

Commonwealth of Pennsylvania

*2000 Legislative  
Budget Briefing*

*Tom Ridge  
Governor*

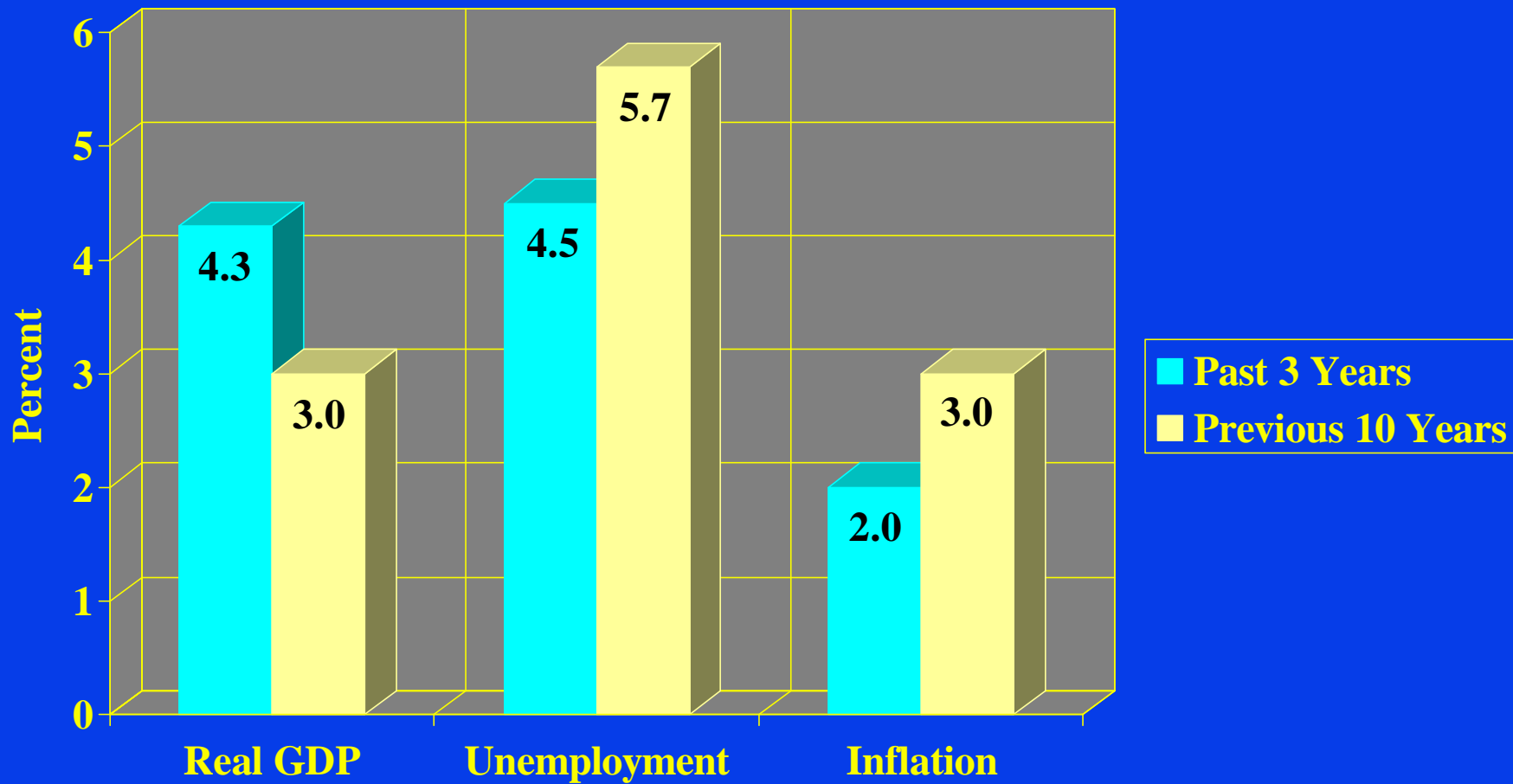


# OVERVIEW

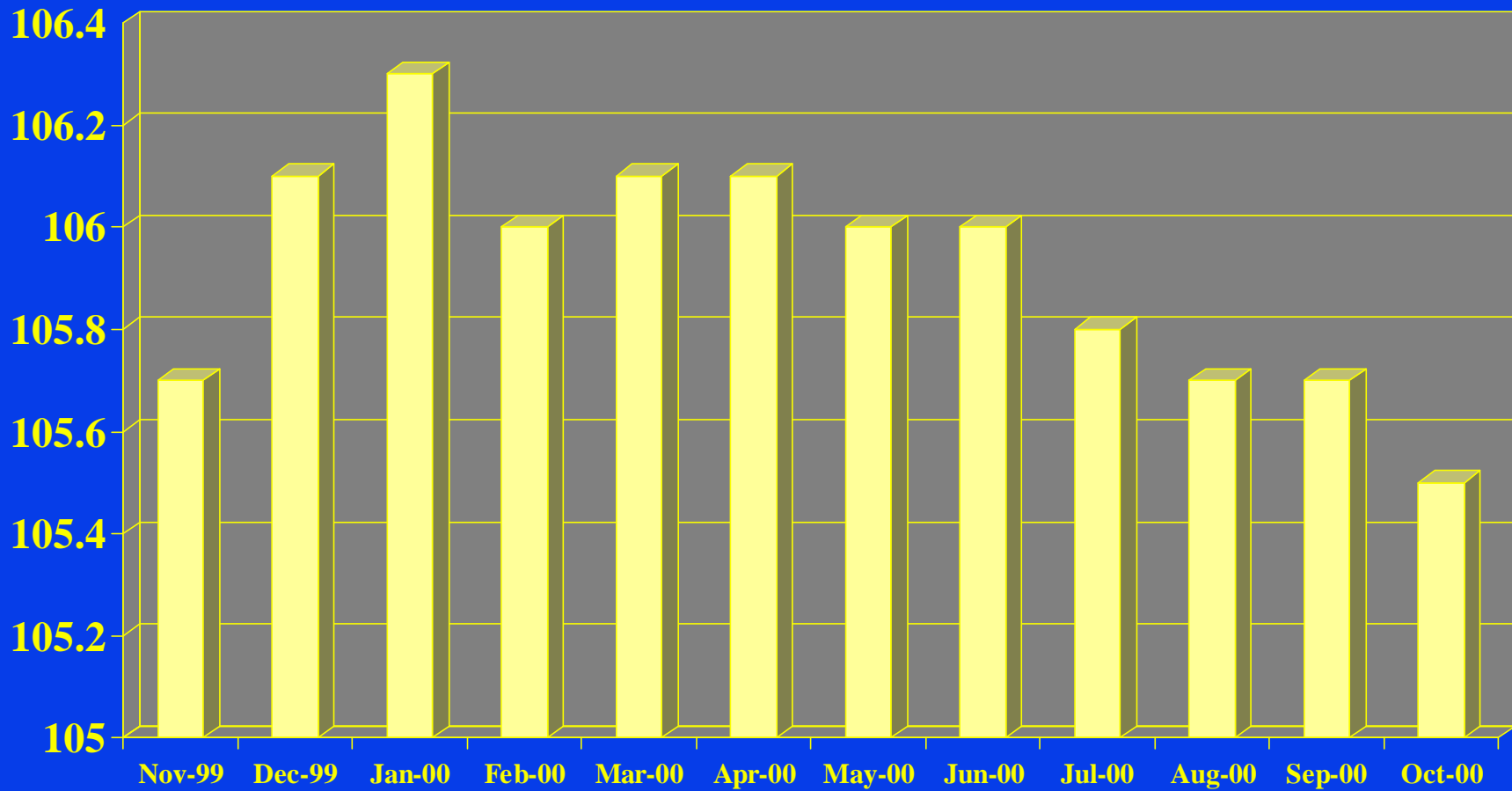


- ✓ **Economic Outlook**
- ✓ **General Fund**
- ✓ **Rainy Day Fund**
- ✓ **Lottery Fund**
- ✓ **Motor License Fund**

