



*Pennsylvania*  
Economic & Revenue Update

House Appropriations Committee  
Senate Appropriations Committee  
February 18, 2020





## INDEPENDENT FISCAL OFFICE

February 18, 2020

Dear Chairmen and Members of the House and Senate Appropriations Committees:

Thank you for the opportunity to submit materials in advance of the budget hearing for the Independent Fiscal Office (IFO). The *2020-2021 Governor's Executive Budget* proposes an appropriation of \$2.34 million for the office, the same amount appropriated for the current year.

In addition to questions about the IFO's budget, past hearings have included wide-ranging discussions regarding Pennsylvania's economic outlook, labor market, revenue collections, demographics, long-term fiscal outlook and natural gas trends. This submission includes data, tables and graphs that have been requested in prior budget hearings. We trust they will be helpful as you consider the FY 2020-21 budget proposal.

For the upcoming year, new statutory duties related to performance-based budgeting (PBB) and tax credit reviews will engage much of the office's resources. A schedule for PBB plans and tax credit reviews, developed jointly with the Office of the Budget, can be found at the end of this submission. In January 2020, the IFO transmitted six PBB plans and four tax credit reviews to the PBB Board. For the next round, the IFO is scheduled to transmit four PBB plans and five tax credit reviews.

Other functions of the IFO include the preparation of monthly reports on the state economy and revenue collections, periodic revenue estimates, coordinating analyses and issuing actuarial notes for legislation that proposes changes to public employee pension or retirement plans and special reports and research briefs on various budget and economic topics. This submission lists recent reports published by the IFO during the past year, and all reports are available on the office website ([www.ifo.state.pa.us](http://www.ifo.state.pa.us)).

Sincerely,

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# **Independent Fiscal Office Overview**

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The office was created by Act 120 of 2010 and enters its ninth year of operation. The office currently employs 13 staff: 3 managers, 1 office manager and 9 analysts. The FY 2020-21 Executive Budget proposes an appropriation of \$2.34 million for the office. That amount includes \$200,000 of dedicated funding for work related to contracted actuarial analysis.

## **Mission Statement**

The Independent Fiscal Office (IFO) provides revenue projections for use in the state budget process along with impartial and timely analysis of fiscal, economic and budgetary issues to assist Commonwealth residents and the General Assembly in their evaluation of policy decisions. In that capacity, the IFO does not support or oppose any policy it analyzes, and will disclose the methodologies, data sources and assumptions used in published reports and estimates.

## **Role in the Budget Process**

The statute that created the IFO outlines several points at which the office is required to provide budget-related information to policymakers. They are as follows:

- November 15** Prepare an assessment of the state's fiscal condition for the current fiscal year and subsequent five fiscal years by taking account of the state economy, demographics, revenues and expenditures.
- January 31** Convene a revenue conference with the chairs of the Appropriations Committees, the Secretary of the Budget and the Secretary of Revenue to discuss economic trends and revenue performance.
- May 20** Provide an initial revenue estimate for the upcoming fiscal year.
- June 20** Provide a final revenue estimate for the upcoming fiscal year.

## **Other Responsibilities**

Office resources are also used for the following purposes: (1) coordinate and facilitate actuarial analysis of proposed changes to the pension systems, (2) provide a cost analysis of approved collective bargaining agreements, (3) provide an economic analysis of any revenue proposals included in the Executive Budget, (4) publish performance-based budgeting reports for executive agencies, (5) publish tax credit review reports and (6) at the request of members of the General Assembly, provide economic, revenue or fiscal analysis to the extent that staff resources are available for that purpose.

## **IFO Reports and Analyses for CY 2019**

### ***Revenue Estimates***

Mid-Year Update FY 2018-19 (January 2019)  
Analysis of Revenue Proposals in the 2019-20 Executive Budget (March 2019)  
Initial Revenue Estimate FY 2019-20 (May 2019)  
Official Revenue Estimate FY 2019-20 (June 2019)  
Revenue Estimate Performance (July 2019)  
Monthly and Quarterly Revenue Estimates (August 2019)  
Five Year Economic and Budget Outlook (November 2019)

### ***Performance Based Budgeting***

PBB Plan: Department of Criminal Justice (January 2019)  
PBB Plan: Department of General Services (January 2019)  
PBB Plan: Department of Banking and Securities (January 2019)  
PBB Plan: Pennsylvania Commission on Crime and Delinquency (January 2019)  
PBB Plan: Juvenile Court Judges' Commission (January 2019)

### ***Tax Credit Reviews***

Film Production Tax Credit (January 2019)  
Historic Preservation Tax Credit (January 2019)  
New Jobs Tax Credit (January 2019)

### ***Wage Contracts***

UFCW Wage Contract Analysis (August 2019)  
ISSU Wage Contract Analysis (September 2019)  
Management and Non-Represented Wage Contract Analysis (September 2019)  
FOSCEP Wage Contract Analysis (October 2019)  
PLEA Wage Contract Analysis (October 2019)  
PDA Wage Contract Analysis (November 2019)  
OPEIU Wage Contract Analysis (November 2019)  
ALES Wage Contract Analysis (November 2019)  
SEIU Wage Contract Analysis (November 2019)  
2019 Wage Contracts Summary Table (November 2019)

### ***Natural Gas***

2018 Impact Fee Estimate (January 2019)  
Natural Gas Production Report, 2018 Q4 (March 2019)  
Natural Gas Production Report, 2019 Q1 (May 2019)  
Impact Fee Update and 2019 Outlook (June 2019)  
Natural Gas Production Report, 2019 Q2 (August 2019)



Natural Gas Royalties Increase in 2017 (September 2019)  
Natural Gas Production Report, 2019 Q3 (December 2019)

***Special Reports***

County Income Patterns (August 2019)  
Senior Spending and Tax Revenues (September 2019)  
Minimum Wage Increase Estimates (October 2019)  
Redevelopment Assistance Capital Program (October 2019)  
Tax Incentive Expansion (December 2019)  
Special Education Survey (November 2019, unpublished)

***Property Tax***

Homestead Exclusion and PIT (March 2019)  
School District Property Tax Forecast (March 2019)  
Property Tax Replacement Estimates (May 2019)  
Property Tax Rebate for Older Homeowners (August 2019)  
Property Tax Rent Rebate Program (September 2019)  
Property Tax Elimination for Senior Homeowners (September 2019)  
Property Tax Replacement Estimates (October 2019)  
School District Property Tax Rebate (November 2019)

***Regular Monthly Reports***

Revenue and Economic Update  
IFO News Stand

All reports are available on the IFO website at [www.ifo.state.pa.us](http://www.ifo.state.pa.us)

## IFO Expenditures and Allocation of Staff Resources

	Actual 2018-19	Estimate 2019-20	Proposed 2020-21
<u>Personnel</u>			
Salaries	\$974,809	\$1,065,000	\$1,194,000
Benefits	396,382	519,000	613,000
Retirement	267,855	297,000	315,000
Employer Taxes	<u>72,350</u>	<u>94,000</u>	<u>101,000</u>
<b>Subtotal</b>	<b>1,711,396</b>	<b>1,975,000</b>	<b>2,223,000</b>
<u>Operating</u>			
Office Operations and Supplies	\$25,500	\$27,000	\$27,000
Computers, Networks and Software	16,000	19,000	23,000
Data Acquisition and Analysis	29,000	30,000	30,000
Publications and Research Materials	35,000	39,000	40,000
Parking	27,000	29,500	32,760
Other	<u>25,000</u>	<u>25,000</u>	<u>28,000</u>
<b>Subtotal</b>	<b>157,500</b>	<b>169,500</b>	<b>180,760</b>
Contracted Actuarial Analysis	<u>4,001</u>	<u>70,000</u>	<u>100,000</u>
<b>Total Expenditures</b>	<b>\$1,872,897</b>	<b>\$2,214,500</b>	<b>\$2,503,760</b>
Appropriated / Proposed Available	2,293,000	2,343,000	2,343,000
	420,103	128,500	-160,760

Staff Allocation by Project	Time
Performance Based Budgeting	35%
Tax Credit Reviews	10%
Revenue Estimates	15%
Regular Reports and Requests	10%
Special Reports and Requests	15%
Demographic Modeling	5%
Pensions and Other	<u>10%</u>
<b>Total Staff Time</b>	<b>100%</b>

Note: IFO has 3 managers who also perform general analysis and research duties.  
Office currently employs 13 full-time staff.

