly estimate by \$44.7 million, or 31.9%.**
- **Non-Tax Revenue** collections of \$100.8 million **exceeded the official monthly estimate by \$26.3 million.** Of these collections, treasury investment earnings of \$107.0 million **exceeded estimate by \$43.3 million.**

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

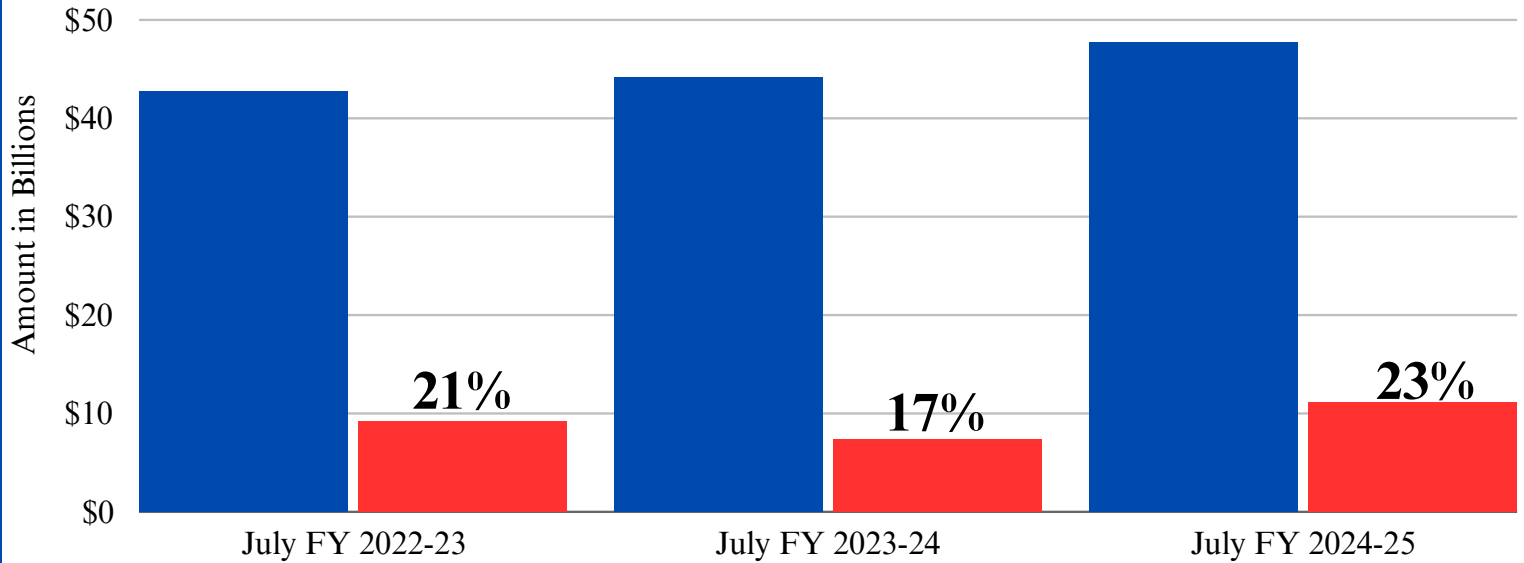
- **Total Tax Revenue** collections are **above the YTD collections of the prior fiscal year by \$147.0 million.**
- **YTD Corporate Net Income Tax** collections of \$323.1 million **exceed YTD collections of the prior fiscal year by 3.7%.**
- **YTD Total Sales and Use Tax** collections are **narrowly above YTD collections of the prior fiscal year by 1.0%.** SUT non-motor vehicle collections of \$2.26 billion are **above collections of the prior fiscal year by 1.2%**, while SUT motor vehicle collections of \$238.4 million are **below collections of the prior fiscal year by 0.5%.**
- **YTD Total PIT** collections of \$2.29 billion are **slightly above collections of the prior fiscal year by 2.5%**; YTD PIT withholding **by 1.7%**, YTD PIT estimated payments **by 16.1%**, and YTD PIT annual **by 7.5%.**
- **YTD Realty Transfer Tax** collections of \$62.9 million through the month of August are **narrowly above collections of the prior fiscal year by \$1.2 million, or 1.9%.**
- **YTD Inheritance Tax** collections of \$313.6 million **exceed YTD collections of the prior year by 22.2%.**
- **YTD Gaming Tax** collections **exceed YTD collections of the prior fiscal year by 30.9%.**
- **YTD Non-Tax Revenue** collections of \$181.0 million are **below collections of the prior fiscal year by 2.3%.** Treasury investment earnings remain strong, and are **25.6% higher than the previous fiscal year.**

