



2024-25 Mid-Year Briefing

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December 2024

2024-25 Enacted Budget

- 2023-24 ended with an \$7.37 billion surplus
 - Mandatory \$737 million transfer to Rainy Day Fund (10%)
- 2024-25 enacted expenditures: \$47.6 billion, \$2.68 billion or 6% increase over 2023-24
 - Roughly \$526 million replaces enhanced federal cost sharing for human services programs
 - \$911 million increase in basic education, adequacy, and special education funding
- Continues CNIT rate reductions
- Continues shift of State Police costs away from Motor License Fund into General Fund to build and repair more roads and bridges



2024-25 Enacted State General Fund Financial Statement

(dollars in thousands)

	<u>2022-23</u> <u>Actual</u>	<u>2023-24</u> <u>Actual</u>	<u>2024-25</u> <u>Available</u>
(1) Beginning Balance	\$ 5,537,421	\$ 8,084,871	\$ 6,632,089
(2) Adjustments to Beginning Balance	9,000	75,000	74,000
(3) Revenue Actuals/Estimates	44,917,148	45,473,489	46,087,400
(4) Federal Stimulus	2,161,223	525,966	-
(5) Refunds	<u>(1,489,400)</u>	<u>(1,986,600)</u>	<u>(1,758,000)</u>
(6) Total Balance and Revenues	51,135,392	52,172,726	51,035,489
(7) Prior-Year Lapses	<u>810,000</u>	<u>587,026</u>	<u>250,000</u>
(8) Funds Available	51,945,392	52,759,752	51,285,489
(9) Enacted Expenditures	40,800,979	45,022,342	47,672,974
(10) Estimated Supplemental Appropriations	-	(107,544)	-
(11) Federal Stimulus	2,161,223	525,966	-
(12) Total Expenditures	42,962,202	45,440,764	47,672,974
(13) Current-Year Lapses		(50,000)	
(14) Preliminary Balance	8,983,190	7,368,988	3,612,515
(15) Transfer to the Rainy Day Fund	<u>(898,319)</u>	<u>(736,899)</u>	<u>(361,252)</u>
(16) Ending Balance	\$ 8,084,871	\$ 6,632,089	\$ 3,251,263

Economic Outlook – Growth Expected to Slow through 2027

- Both the United States and Pennsylvania are forecasted to experience slowing economic growth
- Federal Reserve uncertain about further rate changes
- Inflation remains higher than the 2.0% target
- PA employment falls through 2027 and unemployment rate reaches 4.6%

U.S. Outlook	2025	2026	2027	Pennsylvania Outlook	2025	2026	2027
Real GDP	2.0%	2.1%	1.7%	Median Household Income (thous.)	78.0	80.7	83.3
10-Year Treasury Note	3.79%	3.45%	3.28%	Employment (% change)	-0.7%	-0.1%	-0.1%
Consumer Price Index	2.3%	2.4%	2.9%	Age 20-64 Population Change (thous.)	-19	-13	-13
Unemployment Rate	4.4%	4.5%	4.6%	Unemployment Rate	4.1%	4.4%	4.6%

All variables are annual averages. Percentages represent growth rates, except for the unemployment rate and the 10-year Treasury Note.

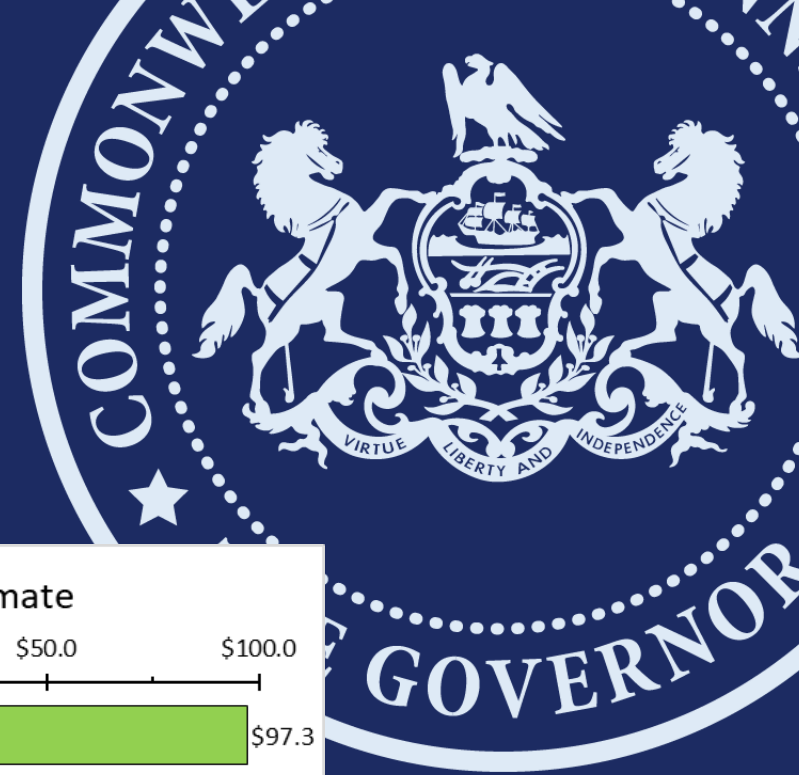
Source: Connect by S&P Global (IHS Markit), November 2024