## Pennsylvania Economic Trends

	Growth Rate or Annual Change					
	2015	2016	2017	2018	2019	2020
<b>Macro Growth Rates</b>						
Real GDP	2.2%	1.3%	0.6%	2.6%	2.1%	1.9%
Wages and Salaries	4.1%	1.3%	4.0%	4.3%	4.4%	3.9%
Personal Income	4.0%	2.4%	3.0%	5.9%	4.8%	4.3%
<b>Labor Market (000s units)</b>						
Net Jobs Gain	46.2	48.8	58.8	65.6	45.6	45.4
UE Rate (level)	5.3%	5.4%	4.9%	4.3%	4.0%	--
Number Unemployed	-35.6	8.2	-34.0	-37.7	-15.3	--
New UE Claims	-0.7	-1.7	-2.3	-1.2	-0.3	--
Continued UE Claims	-19.1	-6.8	-14.9	-9.2	-3.9	--
<b>Housing Market</b>						
Number Home Sales	12.4%	7.8%	5.8%	2.4%	-1.0%	--
Median Sales Price	2.7%	2.5%	4.4%	3.7%	5.4%	--
FHFA House Price Index	2.6%	3.8%	4.5%	5.4%	5.2%	--
<b>Per Capita Consumer Debt</b>						
Auto Loans	7.6%	5.4%	3.1%	2.0%	5.1%	--
Credit Card	3.0%	3.9%	4.5%	6.9%	1.2%	--
All Mortgage	0.1%	2.0%	0.0%	-1.1%	3.9%	--
Student Loan-Other	<u>3.6%</u>	<u>5.3%</u>	<u>5.2%</u>	<u>4.9%</u>	<u>3.1%</u>	--
All Debt	1.5%	3.0%	1.5%	0.9%	3.7%	--
<p>Note: Data for 2020 are forecasts by IFO. UE is unemployment. Net Jobs Gains excludes independent contractors, self-employed and military.</p> <p>Source: U.S. Bureau of Economic Analysis, U.S. Bureau of Labor Statistics, Federal Housing Finance Agency, Zillow, Federal Reserve Bank of New York.</p>						

## PA Employment Gains and Losses by Sector

Sector	Change Payroll Jobs (000s)			Share of Jobs
	2017	2018	2019	
Mining	1.7	1.9	0.9	0.5%
Construction	9.9	6.8	5.5	4.3%
Manufacturing	2.1	6.6	-4.6	9.3%
Wholesalers	0.2	3.4	3.7	3.6%
Retailers	-8.0	-6.4	-7.4	10.1%
Transportation-Storage	7.3	9.2	7.0	4.9%
Warehousing	4.8	1.8	2.6	1.5%
Couriers-Messengers	1.5	2.9	3.6	0.6%
All Other	1.0	4.5	0.8	2.9%
Information	-0.2	1.3	1.0	1.4%
Finance-Real Estate	3.8	4.4	4.5	5.5%
Professional Services	3.0	2.4	6.7	6.0%
Administrative Support	1.2	0.6	-2.9	5.1%
Education	0.5	2.3	-3.2	3.9%
Colleges-Universities	0.6	2.2	-1.4	2.6%
Other	-0.1	0.1	-1.7	1.3%
Healthcare-Social Assist	26.4	27.0	19.7	17.5%
Offices of Physicians	2.2	2.9	1.7	2.0%
Home Healthcare	4.5	5.9	5.6	1.2%
Social Assistance	13.9	11.7	6.7	3.7%
All Other	5.7	6.5	5.7	10.6%
Leisure-Hospitality	9.3	4.9	5.2	9.5%
All Other Services	1.2	0.8	4.0	6.6%
Federal Government	0.5	-0.2	2.7	1.6%
State Government	-0.8	-0.9	0.3	2.6%
Local Government	0.4	0.7	0.7	7.5%
<b>TOTAL</b>	<b>58.4</b>	<b>64.7</b>	<b>43.6</b>	<b>100.0%</b>

Note: Local Government includes local school district employees. Figures are annual averages. Data for 2019 are preliminary and will be adjusted in March 2020. Excludes independent contractors, self-employed and military.

Source: U.S. Bureau of Labor Statistics, Current Employment Statistics (not seasonally adjusted).

## State Metric Comparison

	Annual Growth Rates					2015-19
	2015	2016	2017	2018	2019	
<b>Per Capita Income</b>						
Pennsylvania	4.0%	2.5%	3.0%	5.8%	4.8%	4.0%
New York	4.2	3.5	7.2	4.7	4.0	4.8
New Jersey	4.2	2.6	3.5	5.3	3.9	3.8
Maryland	4.5	3.3	2.5	4.8	3.7	3.6
Ohio	3.7	1.6	3.6	4.6	3.8	3.4
United States	4.1	1.8	4.0	5.0	4.0	3.7
<b>Net Payroll Jobs</b>						
Pennsylvania	0.8%	0.8%	1.0%	1.1%	0.7%	0.9%
New York	1.8	1.6	1.3	1.2	1.1	1.3
New Jersey	1.1	1.5	1.4	1.0	1.0	1.2
Maryland	1.5	1.2	1.1	0.8	0.7	0.9
Ohio	1.5	1.1	0.8	0.7	0.6	0.8
United States	2.1	1.8	1.6	1.6	1.4	1.6
<b>Average Wage</b>						
Pennsylvania	3.2%	0.5%	3.0%	3.2%	3.8%	2.6%
New York	2.5	0.6	4.0	3.7	3.6	3.0
New Jersey	3.2	0.8	2.0	2.7	2.2	1.9
Maryland	3.1	1.7	2.5	2.9	3.0	2.5
Ohio	2.3	1.2	3.0	3.0	3.2	2.6
United States	3.0	1.1	3.1	3.4	3.5	2.8
<b>Population</b>						
Pennsylvania	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%
New York	0.0	-0.1	-0.2	-0.3	-0.4	-0.3
New Jersey	0.0	0.0	0.2	0.0	0.0	0.0
Maryland	0.5	0.3	0.3	0.2	0.2	0.3
Ohio	0.1	0.1	0.2	0.1	0.1	0.2
United States	0.7	0.7	0.6	0.5	0.5	0.6
Note: Net Payroll Jobs growth excludes self-employed individuals and military.						
Source: U.S. Bureau of Economic Analysis, U.S. Bureau of Labor Statistics and U.S. Census Bureau.						

## Pennsylvania Demographic Snapshot

Age Cohort	Number of Residents (000s)			Gain or Loss (000s)		Avg. Annual Growth	
	2015	2020	2025	2015-20	2020-25	2015-20	2020-25
0-4	714	690	666	-24	-24	-0.7%	-0.7%
5-9	737	727	704	-11	-22	-0.3	-0.6
10-14	760	749	740	-11	-9	-0.3	-0.2
15-19	829	799	791	-30	-9	-0.7	-0.2
20-24	862	799	774	-63	-25	-1.5	-0.6
25-29	858	850	791	-8	-59	-0.2	-1.4
30-34	796	867	862	71	-4	1.7	-0.1
35-39	738	800	875	62	74	1.6	1.8
40-44	756	740	805	-16	65	-0.4	1.7
45-49	839	747	735	-91	-12	-2.3	-0.3
50-54	930	818	731	-112	-87	-2.5	-2.2
55-59	950	894	789	-56	-105	-1.2	-2.5
60-64	839	898	847	59	-51	1.4	-1.2
65-69	696	775	832	79	57	2.2	1.4
70-74	499	630	706	131	76	4.8	2.3
75-79	367	432	553	65	121	3.3	5.1
80-84	282	291	351	9	59	0.6	3.8
85+	333	333	353	0	20	0.0	1.1
<b>Total</b>	<b>12,786</b>	<b>12,842</b>	<b>12,906</b>	<b>56</b>	<b>65</b>	<b>0.1</b>	<b>0.1</b>
Age Cohort Summary							
0-19	3,040	2,965	2,901	-75	-64	-0.5%	-0.4%
20-64	7,569	7,414	7,210	-154	-204	-0.4	-0.6
65-79	1,562	1,837	2,092	276	254	3.3	2.6
80+	616	625	704	9	79	0.3	2.4
<b>Total</b>	<b>12,786</b>	<b>12,842</b>	<b>12,906</b>	<b>56</b>	<b>65</b>	<b>0.1</b>	<b>0.1</b>

Note: Thousands of residents. Detail may not sum to total due to rounding.  
Source: The 2015 data are from the U.S. Census Bureau 2018 Population Projections. The 2020 and 2025 data are projections by the IFO using data from the U.S. Census Bureau and PA Department of Health. Calculations by the IFO.

## Most PA Job Gains to Age 55+

Change in all Payroll Jobs							
	Under 24	25-34	35-44	45-54	55-64	65+	Total
2014	2,234	24,184	1,405	-13,715	27,642	12,533	54,283
2015	2,657	25,396	-1,161	-9,109	22,519	10,896	51,198
2016	4,025	25,733	1,930	-7,573	24,416	16,732	65,263
2017	748	17,381	12,502	-13,985	15,340	20,028	52,014
2018	4,050	19,189	22,621	-16,490	16,825	21,330	67,525
Change in Retail-Wholesale Sector Jobs							
	Under 24	25-34	35-44	45-54	55-64	65+	Total
2014	-3,536	2,544	-2,279	-4,586	2,873	1,331	-3,598
2015	-2,415	2,109	-2,206	-4,096	1,841	1,402	-3,366
2016	-1,577	1,324	-1,510	-4,191	2,476	2,415	-992
2017	-5,196	-722	-425	-4,374	1,247	2,588	-6,811
2018	-3,336	-1,884	-165	-6,115	211	3,170	-8,178
Change in Food and Drink Establishment Jobs							
	Under 24	25-34	35-44	45-54	55-64	65+	Total
2014	569	2,791	1,507	181	1,471	428	6,947
2015	-1,367	2,746	1,424	575	1,487	651	5,516
2016	-93	2,387	2,137	1,154	2,058	865	8,508
2017	1,019	1,048	2,232	138	1,595	982	7,014
2018	296	60	2,125	-6	1,709	919	5,103
Change in Healthcare Jobs							
	Under 24	25-34	35-44	45-54	55-64	65+	Total
2014	1,854	9,415	4,754	1,294	7,956	3,356	28,629
2015	542	6,171	-336	-2,244	3,203	2,027	9,363
2016	3,167	9,384	2,861	1,364	5,090	3,557	25,423
2017	2,174	7,096	4,162	-151	3,674	4,590	21,545
2018	1,454	7,769	6,171	85	4,115	4,901	24,495

Note: Excludes self-employed, independent contractors and military.  
Source: Quarterly Workforce Indicators, U.S. Census Bureau.

