



Budget Facts 2009

from the COMMONWEALTH FOUNDATION

October 2009

Budget Deal = Budget Deficits

The Commonwealth Foundation has criticized the enacted \$27.799 billion state General Fund Budget deal for taxing too much, spending too much, and putting Pennsylvania on an unsustainable path in the future.

Two scenarios follow. The first is based on historic revenue and expenditure assumptions. The second is based on “best case” assumptions. Unfortunately, even if the Pennsylvania economy recovered to unprecedented level in next two years, there is no way it could possibly produce enough tax revenue to bridge the budgetary canyon that will emerge when 1) the federal stimulus money drops in 2010 and then disappears in 2011, and 2) the pension obligations for PSERS and SERS come due in 2012.

In the historic case scenario, a projected \$460 million budget deficit will likely emerge next year, a \$4.3 billion budget deficit in 2011, and a **\$12.8 billion budget deficit in 2012**.

Even in the best case scenario, a projected \$4.2 billion budget deficit will emerge in 2012.

Budget Analysis: Why it is Unsustainable

Historic Case Scenario Assumptions

General Fund Revenue Sources	2008-09	2009-10	2010-11	2011-12	2012-13
General Fund Revenue Projections	\$24,255,000	\$24,255,000	\$24,982,650	\$25,981,956	\$27,281,054
CSFT Increase		\$374,000	\$550,600	\$572,624	\$601,255
Cigarette Tax Hike		\$97,000	\$146,000	\$151,840	\$159,432
Table Games License Fees and Tax		\$200,000	\$100,000	\$104,000	\$109,200
Small Cigar Tax		\$16,100	\$25,300	\$26,312	\$27,628
Redirect of Cigarette Tax from HCRPA		\$171,000	\$176,130	\$183,175	\$192,334
Redirect of Drivers Fines		\$44,000	\$45,320	\$47,133	\$49,489
Eliminating Tobacco Cessation		\$16,000	\$16,000	\$16,000	\$16,000
Suspension of Tax Credits		\$39,000	\$75,000	\$75,000	\$75,000
Medicaid MCOs		\$528,500	\$529,500	\$550,680	\$578,214
Oil and Gas Lease Fund		\$208,000	\$30,000		
One-Time General Fund Revenue Sources		\$2,140,000	\$184,000		
NOL/SSF Changes		(\$74,000)	(\$76,220)	(\$79,269)	(\$83,232)
Total State Revenue & One Time Sources	\$24,255,000	\$28,014,600	\$26,784,280	\$27,629,451	\$29,006,374
Federal Stimulus Funding	\$1,083,000	\$2,621,179	\$1,900,000	\$0	\$0
Fund Balance + Prior Lapses	\$585,000	(\$2,400,830)	\$435,091	(\$459,678)	(\$4,302,335)
TOTAL General Fund REVENUES	\$25,923,000	\$28,234,949	\$29,119,371	\$27,169,773	\$24,704,039

Historic Revenue Assumption

0%

3%

4%

5%

TOTAL General Fund EXPENDITURES	\$28,323,830	\$27,799,858	\$29,579,049	\$31,472,108	\$33,486,323
					<i>PSERS/SERS Pension Increase (State Share)</i>
					\$4,065,246
					\$37,551,569

Historic (Rendell) Average Expenditure Assumption

6.4%

6.4%

6.4%

TOTAL General Fund BUDGET SURPLUS/(SHORTFALL)	(\$2,400,830)	\$435,091	(\$459,678)	(\$4,302,335)	(\$12,847,530)
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**UNREALISTIC REVENUE GROWTH TO AVERT ADDITIONAL
TAX INCREASES or SPENDING CUTS**

13.66%

13.70%

19.32%

Budget Analysis: Why it is Unsustainable

Best Case Scenario Assumptions

General Fund Revenue Sources	2008-09	2009-10	2010-11	2011-12	2012-13
General Fund Revenue Projections	\$24,255,000	\$24,497,550	\$25,477,452	\$26,751,325	\$28,356,404
CSFT Increase		\$374,000	\$550,600	\$578,130	\$612,818
Cigarette Tax Hike		\$97,000	\$146,000	\$153,300	\$162,498
Table Games License Fees and Tax		\$200,000	\$100,000	\$105,000	\$111,300
Small Cigar Tax		\$16,100	\$25,300	\$26,565	\$28,159
Redirect of Cigarette Tax from HCRPA		\$171,000	\$177,840	\$186,732	\$197,936
Redirect of Drivers Fines		\$44,000	\$45,760	\$48,048	\$50,931
Eliminating Tobacco Cessation		\$16,000	\$16,000	\$16,000	\$16,000
Suspension of Tax Credits		\$39,000	\$75,000	\$75,000	\$75,000
Oil and Gas Lease Fund		\$208,000	\$30,000		
Medicaid MCOs		\$528,500	\$529,500	\$555,975	\$589,334
One-Time General Fund Revenue Sources		\$2,140,000	\$160,400		
NOL/SSF Changes		(\$74,000)	(\$87,700)	(\$92,085)	(\$97,610)
Total State Revenue & One Time Sources	\$24,255,000	\$28,257,150	\$27,246,152	\$28,403,990	\$30,102,769
Federal Stimulus Funding	\$1,083,000	\$2,621,179	\$1,900,000	\$0	\$0
Fund Balance + Prior Lapses	\$585,000	(\$2,400,830)	\$677,641	\$1,189,939	\$101,060
TOTAL General Fund REVENUES	\$25,923,000	\$28,477,499	\$29,823,793	\$29,593,929	\$30,203,828

Robust Revenue Assumption

1%

4%

5%

6%

TOTAL General Fund EXPENDITURES	\$28,323,830	\$27,799,858	\$28,633,854	\$29,492,869	\$30,377,655
				<i>PSERS/SERS Pension Increase (State Share)</i>	
					\$4,065,246
					\$34,442,901

Conservative Average Expenditure Assumption

3.0%

3.0%

3.0%

TOTAL General Fund BUDGET SURPLUS/(SHORTFALL)	<b style="color: red;">(\$2,400,830)	\$677,641	\$1,189,939	\$101,060	<b style="color: red;">(\$4,239,073)
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UNREALISTIC REVENUE GROWTH TO AVERT ADDITIONAL TAX INCREASES or SPENDING CUTS

8.70%	10.32%	16.78%
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For more information on the **State Budget**, visit CommonwealthFoundation.org.