



GOVERNOR WOLF

SCHOOLS THAT TEACH • JOBS THAT PAY • GOVERNMENT THAT WORKS

2019-20 MID-YEAR BUDGET BRIEFING

Tom Wolf
Governor

Jen Swails
Secretary of the Budget





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2019-20 FINANCIAL STATEMENT

(dollars in thousands)

	2017-18	2018-19	2019-20
	<u>Actual</u>	<u>Actual</u>	<u>Estimated</u>
Beginning Balance	\$ (1,539,333)	\$ 22,362	\$ -
Adjustments to Beginning Balance	15,000	(55,847)	9,000
Revenue Actuals/Estimates	34,566,948	34,857,878	35,496,800
YTD Revenue Collection Adjustment	-	-	166,429
Refunds	<u>(1,339,000)</u>	<u>(1,306,000)</u>	<u>(1,343,000)</u>
Total Revenue	31,703,615	33,518,393	34,329,229
Prior-Year Lapses	<u>289,168</u>	<u>200,000</u>	<u>200,000</u>
Funds Available	31,992,783	33,718,393	34,529,229
Enacted Expenditures	31,948,059	33,401,521	34,007,687
Potential Supplemental Appropriations	-	-	779,366
Total Expenditures	31,948,059	33,401,521	34,787,053
Preliminary Balance	44,724	316,872	(257,824)
Transfer to the Rainy Day Fund	<u>(22,362)</u>	<u>(316,872)</u>	-
Ending Balance	\$ 22,362	\$ -	\$ (257,824)

Cumulative Rainy Day Fund Balance (includes interest income)	\$ 22,847	\$ 340,096	\$ 340,259
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2019-20 GENERAL FUND TAX REVENUE COLLECTIONS THROUGH NOVEMBER

	<u>Estimated</u>	<u>Actual</u>	<u>\$ Difference</u>	<u>% Difference</u>
Tax Revenue:				
Corporation Taxes	\$ 1,155.0	\$ 1,109.0	\$ (46.0)	-4.0%
Consumption Taxes	5,427.1	5,471.0	43.9	0.8%
Sales & Use - Non-Motor	4,098.3	4,137.7	39.4	1.0%
All Other	1,328.8	1,333.3	4.5	0.3%
Other Taxes	5,813.2	5,916.6	103.4	1.8%
PIT Withholding	4,314.3	4,299.2	(15.1)	-0.3%
PIT Non-Withholding	767.2	856.5	89.3	11.6%
All Other	731.7	760.9	29.2	4.0%
Non-Tax Revenue:	172.2	237.3	65.1	37.8%
TOTAL	\$ 12,567.5	\$ 12,733.9	\$ 166.4	1.3%

Note: Dollar amounts in millions.