2024-25 General Fund Collections through November

	<u>Estimated</u>	<u>Actual</u>	<u>\$ Difference</u>	<u>% Difference</u>
Tax Revenue:				
Corporation Taxes	\$ 1,751.0	\$ 1,681.5	\$ (69.5)	-4.0%
Consumption Taxes	6,624.4	6,643.4	19.0	0.3%
Sales & Use - Non-Motor	5,506.3	5,540.0	33.7	0.6%
All Other	1,118.1	1,103.4	(14.7)	-1.3%
Other Taxes	7,575.9	7,572.8	(3.1)	0.0%
PIT Withholding	5,451.5	5,422.6	(28.9)	-0.5%
PIT Non-Withholding	1,103.9	1,069.8	(34.1)	-3.1%
All Other	1,020.5	1,080.4	59.9	5.9%
Non-Tax Revenue:	459.3	503.1	43.8	9.6%
TOTAL	\$ 16,410.6	\$ 16,400.7	\$ (9.9)	-0.1%

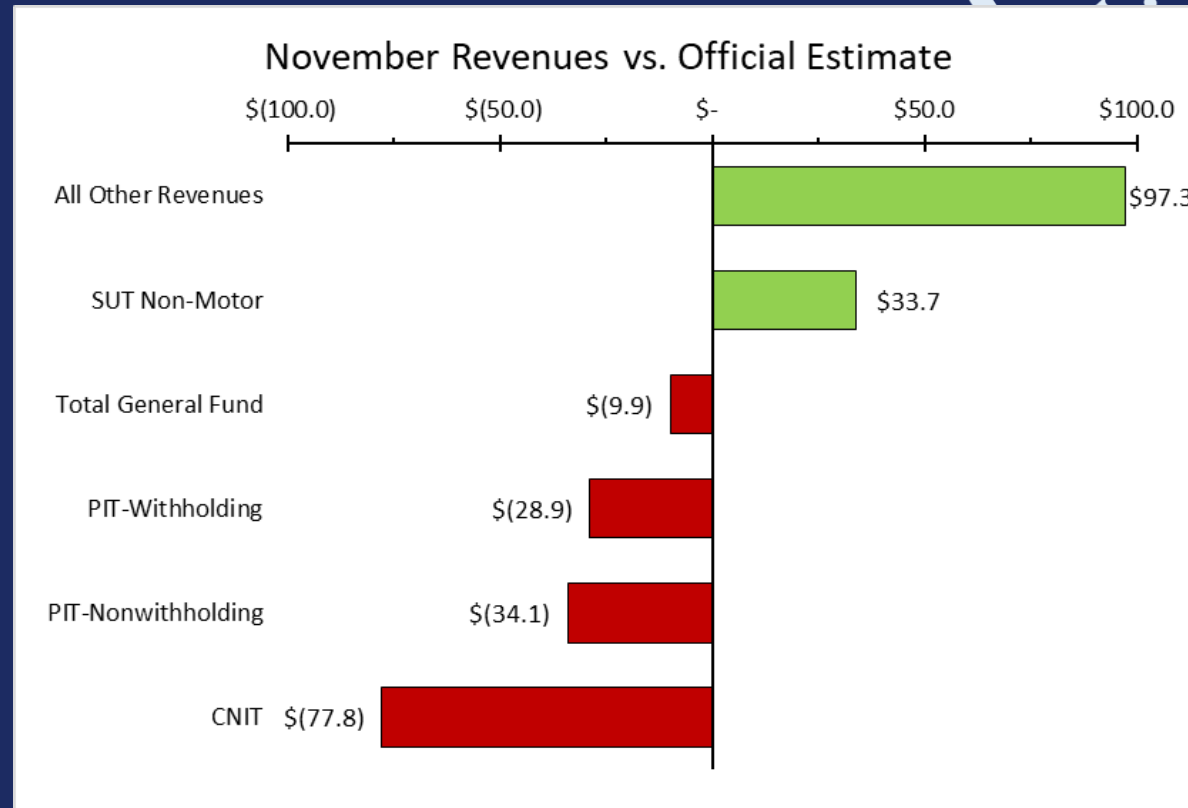
Dollar amounts in millions.

