Independent Fiscal Office

Official Revenue Estimate

FY 2024-25

June 2024

Independent Fiscal Office

Rachel Carson State Office Building
400 Market Street
Harrisburg, PA 17105

717-230-8293 | contact@ifo.state.pa.us | www.ifo.state.pa.us

Staff Acknowledgements

Stacey Knavel, Principal Revenue Analyst
Karen Maynard, Fiscal Analyst III
Mathieu Taylor, Fiscal Analyst III
Joseph Shockey, Fiscal Analyst II
Jesse Bushman, Fiscal Analyst II
Robyn Toth, Fiscal Analyst/Communications
Rachel Flaugh, Fiscal Analyst I
Frank Lill, Fiscal Analyst I

INDEPENDENT FISCAL OFFICE

June 20, 2024

The Honorable Members of the Pennsylvania General Assembly:

The Independent Fiscal Office submits this official revenue estimate in accordance with Sections 604-B (a)(1) and 605-B (b.1) of the Administrative Code of 1929. This report provides revenue estimates for fiscal year (FY) 2023-24 and FY 2024-25, and supersedes the initial revenue estimate released on May 20, 2024.

This report contains estimates for unrestricted General Fund and Motor License Fund revenues that may be considered for appropriation in the General Appropriations Act. Estimates for the Lottery Fund represent net revenues after the deduction of certain expenses. Federal funds subject to General Fund appropriation are stated separately. A separate report that describes the methodologies used to produce the various revenue estimates included in this report will be posted to the office website.

Questions or comments regarding the contents of this report are welcome and can be submitted to contact@ifo.state.pa.us.

Sincerely,

Matthew J. Knittel

Matthew J. Knittel
Director

- This page intentionally left blank. -

Economic Forecast

The economic forecast used for this revenue estimate assumes modest real economic growth and elevated inflation relative to historical rates. The forecast does not assume a recession occurs in calendar years 2024 or 2025. However, there are notable factors that could slow economic growth during the upcoming fiscal year. These include: (1) the federal deficit and impact on interest rates, (2) expiration (end of 2025) of federal tax cuts under the Tax Cuts and Jobs Act (TCJA), (3) uncertainty related to the federal election in November 2024 and on-going international conflicts and (4) consumer stress due to past inflation now embedded in current prices. Recently, both Federal Reserve Chair Powell and Congressional Budget Office Director Swagel opined that the federal government was on an "unsustainable" fiscal trajectory due to structural deficits and rapidly increasing interest payments. That observation ties in directly to the TCJA tax cuts that will expire in 18 months. The U.S. Joint Committee on Taxation estimates that the expiration will increase federal tax revenues by roughly $340 billion for tax year 2026 (individual income tax provisions only). If Pennsylvania represents 4% of that total, that implies a nearly $14 billion increase in federal tax liability for state residents. It is not clear when policymakers will address the expiration, and by extension, if any policies could impact tax revenues next fiscal year.

Pennsylvania Economic Forecast

Table 1.1 displays the economic forecast used for this revenue estimate. The forecast projects that:

- Real GDP (gross domestic product, excludes inflation) expands by 1.3% (2024) and 1.4% (2025).
- The Philadelphia CPI-U increases by 3.5% and 2.5%.
- Wages and Salaries paid increase by 4.1% and 3.9%.
- Payroll Employment expands by 40,000 (annual average) and 37,000 net payroll jobs.

Table 1.1
Pennsylvania Economic Forecast

	Latest Data	2021	2022	2023	2024	2025
Real GDP	2023 Q4	3.8%	1.0%	2.2%	1.3%	1.4%
Wages and Salaries	2023 Q4	7.3%	7.7%	5.5%	4.1%	3.9%
Change Payroll Jobs (000s)	2024 Q1	155	224	102	40	37
Philadelphia CPI-U	April 2024	4.0%	7.9%	4.4%	3.5%	2.5%

Note: Payroll jobs exclude self-employed and independent contractors. Unshaded values are final. Blue shading is an estimate based on preliminary or partial-year data. Red shading is a forecast.
Source: U.S. Bureau of Economic Analysis and U.S. Bureau of Labor Statistics. All forecasts by IFO.

