



INDEPENDENT FISCAL OFFICE

March 16, 2022

The Honorable Patrick M. Browne
Chairman
Senate Appropriations Committee
281 Main Capitol Building
Harrisburg, PA 17120

Dear Chairman Browne:

This letter and the attached table respond to requests for additional information raised at the recent budget hearing for the Independent Fiscal Office (IFO).

Senator Browne requested an update of the IFO's five-year projections of General Fund revenues and expenditures that incorporates the proposed initiatives in the Governor's Executive Budget.

The fiscal year (FY) 2021-22 and 2022-23 revenue projections in the updated General Fund financial statement (next page) utilize projections published in the IFO's FY 2021-22 Mid-Year Update. Those projections are adjusted by the IFO's preliminary estimates for the revenue modifications proposed in the Executive Budget. (The IFO is still finalizing projections for the proposed revenue modifications.) Outyear revenue collections are estimated by applying the growth rates published in the IFO's *Pennsylvania Economic and Budget Outlook: Fiscal Years 2021-22 to 2026-27* (published November 2021). Refund reserves are from the Executive Budget. From FY 2022-23 through FY 2026-27, revenues are projected to increase at an average rate of 2.7% per annum.

The expenditure projections in the updated General Fund financial statement assume that the FY 2021-22 and FY 2022-23 appropriations proposed in the Executive Budget are adopted. For the Department of Education, the updated financial statement incorporates appropriations proposed in the Executive Budget through FY 2026-27 to reflect the impact of initiatives in the outyears (e.g., the shift in Nellie Bly Tuition Program costs to the General Fund). For all other agencies, expenditure projections for FY 2023-24 through FY 2026-27 are based on the current services methodology and underlying data described in the IFO's Five-Year Outlook Report. Projected growth rates are a function of (1) service populations, (2) inflation and (3) various technical factors (e.g., an increased state share under the FMAP rate used to reimburse Medicaid costs or a shift in expenditures between funding sources). From FY 2022-23 through FY 2026-27, expenditures are projected to increase at an average rate of 2.4% per annum.

General Fund Financial Statement

Fiscal Year	20-21	21-22	22-23	23-24	24-25	25-26	26-27
Beginning Balance (Adjusted)	-\$2,715	\$4	\$6,818	\$2,951	-\$1,042	-\$4,819	-\$8,403
Current Year Revenues	40,392	45,322	\$41,071	\$41,966	\$43,316	\$44,621	\$45,603
Less Refund Reserve	<u>-1,262</u>	<u>-1,295</u>	<u>-1,231</u>	<u>-1,252</u>	<u>-1,275</u>	<u>-1,299</u>	<u>-1,326</u>
Net Revenue	39,130	44,027	39,840	40,714	42,041	43,322	44,277
State Expenditures ¹	-34,013	-37,478	-43,707	-44,707	-45,818	-46,906	-48,037
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Current Year Balance	2,402	6,554	2,951	-1,042	-4,819	-8,403	-12,163
Reduced Spending	0	0	0	0	0	0	0
Adjustment for Lapses ²	-2,402	264	0	0	0	0	0
Preliminary Ending Balance	0	6,818	2,951	-1,042	-4,819	-8,403	-12,163

Note: Millions of dollars.

1 Based on appropriations. Includes current year lapses and proposed supplemental appropriations.

2 Prior year lapses and actual transfers to the Budget Stabilization Reserve Fund.

Senator Fontana requested an estimate of school district property taxes paid by seniors.

In FY 2019-20, statewide school district property taxes totaled \$15.32 billion. Based on data published by the U.S. Census Bureau’s American Community Survey (ACS), the IFO estimates that 58% of statewide property taxes are paid by homeowners, which equates to \$9.11 billion in school district property taxes if all Act 1 allocations (\$534 million) are also included. Furthermore, ACS data show that senior homeowners (age 65 or older) comprise 30% of property taxes paid by homeowners throughout the state. Therefore, the IFO estimates that senior homeowners paid \$2.73 billion in school property taxes in FY 2019-20. These estimates exclude senior renters, as those data are not available.

Sincerely,

Matthew J. Knittel
Director, Independent Fiscal Office