## Net Domestic Migration Trends

Top Outflow	Net Domestic Migrants, Avg Level (000s)			Share of Residents
	2011-13	2014-16	2017-19	
1 New York	-100.5	-168.4	-183.3	-0.9%
2 California	-48.9	-82.9	-165.4	-0.4
3 Illinois	-67.8	-105.3	-111.1	-0.9
4 New Jersey	-44.9	-63.7	-52.2	-0.6
5 Massachusetts	-5.4	-21.2	-27.5	-0.4
6 Louisiana	0.2	-8.3	-27.4	-0.6
7 Maryland	-5.6	-23.9	-24.0	-0.4
8 Connecticut	-15.5	-28.1	-23.3	-0.7
9 Pennsylvania	-18.9	-43.6	-22.6	-0.2
10 Michigan	-34.0	-30.6	-17.8	-0.2
Top Inflow	Net Domestic Migrants, Avg Level (000s)			Share of Residents
	2011-13	2014-16	2017-19	
1 Florida	94.6	187.2	144.6	0.7%
2 Texas	123.4	151.1	98.1	0.3
3 Arizona	21.7	49.3	79.3	1.1
4 North Carolina	33.6	50.0	68.0	0.7
5 South Carolina	23.7	46.4	50.9	1.0
6 Washington	17.1	44.5	49.6	0.7
7 Georgia	8.8	31.4	43.2	0.4
8 Nevada	7.1	29.2	42.9	1.4
9 Tennessee	19.1	26.5	40.0	0.6
10 Colorado	30.2	48.2	36.8	0.6

Note: Rank is based on 2019 data. Share of residents is the net outflow or inflow relative to average resident population from 2017 to 2019.  
Source: U.S. Census Bureau.



## PA Demographic Trends Cause Tight Labor Market

	Number of Residents (000s)						
	2015	2016	2017	2018	2019	2020	2021
<b>Population Change</b>	<b>-3.5</b>	<b>-2.6</b>	<b>5.4</b>	<b>13.3</b>	<b>1.1</b>	<b>16.7</b>	<b>15.6</b>
<b>Components of Change</b>							
1 Births less Deaths	8.4	9.9	1.7	2.3	1.1	1.3	0.3
2 International Migration	31.8	38.0	31.0	31.7	19.5	--	--
3 Domestic Migration	<b>-43.7</b>	<b>-50.4</b>	<b>-27.4</b>	<b>-20.7</b>	<b>-19.6</b>	--	--
All Residents Age 20-64	<b>-23.9</b>	<b>-32.5</b>	<b>-32.2</b>	<b>-26.7</b>	<b>-30.6</b>	<b>-32.4</b>	<b>-35.1</b>
Change in Payroll Jobs	46.2	48.6	58.8	65.6	45.6	45.4	45.7
Unemployment Rate	5.3	5.4	4.9	4.3	4.0	--	--

Note: Births less Deaths include unallocated amounts. Payroll jobs exclude self-employed and independent contractors.  
Source: Data prior 2020 from U.S. Census, PA Department of Health and U.S. Bureau of Labor Statistics.  
Forecasts for 2020 and 2021 by IFO.

## General Fund Financial Statement Comparison

	Executive Budget		IFO		\$ Difference	
	19-20	20-21	19-20	20-21	19-20	20-21
<b>Beginning Balance</b>	<b>\$9</b>	<b>\$3</b>	<b>\$9</b>	<b>--</b>	<b>\$0</b>	<b>-\$3</b>
General Fund Revenues	35,697	37,300	35,738	\$37,117	-\$41	\$183
Proposals	--	-352	--	0	--	-352
Refunds	<u>-1,306</u>	<u>-1,316</u>	<u>-1,270</u>	<u>-1,302</u>	<u>-36</u>	<u>-14</u>
<b>Net Revenues</b>	<b>34,391</b>	<b>35,632</b>	<b>34,468</b>	<b>35,815</b>	<b>-77</b>	<b>-182</b>
Lapses	<u>200</u>	<u>75</u>	<u>200</u>	<u>125</u>	<u>0</u>	<u>-50</u>
<b>Available Revenue</b>	<b>34,600</b>	<b>35,710</b>	<b>34,677</b>	<b>35,940</b>	<b>-77</b>	<b>-232</b>
<b>General Fund Expenditures</b>	<b>34,008</b>	<b>36,056</b>	<b>34,008</b>	<b>36,753</b>	<b>0</b>	<b>-697</b>
Supplementals	588	--	588	--	0	--
Lack of JUA Transfer	--	--	200	--	-200	--
Reduced PlanCon (Bond Proceeds)	--	--	--	-198	--	198
Program Eliminations/Funding Reductions	--	--	--	-197	--	197
New Municipal Fee for State Police Svs.	--	--	--	-136	--	136
DOC Prison Closure/JRI2/Admin. Savings	--	--	--	-134	--	134
Administrative Actions and Other	--	--	--	<u>-32</u>	--	<u>32</u>
<b>Total Spending</b>	<b>34,596</b>	<b>36,056</b>	<b>34,796</b>	<b>36,056</b>	<b>-200</b>	<b>0</b>
<b>Prelim Ending Balance (After Adjustment)</b>	<b>4</b>	<b>-346</b>	<b>-119</b>	<b>-116</b>		

Notes: Millions of dollars. IFO estimate uses GF revenues from IFO mid-year update (January 2020), refunds and expenditures from the IFO Economic and Budget Outlook (November 2019) updated for subsequent ESNs issued, lapses and supplementals from the Executive Budget (FY 19-20 only). Executive Budget assumes JUA transfer is received in FY 19-20.

## FY 2019-20 Revenue Projections

	IFO		Executive Budget		\$ Diff
	Amount	Growth	Amount	Growth	
<b>General Fund</b>	<b>\$35,738</b>	<b>2.5%</b>	<b>\$35,697</b>	<b>2.4%</b>	<b>\$41</b>
Corporate Net Income	3,433	1.0	3,401	0.1	33
Sales - Non-Motor	10,051	4.5	10,035	4.4	16
Sales - Motor	1,564	5.4	1,560	5.1	4
PIT - Withholding	10,810	3.5	10,856	3.9	-46
PIT - Other	3,796	3.9	3,885	6.4	-90
All Tobacco	1,075	-13.9	1,047	-16.1	28
Inheritance	1,118	6.1	1,114	5.7	4
Escheats	205	150.9	191	134.4	14
All Other	3,685	-5.0	3,607	-7.1	79

