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**

- Inflation-Adjusted increase of $2,083 per person (64%)

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**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.

  - 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.