

# IFO Background and Recent Releases

Pennsylvania School Boards Association  
Innovation and Policy Institute



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# IFO Background and Major Releases

## **IFO starts in 2011. Primary duty to provide General Fund revenue estimates**

- Every January, May and June
- Economic trends and forecasts

## **Each November: Five-Year Outlook**

- General Fund revenues, expenditures, economics and demographics
- Long-term structural surplus or deficit for the state

## **Other Duties and Releases**

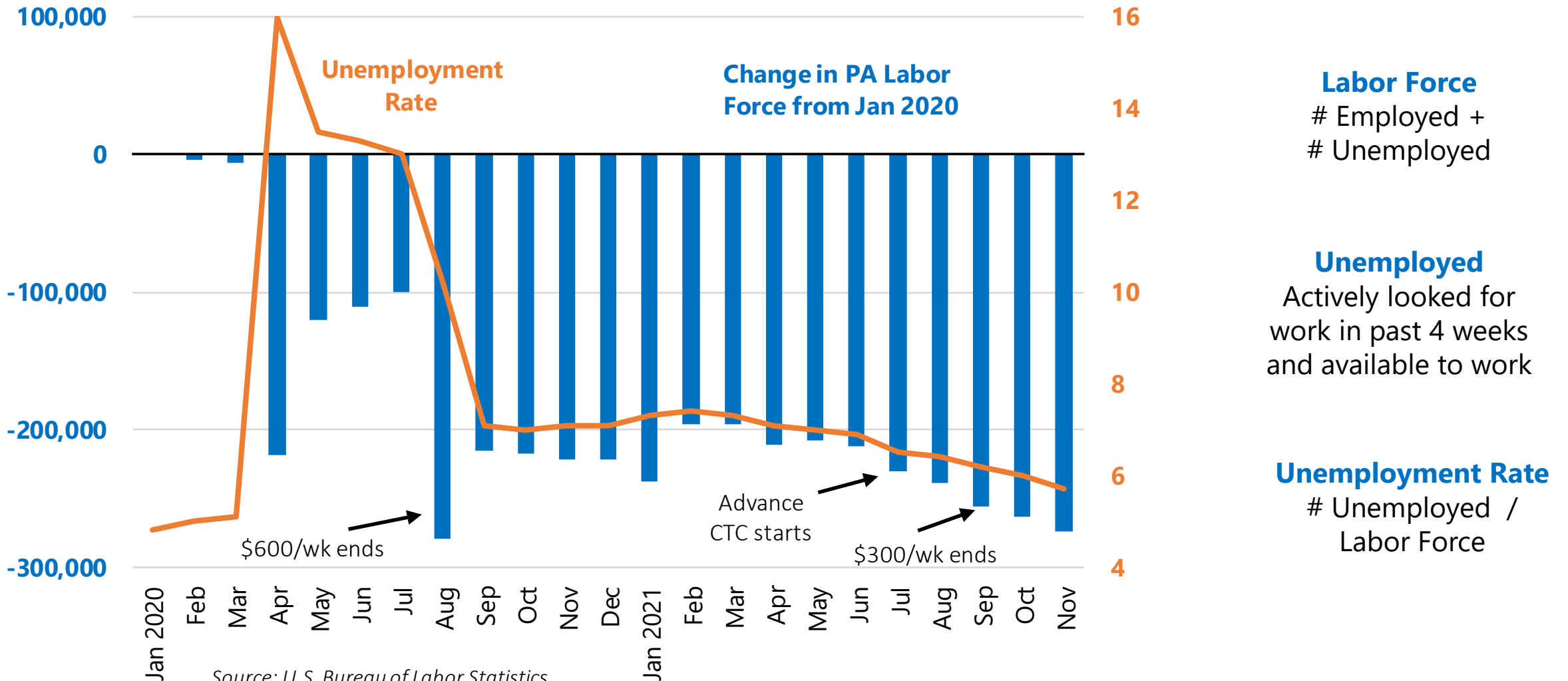
- Monthly releases: revenue collections, economic update
- Pensions: determine if actuarial note required prior to further consideration
- Property tax: forecasts and analysis depending on requests/data available
- Performance Based Budgets (PBB) and Tax Credit reviews
- Natural Gas: quarterly production reports, annual impact fee collections

