



GOVERNOR WOLF

SCHOOLS THAT TEACH • JOBS THAT PAY • GOVERNMENT THAT WORKS

2017-18 MID-YEAR BUDGET BRIEFING

Tom Wolf
Governor

Randy Albright
Secretary of the Budget

December 14, 2017



2017-18 ENACTED BUDGET

- Current-year budget: \$31.99B
 - \$54M (0.17 percent) increase
 - \$2B cuts and savings
 - \$190M new education investment
 - Waiting list initiatives (child care and ID/autism)
 - Investments to fight the opioid epidemic
 - Funding to create manufacturing jobs



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2017-18 ENACTED FINANCIAL STATEMENT

(Dollars in Thousands)

	2014-15	2015-16	2016-17	2017-18
	<u>Actual</u>	<u>Actual</u>	<u>Revised</u>	<u>Enacted</u>
Beginning Balance	\$ 80,631	\$ 274,457	\$ 1,991	\$ (1,539,333)
Revenue Estimate	30,595,615	30,883,746	31,672,150	34,752,100
Refunds	(1,340,000)	(1,250,000)	(1,350,000)	(1,385,000)
Total Revenue	29,336,246	29,908,203	30,324,141	31,827,767
Prior-Year Lapses	90,974	220,953	78,313	210,000
Funds Available	29,427,220	30,129,156	30,402,454	32,037,767
Enacted Expenditures	29,027,839	30,023,825	31,544,220	31,996,101
Supplemental Appropriations	163,783	103,341	397,567	-
Current-Year Lapses	(38,859)	(1)	-	-
Total Expenditures	29,152,763	30,127,165	31,941,787	31,996,101
Preliminary Balance	274,457	1,991	(1,539,333)	41,666
Transfer to the Rainy Day Fund	-	-	-	(10,417)
Ending Balance	\$ 274,457	\$ 1,991	\$ (1,539,333)	\$ 31,249

THREE-YEAR GENERAL FUND OVERVIEW

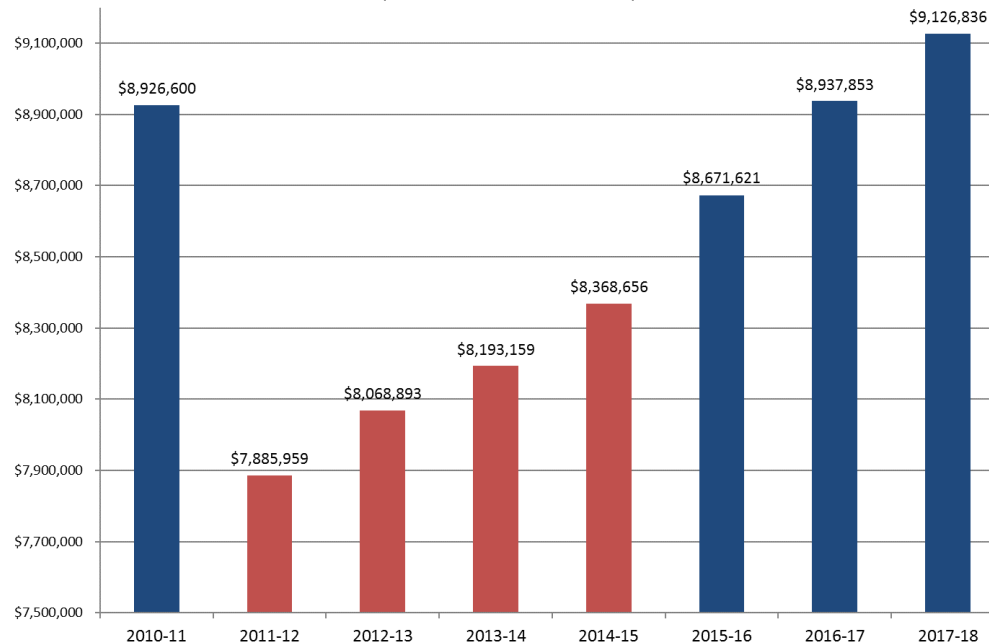
- Growth since 2014-15: \$2.84B (3.25% annually)
 - \$1.4B: SERS and PSERS to meet actuarially required contributions
 - \$840M: education investments
 - Remaining net increase: <\$600M
- \$2B in budget cuts and cost savings:
 - Complement management
 - Corrections population decline and facility closures
 - Agency consolidations and restructuring
 - Debt management
 - Bending the Medical Assistance cost curve



SCHOOLS THAT TEACH

- Historic \$840M increase in education funding over three years:
 - \$515M in basic education funding
 - \$90M for early childhood education
 - \$75M in special education funding
 - \$26.3M for early intervention
 - Enacted fair funding formula
 - \$94M for PASSHE and state-related schools
 - \$16.4M for Community Colleges
 - Eliminated backlog for school construction reimbursements