Pennsylvania Quarterly Economic Trends

Table 1.2 displays the latest quarterly data for the state economy and the year-over-year (YOY) growth rate or change. (An exception is Real GDP, which is the quarterly annualized growth rate.) The data show the following recent trends:

- Real GDP increased by 3.8% in 2023 Q4 (latest data available). Real GDP data are published with a considerable lag. All values shown in the table are preliminary and could be revised substantially.
- Wage and salary growth decelerated in 2024 Q1, but withholding tax data through June suggest continued solid gains. The forecast projects modest deceleration for the rest of the year.
- The latest reading for the Philadelphia CPI-U (April 2024) shows YOY growth of 4.1%, a notable uptick from February 2024 (3.4%). The uptick is largely due to energy (gasoline, electricity and natural gas) and rent of primary residences.
- The state housing market remains tight due to an on-going lock-in effect. In a March staff working paper, the Federal Housing Finance Agency found that for every percentage point that current mortgage rates exceed the origination interest rate (rate on the existing mortgage), the probability of sale declined by 18.1%.[1] The paper found that the lock-in effect reduced home sales by 57% in 2023 Q4. For 2023, Pennsylvania home sales were the lowest since 1990 (earliest data point).
- The state labor market also remains tight by historical standards. For April 2024, YOY payroll jobs grew by 81,000 and the unemployment rate was 3.4%.

Table 1.2
Pennsylvania Latest Quarterly Data

	2023.1	2023.2	2023.3	2023.4	2024.1	2024.2
Macroeconomics						
Real GDP	0.8%	2.3%	5.6%	3.8%	--	--
Wages and Salaries	6.4%	5.1%	4.6%	6.0%	4.5%	4.2%
CPI-U - All Items	6.9%	3.9%	3.9%	3.7%	3.4%	4.1%
Housing Market						
FHFA Home Value Index	5.1%	5.3%	7.9%	6.9%	5.7%	--
RedFin Home Sales	-21.6%	-18.8%	-18.1%	-5.5%	-4.1%	--
30-Yr Mortgage Rate	6.37%	6.51%	7.04%	7.30%	6.80%	7.05%
Labor Market						
Unemployment Rate	3.7%	3.3%	3.3%	3.4%	3.4%	3.4%
Change Payroll Jobs (000s)	140	104	81	85	72	81
Change All Jobs (000s)	86	82	97	96	78	82

Note: All growth rates or changes are year-over-year except Real GDP, which is quarterly annualized. CPI-U reflects the Philadelphia CPI-U. Labor market data are seasonally adjusted. Mortgage rates are average for quarter. 2024 Q1 Wages and Salaries growth rate based on withholding revenues. All 2024 Q2 data based on preliminary data for April.

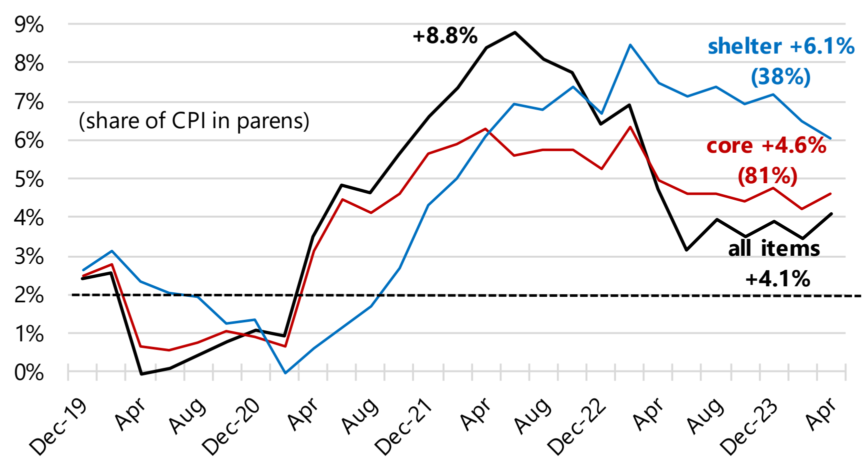
Source: U.S. Bureau of Economic Analysis, U.S. Bureau of Labor Statistics, FHFA, RedFin and Freddie Mac.

