

June Economic & Financial Brief

Message from Chairman Grove:



House Democrats may pat themselves on the back for stopping \$100 million in funding for children stuck in failing school districts. House Democrats may laud themselves for passing a budget that spends 6% over the prior year's budget, but make no mistake, this is not a complete 2023-24 budget. Using the Governor's rationale on why Lifeline Scholarships must be line-item vetoed, there are still large sections of the budget that require enabling legislation; therefore, additional budget-related legislation is necessary. Completing this task with such deceptive tactics in State Government will be extremely difficult, but House Republicans will continue fighting for fiscal sanity and children trapped in failing schools.

Wrong Time for a COLA

House Democrats recently moved legislation to provide a Cost-of-Living-Adjustment or COLA for retirees in both the SERS and PSERS pension systems. As with most new spending, economically, now is the wrong time to increase the burden on taxpayers, but especially with our pension systems. The Pew Charitable Trust this year [lauded the success](#) of our legislature and prior executives to reach our actuarially required contributions.

Pew said: "Pennsylvania's public employee pension plans are on a path to long-term fiscal sustainability thanks to a multiyear effort by policymakers to address the state's sizable unfunded pension liability." But adding a COLA could undo the near decade and a half we have worked to right this ship.

There wasn't just a one-time fix to reach this point. Act 120 of 2010 set us on a path to begin decreasing the unfunded pension liability. The first step was moving new employees to a benefit structure which rolled back increases from the early 2000's. The second was building up state payments to backfill the unfunded liability and eventually restore a fiscally sound system.

Still, the unfunded liabilities remained high, so House Republicans worked on Act 5 of 2017. This time, we created a hybrid retirement plan which combined a defined benefit plan with a 401(k) for all employees hired after January 1, 2019. This helped lower our unfunded liability for the future, just as Act 120 did seven years earlier.

Act 5 also reduced costly investment fees and added transparency to the actions SERS and PSERS take to invest taxpayer dollars. We also now require SERS and PSERS to conduct stress tests on their investments to further prepare for economic downturns like we saw in 2010.

Equally as important, each year, the legislature did not shirk our responsibility to follow the funding plans agreed to by the Legislative and Executive Branches in 2010. In 2018, we finally met the annual, actuarially determined contribution – the amount necessary to "fully fund" the pension system over time.

While the news from our retirement systems is mostly positive, we must not make the same mistakes previous legislatures and governors made by enriching benefits or reducing payments. Either move could be fiscally detrimental for our retirement systems. Instead, we should stay the course, continue to make actuarial sound payments and forgo changes that will place undue burdens on the system.

PENNSYLVANIA HOUSE OF REPRESENTATIVES
APPROPRIATIONS COMMITTEE
 Republican Caucus

Fiscal Year 2022-23 General Fund Revenues

House Appropriations Committee (R)

