

# July Economic & Financial Brief

## Message from Chairman Grove:



The Senate signed House Bill 611, and Governor Shapiro followed through on breaking his word by line-item vetoing Lifeline Scholarships. While the General Appropriations Act is now law, there are still significant issues that remain undone in the budget process. This includes the fiscal code and a resolution on funding for the State-Related Universities. The Great Betrayal Budget Impasse was completely unnecessary and would have never occurred had Governor Shapiro kept his word. To date, the Governor's Budget Office has noted several programs – including initiatives the Governor supported – cannot be funded until a fiscal code is passed. Gaining back trust with the Governor hinges on him keeping his word or these

programs will remain dormant. House Democrats should immediately call the House back to session to complete the budget process.

## Higher Education Update

While Pennsylvania's budget remains undone, colleges and universities around Pennsylvania have been making decisions on tuition for the 2023-24 academic year. I recently held a [press briefing](#) where I shared some perspective from the House Republican caucus on why we have voted no on funding for the State-Related Universities of Penn State, Temple, and Pitt. I emphasized our plea asking these universities to find a way to freeze tuition.

It is important to remember, **neither the Governor's negotiated budget with Senate Republicans nor the House Democrats proposal would have averted a tuition increase by State-Related Universities.** During budget hearings, House Republicans asked each State-Related University if they intended to freeze tuition for the 2023-24 school year if they received the 7.1% funding increase proposed by Governor Shapiro – Penn State, Pitt, Lincoln, and Temple each said no.

Since the briefing held July 20<sup>th</sup>, we now have a complete picture of how tuition rates will look for the next academic year:

- PASSHE voted to freeze tuition for the 5<sup>th</sup> consecutive year.
- Penn State voted to increase tuition 2% for main campus and to freeze tuition on branch campuses.
- Temple University voted to increase tuition by 4%.
- The University of Pittsburgh voted to increase tuition 2% for the Oakland campus and to freeze tuition on branch campuses.
  - On-campus housing also increased 10% and meal plans increased 6.7%.
- Lincoln University increased tuition for freshman by 5% but will continue to freeze tuition for students in their sophomore through senior year.
- The average cost for independent colleges and universities in Pennsylvania has remained steady, dating back over 10 years.

While we did not see the full tuition freezes we asked for, the increases for Pitt and Penn State were modest. PASSHE should be commended for the work they are doing to keep students needs first with the tuition freeze.