# A Record Performance



# Leading Economic Indicators





**PHILADELPHIA DAILY NEWS**  
OUR 75<sup>th</sup> ANNIVERSARY YEAR

60¢ WEDNESDAY, DECEMBER 6, 2000

# The PARTY'S OVER

THE PHILADELPHIA INQUIRER

## Budget woes loom for state governments

Tax revenues are falling as health-care costs are rising. Some experts see tough decisions coming up next year.

Thursday, December 7, 2000

THE NEW YORK TIMES

THE WALL STREET JOURNAL THURSDAY, NOVEMBER 30, 2000

### ECONOMY

## GDP Growth Rate Is Slowest in 4 Years

Chilling in New Economy  
Has Some Wondering  
If Landing Will Be Hard

THE NEW YORK TIMES,  
WEDNESDAY, DECEMBER 6, 2000

## GREENSPAN SIGNALS THAT FED WILL ACT TO EASE SLOWDOWN

STOCKS SOAR ON REMARKS  
Stands Ready to Cut Rates if  
U.S. Economy Shows Signs  
of Recession in Future

THE WALL STREET JOURNAL, WEDNESDAY, NOVEMBER 29, 2000

## Confidence, Durable-Goods Orders Drop

Data, Fueled by Decline  
In Transportation Sector,  
Are Unexpectedly Weak

Ordering Up a Slowdown

THE PHILADELPHIA INQUIRER Friday, December 1, 2000

## Stocks tumble on growing fear news will worsen

The market fell after Gateway warned that holiday sales might be disappointing. Big Board volume set a record.

WALL STREET JOURNAL, FRIDAY, DECEMBER 1, 2000

### ECONOMY

## Jobless Claims Soar to a Two-Year High

Labor Market May Weaken  
In the Months Ahead;  
Personal Income Slides

The Slowdown Spreads

**“The economy continues to perform well, although it is quickly losing some of its luster.**

**The risks are rising, ... that economic conditions will deteriorate more than anticipated...”** *Mark Zandi, Economy.Com, Nov. 2000*

**“In an economy that has already lost some momentum, one must remain alert to the possibility that greater caution and weakening asset values in financial markets could signal or precipitate an excessive softening in household and business spending.”**

*Alan Greenspan speech, 12/5/00*

**“...the past four years...have surprised [us] on the bright side. That period seems to be coming to an end.”** *Goldman Sachs, Nov. 2000*

**“The outlook for overall corporate profits next year is fairly modest,... less than half of the estimate for this year.”**

*Blue Chip Economic Indicators, Nov. 10, 2000*

**“The nine-point drop in consumer confidence over the last two months underscores an anxiety about future economic conditions.”**

*Lynn Francis, The Conference Board, 11/28/00*

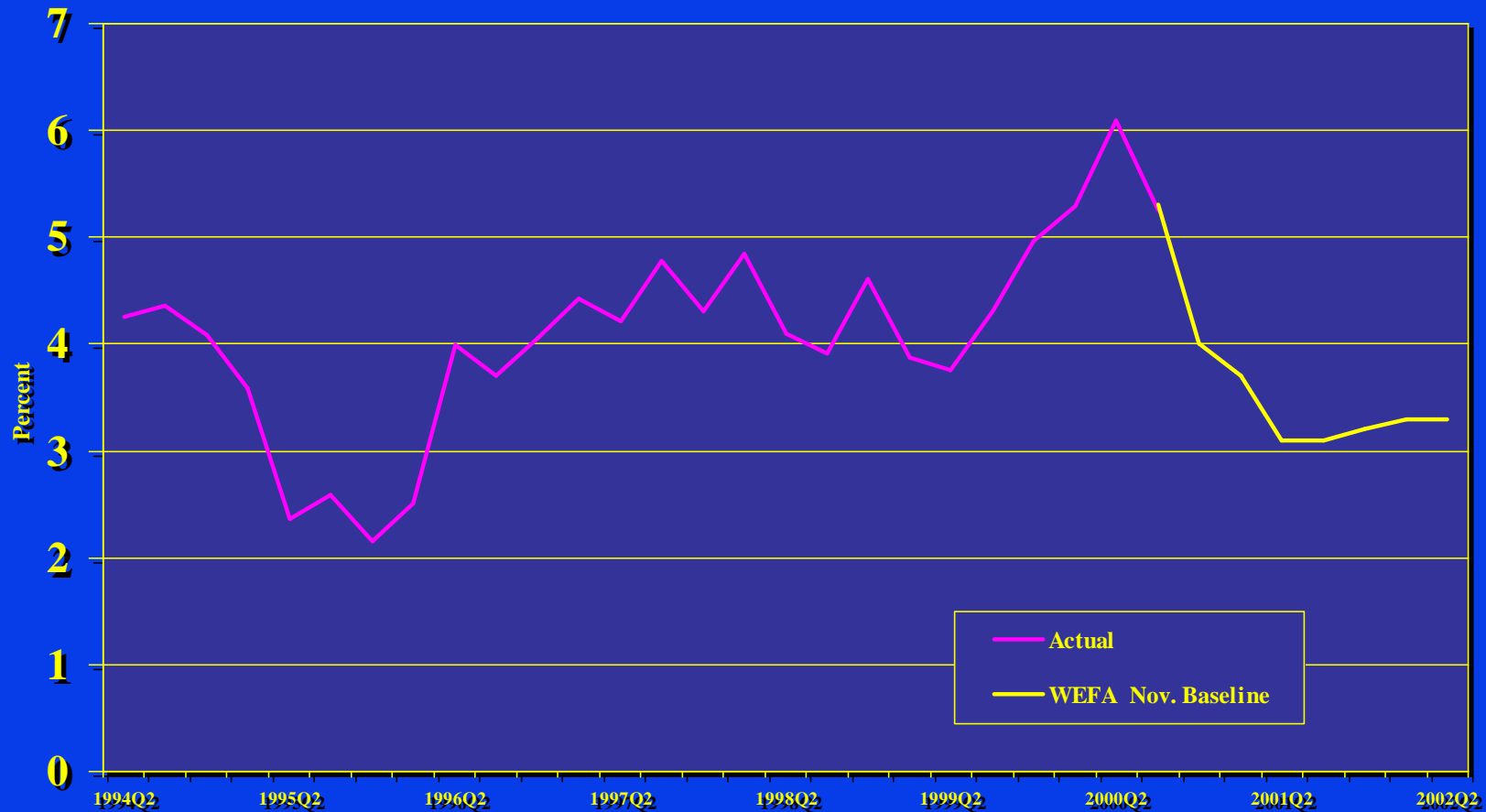
**“A record number of businesses are defaulting on bond payments – a pattern similar to what happened before the last recession, in 1990-91.”** *Standard & Poor’s reported in CNN.com, 12/5/00*