Thousands of Dollars

Revenue Source	June 2023 Actual	June 2023 Estimate	Surplus / (Deficit)	2022-23 YTD Actual	2022-23 YTD Estimate	Surplus / (Deficit)	2022-23 % Growth vs. 2021-22
General Fund	<u>\$3,686,113</u>	<u>\$3,502,400</u>	<u>\$183,713</u>	<u>\$44,917,148</u>	<u>\$43,579,700</u>	<u>\$1,337,448</u>	<u>(6.7%)</u>
Tax Revenue	<u>\$3,614,028</u>	<u>\$3,464,000</u>	<u>\$150,028</u>	<u>\$43,776,399</u>	<u>\$42,804,100</u>	<u>\$972,299</u>	<u>0.7%</u>
Corporation Taxes	<u>\$589,603</u>	<u>\$336,700</u>	<u>\$252,903</u>	<u>\$8,254,012</u>	<u>\$6,891,500</u>	<u>\$1,362,512</u>	<u>12.8%</u>
Accelerated Deposits	(\$2)	\$0	(\$2)	(\$3,432)	\$0	(\$3,432)	(498.0%)
Corporate Net Income	\$1,017,642	\$766,900	\$250,742	\$6,142,927	\$4,900,200	\$1,242,727	15.4%
Selective Business	(\$428,037)	(\$430,200)	\$2,163	\$2,114,517	\$1,991,300	\$123,217	6.1%
Gross Receipts	\$3,530	\$2,400	\$1,130	\$1,180,963	\$1,013,300	\$167,663	15.5%
Utility Property	\$427	\$100	\$327	\$45,976	\$39,900	\$6,076	16.4%
Insurance Premiums	(\$438,497)	(\$440,800)	\$2,303	\$521,761	\$494,400	\$27,361	8.2%
Financial Institutions	\$6,502	\$8,100	(\$1,598)	\$365,817	\$443,700	(\$77,883)	(18.5%)
Bank Shares	\$2,296	\$2,000	\$296	\$331,441	\$412,400	(\$80,959)	(20.3%)
Mutual Thrifts	\$4,206	\$6,100	(\$1,894)	\$34,376	\$31,300	\$3,076	4.0%
Consumption Taxes	<u>\$1,351,422</u>	<u>\$1,324,800</u>	<u>\$26,622</u>	<u>\$15,423,032</u>	<u>\$15,280,600</u>	<u>\$142,432</u>	<u>0.2%</u>
Sales and Use Tax	<u>\$1,211,729</u>	<u>\$1,180,700</u>	<u>\$31,029</u>	<u>\$14,024,416</u>	<u>\$13,814,900</u>	<u>\$209,516</u>	<u>0.8%</u>
Non-Motor Vehicle	\$1,088,888	\$1,071,400	\$17,488	\$12,640,443	\$12,483,900	\$156,543	4.7%
Motor Vehicle	\$122,841	\$109,300	\$13,541	\$1,383,973	\$1,331,000	\$52,973	(24.7%)
Cigarette	\$85,485	\$92,000	(\$6,515)	\$772,866	\$841,900	(\$69,034)	(11.6%)
Other Tobacco Products	\$13,350	\$14,300	(\$950)	\$152,568	\$163,000	(\$10,432)	2.1%
Malt Beverage	\$2,304	\$2,100	\$204	\$22,427	\$21,700	\$727	(0.2%)
Liquor	\$38,554	\$35,700	\$2,854	\$450,755	\$439,100	\$11,655	4.5%
Other Taxes	<u>\$1,673,004</u>	<u>\$1,802,500</u>	<u>(\$129,496)</u>	<u>\$20,099,355</u>	<u>\$20,632,000</u>	<u>(\$532,645)</u>	<u>(3.3%)</u>
Personal Income Tax	<u>\$1,440,186</u>	<u>\$1,578,000</u>	<u>(\$137,814)</u>	<u>\$17,628,105</u>	<u>\$18,163,700</u>	<u>(\$535,595)</u>	<u>(2.7%)</u>
Withholding	\$984,202	\$973,400	\$10,802	\$12,643,795	\$12,595,800	\$47,995	5.1%
Estimated	\$406,838	\$556,900	(\$150,062)	\$2,690,845	\$3,320,500	(\$629,655)	(2.5%)
Annual	\$49,146	\$47,700	\$1,446	\$2,293,466	\$2,247,400	\$46,066	(31.3%)
Realty Transfer	\$64,609	\$71,900	(\$7,291)	\$643,835	\$760,400	(\$116,565)	(24.0%)
Inheritance	\$128,730	\$117,000	\$11,730	\$1,524,380	\$1,462,100	\$62,280	(1.7%)
Gaming	\$28,494	\$25,300	\$3,194	\$365,077	\$317,200	\$47,877	18.6%
Minor and Repealed	\$10,985	\$10,300	\$685	(\$62,043)	(\$71,400)	\$9,357	22.0%
Non-Tax Revenue	<u>\$72,085</u>	<u>\$38,400</u>	<u>\$33,685</u>	<u>\$1,140,749</u>	<u>\$775,600</u>	<u>\$365,149</u>	<u>(75.4%)</u>
Liquor Store Profits	\$0	\$0	\$0	\$185,100	\$185,100	\$0	0.0%
Licenses and Fees	\$6,442	\$11,400	(\$4,958)	\$157,451	\$150,600	\$6,851	(6.3%)
Miscellaneous	<u>\$64,615</u>	<u>\$31,600</u>	<u>\$33,015</u>	<u>\$732,159</u>	<u>\$377,600</u>	<u>\$354,559</u>	<u>(82.7%)</u>
Treasury	\$66,674	\$1,100	\$65,574	\$451,876	\$19,700	\$432,176	1856.9%
Escheats	(\$15,038)	\$11,600	(\$26,638)	\$198,160	\$278,000	(\$79,840)	(94.9%)
Other Misc & Transfers	\$12,979	\$18,900	(\$5,921)	\$82,123	\$79,900	\$2,223	(76.1%)
Fines, Penalties, Interest	\$1,028	(\$4,600)	\$5,628	\$66,038	\$62,300	\$3,738	(1.3%)

Revenues Explained

General Fund collections of \$3.69 billion in June were **\$183.7 million over the official monthly estimate**. After all major tax categories saw a shortfall in May, only the Personal Income Tax collections fell short of estimate in June largely due to a decline in estimated payments.

Fiscal year 2022-23 collections of \$44.92 billion were \$1.34 billion, or 3.1%, above the official estimate. Total Corporation Taxes (\$1.36 billion), Total Consumptions Taxes (\$142.4 million) and Total Non-Tax Revenue (\$365.1 million) collections all exceeded estimate for the fiscal year while Total Other Tax collections fell short of estimate by \$532.6 million.

Fiscal year 2022-23 collections of \$44.92 billion were **\$1.34 billion, or 3.1%, above the official estimate**.