# Latest Pennsylvania Demographic Forecast

Age Cohort	Number (000s)			Change (000s)		Avg. Ann. Growth	
	2010	2020	2030	10-20	20-30	10-20	20-30
0 to 19	3,173	3,005	2,879	-168	-126	-0.5%	-0.4%
20 to 64	7,566	7,506	7,188	-60	-318	-0.1%	-0.4%
65 to 79	1,343	1,862	2,200	520	338	3.3%	1.7%
80+	<u>620</u>	<u>629</u>	<u>823</u>	<u>9</u>	<u>194</u>	<u>0.1%</u>	<u>2.7%</u>
<b>Total</b>	<b>12,701</b>	<b>13,003</b>	<b>13,090</b>	<b>301</b>	<b>87</b>	<b>0.2%</b>	<b>0.1%</b>

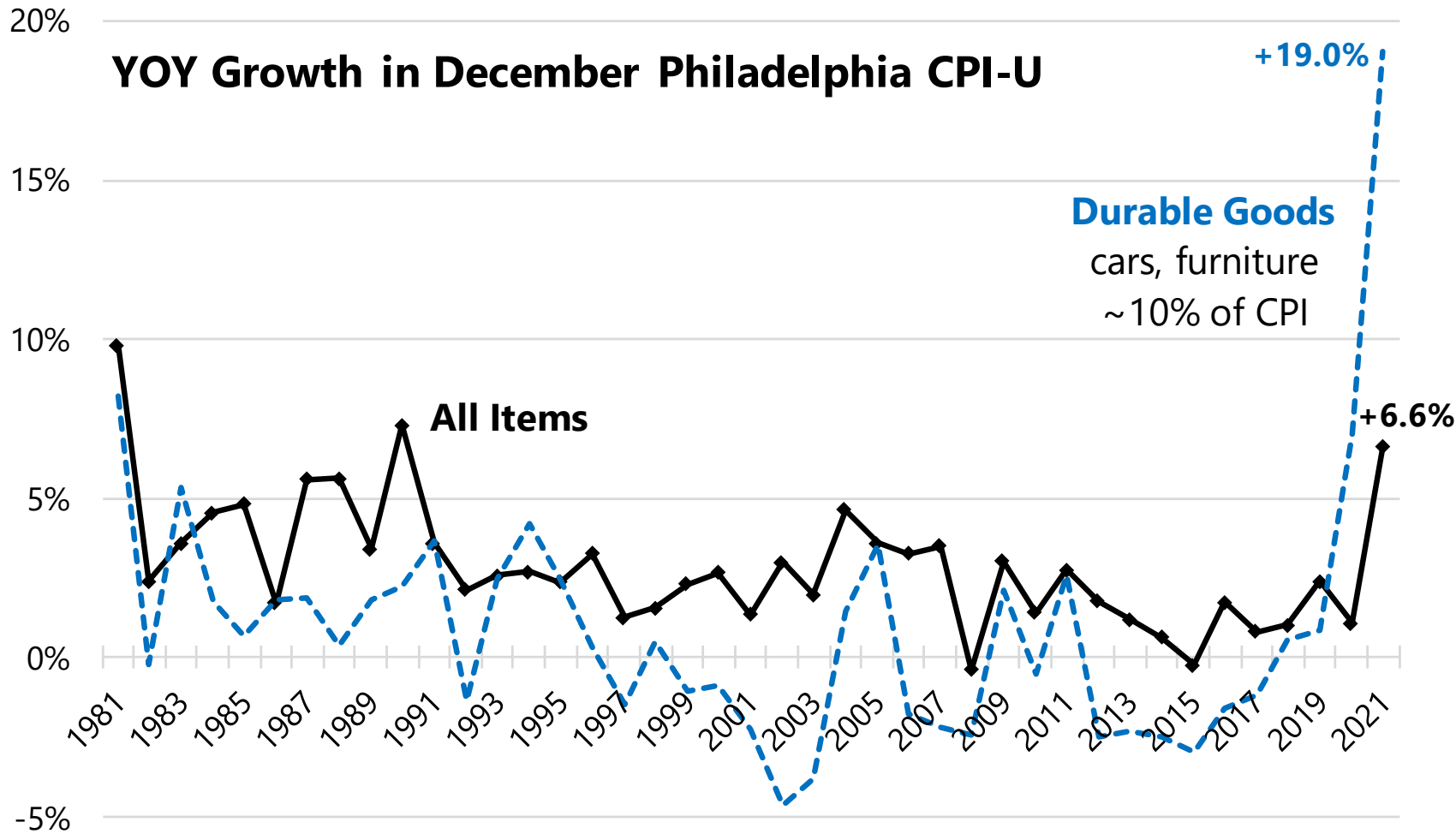
Source: U.S. Census Bureau. Updated for 2020 Decennial Census. Forecast by IFO. See "2021 Demographic Outlook" Nov. 2021.