**“All [economic] signs point to slower growth... a recession in 2001 is a distinct possibility.”** *Mike Mandel, Business Week, Nov. 2, 2000*

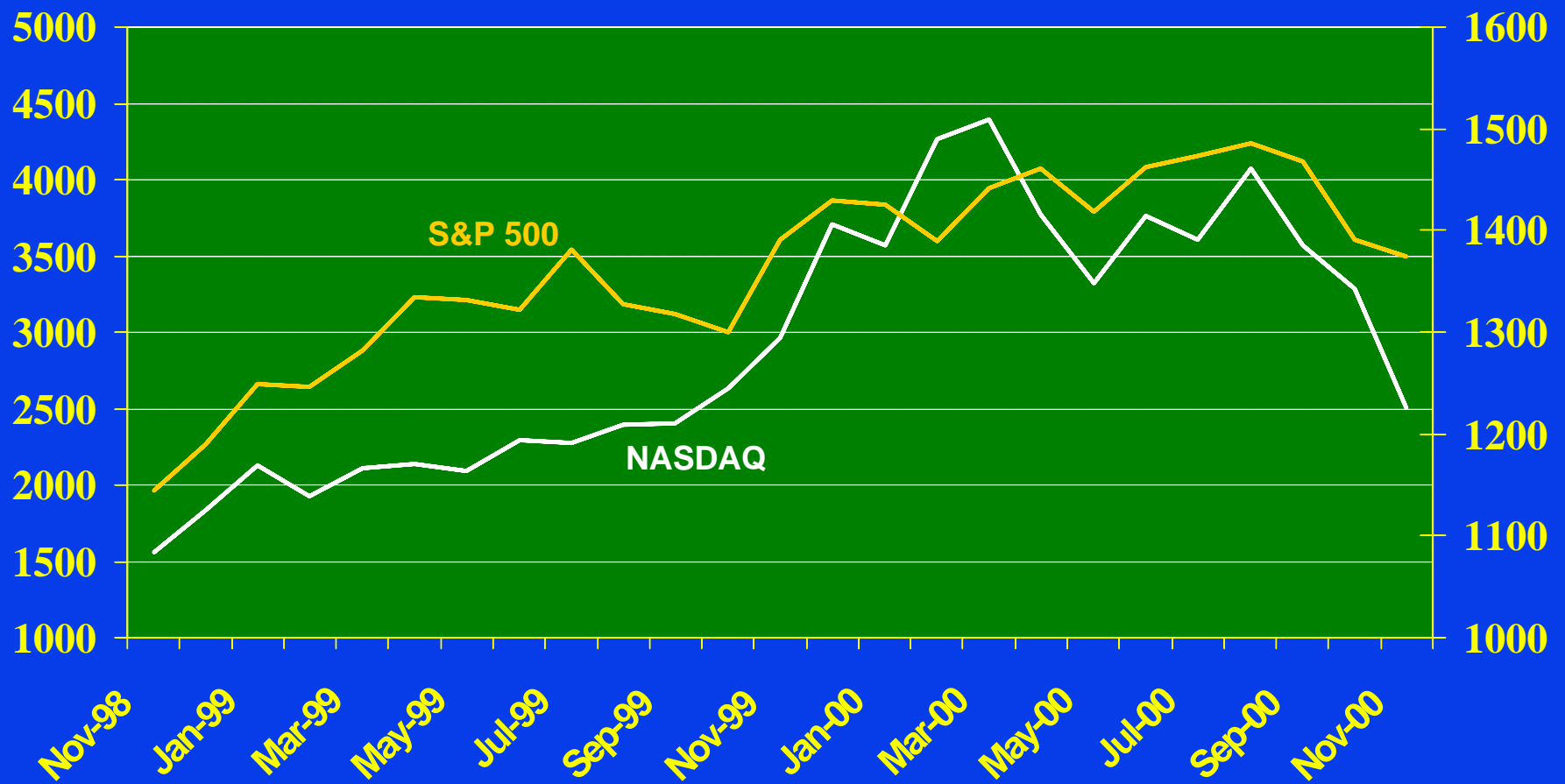
**“Job growth has slowed and if ...[it] continues to slow, that’s going to undermine one of the key cornerstones for consumer spending,”** *Richard Banner, Morgan Stanley Dean Witter, 11/30/00*