[1] See: "The Lock-In Effect of Rising Mortgage Rates," Federal Housing Finance Agency, Working Paper 24-03 (March 2024).

Philadelphia Consumer Price Index (CPI) Trends

Figure 1.1 shows the YOY growth in the Philadelphia CPI-U for December 2019 to April 2024 (latest data). Overall inflation peaked at 8.8% in June 2022, then consistently decelerated through June 2023 (3.1%). Since then, inflation has largely fluctuated between 3.4% and 3.8%, proving more entrenched than assumed by the Federal Reserve and delaying anticipated cuts to the Federal Funds rate.

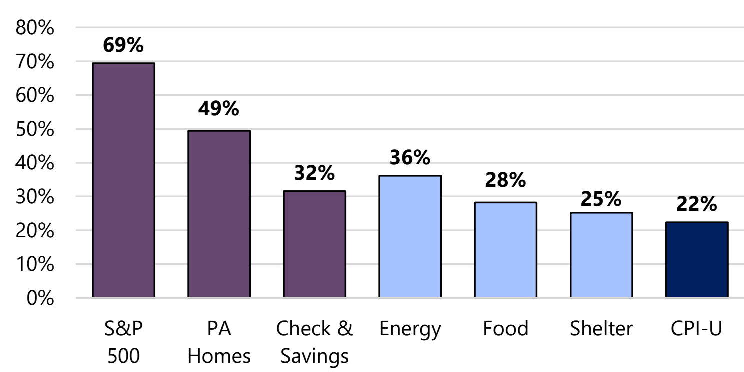
Figure 1.1
Annual Growth in Philadelphia CPI-U



Core CPI-U excludes food and energy and comprises 81% of the overall measure. That measure has decelerated recently, largely due to the downward trend in the shelter component (blue line). The shelter component comprises 38% of the CPI-U and continues to decelerate but remains elevated relative to nearly all other components.

Figure 1.2 shows the cumulative growth in three wealth metrics and certain components of the CPI-U from December 2019 to the latest data point. Over this time period, consumer prices increased significantly, but asset prices inflated even more, so that middle- and upper-income consumers (especially homeowners who refinanced) are able to maintain purchasing power. Relative to December 2019:

Figure 1.2
Asset Inflation Exceeds CPI-U Growth



- The S&P 500 Index expanded by 69% (through June 17, 2024). The average Pennsylvania home value increased by 49% (2024 Q2), and U.S. checking-savings account balances (includes money market accounts) expanded by 32% (May 2024).
- Removing the energy and food components yields the core CPI-U. Through May 2024, the energy (gasoline, electricity and natural gas, 36%) and food (28%) components are higher than the overall CPI-U.
- The large shelter component (+25%) is moderately higher than the overall CPI-U (+22%). Not shown are CPI components with subdued growth, such as medical care (+7%, out-of-pocket consumer costs only) and education-communication (+4%).

Consumer Spending and Debt

The U.S. Bureau of Economic Analysis does not publish timely data for consumer purchases at the state level, and sales tax revenues are the best real-time metric for consumer spending. **Table 1.3** displays recent data for sales and use tax (SUT) collections (2024 Q2 is an estimate) and consumer debt. After a weak 2023 Q4, non-motor vehicle SUT collections reaccelerated in 2024 Q1. For 2024 Q2, the forecast estimates moderate growth for non-motor vehicle revenues (2.6%) and a rebound (4.1%) from the first quarter contraction for motor vehicle SUT due to a strong April (17.5%).

On May 14, 2024, the Federal Reserve Board of New York released its 2024 Q1 quarterly report on consumer debt. Those data show that the year-over-year increase in per capita debt for Pennsylvania consumers was 0.4% for auto loans, 10.0% for credit cards and 0.7% for mortgage debt (includes home equity loans). Mortgage debt by far is the largest component, comprising two-thirds of total consumer debt. The modest growth, and recent contraction, in mortgage debt reflects record low home sales the past two years (and commensurate retained home equity gains). Data from S&P Global show that in 2023, Pennsylvania's existing home sales reached their lowest level since 1990 (earliest year of data). The data reflect the severe lock-in effect from current mortgage rates that exceed most existing mortgages by up to 3 to 4 percentage points. The modest growth in mortgage debt provides significant support to consumer purchases.