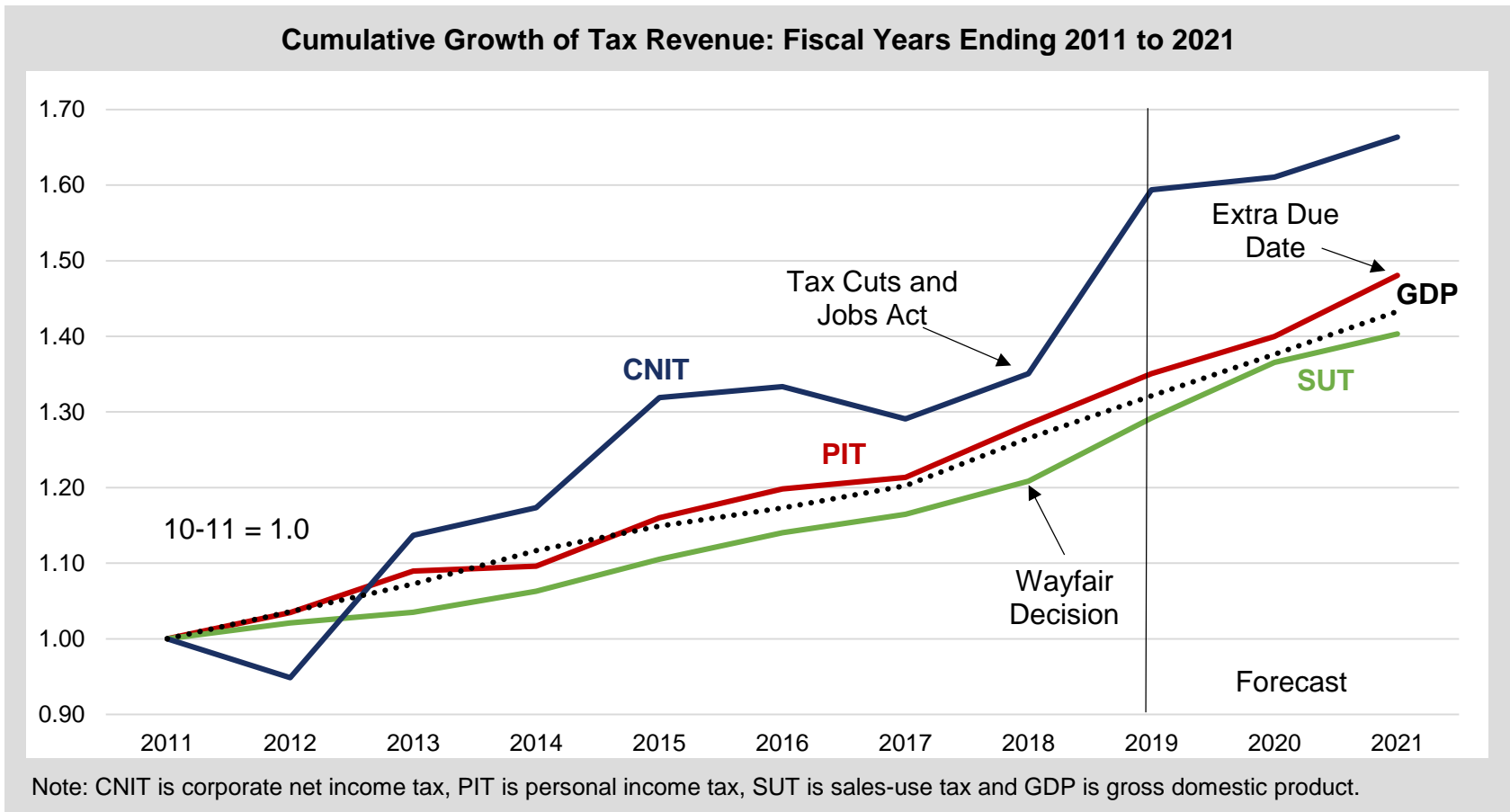
Note: Millions of dollars. IFO estimate relative to January 2020 Mid-Year Update.

## FY 2020-21 Revenue Projections

	IFO		Executive Budget				\$ Diff
	Amount	Growth	Amount	Proposals	Net	Growth	
<b>General Fund</b>	<b>\$37,117</b>	<b>3.9%</b>	<b>\$37,300</b>	<b>\$352</b>	<b>\$36,948</b>	<b>3.5%</b>	<b>\$168</b>
Corporate Net Income	3,546	3.3	3,693	240	3,453	1.5	93
Sales - Non-Motor	10,464	4.1	10,609	74	10,535	5.0	-71
Sales - Motor	1,591	1.7	1,604		1,604	2.8	-13
PIT - Withholding	11,417	5.6	11,487	40	11,446	5.4	-29
PIT - Other	4,033	6.2	3,980		3,980	2.4	52
All Tobacco	992	-7.7	959		959	-8.4	33
Inheritance	1,137	1.7	1,148		1,148	3.1	-11
Escheats	206	0.3	209		209	9.3	-4
All Other	3,732	1.3	3,611	-2	3,613	0.2	119

Note: Millions of dollars. IFO estimate relative to January 2020 Mid-Year Update.

## Growth of Top 3 Revenue Sources



## Impact of Federal Changes on Tobacco Taxes

	FY 2019-20	FY 2020-21	2-Year Impact
<b>Cigarette Tax</b>	<b>-\$5.7</b>	<b>-\$21.7</b>	<b>-\$27.4</b>
Increase Purchase Age to 21	-5.7	-21.5	-27.2
Impact of Philadelphia Transfer	0.0	-0.2	-0.2
<b>Other Tobacco Products</b>	<b>-2.4</b>	<b>-11.2</b>	<b>-13.6</b>
Increase Purchase Age to 21	-2.4	-10.1	-12.5
Smokeless	-0.7	-2.7	-3.4
E-cigarettes	-1.7	-7.4	-9.1
E-cigarettes Flavor Ban	<u>0.0</u>	<u>-1.1</u>	<u>-1.1</u>
<b>Total Impact</b>	<b>-8.1</b>	<b>-32.9</b>	<b>-41.0</b>

Note: Millions of dollars. The federal government raised the legal age to purchase tobacco products from 18 years to 21 years effective December 20, 2019. The U.S. Food and Drug Administration banned the sale of most flavored e-cigarette products effective February 6, 2020.

## Lottery Sales and Net Revenues

	FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20
Traditional Games					
Instant Tickets	\$2,793	\$2,782	\$2,939	\$3,093	\$3,190
Multi-State Lotto	\$496	\$369	\$424	\$507	\$310
All Other	\$846	\$850	\$837	\$904	\$904
<b>Subtotal</b>	<b>\$4,135</b>	<b>\$4,001</b>	<b>\$4,201</b>	<b>\$4,503</b>	<b>\$4,404</b>
Growth	8.3%	-3.2%	5.0%	7.2%	-2.2%
iLottery	--	--	\$21	\$381	\$585
Growth	--	--	--	--	53.4%
<b>Gross Ticket Sales</b>	<b>\$4,135</b>	<b>\$4,001</b>	<b>\$4,221</b>	<b>\$4,885</b>	<b>\$4,989</b>
Growth	8.3%	-3.2%	5.5%	15.7%	2.1%
<b>Net Revenue</b>	<b>\$1,199</b>	<b>\$1,133</b>	<b>\$1,185</b>	<b>\$1,244</b>	<b>--</b>
Net Rev. / Sales Ratio	0.290	0.283	0.281	0.255	--

Note: Dollar figures in millions. FY 19-20 is an estimate by IFO based on sales through January. Net revenues exclude operating expenses.

## Gaming Expansion Revenues

	2017-18	2018-19	2019-20	2020-21
<b>Licenses and Fees</b>				
Category 3 Casinos	\$1.0	\$3.5	--	--
Category 4 Casinos	127.0	5.0	-\$11.0	--
iGaming	--	97.2	22.0	--
Sports Wagering	--	80.2	30.0	--
Video Gaming Terminals	0.5	0.7	0.2	--
Fantasy Contests	--	<u>0.3</u>	--	--
<b>Total</b>	<b>128.5</b>	<b>186.9</b>	<b>41.2</b>	<b>\$0.0</b>
<b>Gaming Taxes</b>				
Category 4 Casinos	--	--	--	6.5
iGaming	--	--	6.2	8.0
Sports Wagering	--	7.3	41.0	42.0
Video Gaming Terminals	--	--	1.4	2.1
Fantasy Contests	<u>0.2</u>	<u>3.5</u>	<u>3.7</u>	<u>3.8</u>
<b>Total</b>	<b>0.2</b>	<b>10.8</b>	<b>52.3</b>	<b>62.4</b>
<b>Grand Total</b>	<b>128.7</b>	<b>197.7</b>	<b>93.5</b>	<b>62.4</b>

Note: Millions of dollars. FY 2019-20 and FY 2020-21 are IFO projections.



## State and Local Tax Burden Comparison

Corporate Income			Personal Income			Sales and Use		
	Rank	Percent		Rank	Percent		Rank	Percent
DE	1	3.36%	NY	1	4.99%	OH	17	2.83%
NY	4	0.79	MD	3	4.14	NY	21	2.54
PA	12	0.44	DE	7	3.51	NC	28	2.41
NJ	13	0.43	VA	11	3.05	WV	33	2.17
NC	23	0.33	WV	14	2.81	MI	35	2.13
MD	25	0.32	NC	15	2.79	NJ	38	1.98
MI	33	0.24	OH	18	2.65	PA	39	1.91
VA	39	0.20	PA	19	2.62	MD	42	1.48
WV	41	0.16	NJ	20	2.59	VA	44	1.35
OH	45	0.09	MI	30	2.31	DE	48	0.12
USw		0.36	USw		2.49	USw		2.54
USuw		0.38	USuw		2.23	USuw		2.45
Property			Gaming-Liquor-Tobacco			Total Taxes		
	Rank	Percent		Rank	Percent		Rank	Percent
NJ	3	5.02%	WV	1	1.09%	NY	1	14.71%
NY	6	4.40	DE	4	0.80	NJ	8	11.39
MI	20	3.04	PA	5	0.68	DE	9	11.37
VA	21	3.03	MD	6	0.63	MD	12	11.05
PA	24	2.87	NC	11	0.53	WV	14	10.95
OH	27	2.83	MI	13	0.52	PA	20	10.29
MD	28	2.74	OH	14	0.48	OH	23	10.05
WV	35	2.48	NY	25	0.38	MI	28	9.59
NC	41	2.21	NJ	30	0.35	NC	29	9.57
DE	48	1.81	VA	38	0.26	VA	34	9.22
USw		3.10	USw		0.37	USw		10.25
USuw		3.04	USuw		0.41	USuw		9.95

Note: Percent is the ratio of the state-local tax revenue to modified state personal income. USw is weighted average. USuw is unweighted average (each state has same weight). Total Taxes excludes any severance tax or impact fee. Data from FY 2016-17 and FY 2017-18.

Source: State and Local Taxes: A Comparison Across States, IFO (January 2020).