August 2024 Revenue Collections

Total General Fund		Personal Income Tax	
Estimate: \$2.879 billion	Actual: \$2.933 billion 	Estimate: \$1.120 billion	Actual: \$1.099 billion 
Total Corporation Taxes		Sales Tax	
Estimate: \$128.3 million	Actual: \$117.3 million 	Estimate: \$1.201 billion	Actual: \$1.206 billion 
Non-Tax Revenue		All Other Taxes	
Estimate: \$74.5 million	Actual: \$100.8 million 	Estimate: \$355.5 million	Actual: \$408.8 million 

Status of Appropriations

■ Amount Appropriated ■ Amount Expended

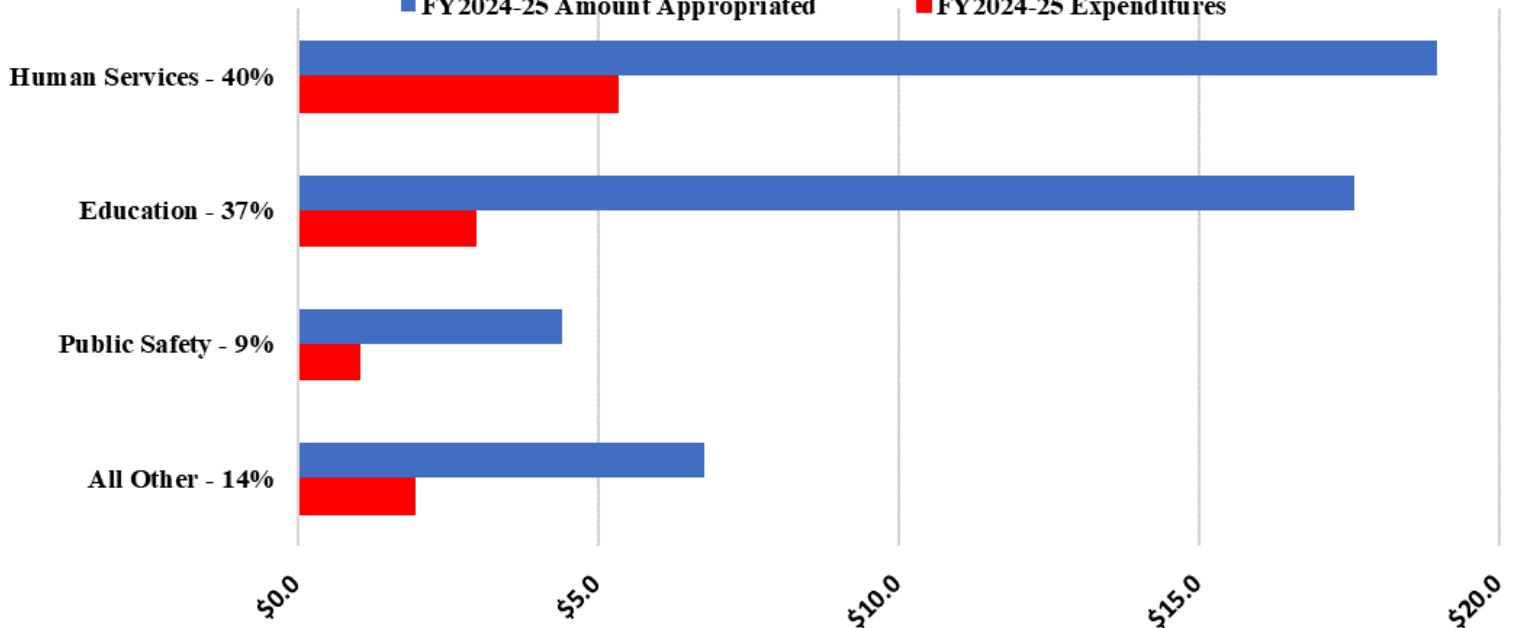


FY2024-25 Budget - Top 3 Areas (86% of Budget)