# Fiscal Year 2023-24 General Fund Revenues

## House Appropriations Committee (R)

*Thousands of Dollars*

Revenue Source	July 2022 Actual	July 2023 Actual	July Over/(Under) Prior Year	2022-23 YTD Actual	2023-24 YTD Actual	2023-24 Over/(Under) Prior Year	2023-24 % Growth vs. 2022-23
<b>General Fund</b>	<b>\$2,696,202</b>	<b>\$2,881,471</b>	<b>\$185,269</b>	<b>\$2,696,202</b>	<b>\$2,881,471</b>	<b>\$185,269</b>	<b>6.9%</b>
<b>Tax Revenue</b>	<b>\$2,653,675</b>	<b>\$2,782,775</b>	<b>\$129,101</b>	<b>\$2,653,675</b>	<b>\$2,782,775</b>	<b>\$129,101</b>	<b>4.9%</b>
<b>Corporation Taxes</b>	<b>\$174,496</b>	<b>\$188,185</b>	<b>\$13,689</b>	<b>\$174,496</b>	<b>\$188,185</b>	<b>\$13,689</b>	<b>7.8%</b>
Accelerated Deposits	(\$3,412)	\$0	\$3,412	(\$3,412)	\$0	\$3,412	(100.0%)
Corporate Net Income	\$150,526	\$181,874	\$31,348	\$150,526	\$181,874	\$31,348	20.8%
Selective Business	\$27,382	\$6,311	(\$21,071)	\$27,382	\$6,311	(\$21,071)	(77.0%)
Gross Receipts	\$2,931	\$2,067	(\$863)	\$2,931	\$2,067	(\$863)	(29.5%)
Utility Property	\$0	\$110	\$110	\$0	\$110	\$110	
Insurance Premiums	\$23,947	(\$650)	(\$24,597)	\$23,947	(\$650)	(\$24,597)	(102.7%)
Financial Institutions	\$504	\$4,784	\$4,279	\$504	\$4,784	\$4,279	848.7%
Bank Shares	\$229	\$3,902	\$3,673	\$229	\$3,902	\$3,673	1602.4%
Mutual Thrifts	\$275	\$881	\$606	\$275	\$881	\$606	220.5%
<b>Consumption Taxes</b>	<b>\$1,338,606</b>	<b>\$1,384,150</b>	<b>\$45,544</b>	<b>\$1,338,606</b>	<b>\$1,384,150</b>	<b>\$45,544</b>	<b>3.4%</b>
<b>Sales and Use Tax</b>	<b>\$1,257,942</b>	<b>\$1,317,752</b>	<b>\$59,809</b>	<b>\$1,257,942</b>	<b>\$1,317,752</b>	<b>\$59,809</b>	<b>4.8%</b>
Non-Motor Vehicle	\$1,145,571	\$1,202,394	\$56,823	\$1,145,571	\$1,202,394	\$56,823	5.0%
Motor Vehicle	\$112,371	\$115,357	\$2,986	\$112,371	\$115,357	\$2,986	2.7%
Cigarette	\$30,502	\$15,213	(\$15,289)	\$30,502	\$15,213	(\$15,289)	(50.1%)
Other Tobacco Products	\$12,400	\$12,496	\$96	\$12,400	\$12,496	\$96	0.8%
Malt Beverage	\$2,055	\$2,197	\$142	\$2,055	\$2,197	\$142	6.9%
Liquor	\$35,707	\$36,493	\$786	\$35,707	\$36,493	\$786	2.2%
<b>Other Taxes</b>	<b>\$1,140,573</b>	<b>\$1,210,440</b>	<b>\$69,868</b>	<b>\$1,140,573</b>	<b>\$1,210,440</b>	<b>\$69,868</b>	<b>6.1%</b>
<b>Personal Income Tax</b>	<b>\$972,918</b>	<b>\$1,055,405</b>	<b>\$82,487</b>	<b>\$972,918</b>	<b>\$1,055,405</b>	<b>\$82,487</b>	<b>8.5%</b>
Withholding	\$882,393	\$971,350	\$88,956	\$882,393	\$971,350	\$88,956	10.1%
Estimated	\$53,387	\$45,119	(\$8,268)	\$53,387	\$45,119	(\$8,268)	(15.5%)
Annual	\$37,138	\$38,936	\$1,798	\$37,138	\$38,936	\$1,798	4.8%
Realty Transfer	\$34,393	\$1,104	(\$33,289)	\$34,393	\$1,104	(\$33,289)	(96.8%)
Inheritance	\$110,182	\$127,916	\$17,734	\$110,182	\$127,916	\$17,734	16.1%
Gaming	\$22,006	\$18,830	(\$3,175)	\$22,006	\$18,830	(\$3,175)	(14.4%)
Minor and Repealed	\$1,074	\$7,185	\$6,111	\$1,074	\$7,185	\$6,111	568.7%
<b>Non-Tax Revenue</b>	<b>\$42,527</b>	<b>\$98,695</b>	<b>\$56,168</b>	<b>\$42,527</b>	<b>\$98,695</b>	<b>\$56,168</b>	<b>132.1%</b>
Liquor Store Profits	\$0	\$0	\$0	\$0	\$0	\$0	
Licenses and Fees	\$11,038	\$10,293	(\$745)	\$11,038	\$10,293	(\$745)	(6.8%)
<b>Miscellaneous</b>	<b>\$26,169</b>	<b>\$82,338</b>	<b>\$56,169</b>	<b>\$26,169</b>	<b>\$82,338</b>	<b>\$56,169</b>	<b>214.6%</b>
Treasury	\$15,106	\$61,390	\$46,284	\$15,106	\$61,390	\$46,284	306.4%
Escheats	\$0	(\$1,638)	(\$1,638)	\$0	(\$1,638)	(\$1,638)	
Other Misc & Transfers	\$11,063	\$22,586	\$11,523	\$11,063	\$22,586	\$11,523	104.2%
Fines, Penalties, Interest	\$5,320	\$6,065	\$745	\$5,320	\$6,065	\$745	14.0%

## Federal Government Credit Downgrade

For only the second time in history, the Federal Government's credit rating was downgraded by Fitch Ratings. Fitch said, "The rating downgrade of the United States reflects the expected fiscal deterioration over the next three years, a high and growing general government debt burden, and the erosion of governance relative to 'AA' and 'AAA' rated peers over the last two decades that has manifested in repeated debt limit standoffs and last-minute resolutions." This is an important reminder we must avoid deficit spending to avoid a downgrade of our current AA- rating by credit rating agencies.

# Revenues Explained

*On August 3, 2023, the Secretary of the Budget and the Secretary of Revenue certified the Official Revenue Estimate for the General Fund at \$44,881,100,000. As no monthly distribution of this Official Estimate has been made available by the Department of Revenue at this time, the information included in this report compares July 2023 revenue collections to the July 2022 collections. It is anticipated that the Department of Revenue will release the monthly distribution of the fiscal year 2023-24 Official Revenue Estimate later this month.*

**General Fund collections of \$2.88 billion in July 2023 were \$185.3 million, or 6.9%, above collections of July 2022.**

**July 2023 monthly collections:**

- **Total Tax Revenue** collections exceeded collections of the prior year by \$129.1 million, or 4.9%.
- **Corporate Net Income Tax** collections of \$181.9 million continued to be strong in the month of June and exceeded the prior year collections by 20.8%.
- **Sales and Use Tax (SUT) non-motor vehicle** collections of \$1.202 billion were more than the monthly collections of the prior year by \$56.8 million, or 5.0%. **SUT motor vehicle** collections of \$115.4 million exceeded collections of the prior year by 2.7%.
- **Total Personal Income Tax (PIT)** collections were above collections of the prior July by \$82.5 million, or 8.5%. Both PIT withholding (10.1%) and PIT annual (4.8%) payments exceeded July 2022 collections; however, *PIT quarterly estimated payments fell below collections of July 2022 by 15.5%*.
- **Non-Tax Revenue** collections of \$98.7 million were above collections of July 2022 by \$56.2 million largely due to higher interest earnings.