Data for U.S. credit card balances are published monthly by the Federal Reserve Board. These data show continued strong growth in credit card debt, at 7.6% YOY for 2024 Q1 and 7.2% for 2024 Q2 (estimate). Nominal debt balances are now at an all-time high. However, real debt balances, which control for inflation, are similar to levels observed prior to the pandemic. Hence, much of the debt increase appears to be driven by inflation.

Table 1.3
Sales and Use Tax Trends and Data

	YOY Growth Rate				
	2023.2	2023.3	2023.4	2024.1	2024.2
Sales and Use Tax					
Non-Motor Vehicle	1.7%	1.8%	0.3%	4.5%	2.6%
Motor Vehicle	-0.1%	-3.0%	-1.0%	-7.7%	4.1%
Consumer Debt					
PA Auto Loans	3.3%	3.5%	3.8%	0.4%	--
PA Credit Cards	13.2%	14.2%	12.0%	10.0%	--
PA Mortgage Debt	3.2%	1.7%	-1.4%	0.7%	--
U.S. Credit Cards	11.4%	10.7%	8.8%	7.6%	7.2%

Note: All growth rates are year-over-year (YOY). PA Mortgage includes home equity loans. 2024.2 data are estimates.
Source: Federal Reserve Board of New York and Federal Reserve Board.

Official Revenue Estimate

This section provides revised revenue estimates for FY 2023-24 and official estimates for FY 2024-25 for the General Fund, Motor License Fund, Lottery Fund and federal funds subject to appropriation. The subsequent pages provide detail on the projected amounts and growth rates for those funds. For this official revenue estimate, all projections are made on a "current law" basis and exclude any statutory changes or administrative actions proposed in the *Governor's 2024-25 Executive Budget*.

General Fund

The Independent Fiscal Office (IFO) released its official FY 2023-24 General Fund revenue estimate ("official estimate") of $45.20 billion in June 2023 (later adjusted for tax law changes enacted in December 2023). Through May, total collections have largely met expectations, with strong Treasury (+$265 million), gross receipts tax (+$196 million) and non-motor vehicle SUT (+$254 million) collections more than offsetting weakness in personal income tax (PIT) quarterly (-$272 million), PIT annual (-$123 million) and realty transfer tax (-$106 million) payments. Based on year-to-date revenue collections and projections for the remainder of the fiscal year, the revised estimate for FY 2023-24 is $45.49 billion, $288 million (+0.6%) above the official estimate. (See **Table 2.1**.) Significant revisions to the FY 2023-24 forecast include:

- Corporate net income tax (CNIT) collections are expected to fall short of the official estimate by $45 million. The revision is largely attributable to lower estimated payments for tax year (TY) 2024, as many corporations appear to have been in an overpayment position at the end of TY 2023.
- The revised non-motor SUT estimate is $280 million higher than the official estimate, primarily due to: (1) higher prices (inflation), (2) strong retail sales from dining out and (3) online shopping.
- Gross receipts tax collections are expected to exceed the official estimate by $196 million, the result of strong payments for TY 2023 (final) and TY 2024 (estimated) for both the electric and telecom sectors.
- Treasury revenues continue to significantly outperform expectations and are projected to exceed the official estimate by $292 million due to unprecedented General Fund balances and historically high interest rates.
- The General Fund also received a boost from escheats collections, which are expected to exceed the official estimate by $116 million for the year.

For FY 2024-25, the official estimate is $45.97 billion, an increase of $480 million (1.1%) from the current fiscal year. (See **Table 2.2**.)

