



*County Commissioners  
Association of Pennsylvania*

# PA Fiscal Update and Outlook

---

November 19, 2018

# Three Quick Updates

- Demographic projections and outlook (3 slides)
- Job creation and the PA labor force (3)
- FY 2019-20: a difficult budget year ahead (5)

*All material from IFO's Economic and Budget Outlook (November 2018).*

# PA Population Snapshots

Age	Number (000s)			Change (000s)		Avg. Growth	
	2010	2017	2025	2010-17	2017-25	2010-17	2017-25
0 to 19	3,172	3,009	2,892	-163	-117	-0.8%	-0.5%
20 to 64	7,576	7,517	7,265	-59	-251	-0.1%	-0.4%
65 to 79	1,343	1,665	2,107	322	442	3.1%	3.0%
80+	<u>620</u>	<u>615</u>	<u>693</u>	<u>-5</u>	<u>78</u>	<u>-0.1%</u>	<u>1.5%</u>
<b>Total</b>	<b>12,711</b>	<b>12,806</b>	<b>12,957</b>	<b>94</b>	<b>151</b>	<b>0.1%</b>	<b>0.1%</b>

Note: Average growth is the compound annual average growth rate over the time period.

Source: Historical data from U.S. Census Bureau. Forecast by IFO.

# County Population Growth: 2010-17

Age	Annual Average Population Growth Rate				
	Philly	Allegheny	Erie	Cumberland	Bradford
Under 20	-0.4%	-0.7%	-1.2%	0.5%	-1.1%
20 to 64	0.5%	-0.2%	-0.6%	0.4%	-0.9%
65+	<u>1.9%</u>	<u>1.4%</u>	<u>2.2%</u>	<u>3.0%</u>	<u>2.0%</u>
<b>Total</b>	<b>0.5%</b>	<b>-0.0%</b>	<b>-0.3%</b>	<b>0.8%</b>	<b>-0.4%</b>

Note: Rates are average rates from 2010 to 2017.  
Source: U.S. Census Bureau.

# PA Domestic Migration Statistics 2016

Age Group	Net Migration	State	Net Migration
0 to 19	23,796	New York	17,539
20 to 24	-16,632	New Jersey	16,304
25 to 39	3,367	Maryland	5,328
40 to 59	-9,259	Virginia	-2,304
60 to 69	-4,995	Florida	-18,424
70+	<u>-1,817</u>	All Other	<u>-23,983</u>
<b>Total</b>	<b>-5,540</b>	<b>Total</b>	<b>-5,540</b>

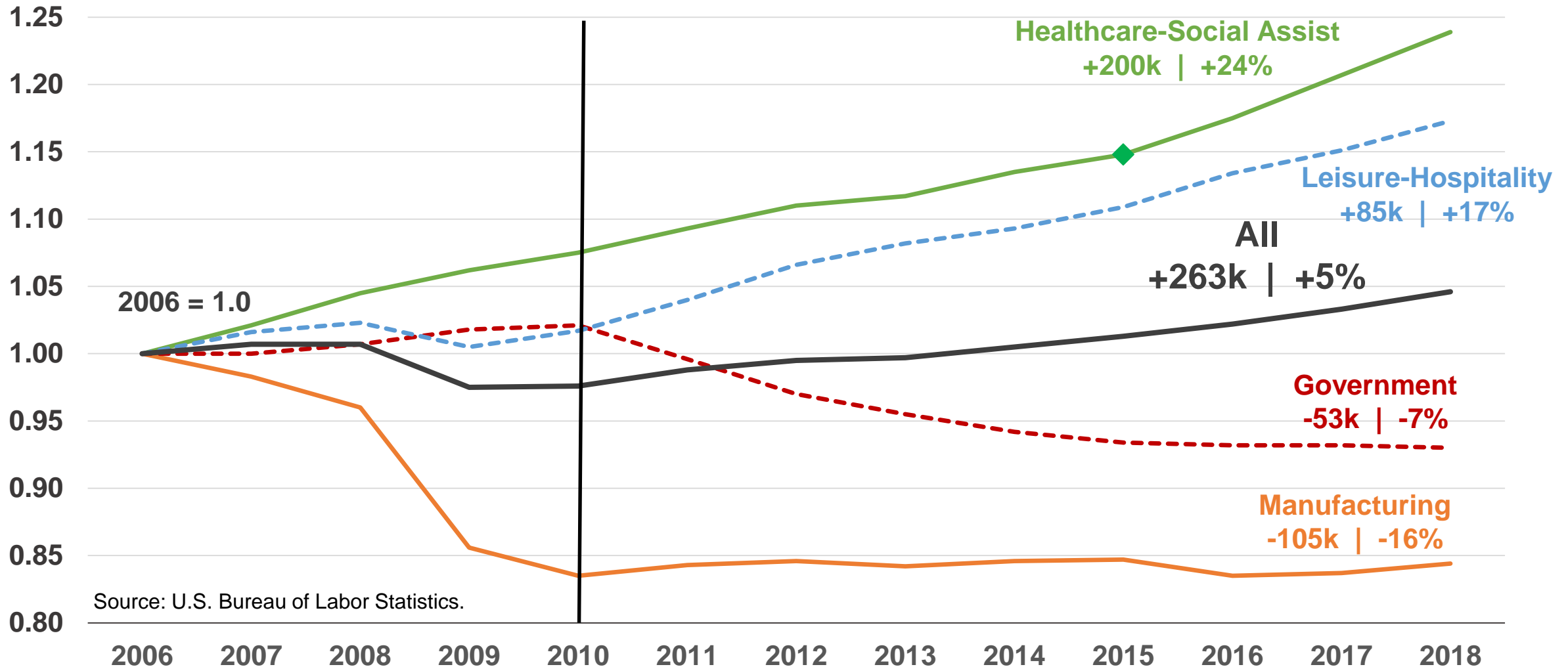
Source: U.S. Census Bureau. American Community Survey.