# Gross Domestic Product

## Year over Year Change

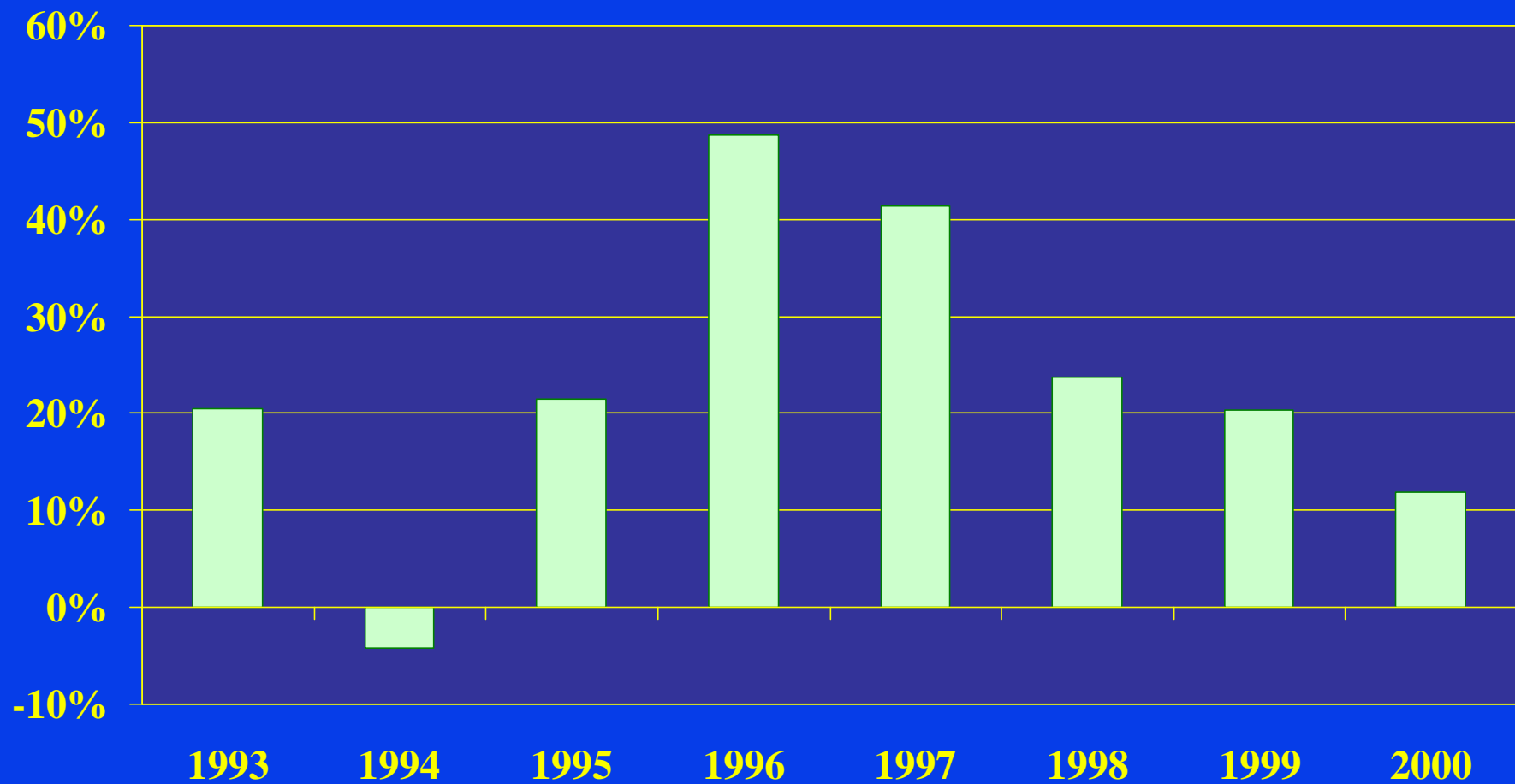


# Stock Market



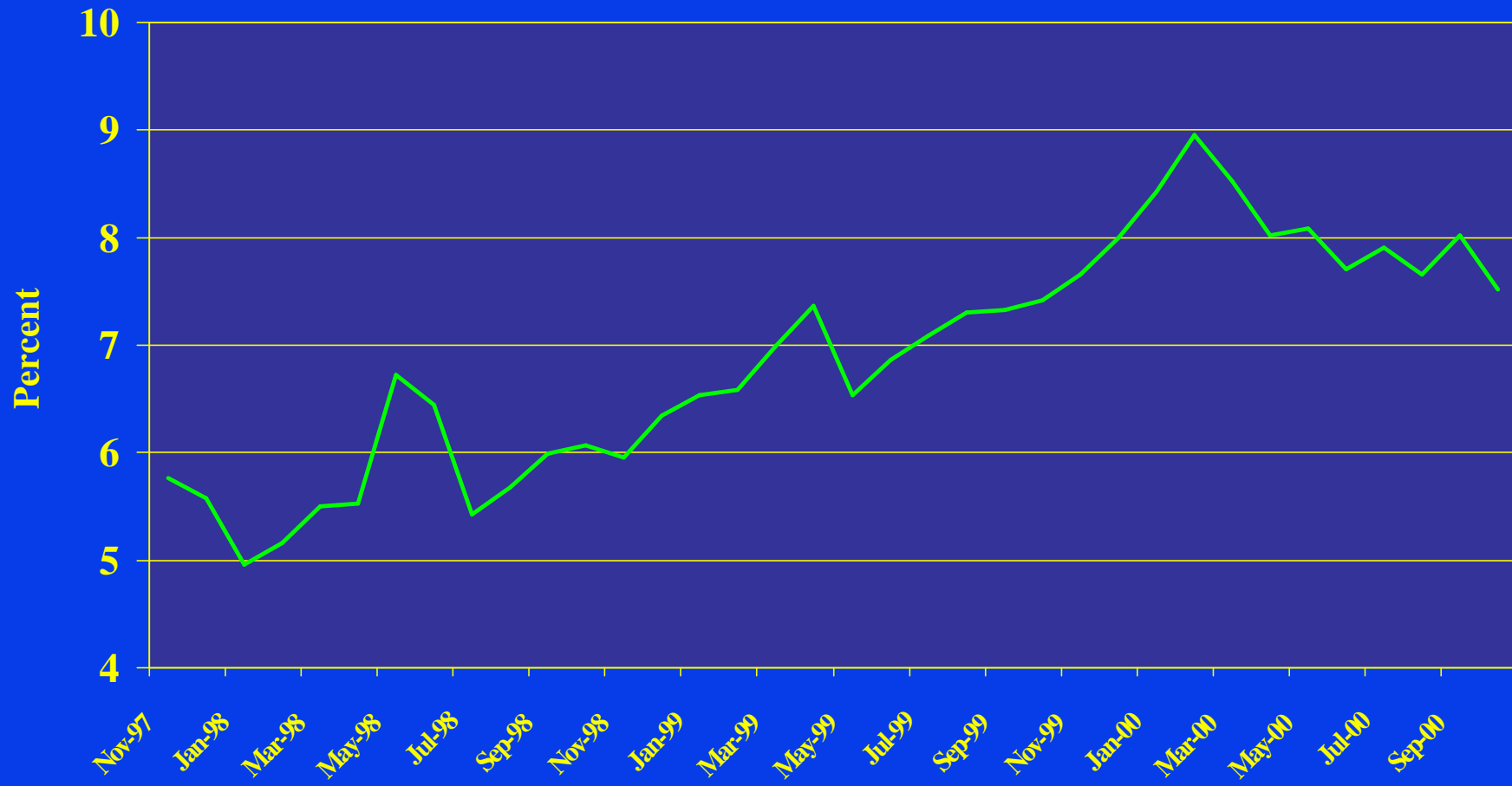