Table 2.1
Adjustment to Revenue Estimate for FY 2023-24

	June 2023 Estimate		June 2024 Estimate		Dollar
	Amount	Growth	Amount	Growth	Change
Total General Fund	**$45,201**	**0.6%**	**$45,489**	**1.3%**	**$288**
Total Tax Revenue	**43,999**	**0.5**	**43,868**	**0.2**	**-131**
Total Corporation Taxes	**7,783**	**-5.7**	**8,032**	**-2.7**	**249**
Corporate Net Income	5,699	-7.2	5,654	-8.0	-45
Gross Receipts	1,194	1.1	1,390	17.7	196
Utility Property	46	0.3	44	-3.6	-2
Insurance Premiums	499	-4.3	542	3.9	43
Financial Institutions	345	-5.7	401	9.7	56
Total Consumption Taxes	**15,443**	**0.1**	**15,560**	**0.9**	**117**
Sales and Use	14,065	0.3	14,276	1.8	211
Non-Motor	12,651	0.1	12,931	2.3	280
Motor	1,414	2.2	1,345	-2.8	-69
Cigarette	732	-5.3	665	-13.9	-67
Other Tobacco Products	160	4.7	146	-4.1	-14
Malt Beverage	23	0.3	21	-4.6	-2
Liquor	464	2.9	451	0.1	-13
Total Other Taxes	**20,773**	**3.4**	**20,276**	**0.9**	**-497**
Personal Income	18,273	3.7	17,814	1.1	-459
Withholding	13,226	4.6	13,195	4.4	-31
Quarterly	2,771	3.0	2,477	-7.9	-294
Annual	2,277	-0.7	2,142	-6.6	-135
Realty Transfer	649	0.7	537	-16.6	-112
Inheritance	1,526	0.1	1,639	7.5	113
Gaming	389	6.6	372	1.9	-17
Minor and Repealed	-64	2.4	-86	-31.5	-22
Total Non-Tax Revenue	**1,202**	**5.4**	**1,621**	**42.1**	**419**
State Store Fund Transfers	185	0.0	185	0.0	0
Licenses and Fees	165	4.7	168	6.9	3
Treasury	488	8.0	780	72.5	292
Escheats	204	2.9	320	61.3	116
Other Miscellaneous	96	17.0	102	23.8	6
Fines, Penalties & Interest	64	-3.1	67	1.2	3

Note: Figures in dollar millions. Detail may not sum to total. Growth rates based on unrounded amounts.

Table 2.2
General Fund Revenue Estimate for FY 2024-25

	Estimated 2023-24		Projected 2024-25	
	Amount	Growth	Amount	Growth
Total General Fund	**$45,489**	**1.3%**	**$45,969**	**1.1%**
Total Tax Revenue	**43,868**	**0.2**	**44,569**	**1.6**
Total Corporation Taxes	**8,032**	**-2.7**	**7,678**	**-4.4**
Corporate Net Income	5,654	-8.0	5,425	-4.1
Gross Receipts	1,390	17.7	1,230	-11.5
Utility Property	44	-3.6	44	0.0
Insurance Premiums	542	3.9	570	5.0
Financial Institutions	401	9.7	408	1.7
Total Consumption Taxes	**15,560**	**0.9**	**15,841**	**1.8**
Sales and Use	14,276	1.8	14,606	2.3
Non-Motor	12,931	2.3	13,232	2.3
Motor	1,345	-2.8	1,374	2.2
Cigarette	665	-13.9	600	-9.9
Other Tobacco Products	146	-4.1	150	2.4
Malt Beverage	21	-4.6	21	0.0
Liquor	451	0.1	465	3.0
Total Other Taxes	**20,276**	**0.9**	**21,050**	**3.8**
Personal Income	17,814	1.1	18,479	3.7
Withholding	13,195	4.4	13,707	3.9
Quarterly	2,477	-7.9	2,541	2.6
Annual	2,142	-6.6	2,231	4.2
Realty Transfer	537	-16.6	594	10.7
Inheritance	1,639	7.5	1,693	3.3
Gaming	372	1.9	381	2.4
Minor and Repealed	-86	-31.5	-97	-13.0
Total Non-Tax Revenue	**1,621**	**42.1**	**1,400**	**-13.7**
State Store Fund Transfers	185	0.0	185	0.0
Licenses and Fees	168	6.9	158	-5.9
Treasury	780	72.5	600	-23.0
Escheats	320	61.3	327	2.3
Other Miscellaneous	102	23.8	61	-40.2
Fines, Penalties & Interest	67	1.2	68	2.4

Note: Figures in dollar millions. Detail may not sum to total. Growth rates based on unrounded amounts.

The text that follows provides a brief description of the factors that motivate trends across certain revenue sources for FY 2023-24 and FY 2024-25.