# PA Net Payroll Job Gains (000s)

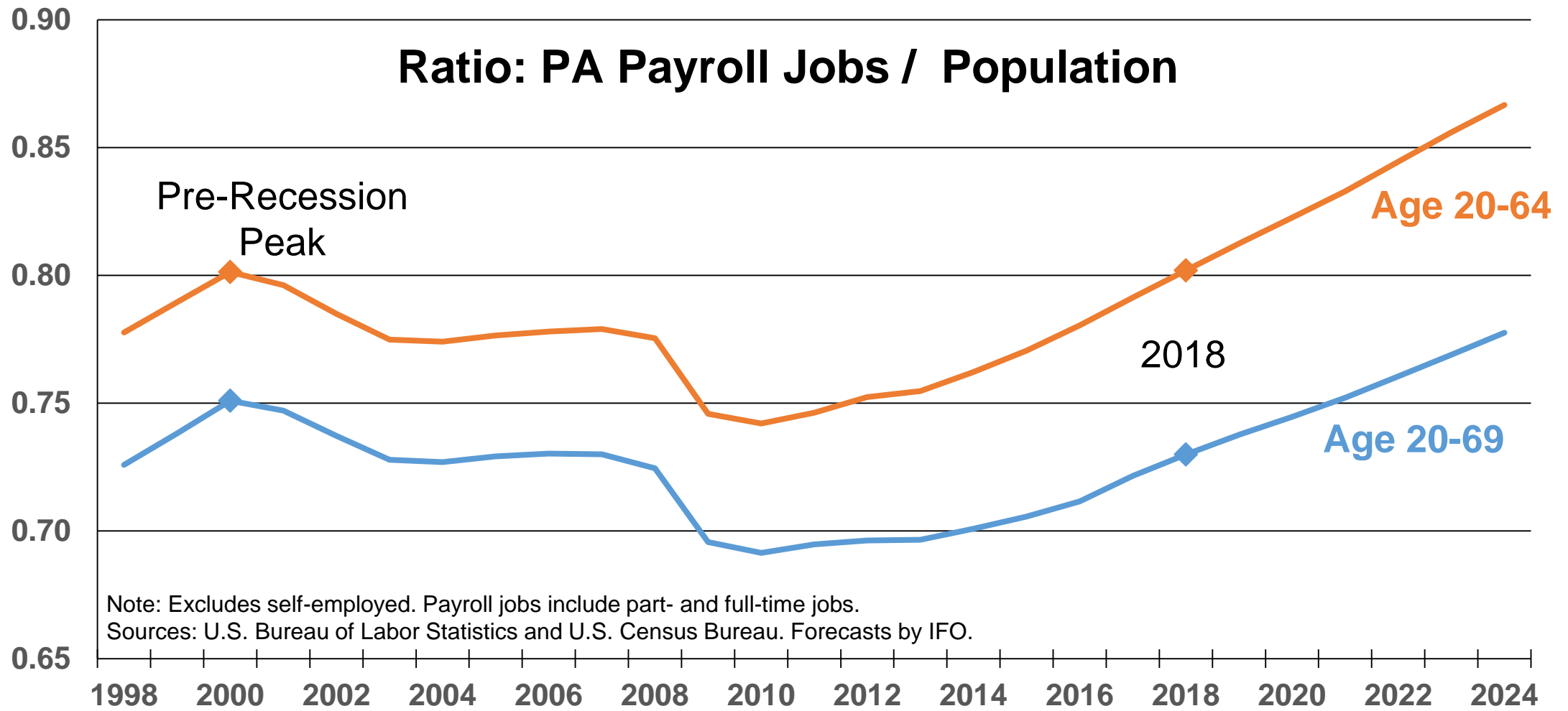
	2016	2017	2018
Wholesale-Retail	-3.8	-8.6	-6.9
All Government	-1.2	-0.1	-1.3
Manufacturing	-8.1	1.7	4.2
Construction	3.8	9.6	5.2
All Other Sectors	0.7	8.0	9.3
Transportation-Storage	9.5	8.0	9.5
Leisure-Hospitality	12.4	8.6	9.9
Professional-Business	13.9	8.7	11.9
Healthcare-Social	<u>22.6</u>	<u>26.9</u>	<u>25.1</u>
<b>Total Net Jobs</b>	<b>50.0</b>	<b>62.9</b>	<b>66.9</b>

Source: U.S. Bureau of Labor Statistics, Current Employment Statistics. Excludes self-employed. 2018 forecast by IFO.

