



Budget Facts 2010

from the COMMONWEALTH FOUNDATION

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Pennsylvania State Budget Overview

Pennsylvania faces a projected General Fund tax revenue shortfall of at least \$500 million. Governor Rendell proposed a \$29 billion General Fund budget for 2010-11, that increases businesses taxes, imposes new taxes on natural gas and tobacco products, and expands the sales tax to many goods and services currently exempt. This is the first in a series of fact sheets on the state budget.

HOW MUCH DOES THE STATE SPEND?

- **State Government's Total Operating Budget** (proposed) = **\$66.4 billion** (FY 2010-11)
 - ⇒ **General Fund Budget** (proposed) = **\$29.0 billion**
NOTE: Most "budget" references are to this portion of the Commonwealth's Operating Budget, which represents less than half of the state's total spending.
 - ⇒ **Other/Special State Funds** (estimate) = **\$14.4 billion**
NOTE: This spending includes the Lottery Fund, Motor License Fund, Gaming Fund, and other such dedicated funds.
 - ⇒ **Federal Funds** (estimate) = **\$23.0 billion**
NOTE: These funds from the federal government are spent by the state (excluding stimulus funds used to support the state General Fund).

- **Local government spending** (projection) = **\$67.8 billion** (FY 2010-11)

- **Pennsylvania state and local governments** will spend approximately **\$10,800 for every man, woman, and child** in FY 2010-11.
 - ⇒ **State government** spending per capita = **\$5,344**
 - ⇒ **Local government** spending per capita = **\$5,455**

HOW LARGE IS THE STATE BUDGET DEFICIT?

- Following January's collection, Pennsylvania General Fund revenues are **\$374 million below estimate** for FY 2009-10, according to the Department of Revenue.
 - ⇒ Gov. Rendell has proposed "freezes" of \$135 million in approved FY 2009-10 spending.
 - ⇒ Reductions have not keep pace with revenue declines.

- Pennsylvania is on the edge of a fiscal cliff.
 - ⇒ Gov. Rendell's FY 2010-11 budget relies on **\$2.8 billion in one-time federal stimulus funding**, which includes about **\$850 million** that has **not yet been approved** by Congress. Even if approved, this funding vanishes in FY 2011-12.
 - ⇒ In FY 2012-13, state pension contributions are projected to skyrocket **seven-fold**, a **\$3.5 billion increase**, from \$551 million in FY 2009-10 to \$4.1 billion in FY 2012-13 (increasing in future years).
 - ⇒ Last year's budget deal exhausted the state's Rainy Day Fund and other one-time sources of revenue.