Status of Appropriations as of August 2024

Amounts in Billions (\$)

■ FY2024-25 Amount Appropriated ■ FY2024-25 Expenditures

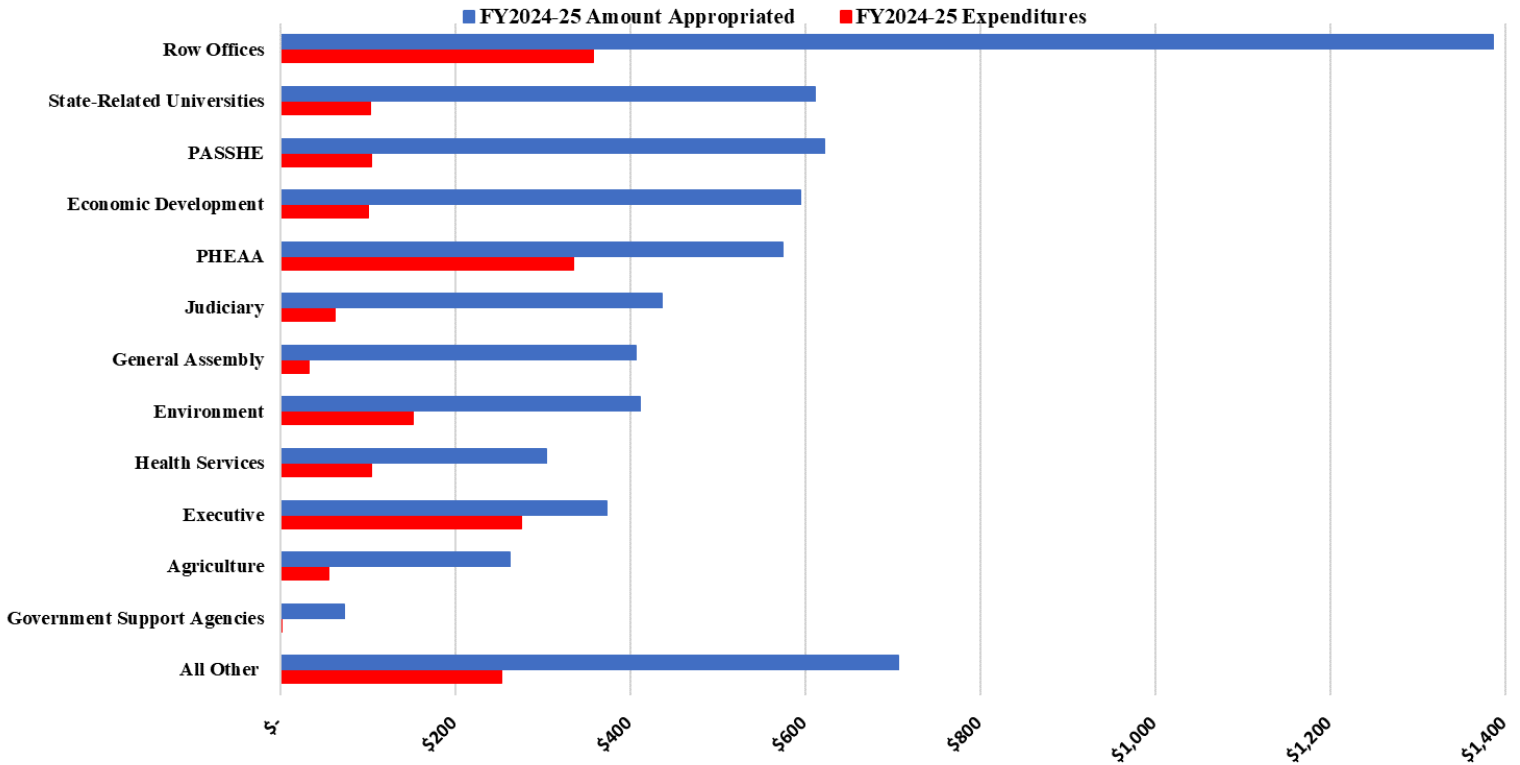


All Spending information from Commonwealth Accounting System, Status of Appropriations Report.