# Capital Gains Growth

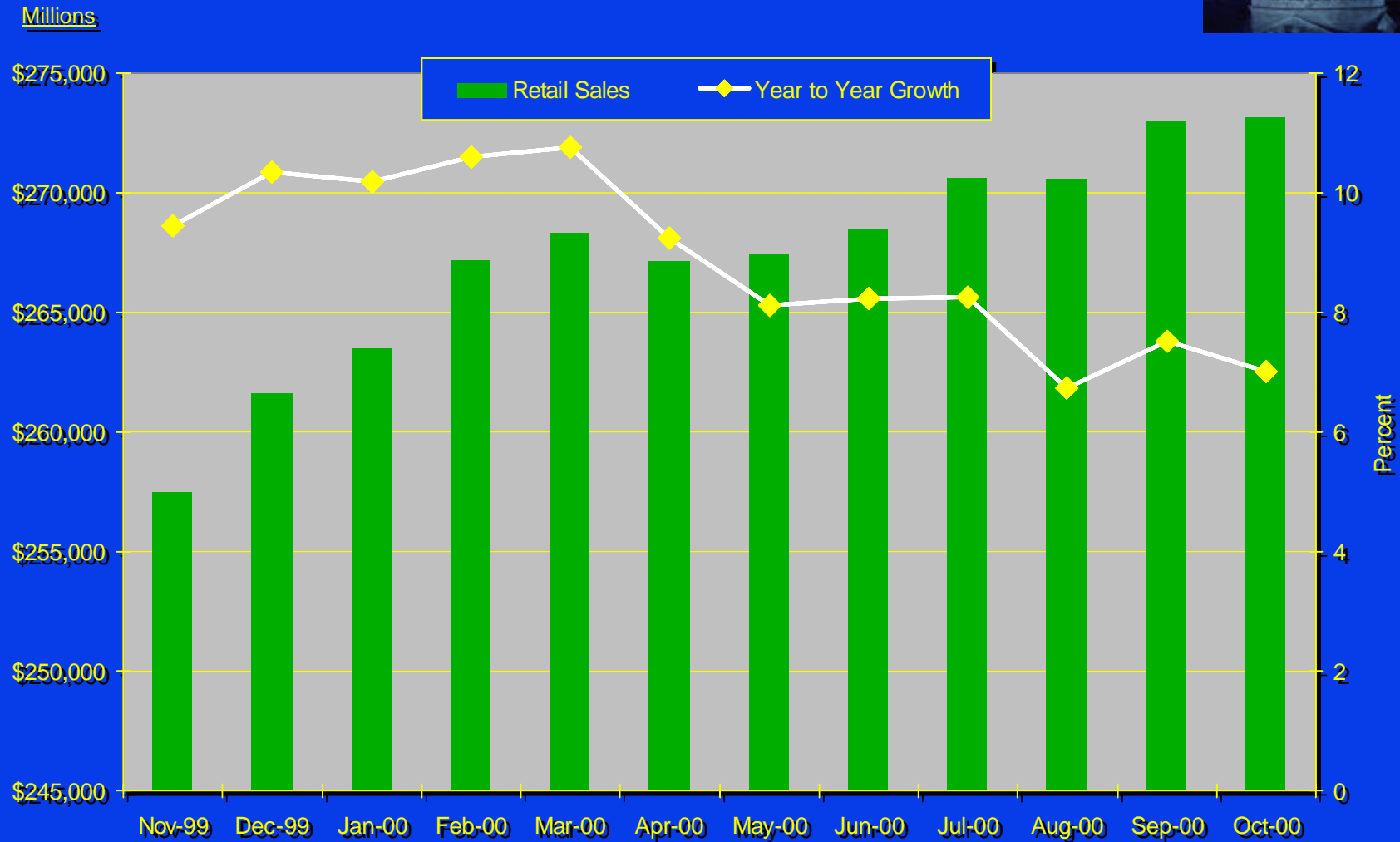


# Personal Consumption Spending

## Year over Year Growth

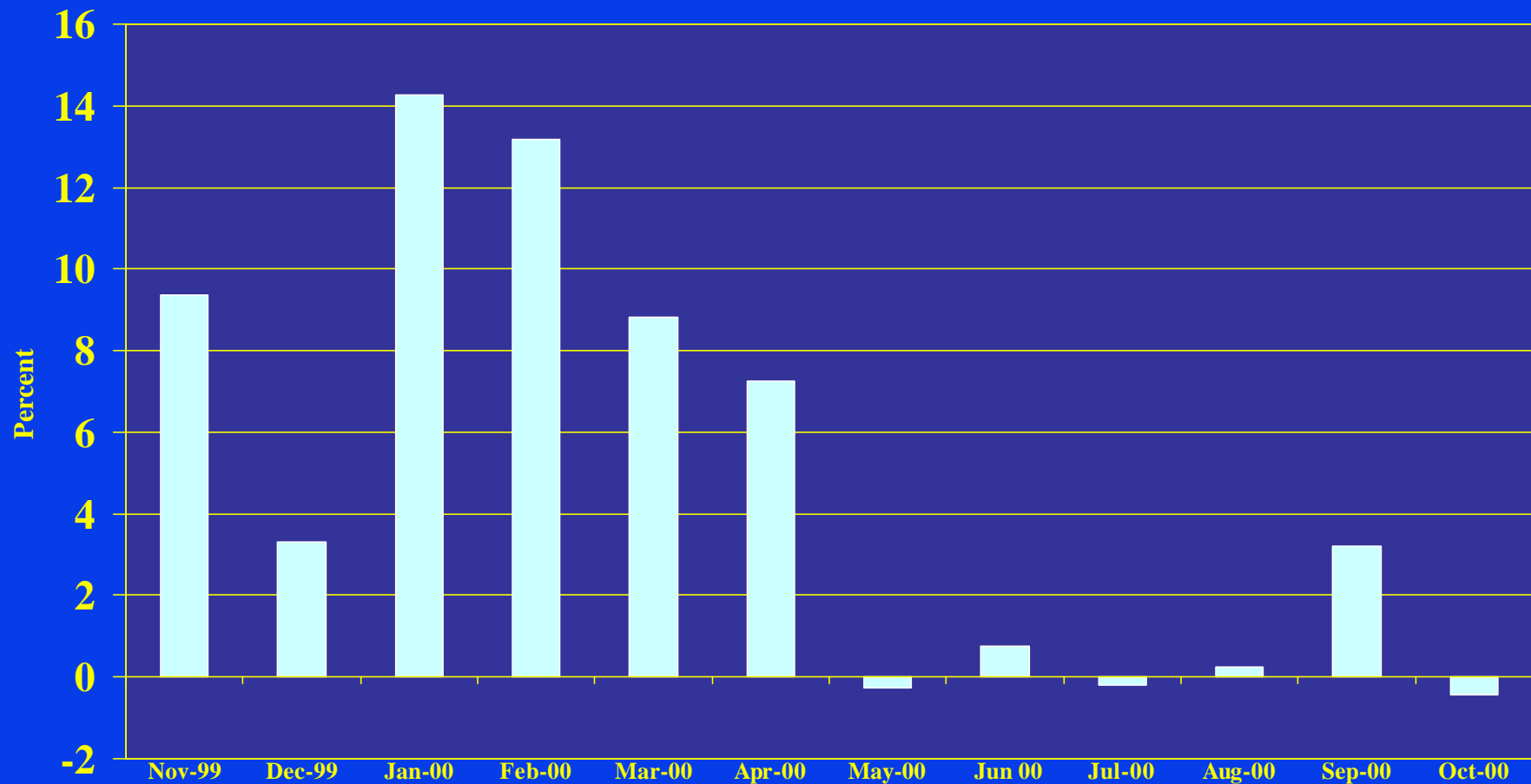


# Retail Sales and Growth

