



**GOVERNOR WOLF**

SCHOOLS THAT TEACH • JOBS THAT PAY • GOVERNMENT THAT WORKS

# 2021-22 MID-YEAR BUDGET BRIEFING

Tom Wolf  
*Governor*

Greg Thall  
*Secretary of the Budget*

December 2021



## 2021-22 FINANCIAL STATEMENT

*(dollars in thousands)*

	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>
	<b><u>Actual</u></b>	<b><u>Actual</u></b>	<b><u>Estimated</u></b>
<b>Beginning Balance</b>	\$ -	\$ (2,734,070)	\$ -
Adjustments to Beginning Balance	<b>30,373</b>	<b>18,795</b>	<b>4,450</b>
Revenue Actuals/Estimates	32,275,785	40,392,018	42,536,200
Federal Stimulus	1,129,395	3,184,711	1,475,471
Refunds	<u>(1,150,000)</u>	<u>(1,262,000)</u>	<u>(1,325,000)</u>
<b>Total Revenue</b>	<b>32,285,553</b>	<b>39,599,454</b>	<b>42,691,121</b>
Prior-Year Lapses	<u>200,000</u>	<u>220,000</u>	<u>110,000</u>
<b>Funds Available</b>	<b>32,485,553</b>	<b>39,819,454</b>	<b>42,801,121</b>
Enacted Expenditures	34,120,228	34,013,227	38,589,030
Federal Stimulus	1,129,395	3,184,711	1,475,471
<b>Total Expenditures</b>	<b>35,249,623</b>	<b>37,197,938</b>	<b>40,064,501</b>
Current-Year Lapses	(30,000)		
<b>Preliminary Balance</b>	(2,734,070)	2,621,516	2,736,620
Transfer to the Rainy Day Fund	-	(2,621,516)	-
<b>Ending Balance</b>	<b>\$ (2,734,070)</b>	<b>\$ -</b>	<b>\$ 2,736,620</b>

## 2021-22 ENACTED BUDGET

- 2020-21 ended with a \$2.6B surplus, transferred to RDF
- \$38.6B in 2021-22 state General Fund spend
- Deposited \$3.8B in federal State Fiscal Recovery funding into the General Fund for revenue loss to allow enacted spend level
- Includes \$1.5B in federal enhanced FMAP
- Increases education funding by \$416M at all levels
- Conditional approval by CMS provides \$1.2B in federal funding for home and community-based services

## FEDERAL AID UPDATE

- \$4.2B of nearly \$7.3B State and Local Fiscal Recovery Funds (SLFRF) spent to date
  - \$4.6B appropriated in 2021-22
  - In November, \$3.8B transferred to General Fund to support government programs
  - To date, \$357M or 47%, of other programs funded with SLFRF dollars have been expended
- Infrastructure Investment and Job Act (IIJA) requires state match for highway, broadband, and other critical infrastructure projects

## 2021-22 GENERAL FUND TAX REVENUE COLLECTIONS THROUGH NOVEMBER

	<u>Estimated</u>	<u>Actual</u>	<u>\$ Difference</u>	<u>% Difference</u>
<b>Tax Revenue:</b>				
Corporation Taxes	\$ 1,229.1	\$ 1,546.9	\$ 317.8	25.9%
Consumption Taxes	6,146.5	6,454.9	308.4	5.0%
Sales & Use - Non-Motor	4,697.3	4,985.7	288.4	6.1%
All Other	1,449.2	1,469.2	20.0	1.4%
Other Taxes	6,307.5	6,636.4	328.9	5.2%
PIT Withholding	4,486.2	4,587.9	101.7	2.3%
PIT Non-Withholding	824.6	971.4	146.8	17.8%
All Other	996.7	1,077.0	80.3	8.1%
<b>Non-Tax Revenue:</b>	4,024.0	4,075.0	51.0	1.3%
<b>TOTAL</b>	<b>\$ 17,707.1</b>	<b>\$ 18,713.2</b>	<b>\$ 1,006.1</b>	<b>5.7%</b>

Note: Dollar amounts in millions.

## ECONOMIC OUTLOOK

After GDP decline in 2020, both U.S. and PA economic growth rebounds in 2021 with slowing growth in 2022 and 2023

- Consumer spending growth slows in 2022 after surging in 2021
- Near term price pressures to ease by 2023
- PA unemployment rate declines, but remains above U.S. rate
- Real GDP (U.S. and PA) returns to pre-pandemic levels by 2022
- Estimates include federal infrastructure (IIJA) impact

U.S. Outlook	2021	2022	2023
Real GDP	5.5%	4.3%	2.9%
Nominal GDP	9.6%	7.9%	5.1%
10-Year Treasury Note	1.47%	1.85%	2.25%
Consumer Price Index	4.5%	3.3%	2.1%
Unemployment Rate	5.4%	3.8%	3.5%

Pennsylvania Outlook	2021	2022	2023
Real GDP	4.6%	4.7%	3.5%
Nominal GDP	8.7%	8.4%	6.0%
Employment Growth (000's)	111	215	135
Age 20-64 Population Change (000's)	-47	-38	-31
Unemployment Rate	6.6%	4.6%	4.0%

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

Source: IHS Markit, November 2021



## 2022-23 BUDGET CONCERNS

- Uncertainty of continued COVID-19 impacts on state revenues and services
- Unknown potential additional federal recovery or social service funding
- Ensure state match for federal infrastructure funding
- Increased costs related to serving seniors and those with disabilities
- Long-term replacement of one-time funding sources, including federal stimulus funding

## 2022-23 BUDGET PRIORITIES

- Continue to respond to evolving impacts of COVID-19 on public health and the economy
- Work with federal partners to maximize funding for state & local governments, small businesses, education, MA programs, transportation and child care
- Increase funding across all levels of education
- Invest in economic and workforce development to grow family-sustaining employment
- Create a fairer, more competitive business tax climate
- Protect vulnerable individuals and families
- Ensure a long-term balanced budget