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

Status of Appropriations as of August 2024

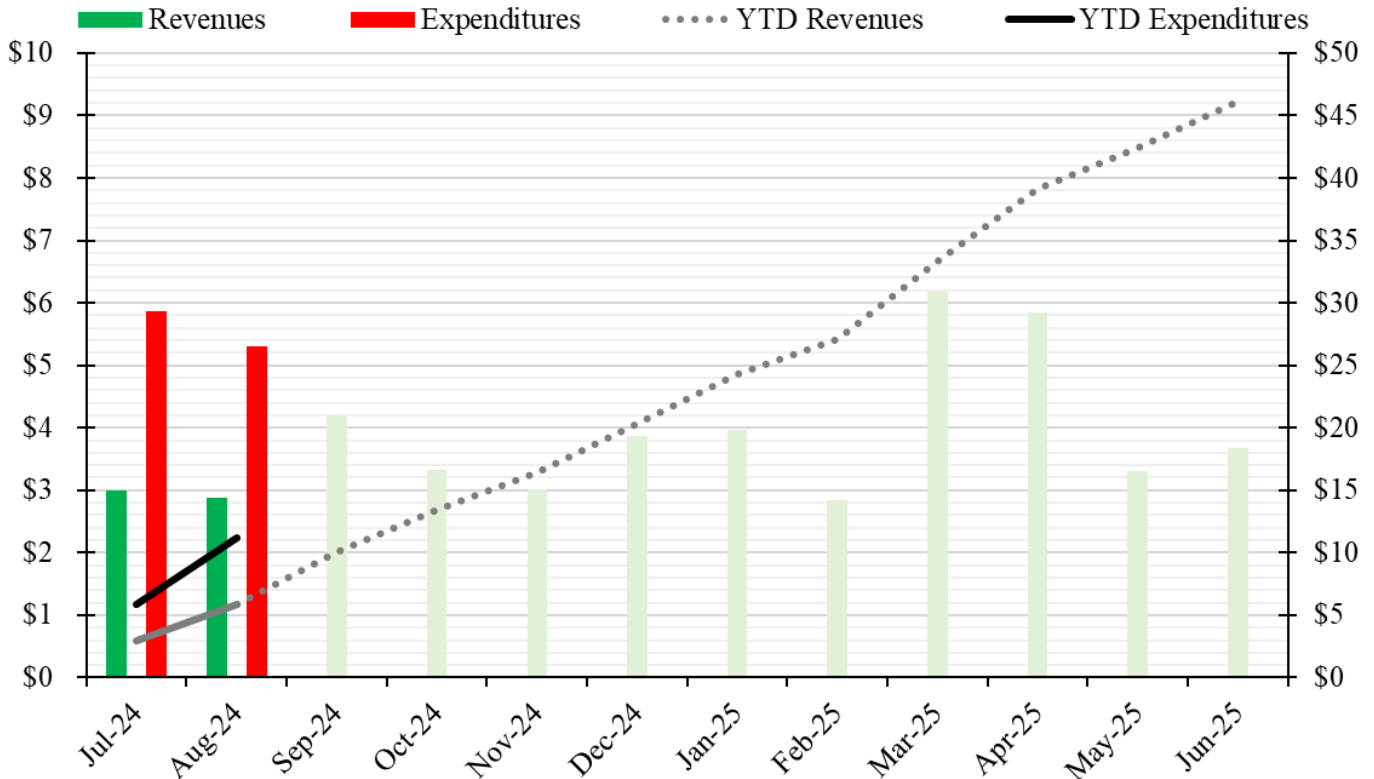
Amounts in Millions (\$)