June 2023 monthly collections:

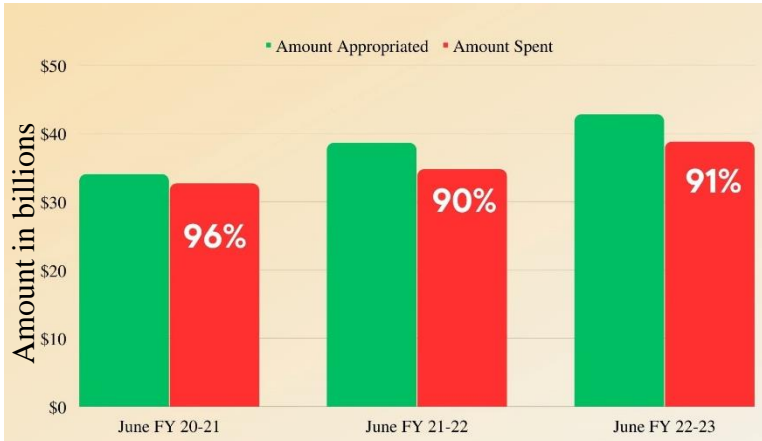
- **Total Tax Revenue** collections **exceeded the monthly estimate by \$150.0 million, or 4.3%**.
- **Corporate Net Income Tax** collections continued to be strong in the month of June and **exceeded the monthly estimate by \$250.7 million**.
- **Sales and Use Tax (SUT) non-motor vehicle** collections of \$1.09 billion were **more than the monthly estimate by \$17.5 million, or 1.6%**. **SUT motor vehicle collections** of \$122.8 million were **above the official monthly estimate by \$13.5 million, or 12.4%**.
- **Personal Income Tax (PIT) withholding** collections of \$984.2 million were **above the monthly estimate by \$10.8 million, or 1.1%**.
- **PIT annual payments** were slightly **above the official estimate by \$1.4 million**; however, **PIT estimated payments fell short by \$150.1 million**.
- **Realty Transfer Tax** collections **continue to fall short of estimate (\$7.3 million below)** and were **10.1% below the year-to-date estimate**.
- **Non-Tax Revenue** collections of \$72.1 million were **above estimate for the month by \$33.7 million**.

Fiscal Year 2022-23 collections:

- **Total Tax Revenue** collections for the fiscal year **exceeded estimate by \$972.3 million, or 2.3%**, and exceeded the collections of the prior fiscal year by 0.7%.
- **Corporate Net Income Tax** collections of \$6.14 billion for the fiscal year were **\$1.24 billion above estimate** and 15.4% above collections of the prior fiscal year.
- **Sales and Use Tax non-motor vehicle** collections for the fiscal year of \$12.64 billion **exceeded estimate by \$156.5 million** and **motor vehicle** collections of \$1.39 billion were **above the fiscal year estimate by \$53.0 million**.
- **Personal Income Tax (PIT) withholding collections and annual collections** for the fiscal year were **above estimate by \$48.0 million and \$46.1 million**, respectively, while **PIT quarterly estimated payments** were **below estimate for the fiscal year by \$629.7 million**.
- **Realty Transfer Tax** collections of \$643.8 million for the fiscal year were **below estimate by \$116.6 million** and below collections of the prior fiscal year by 24.0%.

June Revenue Collections			
Total General Fund		Personal Income Taxes	
Estimate: \$3.502 billion	Actual: \$3.686 billion ↑	Estimate: \$1.578 billion	Actual: \$1.440 billion ↓
Total Corporation Taxes		Sales Taxes	
Estimate: \$337 million	Actual: \$590 million ↑	Estimate: \$1.181 billion	Actual: \$1.212 billion ↑
Non-Tax Revenue		All Other Taxes:	
Estimate: \$38 million	Actual: \$72 million ↑	Estimate: \$369 million	Actual: \$373 million ↑

Status of Appropriations



Status of Appropriations provided by Office of the Budget. Employment Statistics and Consumer Price Index from the Bureau of Labor Statistics.

PA Employment Statistics

	May 2023	Change
Labor Force	6.51 (mil)	+0.01 (mil) ↑
Unemployment Rate	4.0%	-0.1% ↓
Total Nonfarm Jobs	6.1 (mil)	Even
12 MONTH CHANGE		
Total Nonfarm Jobs	+151,500	↑
Unemployment Rate	-0.3	↓
<i>Surrounding States Unemployment Rates:</i>		
DE: 4.2%	MD: 2.4%	NJ: 3.6%
NY: 3.9%	OH: 3.6%	WV: 3.3%

Inflation and Federal Reserve Update

The national inflation rate for May 2023 was 3.8%.

The Federal Reserve voted to maintain the current interest rate of 5.15% in their June meeting.

Energy Update

Electric Rates



Gas Prices



US: \$3.794/gallon

PA: \$3.656/gallon

Natural Gas Rate



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

Information from the US Bureau of Labor Statistics – Philadelphia area