# Economy: PA Labor Force Contraction Continues



Source: U.S. Bureau of Labor Statistics.

# Economy: Recent Acceleration of Inflation



**Very High**  
 Used Cars +38.1%  
 Gasoline +37.4%  
 Energy +25.1%  
 New Cars +22.4%

**Durable Goods**  
 cars, furniture  
 ~10% of CPI

**Relatively Low**  
 Education-Comm +1.9%  
 Medical Care +3.3%  
 Shelter +4.3%

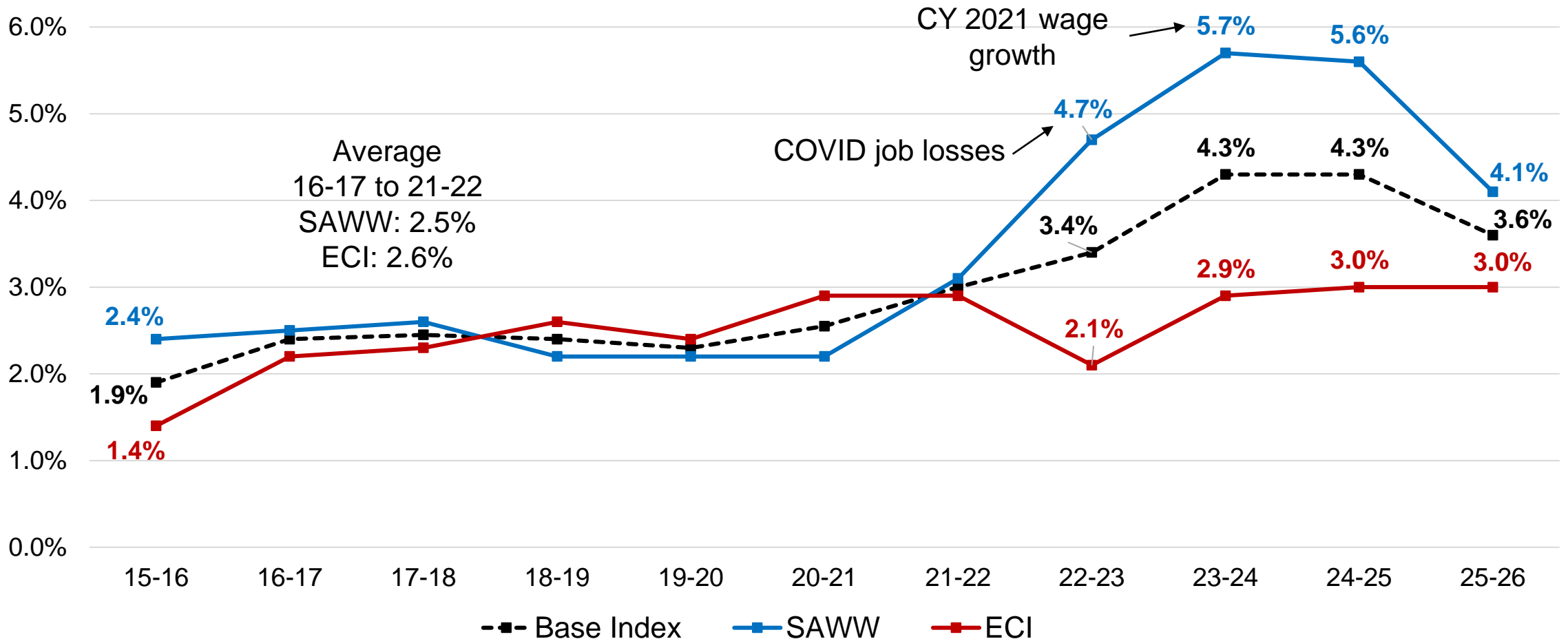
# School District Property Tax Forecast

	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
Current-Year	\$14,276	\$14,280	\$14,630	\$15,215	\$15,875	\$16,605	\$17,305
Growth Rate	2.5%	0.3%	2.5%	4.0%	4.3%	4.6%	4.2%