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

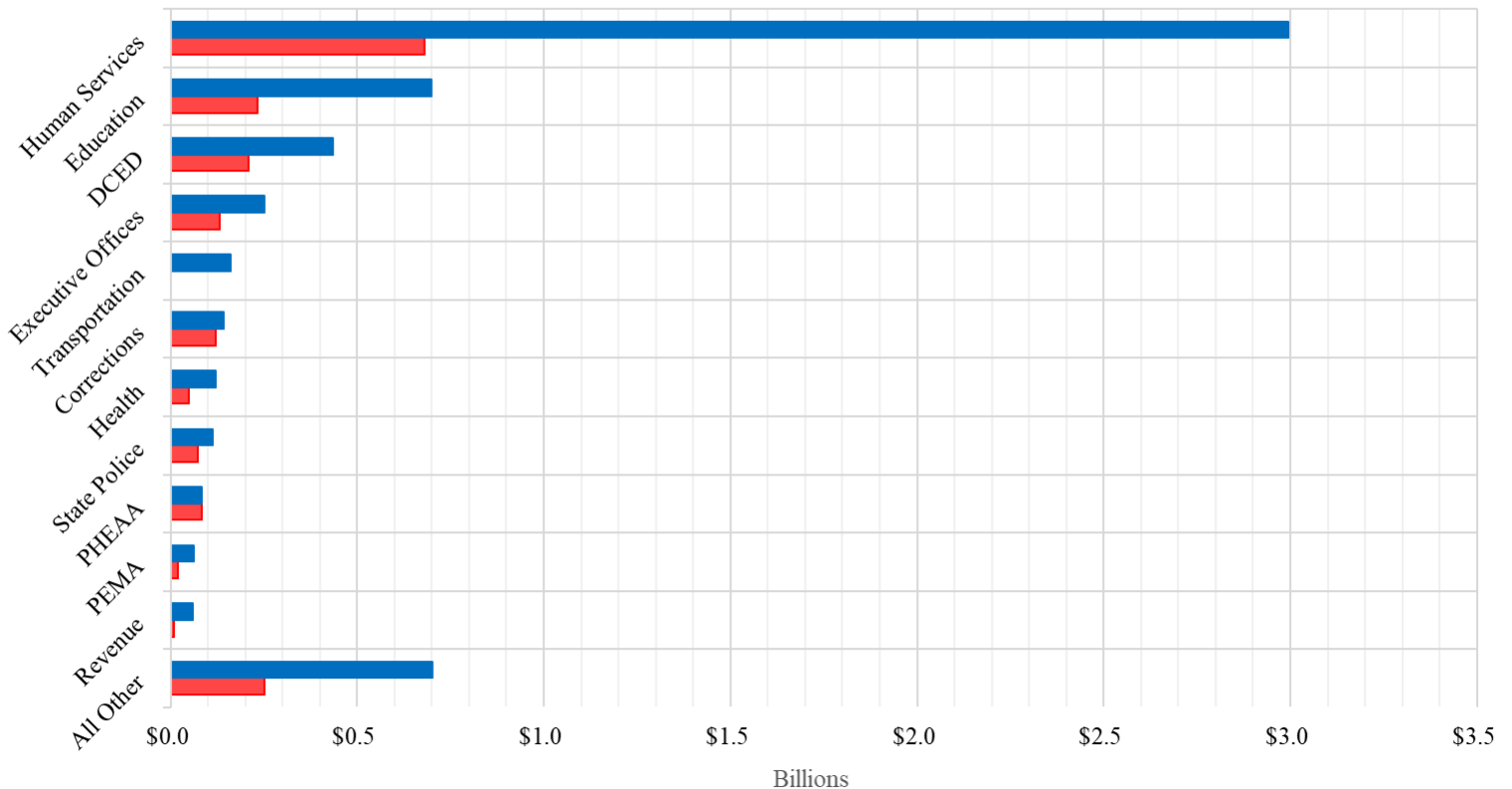
YTD Expenditures Carryforward Available Funds