## School Property Tax Data

	16-17	17-18	18-19	19-20
<b>All School Property Tax<sup>1</sup></b>	<b>\$14,136</b>	<b>\$14,579</b>	<b>\$14,961</b>	<b>\$15,346</b>
Growth Rate		3.1%	2.6%	2.6%
<b>Homeowner Only<sup>2</sup></b>	<b>\$8,422</b>	<b>\$8,680</b>	<b>\$8,901</b>	<b>\$9,125</b>
Growth Rate		3.1%	2.5%	2.5%
<b>Personal Income Tax<sup>3</sup></b>				<b>\$14,606</b>
Revenue Value of 1.0 percentage point				\$4,585
Rate Increase to Replace Homeowner Property Tax				2.0
<b>Sales and Use Tax<sup>3</sup></b>				<b>\$11,615</b>
Revenue Value of 1.0 percentage point				\$2,049
Rate Increase to Replace Homeowner Property Tax				4.5

Note: Dollar amounts in millions.  
 1 Includes current, interim, delinquent and Act 1 allocations.  
 2 Assumes replacement of all Act 1 allocations.  
 3 FY 2019-20 amounts from IFO Mid-Year Update. Includes replacement of all Act 1 allocations. Computation reflects refunds paid.

Household Income Level	All Homeowners			Age 65+ Homeowners		
	Households	Income	Property Tax	Households	Income	Property Tax
\$1 to \$19,999	8.0%	0.9%	4.9%	13.2%	2.1%	9.0%
20,000 to 39,999	14.3	4.2	9.8	23.9	9.4	18.6
40,000 to 59,999	14.8	7.2	10.9	18.8	12.2	16.0
60,000 to 79,999	14.1	9.5	11.9	14.0	12.8	13.9
80,000 to 99,999	11.7	10.2	10.9	9.0	10.6	10.4
100,000 to 149,999	19.1	22.7	20.6	11.1	17.8	13.5
150,000 to 199,999	8.3	13.9	11.6	4.2	9.6	6.5
200,000+	<u>9.7</u>	<u>31.4</u>	<u>19.2</u>	<u>5.8</u>	<u>25.6</u>	<u>12.1</u>
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: U.S. Census Bureau American Community Survey 2018 1-Year Estimates. Computations by the IFO.

## Natural Gas Production and Spot Prices

	2013	2014	2015	2016	2017	2018	2019	2020
PA Production (bcf) <sup>1</sup>	\$3,102	\$4,069	\$4,596	\$5,094	\$5,364	\$6,123	\$6,800	\$7,344
Growth Rate	51.9%	31.2%	13.0%	10.8%	5.3%	14.1%	11.1%	8.0%
New Horizontal Wells Drilled	1,214	1,369	784	501	811	777	616	n.a.
Impact Fee Revenues <sup>2</sup>	\$225.8	\$223.5	\$187.7	\$173.3	\$209.6	\$251.8	\$198.2	n.a.
Computed ETR	2.7%	2.3%	6.2%	4.5%	2.8%	2.2%	2.1%	n.a.
Wells Paying Impact Fee	n.a.	n.a.	7,874	8,121	8,518	10,164	9,999	n.a.
Average Fee Per Well	n.a.	n.a.	\$23,838	\$21,340	\$24,607	\$24,774	\$19,822	n.a.
Commonwealth Leases <sup>3</sup>								
Royalties	\$121.8	\$131.3	\$66.6	\$71.2	\$67.3	\$73.7	\$66.8	\$70.1
Operator Price	\$3.59	\$3.53	\$1.61	\$1.55	\$2.30	\$2.70	\$2.49	n.a.
Spot Prices <sup>4</sup>								
Henry Hub	\$3.73	\$4.37	\$2.62	\$2.52	\$2.99	\$3.15	\$2.57	\$2.18
Dominion South Hub	\$3.51	\$3.25	\$1.46	\$1.49	\$2.11	\$2.64	\$2.10	\$1.62
Leidy Hub	\$3.06	\$2.60	\$1.20	\$1.45	\$2.06	\$2.52	\$2.10	\$1.68
NYMEX Natural Gas Price <sup>5</sup>	\$3.65	\$4.42	\$2.66	\$2.46	\$3.11	\$3.09	\$2.63	\$2.02

Note:

1 Production Data from PA DEP through November 2019. December 2019 and future years estimated by IFO. Production data represent unconventional gas only.

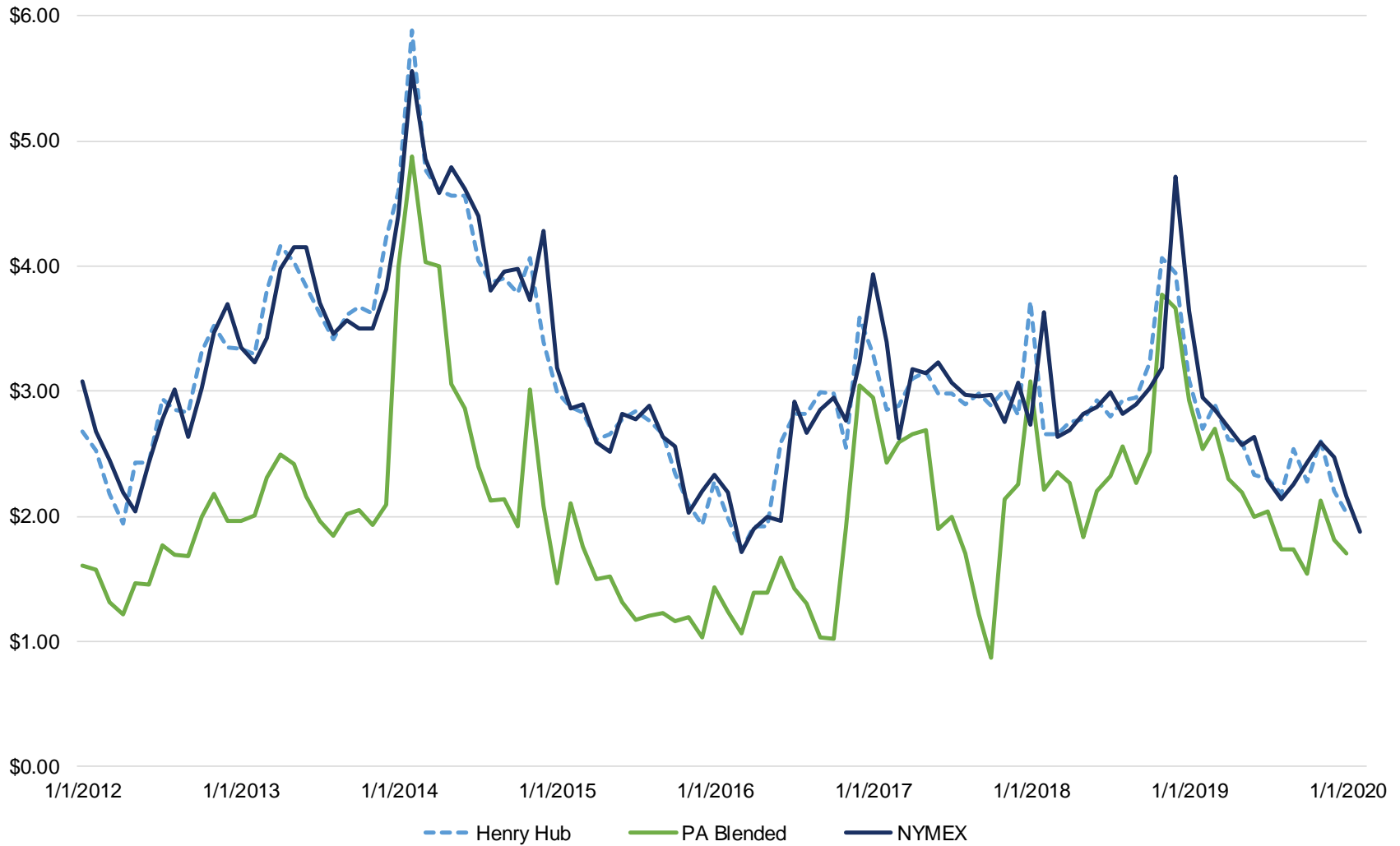
2 Impact fee revenues as reported by the PUC (\$ millions). Revenues based on drilling year, not year revenues were received. Revenues for 2019 estimated by IFO. Effective Tax Rate (ETR) equal to Impact Fee revenues divided by market value of gas (excluding post-production costs).

3 Royalties from the leasing of Commonwealth lands (\$ millions) based on month gas was produced, not month payments were received. Final three months of 2019 and future years estimated by IFO. Operator prices provided by DCNR (\$/mmbtu). 2019 operator price is through October.