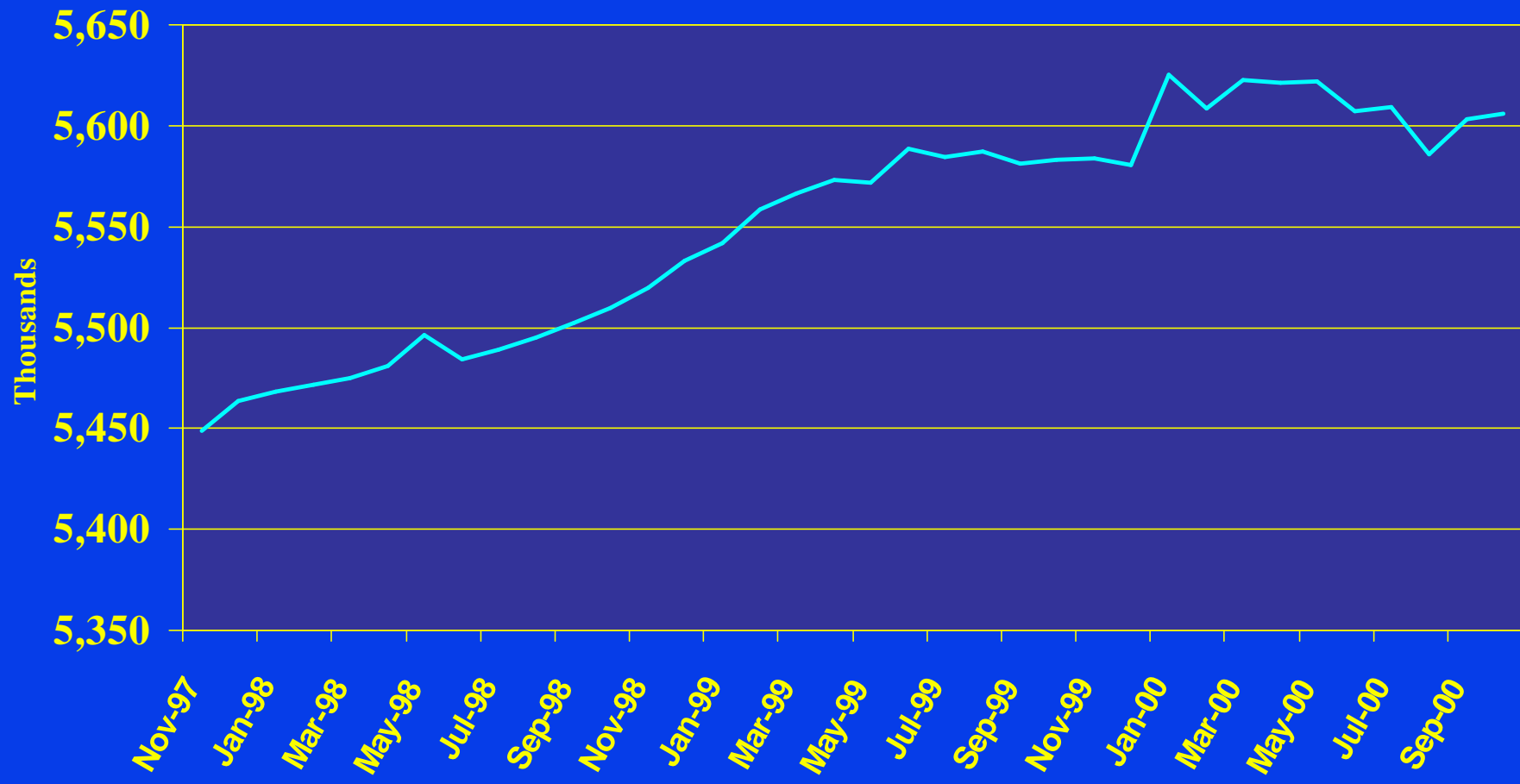


# Motor Vehicle Sales

## Year over Year Change in Units Sold



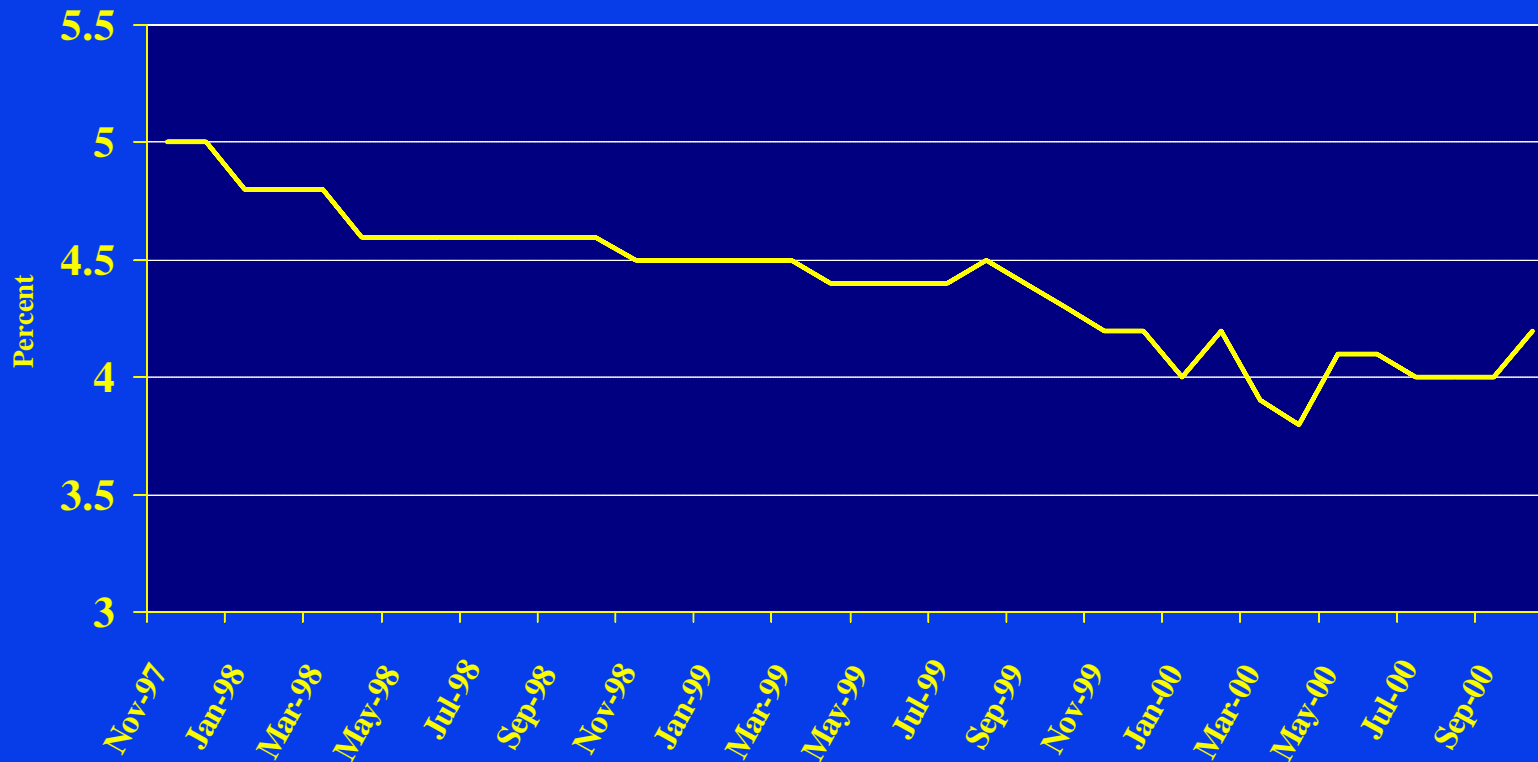
# Non-Agricultural Employment Pennsylvania