2019-20 LOTTERY FUND

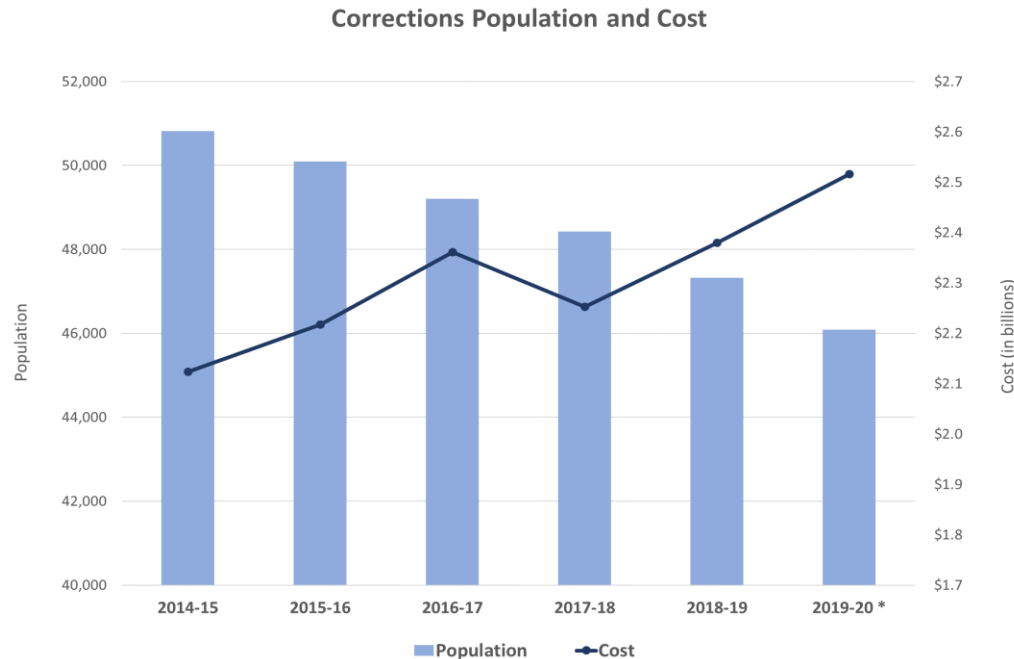
- Despite recent successes in iLottery and expansion of traditional sales outlets, financial pressures within the Lottery Fund remain
- Recently enacted legislation lowering the mandated margin rate of return for traditional Lottery will generate additional profits from increased ticket sales, providing some relief for the Lottery Fund
- Sales are currently below estimate as a significant roll-over jackpot has not yet occurred this fiscal year

POTENTIAL 2019-20 SUPPLEMENTAL NEEDS

- Department of Human Services
 - Lower pharmaceutical rebates being realized
 - Increased enrollment in long-term living, early intervention, medical assistance
 - Continued increase in the number of individuals receiving long-term living services
 - Managed Care oversight helps to control costs
 - CHC implemented in SW PA in January 2018, SE PA in January 2019 with expansion statewide in January 2020
- Concerns regarding Lottery Fund solvency put additional pressures on DHS need in the General Fund

POTENTIAL 2019-20 SUPPLEMENTAL NEEDS

- Department of Criminal Justice
 - Population has declined by more than 4,900 since January 2015, allowing for the potential closure of an SCI
 - Additional cost savings initiatives in place to limit potential supplemental to rolled prior-year costs



* 2019-20 population is average year-to-date and cost includes \$89.9 million potential supplemental.

ECONOMIC OUTLOOK

- Modest, above-trend U.S. economic growth extends through 2020
 - Outlook supported by low interest rates and short-term fiscal policy
 - Possible transition to below-trend growth beginning in 2021
- PA economic growth continues and moderates over the next two years
 - Employment growth slows, but the unemployment rate remains low
 - The age 20-64 population trend constrains growth of the labor force

U.S. Outlook	2019	2020	2021
Real GDP	2.3%	2.1%	2.0%
Nominal GDP	4.1%	4.2%	4.3%
10-Year Treasury Note	2.13%	2.08%	2.60%
Consumer Price Index	1.8%	1.9%	1.8%
Unemployment Rate	3.7%	3.4%	3.5%

Pennsylvania Outlook	2019	2020	2021
Real GDP	2.0%	1.3%	1.4%
Nominal GDP	3.8%	3.4%	3.8%
Employment Growth (000's)	38.7	37.6	16.6
Age 20-64 Population (000's)	-28.9	-29.1	-28.6
Unemployment Rate	3.9%	3.7%	3.7%

All variables are annual averages. Percentages represent growth rates, except for the unemployment rate and the 10-year Treasury Note.

Source: IHS Markit, November 2019



2020-21 BUDGET CONCERNS

- Increased costs related to serving seniors and those with disabilities
- Replacement of one-time funding sources
- Providing for actuarially sound managed care rates
- Motor License Fund cap on State Police spending

2020-21 BUDGET PRIORITIES

- Increase funding across all levels of education
- Continue investment in economic and workforce development to grow family-sustaining employment
- Create a fairer, more competitive business tax climate
- Increase investment in environmental protection
- Protect vulnerable individuals and families