Corporate Net Income

The revised CNIT estimate for FY 2023-24 is $5.65 billion. The estimate reflects a reduction of $45 million from the official estimate and is $0.49 billion lower than the prior fiscal year. For FY 2024-25, the official estimate is $5.43 billion, a decline of 4.1% from FY 2023-24. The first estimated payment for tax year 2024 (March) was unusually weak (-30% from prior year), as many corporations appear to have been in an overpayment position to end TY 2023, likely due to the 1.0 percentage point reduction in the corporate tax rate that was only partially reflected in the four estimated payments made during 2023. As a result, corporate refunds for January to April 2024 have been unusually strong, and overpayment credits carried into tax year 2024 (which would reduce the March 2024 estimated payment) were likely high too. The second estimated payment for tax year 2024 (June) declined by only 10% (preliminary), as it appears that the overpayments have now largely been applied or refunded. The forecast assumes that corporate profits expand by 2.0% in CY 2024. Therefore, the projected contraction in CNIT revenues for next fiscal year is driven by the phased-in rate reduction schedule: 9.99% (TY 2023), 8.99% (2024) and 8.49% (2025). For FY 2024-25, the continued phase-in of the rate cut reduces revenues by approximately $400 million from the prior fiscal year.

Sales and Use

The revised non-motor vehicle SUT estimate for FY 2023-24 is $12.93 billion, an increase of $280 million from the official estimate. Revised non-motor vehicle collections for FY 2023-24 represent an annual increase of 2.3%, a notable deceleration from FY 2022-23 (+4.7%). National data show that growth in retail sales has decelerated in recent months. May retail sales (advance) increased by 2.3% from the prior year, a slowdown from April (2.7%) and March (3.6%). For January to April 2024, consistent strength in sales at food services and drinking places (generally taxable, +5.5%) and nonstore retailers (online shopping, +8.5%) offset weakness in other sectors (e.g., furniture and home furnishing stores (-9.8%) and building material and supplies dealers (-4.1%)).

For motor vehicle SUT, the FY 2023-24 revised estimate is $1.34 billion, a decrease of $69 million from the official estimate. Motor vehicle collections were likely constrained by (1) deceleration in new vehicle inflation, (2) used vehicle price deflation and (3) a pullback in purchases due to higher interest rates. According to J.D. Power, the industry continues to produce more vehicles than are being sold, leading to rising inventories and declining transaction prices.[2]

For FY 2024-25, the forecast projects that non-motor vehicle SUT revenues will increase by $301 million (2.3%), and motor vehicle SUT revenues will increase by $29 million (2.2%).

[2] J.D. Power Automotive Forecast, May 2024. See: https://www.jdpower.com/business/press-releases/jd-power-global-data-forecast-may-2024.

Personal Income

The revised PIT estimate for FY 2023-24 is $17.81 billion, which is $459 million lower than the official estimate, and an increase of 1.1% over the prior fiscal year. The downward revision is due primarily to non-withheld revenues (-$293 million in quarterly and -$135 million in annual payments), and most of that revision is attributable to unexpected weakness in payments for TY 2023. The revised FY 2023-24 estimate for withholding is $30 million below the official estimate.

For FY 2024-25, the forecast projects $18.48 billion in PIT collections, an increase of 3.7% from the prior year. Withholding is expected to increase by 3.9%, and non-withheld revenues are projected to increase by 3.3%.

Realty Transfer

The revised realty transfer tax estimate for FY 2023-24 is $537 million, $112 million less than the official estimate, and a decline of 16.6% from the prior fiscal year. The revision is largely driven by unexpectedly weak home sales due to (1) rapid home price appreciation and high interest rates (i.e., lower home affordability) and (2) limited housing stock as owners who locked into historically low mortgage rates in 2020 and 2021 remain reluctant to sell. For 2023, data from S&P Global show that Pennsylvania sales of existing homes reached its lowest level since 1990 (earliest data point.) For FY 2024-25, collections are projected to increase 10.7%, as home sales rebound while housing prices level off.