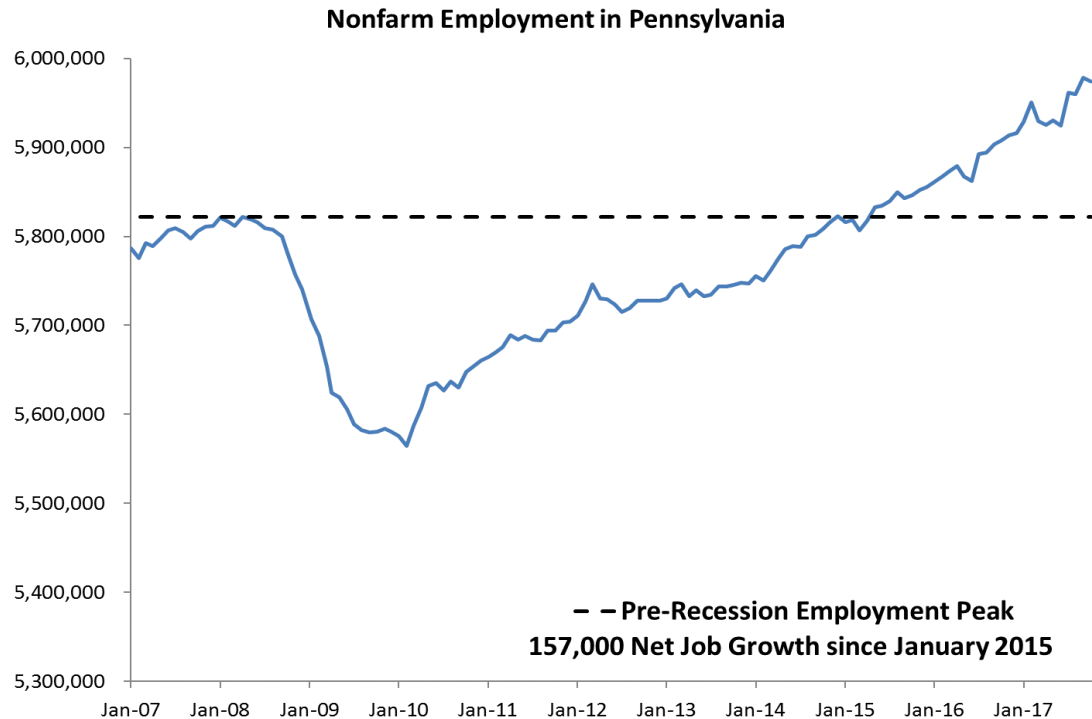
Pre-K to 12 Education Funding
(Dollar amounts in thousands)



Note: Excludes Authority Rentals and Sinking Fund Requirements.

JOBS THAT PAY

- Full phase-out of Capital Stock and Franchise Tax
- Manufacturing PA
- New Apprenticeship Program
- Permitting Reform
- One-Stop Shop for Businesses
- Middle Class Task Force



GOVERNMENT THAT WORKS

- Continuing to combat the heroin and opioid abuse epidemic:
 - Increased access to Naloxone
 - Expanded specialty drug courts
 - Continued funding for 45 centers of excellence
- Providing services to 5,400 additional children on the child care subsidy waiting list
- 10,700 more people receiving services in the community
 - More than 6,700 individuals with ID/autism moved off the waiting list
 - 20% more people with developmental disabilities served in home and community based settings

GOVERNMENT THAT WORKS

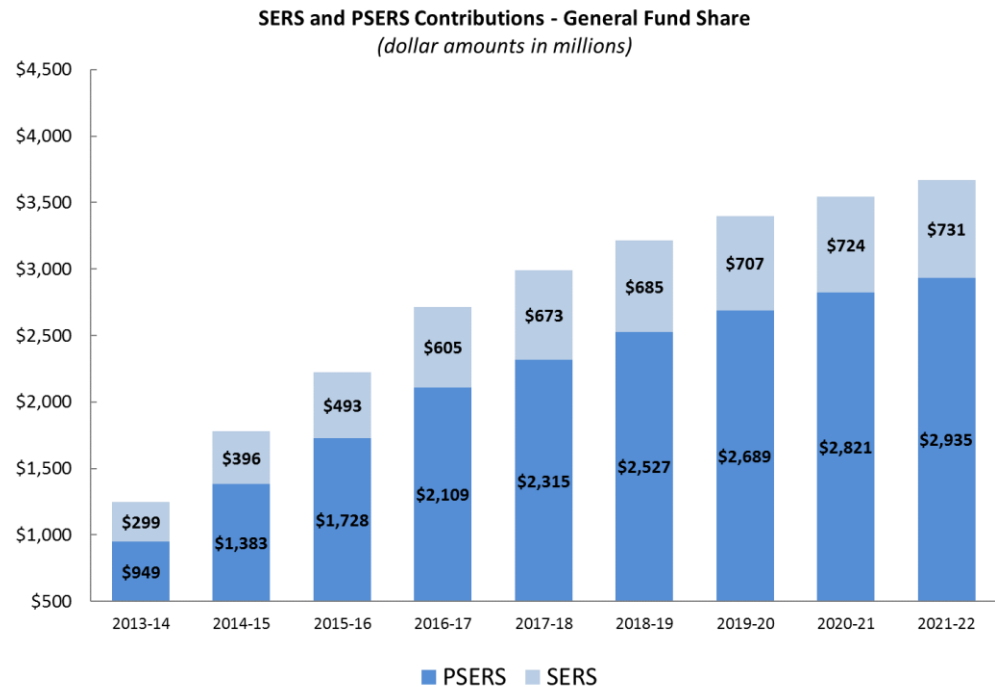
- Medicaid Expansion – reduced uninsured from 14% to 7.5% and cut costs by more than \$1B
- Community HealthChoices launching in SW PA in January
- Reduced corrections population by more than 2,300 inmates since January 2015, closed SCI Pittsburgh, and operationally created the Department of Criminal Justice
- Increased consumer convenience and profits to the commonwealth through the sale of beer, wine, and spirits

