

FOR IMMEDIATE RELEASE

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**Independent Fiscal Office Releases
Long-Term Economic and Budget Outlook**

(Harrisburg) - - Independent Fiscal Office Director Matthew Knittel today announced the release of an updated long-term economic and budget outlook. The report, entitled *Pennsylvania's Economic & Budget Outlook: Fiscal Years 2013-14 to 2018-19*, provides data and analysis that policymakers and residents can use to assess the sustainability of current tax and spending policies. It is available for download on the office website (www.ifo.state.pa.us).

“The report finds that the Commonwealth faces a long-term structural deficit,” Knittel said. “Furthermore, policymakers will enter FY 2014-15 budget deliberations without the healthy beginning balances that have characterized the last three fiscal years.”

The report considers the demographic, economic, revenue and expenditure trends that may affect the Commonwealth's fiscal position over the next five years. Projections are made on a current-law and current-services basis. Major findings include:

- Recent budgets have been balanced by surplus funds carried over from FY 2010-11. Current-year expenditures have exceeded current-year revenues, and the surplus funds have been consumed steadily. By the end of the current fiscal year, those funds will be nearly exhausted.
- Mandated employer contributions for pensions and healthcare inflation continue to drive much of the expenditure growth in the five year projections.
- The Pennsylvania economy will expand, but at a moderate pace. Long-term demographic trends and continued tax base erosion will constrain revenue growth.
- The number of working-aged residents between ages 20 and 64 will remain flat between 2010 and 2020. The number of residents age 65 and over will increase by 29 percent over this same period. These demographic trends will diminish tax revenues and place additional pressure on expenditures such as Medical Assistance.

Act 120 of 2010 created the Independent Fiscal Office to provide revenue projections for use in the state budget process along with impartial and timely analysis of fiscal, economic and budgetary issues.

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