Act 1 Allocations <sup>1</sup>	534	535	535	535	535	535	535
Delinquent <sup>2</sup>	<u>506</u>	<u>500</u>	<u>610</u>	<u>620</u>	<u>630</u>	<u>650</u>	<u>680</u>
<b>Total</b>	<b>\$15,316</b>	<b>\$15,315</b>	<b>\$15,775</b>	<b>\$16,370</b>	<b>\$17,040</b>	<b>\$17,790</b>	<b>\$18,520</b>

Note: Millions of dollars.  
 1 Actuals through FY 2021-22. Estimated at \$535 million thereafter.  
 2 Reported by PDE for FY 2019-20. Estimated by IFO thereafter.

For more detail on forecast, see "School District Property Tax Forecast" (Nov 2021).

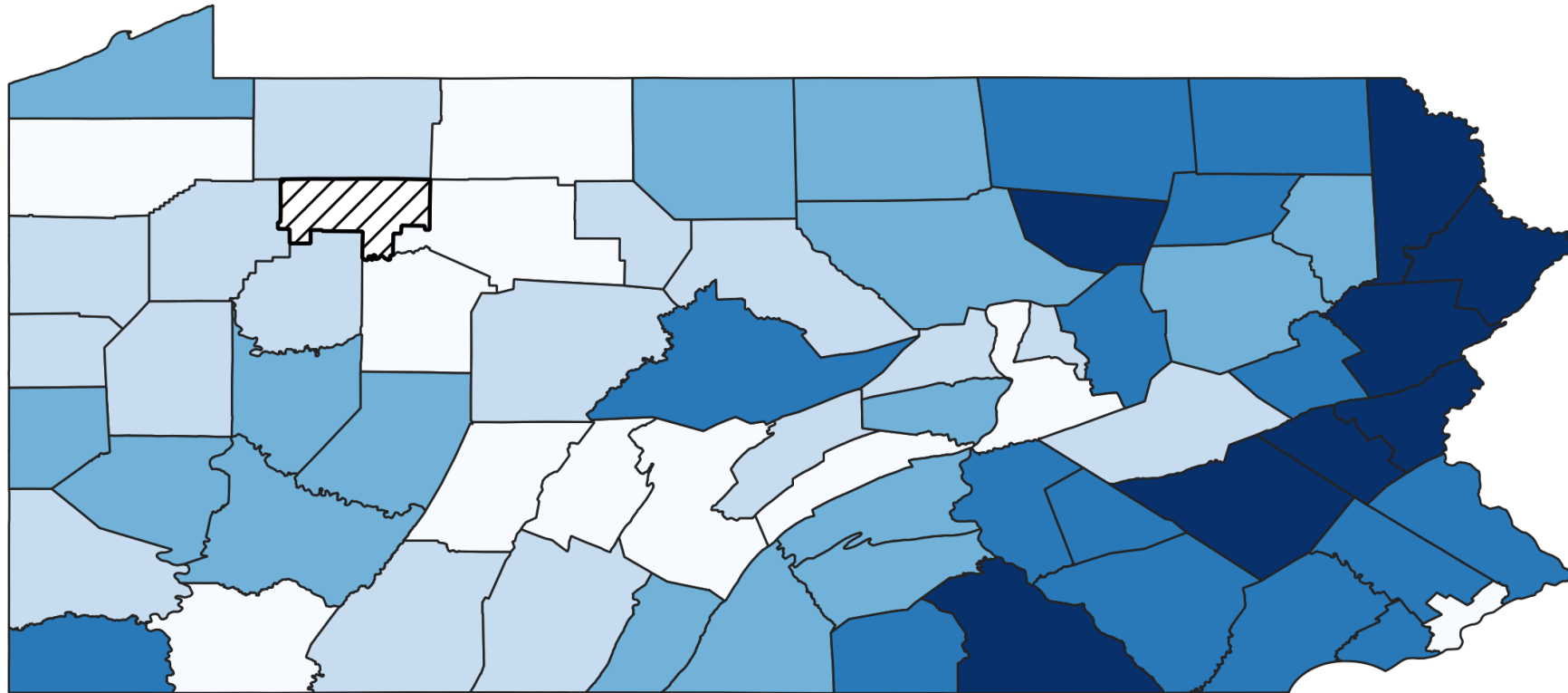
# Act 1 Index Components: Actual and Forecast