4 Spot prices are from Bentek Energy (\$/mmbtu).

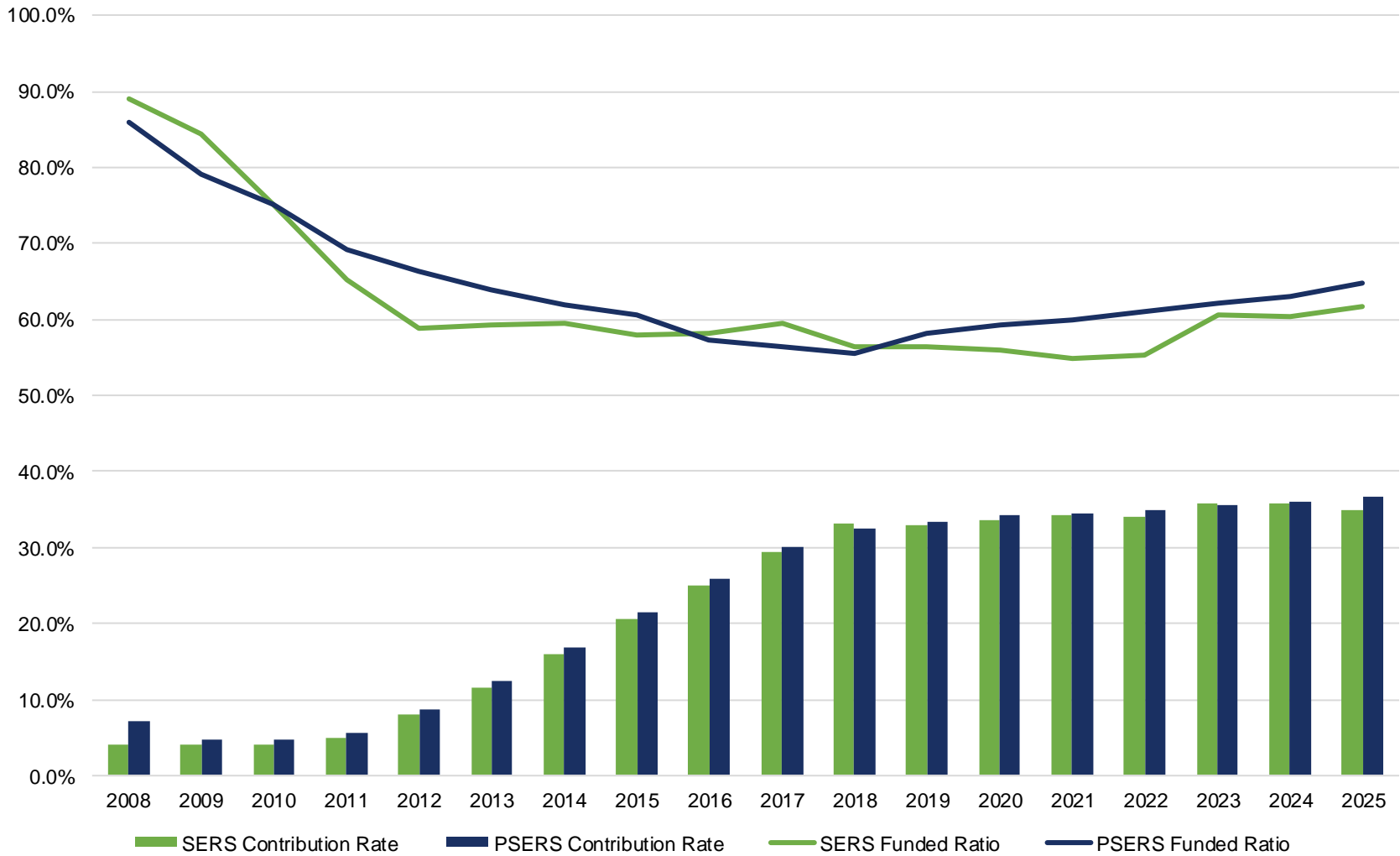
5 Annual average price of natural gas near-month settlements on the New York Mercantile Exchange, upon which the Impact Fee schedule is based. The price for 2020 includes January and February only.

## Natural Gas Price Trends (\$/mmbtu)



Notes: Henry Hub and PA spot prices from Bentek Energy (\$/mmbtu). PA Blended is a weighted average of the Dominion South and Leidy hubs. NYMEX prices from the Wall Street Journal.

# SERS and PSERS Employer Contributions Rates and Funding Ratios



## SERS and PSERS Financial Data

FY Ending	SERS <sup>1</sup>				PSERS			
	\$ State Contrib	System Return	System Return (%)	Unfunded Liability	\$ State Contrib	System Return	System Return (%)	Unfunded Liability
2008	\$233	-\$11,061	-28.60%	\$3,802	\$451	-\$1,783	-2.80%	\$9,924
2009	253	3,562	9.00	5,592	361	-16,202	-26.50	15,739
2010	273	3,076	11.90	9,736	343	6,114	14.60	19,699
2011	392	480	2.60	14,663	288	9,246	20.40	26,499
2012	566	2,795	12.00	17,753	600	1,093	3.40	29,533
2013	795	3,724	12.60	17,899	856	4,126	8.00	32,599
2014	1,084	1,462	6.40	18,166	949	7,098	14.91	35,121
2015	1,360	88	0.50	19,452	1,158	1,329	3.04	37,336
2016	1,622	1,587	6.50	19,223	1,719	473	1.29	42,724
2017	1,898	4,066	15.10	19,662	2,064	4,995	10.14	44,512
2018	2,049	-1,442	-4.60	22,793	2,264	4,666	9.27	44,855
2019	2,138	4,970	18.80	23,400	2,488	3,581	6.68	44,134
2020	2,273	n.a.	7.125	24,019	2,628	n.a.	7.25	43,945
2021	2,350	n.a.	7.125	19,829	2,750*	n.a.	7.25	44,130
2022	2,448	n.a.	7.125	20,115	2,838*	n.a.	7.25	43,874
2023	2,561	n.a.	7.125	19,684	2,936*	n.a.	7.25	43,414
2024	2,595	n.a.	7.125	19,187	3,030*	n.a.	7.25	43,051
2025	2,601	n.a.	7.125	18,631	3,123*	n.a.	7.25	42,203

Note: Millions of dollars. Data sourced from various system projections, releases and financial reports, unless noted otherwise.  
<sup>1</sup>SERS reported on calendar year basis unless noted otherwise. Includes all funds.  
\*IFO 2019 Five Year Economic and Budget Outlook.

## Minimum Wage Rates by State

	2020 Rank	2020	2021	2022
Washington D.C. <sup>1</sup>	1	\$14.00	\$15.00	\$15.30
Washington <sup>1</sup>	2	13.50	13.77	14.05
California	3	13.00	14.00	15.00
Massachusetts	4	12.75	13.50	14.25
Arizona <sup>1</sup>	5	12.00	12.25	12.50
Colorado <sup>1</sup>	6	12.00	12.24	12.48
Maine <sup>1</sup>	7	12.00	12.25	12.50
New York <sup>1</sup>	8	11.80	12.50	12.75
Oregon	9	11.25	12.00	12.75
Connecticut	10	11.00	12.00	13.00
Maryland	11	11.00	11.75	12.50
New Jersey	12	11.00	12.00	13.00
Vermont <sup>1</sup>	13	10.96	11.18	11.40
Rhode Island	14	10.50	10.50	10.50
Alaska <sup>1</sup>	15	10.19	10.39	10.60
Hawaii	16	10.10	10.10	10.10
Arkansas	17	10.00	11.00	11.00
Minnesota <sup>1</sup>	18	10.00	10.20	10.40
Michigan	19	9.65	9.87	10.10
Missouri	20	9.45	10.30	11.15
South Dakota <sup>1</sup>	21	9.30	9.50	9.70
Delaware	22	9.25	9.25	9.25
Illinois	23	9.25	11.00	12.00
Nebraska	24	9.00	9.00	9.00
New Mexico	25	9.00	10.50	11.50
West Virginia	26	8.75	8.75	8.75
Ohio <sup>1</sup>	27	8.70	8.85	9.05
Montana <sup>1</sup>	28	8.65	8.80	9.00
Florida <sup>1</sup>	29	8.56	8.73	8.90
Nevada	30	8.25	9.00	9.75
<b>Pennsylvania</b>	<b>31</b>	<b>7.25</b>	<b>7.25</b>	<b>7.25</b>
Other	31	7.25	7.25	7.25

Note: Over 50 localities have adopted a minimum wage above their state's minimum wage.  
<sup>1</sup> Inflation adjustments use a 2.0% growth rate to estimate inflation adjustments for future years.  
Source: The Economic Policy Institute. Minimum Wage Tracker (as of January 3, 2020).