PRIOR YEAR FUNDS - TOP 10 AGENCIES*

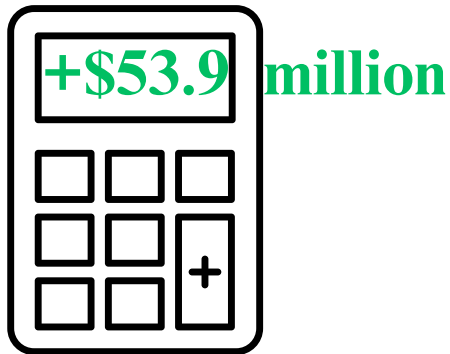
FY2024-25 as of August 2024

Carryforward Expenditures



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

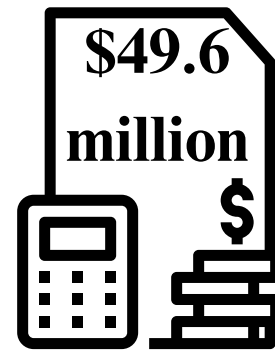
YTD Revenue Performance



Budget Surplus



Ledger 5 Expenditures



Rainy Day Fund



48 Days of Sunshine

Budget Policy Update

Inflation and the Pennsylvania Budget

State governments, including Pennsylvania's, are not immune to the effects of federal monetary policy. The silent tax that is inflation affects our budgets, necessitating swift and strategic adjustments.

Pennsylvania, in particular, has been hit hard by inflation. Consumer Affairs reported Pennsylvania's 8.2% increase in the cost of grocery store items in 2023 was the largest increase in the nation. Meanwhile, [inflation](#) on all items spent most of 2023 at or above the national inflation rate.

Inflation has been driving up the cost of everything from healthcare to road construction. Inflation also increases the amount citizens pay on items subject to the 6% Pennsylvania sales tax. As the cost of items like motor vehicles, lawn care services, and cable continue to increase, the total dollar amount of the 6% tax does too. These factors all raise the cost of running state government, but there is another area driving up the cost of the budget: personnel costs.

Inflation and the Pennsylvania Budget (continued)

In 2023, Governor Shapiro rewarded the \$5.5 million he received from public sector unions for his campaign by signing off on a contract with a 22% pay increase during his first term in office. This contract will result in the average cost per employee under the largest collective bargaining agreement increasing from \$52,070 to \$63,576 at the contract's end. Remember in 2022 the median household income (not individual) in Pennsylvania was \$71,798, according to the US Census Bureau.

These raises aren't based on economic realities, as year-over-year average hourly earnings growth has been declining for private sector employees since February of this year. As previously reported, for Fiscal Year 2023-24, Personal Income Tax – which is only paid by actively working folks – increased by 1.3% compared to the prior fiscal year. The 2023 Pennsylvania inflation rate was 3.9%, significantly below the 5% raise granted in July 2023 to unionized state employees. In 2024, these same employees are due a total of 4.25% in raises.

The gap between private and public sector pay is likely to widen if Pennsylvania's economy faces further economic challenges. Governor Shapiro's unilateral decision to implement a 22% pay increase without the necessary input from the General Assembly exacerbates this disparity. This issue is particularly concerning, given the impending changes in federal monetary policy.

The Federal Bureau of Labor Statistics (BLS) has reported middling job numbers for the last year. Job growth appeared to remain unaffected by the Federal Reserve's 5.33% Federal Funds Rate. With an election coming and inflation still 0.9% above the 2.0% Federal Reserve's goal, an unprecedented jobs revision was released in late August. BLS confirmed that it overestimated 818,000 jobs over five of the last six months and another 86,000 jobs in June and July 2024.

BLS has also reported that Pennsylvania's unemployment rate remained at 3.4% for ten consecutive months – a stretch unseen over the last ten years. The effect of the jobs report revision on this remains unclear.

This gives room for a flawed argument: even though inflation is still above the benchmark, the economy has slowed enough to loosen monetary policy. It is rather convenient, especially when further revisions won't be published until February 2025.

The August 2024 state revenue report shows that Personal Income Tax shrunk by 6.9% when compared to August 2023. For fiscal year 2024-25, Personal Income Taxes will be responsible for 41% of estimated General Fund revenue.

The enacted Pennsylvania budget exceeds projected revenues by \$3.3 billion. Any future slowdown or negative growth in jobs would only escalate this deficit, leading to further depletion of our already strained surplus.

This brings into focus just how important spending is. The Independent Fiscal Office reported the additional costs of collective bargaining agreements will add just over \$500 million to the budget this year, which will jump to nearly \$700 million in Fiscal Year 2025-26.

Pennsylvania's inflation rate continues to run higher than the national average. As national Democrats continue to push a narrative of "victory" over inflation, they also advocate policies that will only worsen it. The Commonwealth is likely to see the cost of everything continue to rise, including the cost of the state workforce, regardless of private sector realities. This is bad news for our budget moving forward, just as it is for Pennsylvanians.