Revenues and Spending Surge During Pandemic

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With the end of the fiscal year, pandemic General Fund revenue and spending growth can be assessed based on a comparison to the most recent pre-pandemic year (FY 2018-19). FY 2023-24 largely marks the final year that temporary federal monies will directly support state spending (excludes state savings) and prior stimulus funds will support consumer spending. For example, a recent blog by the Federal Reserve Bank of San Francisco found that consumers have exhausted any savings built up during the pandemic.[1] Most analysts now expect economic and revenue growth rates to revert to historical averages. Spending growth will be determined by discretionary spending decisions (e.g., education) and the expansion of populations that drive mandatory spending (e.g., Medicaid).

General Fund Revenues and Spending

	18-19	23-24	Growth
Revenues	**$34,858**	**$45,489**	**30%**
Personal Income	14,096	17,814	26%
Sales and Use	11,100	14,276	29%
Corporate Net	3,398	5,654	66%
Inheritance	1,054	1,639	56%
All Other Tax	4,410	4,485	2%
All Non-Tax	802	1,621	102%
Expenditures	**$33,402**	**$44,529**	**33%**
Human Services	12,802	18,059	41%
Education	13,748	17,403	27%
All Other	6,852	9,066	32%
Philly CPI-U (April)	**256.5**	**313.5**	**22%**

Note: Millions of dollars. Revenues exclude refunds of $1.31 (FY 18-19) and $2.00 (FY 23-24) billion and prior year lapses.

Sources: FY 18-19 from 2020-21 Governor's Executive Budget. FY 23-24 estimated by the IFO.

Over the past five years, General Fund revenues grew 30%. The growth in corporate net income tax (66%) was notable, and would have been higher (80%) without the rate reduction from 9.99% to 8.99% (2023) and 8.49% (2024). Inheritance tax revenue growth (56%) was also strong due to housing and stock market gains. All Other Tax revenues were largely flat (2%) due to a contraction in cigarette (-41%) and flat realty transfer tax revenues. Non-tax revenues surged due to an increase in Treasury collections from $72 million to $780 million, a result of high interest rates and General Fund surplus balances.

Total General Fund spending increased 33% over the five-year period. The Department of Human Services (DHS) was the primary driver, as that agency comprised 41% of the total for FY 2023-24, and also grew by 41%. Department of Education (PDE) spending grew by 27% and All Other agency spending grew by 32%. If the funding shift from the Motor License Fund to the General Fund for State Police is excluded ($395 million), then the growth rate for All Other falls to 27% and total spending to 32%.

The bottom of the table shows the Philadelphia CPI-U for April 2019 and April 2024 (latest data), which grew by 22% over the five-year period. Therefore, in real terms, General Fund revenues and spending expanded (8% and 11%, respectively). For FY 2024-25, the Independent Fiscal Office projects revenue growth of 1.1% and inflation of 3.0%, a revenue contraction in real terms. That outcome is attributable to the on-going corporate rate reduction, a partial reversion from unusually high Treasury collections ($780 to $600 million), normal contraction in cigarette tax collections and a timing issue that impacts gross receipts taxes.

[1] See Pandemic Savings are Gone: What's Next for U.S. Consumers?, Federal Reserve Bank of San Francisco (May 2024).