## PA Workers Affected by a \$12 Minimum Wage (2018)

	Age (000s of workers)					Age (share of workers)				
	16-19	20-24	25-39	40+	Total	16-19	20-24	25-39	40+	Total
\$7.25 to \$7.99	45	27	16	26	115	0.8%	0.5%	0.3%	0.5%	2.0%
\$8.00 to \$9.99	99	85	78	114	376	1.7	1.5	1.4	2.0	6.6
\$10.00 to \$10.99	41	85	97	142	364	0.7	1.5	1.7	2.5	6.4
\$11.00 to \$11.99	15	32	83	125	255	0.3	0.6	1.5	2.2	4.5
\$12.00 to \$14.99	24	122	284	397	827	0.4	2.1	5.0	6.9	14.5
\$15.00 or more	<u>5</u>	<u>195</u>	<u>1,239</u>	<u>2,341</u>	<u>3,780</u>	<u>0.1</u>	<u>3.4</u>	<u>21.7</u>	<u>40.9</u>	<u>66.1</u>
<b>TOTAL</b>	<b>229</b>	<b>546</b>	<b>1,797</b>	<b>3,145</b>	<b>5,717</b>	<b>4.0</b>	<b>9.6</b>	<b>31.4</b>	<b>55.0</b>	<b>100.0</b>

	Household Type (000s of workers)					Household Type (share of workers)				
	Single no kids	Single w/ kids	Married no kids	Married w/ kids	Total	Single no kids	Single w/ kids	Married no kids	Married w/ kids	Total
\$7.25 to \$7.99	91	3	11	10	115	1.6%	0.1%	0.2%	0.2%	2.0%
\$8.00 to \$9.99	255	29	43	49	376	4.5	0.5	0.8	0.9	6.6
\$10.00 to \$10.99	215	33	63	53	364	3.8	0.6	1.1	0.9	6.4
\$11.00 to \$11.99	120	26	63	46	255	2.1	0.5	1.1	0.8	4.5
\$12.00 to \$14.99	378	87	197	165	827	6.6	1.5	3.4	2.9	14.5
\$15.00 or more	<u>1,288</u>	<u>237</u>	<u>1,193</u>	<u>1,062</u>	<u>3,780</u>	<u>22.5</u>	<u>4.1</u>	<u>20.9</u>	<u>18.6</u>	<u>66.1</u>
<b>TOTAL</b>	<b>2,347</b>	<b>415</b>	<b>1,570</b>	<b>1,385</b>	<b>5,717</b>	<b>41.1</b>	<b>7.3</b>	<b>27.5</b>	<b>24.2</b>	<b>100.0</b>

	Employment Status (000s of workers)			Employment Status (share of workers)		
	Part-time	Full-time	Total	Part-time	Full-time	Total
\$7.25 to \$7.99	89	26	115	1.6%	0.5%	2.0%
\$8.00 to \$9.99	239	137	376	4.2	2.4	6.6
\$10.00 to \$10.99	194	170	364	3.4	3.0	6.4
\$11.00 to \$11.99	118	137	255	2.1	2.4	4.5
\$12.00 to \$14.99	206	621	827	3.6	10.9	14.5
\$15.00 or more	<u>412</u>	<u>3,368</u>	<u>3,780</u>	<u>7.2</u>	<u>58.9</u>	<u>66.1</u>
<b>TOTAL</b>	<b>1,258</b>	<b>4,459</b>	<b>5,717</b>	<b>22.0</b>	<b>78.0</b>	<b>100.0</b>

Note: This table appeared in the IFO's Analysis of Revenue Proposals (April 2019). It will be updated in April 2020.



## States with Corporate Net Income Tax

State <sup>1</sup>	Income Tax Rate	Method	NOL Deduction Cap <sup>2</sup>
Alabama <sup>3</sup>	6.50%	Separate	None
Alaska	0.00 - 9.40%	Combined	Conforms to Federal
Arizona	4.90%	Combined	None
Arkansas	1.00 - 6.50%	Separate	None
California	8.84%	Combined	None
Colorado	4.63%	Combined	None
Connecticut	7.50%	Combined	50% of taxable income on CFs
Delaware	8.70%	Separate	Conforms to Federal
Florida	4.46%	Separate	Conforms to Federal
Georgia	5.75%	Separate	Conforms to Federal
Hawaii	4.40 - 6.40%	Combined	Conforms to Federal
Idaho	6.925%	Combined	\$100,000 on CBs
Illinois	9.50%	Combined	Conforms to Federal
Indiana	5.50%	Multiple	None
Iowa <sup>4</sup>	6.00 - 12.00%	Separate	None
Kansas	4.00 - 7.00%	Combined	None
Kentucky	5.00%	Combined	Conforms to Federal
Louisiana <sup>4</sup>	4.00 - 8.00%	Separate	72% of taxable income on CFs
Maine	3.50 - 8.93%	Combined	Conforms to Federal
Maryland	8.25%	Separate	Conforms to Federal
Massachusetts	8.00%	Combined	None
Michigan	6.00%	Combined	None
Minnesota	9.80%	Combined	None
Mississippi	3.00 - 5.00%	Multiple	None
Missouri <sup>3</sup>	4.00%	Separate	None
Montana	6.75%	Combined	None
Nebraska	5.58 - 7.81%	Combined	None
New Hampshire	7.70%	Combined	\$10M on CFs
New Jersey	6.5 - 10.5%	Combined	None
New Mexico	4.80 - 5.90%	Combined	Conforms to Federal
New York	6.50%	Combined	None
North Carolina	2.50%	Multiple	None
North Dakota	1.41 - 4.31%	Combined	None
Oklahoma	6.00%	Separate	None
Oregon	6.60 - 7.60%	Combined	Conforms to Federal
<b>Pennsylvania</b>	<b>9.99%</b>	<b>Separate</b>	<b>40% of taxable income on CFs</b>
Rhode Island	7.00%	Combined	Conforms to Federal
South Carolina	5.00%	Multiple	Conforms to Federal
Tennessee	6.50%	Multiple	None
Utah	4.95%	Combined	Conforms to Federal
Vermont	6.00 - 8.50%	Combined	None
Virginia	6.00%	Multiple	None
West Virginia	6.50%	Combined	Conforms to Federal
Wisconsin	7.90%	Combined	None

<sup>1</sup> Nevada, Ohio, South Dakota, Texas, Washington and Wyoming do not levy a corporate net income tax.

<sup>2</sup> The federal Tax Cuts and Jobs Act limited the NOL deduction to 80% of taxable income and removed the carryback provision for tax years beginning after Dec. 31, 2017.

<sup>3</sup> State allows corporation to deduct all federal taxes paid from state taxable income.

<sup>4</sup> State allows corporation to deduct up to 50% of federal taxes paid from state taxable income.

Source: CCH State Tax SmartCharts (January 2020).

## Combined Reporting vs. Separate Reporting States

### Background

- The data below are average annual growth rates over one decade: 2005/07 - 2015/17
- The data compare the average growth rate of corporate net income tax (CNIT) revenues to state private GDP growth
- U.S. data compare U.S. corporate domestic profits to U.S. private GDP growth
- The 11 control states did not enact combined reporting during the decade
- 3 large states enacted combined reporting: Massachusetts, Wisconsin and New York

	Control			Enacted Combined Reporting		
	<u>U.S.</u>	<u>States</u>	<u>PA only</u>	<u>MA</u>	<u>WI</u>	<u>NY</u>
CNIT Revenue	2.2%	1.7%	1.8%	4.2%	3.5%	3.7%
Private GDP	<u>3.2%</u>	<u>3.0%</u>	<u>3.6%</u>	<u>3.8%</u>	<u>3.1%</u>	<u>4.1%</u>
<b>Difference</b>	<b>-1.0%</b>	<b>-1.3%</b>	<b>-1.8%</b>	<b>0.5%</b>	<b>0.4%</b>	<b>-0.4%</b>

### General Findings

- For U.S. and control states, CNIT underperformed GDP growth by roughly -1.2 percentage points
- For states that enacted combined reporting during the time period, the average CNIT revenue growth outperformed GDP growth by +0.2 percentage points
- If combined reporting expanded the tax base, it would "close the gap" between GDP and CNIT revenue growth rates
- For combined reporting states, the data suggest this may have occurred
- For Pennsylvania, the potential improvement in CNIT performance relative to GDP growth could imply a **\$300 to \$400 million** revenue gain or **10 to 12 percent** base expansion
- The full revenue gains would not be realized until several years after enactment

Note: Data span 2005-2007 to 2015-2017. The 11 control states did not enact major tax law changes during the time period, such as a rate reduction (except Maryland and Indiana, which are rate adjusted). They are also economically diversified states and are not dependent on natural resources or particular sectors (e.g. high tech). Control states include: Pennsylvania, Alabama, Florida, Georgia, Indiana, Iowa, Maryland, Missouri, New Jersey, Tennessee and Virginia.

Sources: Revenue data from U.S. Census Bureau. GDP from U.S. Bureau Economic Analysis.

