FOR IMMEDIATE RELEASE
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Independent Fiscal Office Releases Five-Year Economic and Budget Outlook

(Harrisburg) - - Director Matthew Knittel announced the release of the Independent Fiscal Office's five-year economic and budget outlook. The report, entitled *Economic & Budget Outlook: Fiscal Years 2019-20 to 2024-25*, is available for download on the office website (www.ifo.state.pa.us).

The report evaluates the demographic, economic, revenue and expenditure trends that will affect the Commonwealth's fiscal condition through fiscal year (FY) 2024-25 and includes a historical comparison of General Fund program expenditures and revenue trends. For the period FY 2014-15 through FY 2019-20, the data reveal that expenditures expanded at a rate of 4.0 percent per annum, or roughly 0.6 to 0.7 percentage points higher than average revenue growth of 3.3 percent per annum. "The growth rate differential represents the implied structural imbalance over the previous five fiscal years. Although annual state budgets were brought into balance using temporary one-time measures, the underlying structural imbalance remains and is carried forward into future years," Knittel said.

Updated revenue and expenditure estimates suggest policymakers could face a potential budget imbalance of $409 million in the current fiscal year. The imbalance grows to $1.33 billion in FY 2022-23, before declining to $1.06 billion in FY 2024-25. Overall, the results reflect an improved outlook compared to the prior year's report, as the imbalance falls by roughly $500 million by the end of the forecast window. The imbalance is described as "potential" because policymakers have various tools to control expenditures on a temporary or permanent basis.

Various factors affect projections of the Commonwealth's fiscal condition in the forecast period:

- The projections include mandatory (also referred to as the cost-to-carry) and non-mandatory expenditures. The potential imbalance grows to $669 million in FY 2020-21 and results in a surplus by FY 2024-25 if the financial statement incorporates a flat level of spending for non-mandatory expenditures.
- The report assumes that the state economy operates at its long-term capacity over the five-year budget window. Therefore, the economic forecast represents a "best case" scenario, as a recession is more likely than not to occur over the next five years.
- There will be relatively fewer working-age residents to support the needs of rapidly expanding retiree and elderly populations. The contraction of the working-age cohort suggests that real per capita tax levels for that age group must increase to keep pace with the anticipated increase in demand for healthcare and other services.

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Contact: Matthew Knittel, 717-230-8293
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