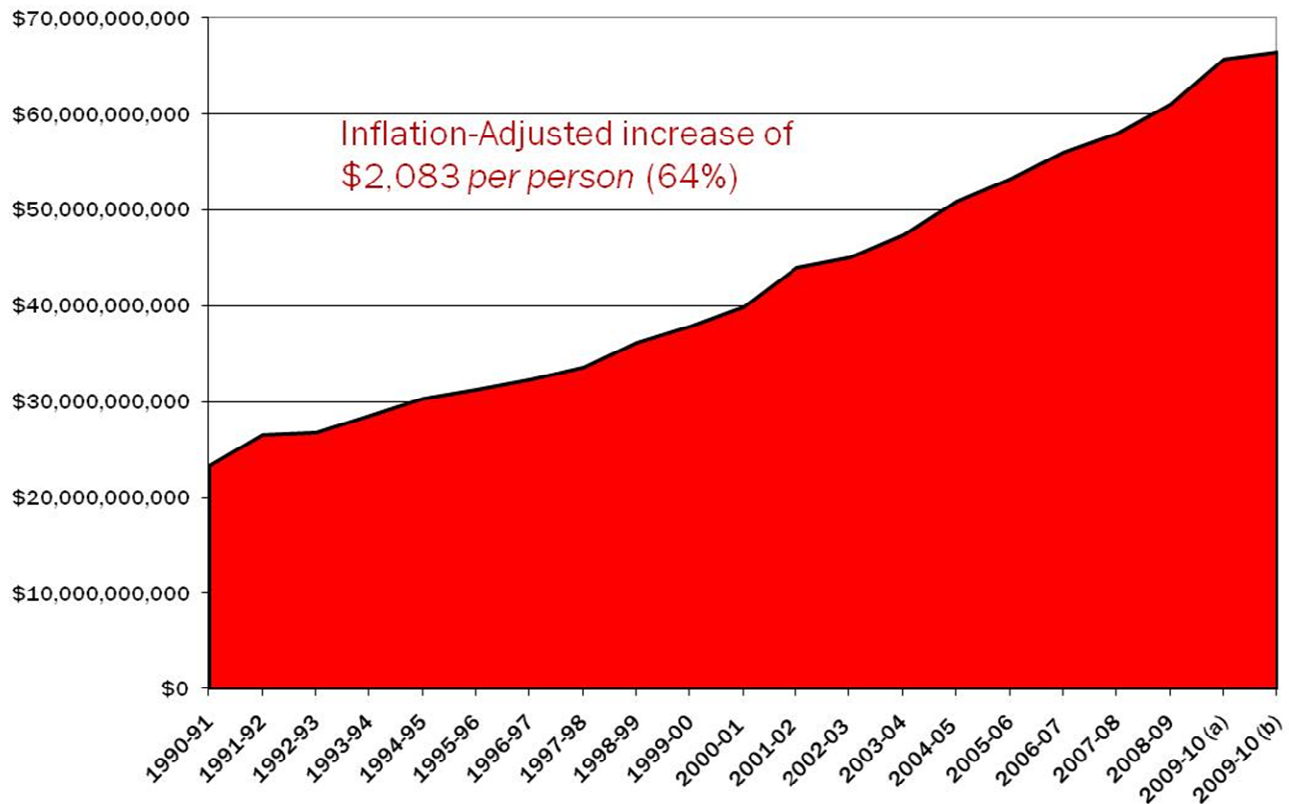
GOVERNMENT SPENDING HAS GROWN FASTER THAN THE RATE OF INFLATION

- Despite declining revenues, Gov. Rendell's FY 2010-11 budget increases spending by **\$1.1 billion**, or 4.1%.

- During Gov. Ed Rendell's tenure (2003-2009), General Fund **spending has increased by 42%, more than double the rate of inflation** (19.5%). Total state spending has grown by an even higher rate, **over 47%**.

⇒ Since 1990, total state spending has increased by \$43 billion—an inflation-adjusted increase of almost \$2,100 per person, or \$8,400 per family of four.

Pennsylvania State Operating Budget, 1990-2010



IS PENNSYLVANIA A HIGH TAX AND HIGH DEBT STATE?

- Pennsylvania moved from 24th out of the 50 states in tax burden in 1990 to near the top, according to the Tax Foundation. **Today, Pennsylvania has the 11th highest state and local tax burden.** At the beginning of Rendell's tenure, Pennsylvania ranked 17th.
 - ⇒ Pennsylvanians **pay \$4,463 per capita** in state and local taxes (representing 10.2% of their income).
 - ⇒ Pennsylvania ranks 20th or higher in state and local total taxes, spending, property taxes, income taxes, corporate taxes, and debt per capita.
- **Pennsylvanians owe \$116 billion in state and local government debt** as of Dec. 2009.
 - ⇒ That debt amounts to over \$9,000 for every resident, or over **\$36,000 for the average family of four.**
- Under Gov. Rendell, total state debt **increased \$18 billion**, or 78%, to \$42 billion.
 - Annual General Fund payments on debt has nearly **tripled**, from \$349 million in FY 2002-03 to an estimated **\$1 billion** in 2010-11.

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For more information on the **Pennsylvania State Budget**, visit CommonwealthFoundation.org.