July Revenue Collections			
Total General Fund		Personal Income Taxes	
Estimate: TBD	Actual: \$2.882 billion	Estimate: TBD	Actual: \$1.055 billion
Total Corporation Taxes		Sales Taxes	
Estimate: TBD	Actual: \$188 million	Estimate: TBD	Actual: \$1.318 billion
Non-Tax Revenue		All Other Taxes:	
Estimate: TBD	Actual: \$99 million	Estimate: TBD	Actual: \$221 million

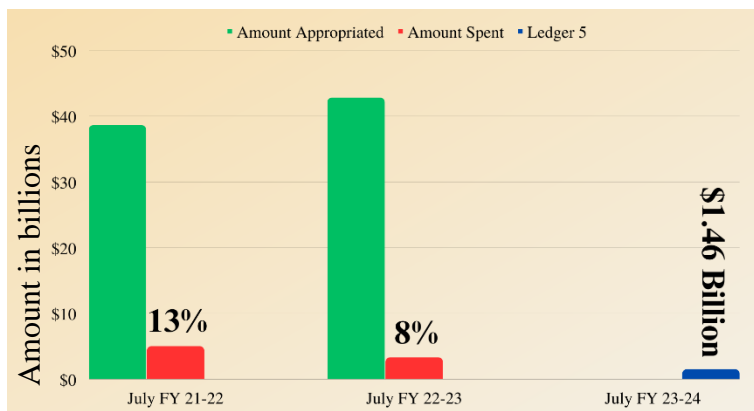
# Ledger 5 Spending

During the Great Betrayal Budget Impasse, the Governor’s Budget Office sent numerous requests to the State Treasurer to spend money under the Ledger 5 process. As a reminder, “Ledger 5 is the name given to an accounting tool used to account for non-budgeted expenditures incurred during a fiscal year that are legally mandated or necessary to maintain public health, safety or welfare,” as defined by the Treasurer’s website.

The General Fund was granted \$1.46 billion in spending to date, \$1.22 billion was accounted for by the Department of Human Services.

For comparison, July spending in FY 21-22 was \$5.02 billion, and FY 22-23 was \$3.33 billion. You can see a chart with this information on the next page. With the General Appropriations Bill now law, we anticipate Ledger 5 spending will drop.

## Status of Appropriations



Status of Appropriations provided by Office of the Budget, and the State Treasurer's Office. Employment Statistics and Consumer Price Index from the Bureau of Labor Statistics.

## PA Employment Statistics

	May 2023	Change
Labor Force	6.51 (mil)	Even
Unemployment Rate	3.8%	-0.2%
Total Nonfarm Jobs	6.1 (mil)	Even
Labor Force Participation Rate	62%	Even
<b>12 MONTH CHANGE</b>		
Total Nonfarm Jobs	+151,600	
Unemployment Rate	-0.5	
<i>Surrounding States Unemployment Rates:</i>		
DE: 4.2%	MD: 2.0%	NJ: 3.7%
NY: 3.9%	OH: 3.4%	WV: 3.3%

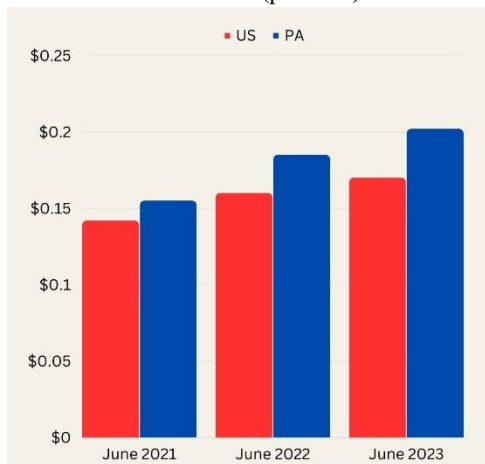
## Inflation and Federal Reserve Update

The national inflation rate for June 2023 was 3%.

The Federal Reserve voted to increase the interest rate to a range between 5.25% and 5.5% in their June meeting – this represents a 22 year high.

## Energy Update

### Electric Rates (per kWh)



### Gas Prices



US: \$3.821/gallon

PA: \$3.677/gallon

### Natural Gas Rate (per therm)



In June both electricity and natural gas rates ran higher than the national average while gasoline prices were slightly below the national average.

Information from the US Bureau of Labor Statistics – Philadelphia area