# PA Jobs Creation Since 2006



# Will There Be Enough Workers?





# FY 18-19 Revenues Strong Thru October

	Gain Thru October	Notes
Corporate Net Income	+\$96	profit shifting, older tax years
Sales - Non-Motor	+\$67	very strong growth +8.7%
Sales - Motor Vehicle	+\$30	strong growth
Personal Income	-\$8	statewide wage growth is ~4%
Gaming Expansion	+\$1	see slide detail
Escheats	-\$55	much lower remittances
All Other	<u>+\$54</u>	realty transfer, inheritance, GRT
<b>Total Revision</b>	<b>+185</b>	Over IFO official estimate

Note: millions of dollars. Gains are relative to IFO official estimate released in June 2018.

# Sales-Use Tax Collection on Internet Sales

	15-16	16-17	17-18	18-19	19-20	20-21
<b>Sales-Use Tax (SUT)</b>	<b>\$8,448</b>	<b>\$8,638</b>	<b>\$8,989</b>	<b>\$9,535</b>	<b>\$9,916</b>	<b>\$10,243</b>
growth rate		2.2%	4.1%	<b>6.1%</b>	4.0%	3.3%
<b>Less: Internet SUT</b>	<b>230</b>	<b>295</b>	<b>400</b>	<b>565</b>	<b>640</b>	<b>685</b>
<b>Equals: Baseline SUT</b>	<b>8,218</b>	<b>8,343</b>	<b>8,589</b>	<b>8,970</b>	<b>9,276</b>	<b>9,558</b>
growth rate		1.5%	2.9%	<b>4.4%</b>	3.4%	3.0%

Note: millions of dollars. Non-motor vehicle sales tax only; excludes motor vehicle sales tax. Internet SUT represents impact of ecommerce/nexus, digital downloads and Act 43 of 2017. Forecasts by IFO.

# Gaming Expansion Estimates

	17-18	18-19	19-20	20-21	21-22
iGaming	\$0	<b>\$97</b>	\$8	\$9	\$9
Category 4 Casinos	127	5	12	8	9
Loan Repayment	17	20	0	0	0
Sports Wagering	0	<b>55</b>	28	29	30
All Other	<u>2</u>	<u>6</u>	<u>3</u>	<u>3</u>	<u>4</u>
<b>Total Revenue</b>	<b>145</b>	<b>182</b>	<b>51</b>	<b>49</b>	<b>51</b>
iLottery Profits	10	31	37	45	43

Note: millions of dollars. Forecasts by IFO.

# A Challenging Budget Year Ahead

	Fiscal Year (\$ billions)					
	18-19	19-20	20-21	21-22	22-23	23-24
Net Revenues + Lapses	\$32.9	\$33.9	\$35.2	\$36.3	\$37.0	\$38.3
growth rate		<b>3.0%</b>	3.7%	3.1%	2.1%	3.4%
Expenditures + Supplementals	-\$32.9	-\$35.6	-\$36.7	-\$37.7	-\$38.8	-\$39.9
growth rate		<b>8.2%</b>	3.2%	2.6%	2.9%	2.8%
<b>Current Year Differential</b>	<b>\$0.0</b>	<b>-\$1.7</b>	<b>-\$1.6</b>	<b>-\$1.4</b>	<b>-\$1.8</b>	<b>-\$1.6</b>

Note: billions of dollars. FY 2018-19 expenditures include a \$200 million supplemental appropriation. Net revenues deduct refunds and include lapses. Assumes future one-time measures are not utilized.

# Factors that Drive FY 19-20 Deficit

Cost Drivers	Dollar Amount
Managed Care Organization GRT Overage (FY 18-19)	\$351
One-Time Tobacco Master Settlement Agreement (FY 18-19)	342
PlanCon Increase	214
Workers' Compensation Security Fund Transfer Repayment	165
General Assistance Cash Grants	150
Community Healthchoices Regional Expansion	139
Lower FMAP – MA/CHIP (Medicaid expansion)	122
Less Tobacco Settlement Fund Support for DHS (revenue bond)	89
Motor License Fund Shift to General Fund (State Police)	<u>44</u>
<b>Total</b>	<b>1,616</b>

Note: millions of dollars.

# Points of Emphasis

## **Various long-term demographic concerns.**

- Declining birth rates. General aging of the state population.
- Possible contraction of the labor force.

## **Large increase in projected deficit next fiscal year.**

- Assumes no one-time measures are used (i.e., structural deficit).
- Many alternatives already used (e.g., gaming expansion).

## **Policymakers should consider recession scenarios.**

- Surveys: recession more likely than not next three years.
- Will federal government be able/willing to assist states?