Sources: Index and components through 22-23 published by PDE. For later years, SAWW is projected by the IFO and ECI is projected by IHS Markit with minor adjustments by the IFO.



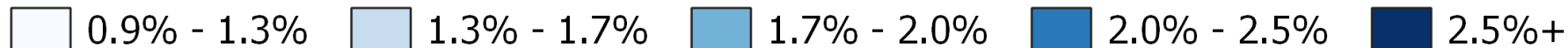
# School District Property Tax Burden by County



Property Tax Burden =  
All Property Tax /  
Total Income

Includes homeowners,  
renters, landlords,  
firms

See *Property  
Tax Burden by  
County* (Aug 2021)





# How Does PA Compare to Other States?

## State and Local Tax Burden: Average Tax Rate and Rank

	Property Tax		Personal Income		Sales and Use			
	Rank	ATR	Rank	ATR	Rank	ATR		
NJ	3	5.10%	NY	1	5.16%	OH	17	2.77%
NY	5	4.67	MD	3	4.26	NY	19	2.64
MI	19	3.08	DE	8	3.32	NC	27	2.42
VA	20	3.08	VA	12	3.03	WV	31	2.30
PA	26	2.87	WV	14	2.82	MI	38	1.96
OH	28	2.84	NC	16	2.71	NJ	39	1.95
MD	32	2.73	OH	17	2.65	PA	40	1.93
WV	40	2.32	PA	19	2.62	VA	42	1.55
NC	41	2.25	NJ	20	2.60	MD	43	1.47
DE	48	1.79	MI	32	2.18	DE	48	0.11
USw		3.17	USw		2.46	USw		2.53
USuw		3.06	USuw		2.22	USuw		2.44

Note: Average Tax Rate (ATR) 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).

Source: *State and Local Tax Revenues: A 50 State Comparison*, IFO (January 2022).

# PSERS Forecast

## Employer Pension Contributions (Commonwealth of PA)

Fiscal Year	18-19	19-20	20-21	21-22	22-23	23-24
Employer Contributions	\$2,488	\$2,628	\$2,702	\$2,734	\$2,902	\$2,999
Growth Rate	9.9%	5.6%	2.8%	1.2%	6.1%	3.3%
System Return	6.7%	1.1%	24.6%	7.0%	7.0%	7.0%
Employer Contribution Rate	33.4%	34.3%	34.5%	34.9%	35.3%	36.4%

Note: Millions of dollars.

State Contributions only. State share is ~57% of total contributions.