2014 Pennsylvania State Budget

Governor Corbett’s proposed budget of $29.4 billion in General Fund spending (a 3.3 percent increase) and $71.8 billion in spending from all funds represents Pennsylvania’s highest spending levels ever—exceeding years when federal stimulus dollars were used to balance the budget.

**SPENDING OUTFACES INFLATION**

- Pennsylvania’s fiscal challenges persist due to the state’s inability to rein in spending. From 1970 to 2015, state government increased spending from $4 billion to a proposed $71.8 billion, an inflation-adjusted increase of **$12,836 per family of four** (or $3,209 more per resident).

- If state government had limited its total spending growth to inflation and population since 2000, taxpayers would be saving more than $15.3 billion this year, or $4,776 per family of four ($1,194 per person).
Pennsylvania State Budget Basics

While the General Fund Budget is the primary focus of both legislative discussions and public attention, it represents only about 40% of the commonwealth’s total operating budget.

- **Total Operating Budget (estimated)** - $71.8 billion
  - General Fund Budget (proposed) - $29.4 billion
  - Federal Funds (estimated) - $24.2 billion
  - Special Funds (estimated) - $4.8 billion
  - Other Funds (estimated) - $13.3 billion

- General Fund spending has increased by approximately $6.7 billion (42%) since FY 2002-03, not including spending directed to other funds.
  - The four largest departments (Welfare, Education, Corrections, and Treasury) represent about 86% of all General Fund spending.
  - Since FY 2002-2003, the budgets of these four departments have increased by more than $10 billion (60%) and are projected to increase even further, threatening Pennsylvania’s fiscal health.
**RISING DEBT AND TAX BURDEN**

- From 2002 to 2013, Pennsylvania state debt—including debt held by state agencies—more than doubled, from $23.7 billion to $50.4 billion.

  ➤ Today, Pennsylvanians owe $128.6 billion in combined state and local government debt, or a little more than $10,000 for every man, woman, and child.

<table>
<thead>
<tr>
<th>Pennsylvania State &amp; Local Government Debt</th>
<th>Debt Outstanding</th>
<th>Per Person</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Debtor</strong></td>
<td><strong>$50,393,717,000</strong></td>
<td><strong>$3,948</strong></td>
</tr>
<tr>
<td>Total State</td>
<td></td>
<td></td>
</tr>
<tr>
<td>State</td>
<td>$11,188,917,000</td>
<td>$877</td>
</tr>
<tr>
<td>State Agencies &amp; Authorities</td>
<td>$39,204,800,000</td>
<td>$3,072</td>
</tr>
<tr>
<td>Total Local</td>
<td>$77,580,896,000</td>
<td>$6,078</td>
</tr>
<tr>
<td>School Districts</td>
<td>$26,919,306,979</td>
<td>$2,109</td>
</tr>
<tr>
<td>County/Municipal/Twp/Other</td>
<td>$50,661,589,021</td>
<td>$3,969</td>
</tr>
<tr>
<td>Total</td>
<td>$127,974,613,000</td>
<td>$10,027</td>
</tr>
</tbody>
</table>

Sources: Governor’s Executive Budget (http://www.budget.state.pa.us) December 2013 data; PA Dept of Education (http://www.pde.state.pa.us) June 2013 data; U.S. Census Bureau (http://www.census.gov/govs/www/estimate.html) 2013 data

- Pennsylvania has the 10th highest state and local tax burden in the nation, up from 24th in 1991, according to the Tax Foundation.

  ➤ Pennsylvania taxpayers pay $4,374 per person in state and local taxes, or 10.3% of the state’s total income.

**Pennsylvania is Overspending**

- For the seventh consecutive year, Pennsylvania will spend more from the General Fund than the state will collect in taxes.

- Federal stimulus funds, transfers from the “rainy day fund,” and other one-time revenue sources have allowed lawmakers to spend beyond the state’s means for years.

- Pennsylvania will begin next fiscal year with an estimated $216 million remaining in General Fund accounts and end with $20 million (based on the proposed budget)—spending $189 million more than state revenue.

- The budget also assumes reduced pension payments (which require legislation) and federal approval of “Healthy PA” to move some Medicaid recipients off of state funding and onto federally-funded Healthy PA.

**Education**

- Governor Corbett’s budget proposal calls for $10.4 billion in funding for public schools and support services, the highest level in state history.

- Governor Corbett’s proposal includes nearly $400 million in new spending, including a $240 million student-based supplement as part of the Ready to Learn block grant.

- Despite the claims of billions in cuts from the education budget, the $10.4 billion represents an increase of 3.1% over 2010-11 spending (which included federal stimulus funds) and 9.9% since 2007-08 (the last budget balanced prior to federal stimulus funding).
**PENSIONS**

- Pennsylvania's unfunded pension liability—the amount the state should have in its pension funds earning interest to be able to make payments for the benefits retirees and current workers have earned—now exceeds $50 billion.

- Because of past policy decisions, this unfunded liability will continue to grow, even as pension contributions rise.

- Taxpayer costs for pensions are scheduled to skyrocket over the next few years. In the state General Fund alone, pension contributions are projected to increase nearly 143% by 2018-2019, from $1.4 billion to almost $3.4 billion. School districts will face similar increases in their pension contributions.

- The total increase, between the state and school districts, amounts to almost $900 per household.

**State Pension Contributions from General Fund**

![Graph showing State Pension Contributions from General Fund](chart)

*Source: Pennsylvania Independent Fiscal Office, Pennsylvania’s Economic & Budget Outlook, November 2013*

**OVERSPENDING HAMPERING ECONOMIC GROWTH**

- From 1991 to 2013, Pennsylvania has ranked a dismal 44th in job growth, 38th in personal income growth, and 46th in population growth. This contrasts sharply with the robust economic growth in low-tax, low-spending states.

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*To find more information on Pennsylvania’s State Budget, visit CommonwealthFoundation.org/Budget*