# Unemployment Rate

## Pennsylvania

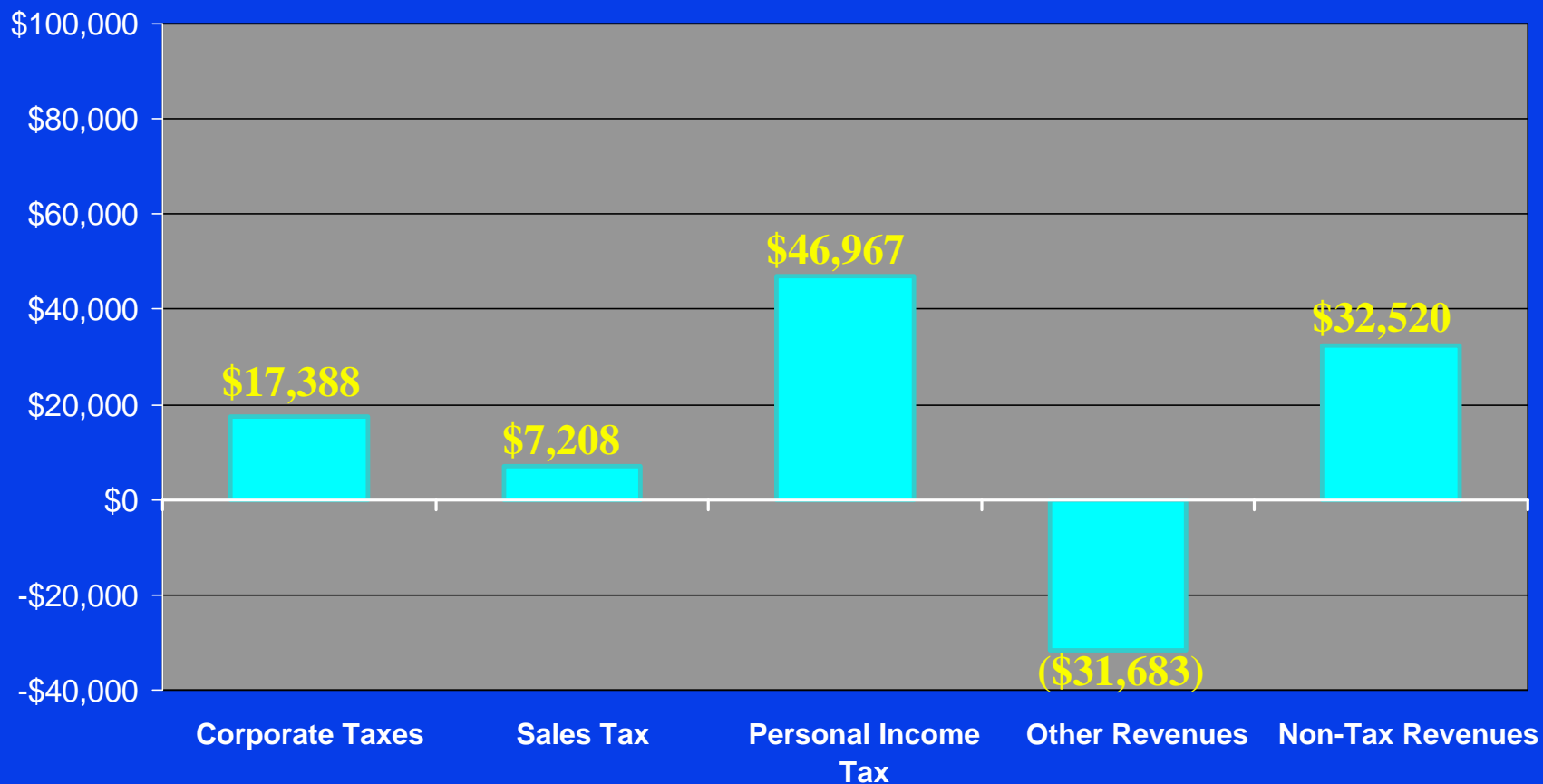


# General Fund Revenues Compared to Estimate



*November Year-to-Date*

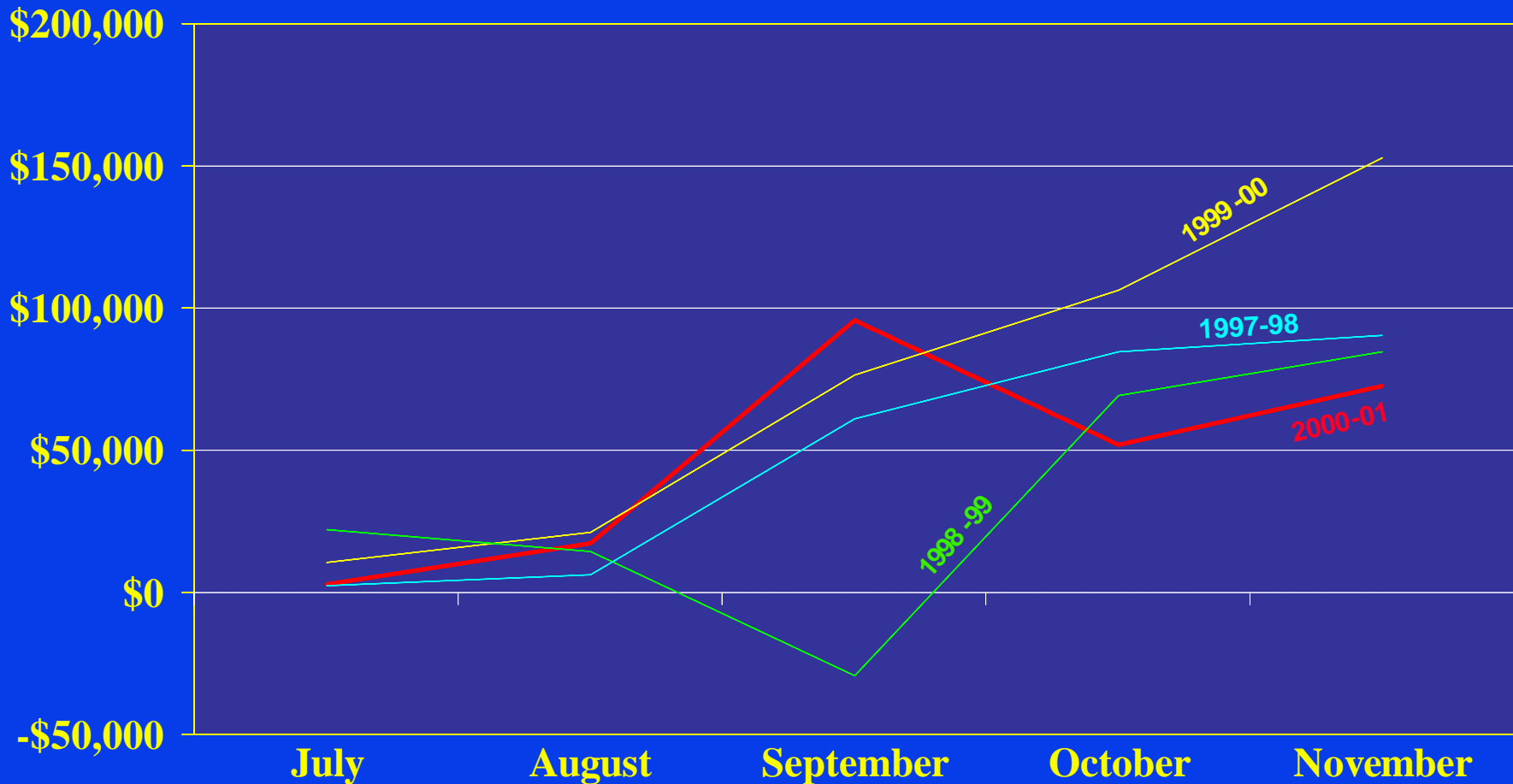
Thousands



# General Fund Year-to-Date Revenues Compared to Estimate



Thousands



# Concerns to Monitor



- Direction of the Stock Market
- Energy Prices (Oil and Natural Gas)
- Federal Reserve Policy Actions
- Consumer Spending
- Inflation
- Unemployment