Other Revenue Sources

Other notable items for FY 2023-24 and FY 2024-25 revenues include:

- Consistent with prior year estimates, cigarette tax collections are reduced by $115 million for debt service related to the Tobacco Settlement Bonds.
- Gross receipts tax collections decline in FY 2024-25 as taxpayers are expected to revert to more normal payment patterns under which estimated payments made for the current tax year comprise a larger share of total payments.
- The revised gaming estimate for FY 2023-24 is $372 million, an increase of 1.9% from the prior fiscal year. For FY 2024-25, gaming revenues are expected to increase to $381 million (+2.4%).
- The revised FY 2023-24 Treasury estimate of $780 million is expected to decline to $600 million for FY 2024-25, as the Federal Reserve gradually reduces the federal funds rate, and the General Fund balance declines under the current operating deficit. Going forward, each $1 billion decline in the General Fund balance (at current rates) results in a $50 million revenue reduction, while each 1.0 percentage point drop in interest rates (at the current balance) results in a $150 million revenue reduction.
- The FY 2024-25 estimate assumes that $185 million will be available for transfer from the State Stores Fund to the General Fund.

Motor License Fund

The Motor License Fund (MLF) includes various excise taxes levied on a per-gallon basis and revenue from licenses and registration fees. Based on actual collections through May 2024 and projections for the remainder of the fiscal year, the revised FY 2023-24 estimate is $3.17 billion, an increase of 7.0% from the prior year and $34 million above the official estimate.

Table 2.3
Motor License Fund Summary

	Estimated 2023-24		Projected 2024-25	
	Amount	**Growth**	**Amount**	**Growth**
Total Motor License Fund	**$3,166**	**7.0%**	**$3,067**	**-3.1%**
Liquid Fuels Taxes	**1,771**	**-0.2**	**1,725**	**-2.6**
Oil Company Franchise	957	0.4	931	-2.7
Act 89 OCFT - Liquid Fuels	507	1.4	488	-3.7
Act 89 OCFT - Fuels	143	-0.9	144	0.8
Other Liquid Fuels Taxes	164	-7.5	162	-1.0
Motor Licenses and Fees	**1,283**	**14.8**	**1,261**	**-1.7**
Vehicle Registration & Titling	949	14.5	953	0.5
Registration Other States - IRP	212	18.5	201	-5.4
Operator's Licenses	79	25.7	64	-19.3
Other Licenses and Fees	44	-7.4	43	-0.7
Other Motor Receipts	**112**	**69.9**	**81**	**-27.8**
Vehicle Fines Clearing Acct	4	23.9	2	--
Treasury	106	--	77	-27.6
Transportation	1	-48.1	1	33.3
General Services	0	-42.2	0	33.3

Note: Figures in dollar millions. Detail may not sum to total. Growth rates based on unrounded amounts.

The MLF is projected to decline $99 million (-3.1%) for FY 2024-25 and is impacted by these factors:

- Increases for most fees levied under Title 75 (the Vehicle Code) are tied to the inflation rate, with adjustments occurring in calendar years that end in an odd number. Therefore, there is no inflation adjustment for FY 2024-25.
- The oil company franchise tax (OCFT) rate is calculated annually based on the average wholesale price (AWP) of gasoline and diesel fuel in the prior calendar year. Beginning with calendar year (CY) 2017 and thereafter, the minimum AWP is $2.99 per gallon. For the 12-month period ending September 30, 2023, the Pennsylvania Department of Revenue determined the actual AWP to be $2.84 per gallon. Therefore, the AWP used to calculate the CY 2024 OCFT rate was $2.99 per gallon, a decline from the $3.17 per gallon used for CY 2023. Effective January 1, 2024, the tax rate for gasoline declined from 61.1 to 57.6 cents per gallon, and the tax rate for diesel declined from 78.5 to 74.1 cents per gallon.

Lottery Fund

Table 2.4
Lottery Fund Summary

	Estimated 2023-24		Projected 2024-25	
	Amount	Growth	Amount	Growth
Total Net Revenues	**$2,080**	**-1.8%**	**$2,181**	**4.9%**
Gross Ticket Sales	5,857	-0.9	5,942	1.5
Field Paid Prizes & Commissions	-3,898	-0.1	-3,980	2.1
Miscellaneous Revenues	121	7.8	219	81.1
Gross Ticket Sales Detail	**5,857**	**-0.9**	**5,942**	**1.5**
Instant Tickets	3,300	-5.6	3,300	0.0
Multistate Lotto Games	624	6.7	624	0.0
In-State Lotto	264	1.9	267	1.3
Numbers Games	568	-3.2	566	-0.3
iLottery	1,042	12.9	1,125	8.0
Other	60	-1.0	60	0.5
Miscellaneous Revenues Detail	**121**	**7.8**	**219**	**81.1**
Gaming Fund Transfers	87	-1.8	204	133.9
Other Miscellaneous Revenue	34	44.6	15	-55.5