2024-25 General Fund Collections through November



- General Fund collections are on target at \$9.9 million, or 0.1% below estimate
- Although in total the General Fund comes out even, some tax types are ahead while others fall behind estimate:

- Non-Motor Vehicle Sales and Use Tax: \$33.7 million, or 0.6%, above estimate.
- Personal Income Tax: \$62.9 million, or 1.0%, below estimate.
- CNIT: \$77.8 million, or 4.5%, below estimate.
- Nontax: \$43.8 million, or 9.5%, above estimate.



All ARPA SLFRF Funding Appropriated, Most Already Spent

- Funding must be obligated by December 31, 2024 and spent by December 31, 2026
- **As of December 13, 2024:**
 - Total Appropriated: \$7.291 Billion (100% of total funds)
 - Obligated Funds: \$7.204 Billion (99% of total funds)
 - Expenditures: \$6.837 Billion (94% of total funds)
- **Key Uses Include:**
 - Supporting the state budget in 2021-22
 - Local Law Enforcement Grants
 - Highway and Safety Capital Projects
 - Long-Term Living Programs
 - Property Tax Rent Rebate

Bond Issuance Results

- The Commonwealth successfully priced \$1.395 billion of New Money General Obligation (GO) Bonds, and \$237.100 million of First Refunding Series 2024, which paid to refinance approximately \$248 million of outstanding bonds.
- The refunding of prior year debt will realize significant debt service savings for Commonwealth taxpayers over the life of the bonds. Savings figures include:
 - \$21.8 million of actual/gross debt service savings
 - \$18.1 million of net present value (NPV) debt service savings
 - NPV savings equal to 7.291% of refunded par (debt management policy goal is 3%)
- Prior to this issuance, the Commonwealth received a rating upgrade from Moody's, achieving a rating of Aa2, from its previous Aa3 rating. This comes after receiving a similar rating upgrade from Fitch in 2023, moving upward from a AA- to a AA rating. These upgrades are a reflection of many factors, including the strengthened financial position of the Commonwealth and a positive recognition of the Commonwealth's current fiscal and financial management practices.
- The combined estimated monetary impact on Commonwealth GO transactions since the ratings upgrades from Fitch (2023) and Moody's (2024) is in the range of \$10 to \$20 million in savings for Commonwealth Taxpayers. The Commonwealth utilized a multi-tranche approach to the debt issuances, selling the bonds across three separate bid groups, allowing for improved participation and competition amongst bidders and investors. Across the three tranches, the Commonwealth received a total of 15 bids, comprising 5 different bidding entities.



Ongoing and Future Budgetary Pressures

- Uncertainty regarding future federal program funding or regulatory changes
- Health care and human services costs increasing faster than inflation
 - Calendar Year 2025 Medicaid MCO rates
- Aging population
- Expiration of COVID federal funds – eFMAP, ARPA, ESSER
 - Impact to Commonwealth, counties, districts, municipalities
- Comprehensive education funding policy
 - K-12 Adequacy
 - Higher education student and institutional investments
- Finding common ground in divided government

Top Fund Balances by Fund

Cash Balances by Fund as of Nov 30th

Fund	Cash Balance (\$ millions)	Change from Prior Year (\$ millions)	Percent Change
General*	\$8,767	-\$3,726	-30%
Lottery	\$628	-\$237	-27%
Motor License	\$2,833	\$360	15%
Oil and Gas Lease	\$153	-\$31	-17%
Capital Funds	\$1,837	\$1,558	559%
Budget Stabilization Reserve	\$7,206	\$1,089	18%
Keystone Rec., Park, & Consvr.	\$263	\$1	1%
Property Tax Relief	\$927	\$185	25%

* Change from prior year is impacted by delayed 2023-24 budget implementation.



Questions?