# 2000-01 General Fund

## *Projected Status*



	<u>Millions</u>
● Unappropriated Balance (11/30/00) .....	\$ 25
● Revenue Surplus .....	200
● Additional Lapses .....	140
● Potential Supplementals .....	- 68
	<hr/>
● Closing Balance .....	\$ 297
● Transfer to Rainy Day Fund .....	- 45
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● Projected Balance (6/30/01) .....	\$ 252



# General Fund *Potential Supplementals*



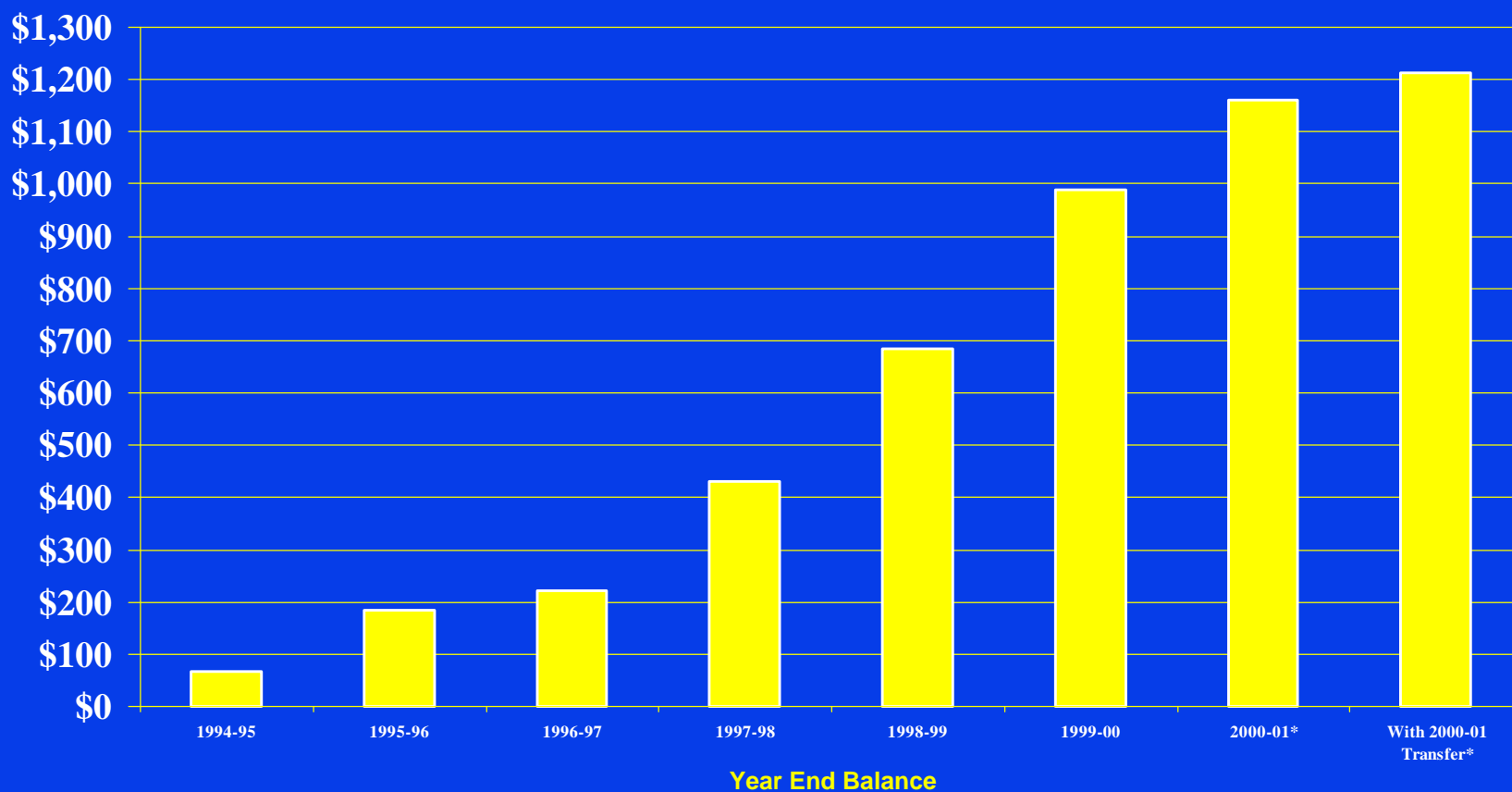
	<u>Millions</u>
● <b>Education</b>	
Pupil Transportation	\$ 34.8
Authority Rentals	13.7
School Employes' Social Security	7.2
Early Intervention	4.8
	<hr/>
<b>Subtotal</b>	<b>\$ 60.5</b>
● <b>Distribution of Public Utility Realty Tax</b>	<b>\$ 7.0</b>
● <b>Medical Assistance / Early Intervention</b>	<b>.....</b>
	<hr/>
<b>TOTAL</b>	<b>\$ 67.5</b>



# Rainy Day Fund

## Tax Stabilization Reserve Fund

Millions



\* Projected



# Major Increases - *Each 1%*

	<u>Millions</u>
✓ Basic Education Funding .....	\$ 37.9
✓ Other Education Subsidies .....	23.4
✓ Higher Education .....	18.7
✓ Medical Assistance .....	33.2
✓ Mental Retardation Programs .....	7.3
✓ Mental Health Services .....	6.0
✓ Child Welfare .....	4.7
✓ Cash Assistance .....	2.9
✓ Corrections .....	11.8
✓ Debt Service .....	3.8
✓ Mass Transit .....	2.7

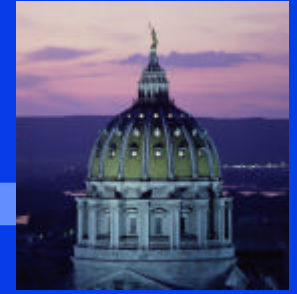
# Litigation



- ✓ **School Funding**
- ✓ **HealthChoices Pharmacy  
Payment Rates**

# 2000-01 Lottery Fund

## *Projected Status*



	<u>Millions</u>
● <b>Unappropriated Balance (11/30/00)</b> .....	<b>\$ 167 *</b>
● <b>Revenue Adjustment</b> .....	.....
● <b>Additional Lapses</b> .....	<b>43</b>
● <b>Potential Supplementals</b> .....	.....
	<hr/>
● <b>Projected Balance (6/30/01)</b> .....	<b>\$ 210 *</b>

\* Excludes reserve.



# 2000-01 Motor License Fund

## *Projected Status*



	<u>Millions</u>
• <b>Unappropriated Balance (11/30/00)</b> .....	<b>\$ 93</b>
• <b>Revenue Adjustment</b> .....	.....
• <b>Additional Lapses</b> .....	<b>15</b>
• <b>Potential Supplementals</b> .....	.....
	<hr/>
• <b>Projected Balance (6/30/01)</b> .....	<b>\$ 108</b>

# 2000-01 Tobacco Settlement Fund



## *Projected Status*

	<u>Millions</u>
• <b>Beginning Balance (7/1/00)</b> .....	<b>\$ 465</b>
• <b>2000-01 Anticipated Revenue</b> .....	<b>352</b>
	<hr/>
<b>Total</b> .....	<b>\$ 817</b>

# *Key Budget Issue*



- ✓ *Economic growth slowing*  
..... *soft or hard landing ??*