Note: Figures in dollar millions. Due to rounding, detail may not sum to total. Growth rates based on the unrounded amounts. Instant Tickets includes Scratch Offs and Fast Play. Other includes Raffle, Keno, Xpress Sports and Smart Card.

The FY 2023-24 revised estimate projects that a decline in gross ticket sales will reduce Lottery Fund net revenues by $39 million (-1.8%). Instant Tickets are expected to decline $194 million (-5.6%), while Numbers Games fall by $19 million (-3.2%). These declines are partially offset by an increase in iLottery (+$119 million, +12.9%) and Multistate Lotto Games (+$39 million, +6.7%).

For FY 2024-25, Net Revenues are projected to increase by $101 million (+4.9%) due to a projected increase in Gaming Fund Transfers for property tax relief (+$117 million, +133.9%) and gross ticket sales (+$85 million, +1.5%). Highlights of gross ticket sales include:

- Following several years of contraction, Instant Ticket sales are projected to remain flat in FY 2024-25 as the negative impact from alternative forms of gaming begin to level off.
- Sales of iLottery are expected to continue their strong growth and increase 8.0% due to continued popularity with consumers.
- Multistate Lotto sales are projected to remain flat after consecutive years of record-setting sales. Recent growth was partially due to the increase in interest rates, which boosted the advertised jackpots and encouraged more people to play when jackpots were high. Interest rates are expected to decline in the near term.

Federal Funds

Federal funds appropriations confer authority to spend money that the federal government may provide, but a federal funds appropriation does not guarantee funding at any particular level and agencies typically request authority to spend all federal funds anticipated for a given fiscal year. For FY 2023-24, agencies request $41.66 billion in federal General Fund appropriations. Executive authorizations and non-General Fund requests for appropriations are not included. The Departments of Human Services (DHS), Education, and Health comprise roughly 91% of the General Fund federal spending authority requested for FY 2023-24. For FY 2024-25, agencies request a total of $45.70 billion in federal funds, and Medical Assistance payments (DHS) represent the largest request ($30.89 billion, 5.9% higher than FY 2023-24).

Under the federal Infrastructure Investment and Jobs Act, federal funds are available for a variety of infrastructure programs, including energy and power infrastructure, access to broadband internet and water infrastructure. For FY 2023-24, $992 million in federal funds is requested by DEP ($546 million), DCED ($430 million) and PEMA ($16 million). For FY 2024-25, an additional $2.01 billion in federal funds is requested by the following agencies: DCED ($1.14 billion), DEP ($802 million), PEMA ($25 million), the Pennsylvania State Police ($9 million) and DCNR ($38 million).

Table 2.5
Federal Funds Summary

	2022-23	Available 2023-24		Projected 2024-25	
	Amount	Amount	Growth	Amount	Growth
Total Federal Funds	**$38,939**	**$41,660**	**7.0%**	**$45,699**	**9.7%**
Human Services	32,503	32,711	0.6	34,581	5.7
Education	3,205	4,553	42.1	4,596	1.0
Health	576	591	2.6	602	1.9
Labor & Industry	460	491	6.7	499	1.6
DCED	423	725	71.4	1,511	108.3
DEP	333	1,029	209.4	2,270	120.6
Drug & Alcohol	308	278	-9.8	280	0.6
Military & Veterans' Affairs	247	302	22.1	329	9.0
Transportation	246	246	0.0	246	0.0
Executive Offices	216	195	-9.7	199	2.1
Agriculture	122	109	-10.6	104	-4.4
Aging	109	116	6.0	115	-1.0
DCNR	76	150	96.7	146	-2.7
PEMA	42	88	112.0	128	44.2
State Police	15	17	8.3	40	138.4
All Other	58	60	3.5	54	-9.2

Note: Figures in dollar millions.