# PBB and Tax Credit Review Schedule

Year		Performance-Based Budgets				
1	Corrections	Board of Probation and Parole	PA Commission on Crime & Delinquency	Juvenile Court Judges' Commission	Banking and Securities	General Services
2	Economic & Community Development	Human Services – Part 1	Health	Environmental Protection	PA Emergency Management Agency	State
3	PennDOT	Human Services – Part 2	State Police	Military & Veterans Affairs		
4	Education	Human Services – Part 3	Aging	PA Historical & Museum Commission	Agriculture	Labor and Industry
5	Drug and Alcohol Programs	Insurance	Revenue	Executive Offices	Environmental Hearing Board	Conservation and Natural Resources
Year		Tax Credits				
1	Film Production	New Jobs	Historic Preservation Incentive			
2	Research and Development	Keystone Innovation Zones	Mobile Telecom and Broadband	Organ and Bone Marrow		
3	Neighborhood Assistance	Resource Enhancement and Protections (REAP)	Entertainment & Economic Enhancement	Video Game Production	Keystone Special Development Zones	
4	Educational Tax Credits	Coal Refuse and Reclamation	Mixed Use	Community-Based Services		
5	Resource Manufacturing	Brewers'	Computer Data Center	Manufacturing and Investment	Waterfront Development	Rural Jobs and Investment

 Independent Fiscal Office

## PBB Year 2 Agency Funding by Activity

Department/Activity	Amount	Department/Activity	Amount
<b>Environmental Protection</b>		<b>Human Services (Part 1)</b>	
Abandoned Mine Reclamation	\$129	MA - Physical Health Services	\$14,365
Waste Management	93	MA - Behavioral Health Services	3,437
Clean Water	69	Medical Assistance Eligibility	389
Environ. Cleanup & Brownfields	68	SNAP Eligibility & Authorize Benefits	304
Safe Drinking Water	67	LIHEAP Eligibility and Benefits	217
Air Quality	54	TANF Eligibility and Benefits	217
Mining Programs & District Op.	52	Employment Supports	190
Water Resource Planning	37	Child Support Enforcement	185
Administration	35	Other Program Eligibility and Benefits	166
Oil and Gas Management	32	Eligibility and Enrollment Systems	161
Energy Programs	30	MA - Transportation Services	159
Waterways and Wetlands	28	Medical Management Information Sys.	130
Chesapeake Bay	22	Health Information Exchange	61
Radiation Protection	19	Provider Enrollment	<u>25</u>
Laboratory Services	15	<b>Total</b>	<b>20,005</b>
Vector Management	14		
Mine Safety	<u>12</u>	<b>Health</b>	
<b>Total</b>	<b>776</b>	Women, Infants and Children (WIC)	321
		HIV Surveillance, Prevention & Trtmnt.	164
<b>DCED</b>		Ensure Access to Care	127
Community & Citizen Development	331	Disease Prevention and Outreach	114
Local Infrastructure	89	Public Health & Emerg. Medical Serv.	72
Business Attraction & Financing	64	Health Research	55
Innovation Economy & Investments	42	Quality Assurance	50
Business and Workforce Assistance	29	Maternal and Child Health	44
Tourism Attraction & Development	24	Drug Surveillance & Misuse Prevent.	31
Local Government Operat. Support	20	Vital Statistics	22
Site Development	19	Disease Treatment	15
Administration	14	Administration	14
International Trade & Investment	7	State Laboratory	<u>8</u>
Office of Open Records	3	<b>Total</b>	<b>1,036</b>
Small Business Advocate	2		
Tax Credit Administration	<u>1</u>	<b>State</b>	
<b>Total</b>	<b>645</b>	Professional and Occupational Affairs	51
		Elections and Notaries	21
<b>PEMA</b>		Enforcement and Investigations	15
911 Emergency Telecommunication	320	Election Security and Technology	11
Planning, Training and Outreach	110	Corporations & Charitable Organ.	8
Recovery and Mitigation	55	Administration	6
Volunteer Fire Grants & Loan Prog.	51	Professional Health Monitoring Prog.	3
Administration	18	Campaign Finance & Civic Engage.	1
Hazardous Materials	4	State Athletic Commission	<u>1</u>
Response Operations	4	<b>Total</b>	<b>117</b>
OSFC Training and Certification	<u>3</u>		
<b>Total</b>	<b>566</b>	<b>Total Year 2 PBB Agency Funding</b>	<b>23,146</b>
		<b>Share of Total State Budget</b>	<b>26.9%</b>

Note: Millions of dollars. FY 2019-20 Available.

## Tax Credits and Economic Development Incentives

	Actual (\$ millions)					Ex. Budget
	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
<b>Tax Credit or Refund</b>						
Educational Improvement	\$98.9	\$98.9	\$116.8	\$129.4	\$150.9	\$185.0
Keystone Opportunity Zone (KOZ)	80.2	98.4	78.0	92.1	95.1	84.3
Film Production	60.0	60.0	60.0	60.4	60.9	70.0
Research and Development	64.2	61.0	61.1	45.2	43.6	55.0
Educational Opportunity Scholarship	32.6	32.6	32.6	32.6	32.6	55.0
Neighborhood Improvement Zone (NIZ)	39.6	24.2	56.4	45.6	40.5	49.3
Neighborhood Assistance Programs	18.0	18.0	18.0	18.0	18.0	36.0
Coal Refuse Energy and Reclamation	0.0	0.0	5.4	8.8	9.8	20.0
Keystone Innovation Zone (KIZ)	25.0	25.0	21.1	16.0	15.3	15.0
City Revitalization and Improvement Zone (CRIZ)	0.0	0.0	3.6	3.9	7.2	13.1
Resource Enhancement and Protection	5.3	5.4	5.4	5.4	5.4	13.0
Tax Credit for New Jobs	5.8	10.1	10.1	10.1	10.1	10.1
Entertainment and Economic Enhancement	0.0	0.0	0.0	0.0	5.6	8.0
Computer Data Center Equipment Incentive	0.0	0.0	0.0	0.0	5.0	7.0
Rural Jobs and Investment	0.0	0.0	0.0	0.0	1.0	6.0
Historic Preservation Incentive	3.0	3.0	3.0	3.0	3.0	5.0
Mobile Telecomm. Broadband Investment	0.0	0.2	0.2	4.2	4.6	5.0
Brewers' Tax Credit	0.0	0.0	0.0	0.0	5.0	5.0
Manufacturing Tax Credit	0.0	0.0	0.0	0.0	4.0	4.0
Mixed-Use Development	0.0	0.0	0.0	2.0	2.0	3.0
Waterfront Development	0.0	0.0	0.0	0.0	0.0	1.5
Video Game Production	0.0	0.0	0.0	0.3	1.0	1.0
Innovate in PA	0.0	0.0	0.0	0.0	14.6	0.0
<b>State Spending or Grants</b>						
PA Race Horse Development Fund	237.0	238.5	229.8	231.4	231.9	231.7
RACP	238.8	193.4	221.3	234.4	172.8	*
GEDTF	77.1	103.1	68.0	74.5	95.5	87.5
Business in Our Sites (CFA)	1.0	0.0	60.7	89.3	50.0	*
PA First	22.1	6.7	17.6	9.5	7.4	25.0
BFTDA - Challenge Grants	14.5	14.5	14.5	14.5	14.5	14.5
Infrastructure and Facilities Improvement	20.5	19.9	17.7	17.2	12.9	10.0
Marketing to Attract Tourists (advertising)	0.0	1.0	1.5	1.4	2.2	10.0

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<b>State Spending or Grants (con.)</b>						
BFTDA - Venture Investment	\$1.5	\$0.0	\$10.5	\$11.0	\$6.5	*
Building PA (CFA)	6.0	24.9	7.1	9.6	0.0	6.3
Office of International Business Development	6.9	6.0	5.6	5.8	6.0	5.9
PA Dairy Investment Program (CFA)	0.0	0.0	0.0	0.0	4.5	5.0
Life Sciences Greenhouses	3.0	2.6	3.1	3.3	3.0	3.0
PIDA Industrial Parks	0.0	4.3	2.0	3.8	2.8	*
Infrastructure and Technology Assistance	1.4	1.4	1.3	2.1	1.8	2.0
Marketing to Attract Business	1.9	1.6	2.1	2.0	2.2	2.0
<b>State Loan Programs</b>						
PIDA Loan Program	40.8	49.2	41.7	76.9	42.1	*
Small Business First Loans	7.6	8.3	11.1	5.9	8.1	15.0
Machinery and Equipment Loans	19.6	5.1	4.8	3.3	7.6	11.8
Minority Business	0.3	1.1	0.6	1.1	1.3	1.3
<b>Jobs Training Programs</b>						
Labor and Industry	2.4	2.3	2.3	2.3	12.3	12.6
Manufacturing PA	0.0	0.0	0.0	5.3	5.3	12.0
Partnerships for Regional Economic Perf.	12.1	10.7	12.4	9.1	8.0	9.9
WedNet	<u>8.3</u>	<u>8.0</u>	<u>8.8</u>	<u>6.7</u>	<u>7.9</u>	<u>7.0</u>
<b>TOTAL</b>	<b>1,155.4</b>	<b>1,139.5</b>	<b>1,216.1</b>	<b>1,297.4</b>	<b>1,241.9</b>	<b>--</b>
<p>Note: Innovate in PA - In July 2015, \$100 million in insurance premiums tax credits were purchased by qualified insurance companies. The credits may be utilized to offset tax year liabilities for 2016 and thereafter, in an amount not to exceed \$20 million annually. The net amount transferred to DCED was \$85.4 million. For the purpose of the table, the differential between tax credits sold and monies received is shown in the final year to reflect the full amount of the tax credit claim, although not all claims have yet been made against tax liability.</p> <p>The Strategic Development Areas, Keystone Special Development Zone, Pennsylvania Resource Manufacturing, Organ and Bone Marrow Donation, Community-Based Services, Qualified Manufacturing Innovation &amp; Reinvestment Deduction and Beginning Farmers' tax credits are not included due to a small number of filers or zero filers.</p> <p>PA Race Horse Development Trust Fund disbursements exclude transfers to Farm Products Show Fund.</p> <p>* FY 2019-20 values not available.</p> <p>Source: PA Department of Revenue, PA Department of Community and Economic Development, Comprehensive Annual Financial Reports and state accounting system.</p>						