GOVERNMENT THAT WORKS

- Restructured HR & IT services within six service delivery centers
- Complement reductions of nearly 1,500 filled positions, reducing total complement to roughly 73,000 positions
- Consolidated administrative functions across health and human service agencies
- Continued to modernize government operations through GO-TIME (\$373M in savings), procurement initiatives, and Lean management

PENSION CONTRIBUTIONS

- \$1.4B, nearly half of new spending since 2014-15, for SERS and PSERS to meet our full actuarially required contributions
- Spending down unfunded pension liabilities to fully retire debt for PSERS by 2035 and SERS by 2040
- Beginning in 2019, Act 5 of 2017 will implement a new hybrid benefit plan, significantly reducing employer risk



2017-18 GENERAL FUND TAX REVENUE COLLECTIONS THROUGH NOVEMBER

	<u>Estimated</u>	<u>Actual</u>	<u>\$ Difference</u>	<u>% Difference</u>
	<i>(Dollars in Millions)</i>			
Corporation Taxes	\$ 804.1	\$ 812.9	\$ 8.8	1.1%
Consumption Taxes	5,027.3	5,042.6	15.3	0.3%
Sales & Use - Non-Motor	3,701.0	3,724.7	23.7	0.6%
All Other	1,326.3	1,317.9	(8.4)	-0.6%
Other Taxes	5,311.2	5,334.3	23.1	0.4%
PIT Withholding	4,019.7	4,030.6	10.9	0.3%
PIT Non-Withholding	631.4	630.8	(0.6)	-0.1%
All Other	660.1	672.9	12.8	1.9%
Total Tax Revenue:	\$ 11,142.6	\$ 11,189.8	\$ 47.2	0.4%



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GAMING EXPANSION

(dollar amounts in millions)

Source	2017-18	2018-19
iGaming	\$ 105.0	\$ 40.6
Loan Repayments	\$ 10.2	\$ 25.9
Category 4/Satellite Slots	\$ 67.5	\$ 82.5
Category 3 Additional Slots/Table Games	\$ 5.5	\$ 2.2
Airport Gaming (Tablets)	\$ 3.75	\$ -
Patron of Amenities	\$ 2.0	\$ -
Fantasy Sports	\$ 0.1	\$ 4.6
VGTs	\$ -	\$ 4.0
GEDTF	\$ 12.0	\$ 12.0
TOTAL	\$ 206.0	\$ 171.8

Lottery Fund

Source	2017-18	2018-19
iLottery	\$ 4.4	\$ 30.8
Monitor Games	\$ 4.5	\$ 40.3
Category 4/Satellite Slots	\$ -	\$ (8.0)
TOTAL	\$ 8.9	\$ 63.1

Total Impact

General Fund Impact	\$ 200.0	\$ 105.1
Lottery Fund Impact	\$ 8.9	\$ 63.1
Property Tax Relief Fund Impact	\$ 6.0	\$ 66.7
TOTAL IMPACT	\$ 214.9	\$ 234.9

MODERNIZING OUR TAX SYSTEM TO CLOSE LOOPHOLES AND CREATE A FAIRER SYSTEM

More than \$1B in recurring revenue

Revenue Option *(dollar amounts in millions)*

Enhanced SUT Collections	\$ 193.2
Corporate Tax Changes	\$ 183.7
Table Games/Gaming Expansion	\$ 117.8
Cigarette Tax/Other Tobacco Products	\$ 543.5
Other	\$ 24.0
	\$ 1,062.2

ELIMINATING THE STRUCTURAL DEFICIT

- One-time revenue to retire the prior-year deficit
- 2017-18 budget agreement generates \$500M to balance the current-year budget
- Recurring 2017-18 revenue, coupled with 2016-17 revenue enhancements, will grow to more than \$1B in 2018-19 and annually thereafter
- Combining recurring revenue with \$2B in budget cuts and cost savings will eliminate more than \$3B from the structural deficit

2018-19 BUDGET PLANNING

- The administration will not abandon local governments, school districts, non-profits, seniors, or middle class families
- Governor Wolf will maintain his commitment to local school districts, early learning programs, opioid treatment, and growing family-sustaining employment
- We will continue to work to restrain or reduce state spending to balance the 2018-19 budget without increasing broad-based taxes