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Five Facts about the Shadow Budget

1. Pennsylvania's shadow budget contains more than 150 special funds and accounts for about 60 percent of state government's cost.

These state funds currently have a surplus of about [\\$11 billion in their checking and savings accounts](#).^{*} Lawmakers should utilize these unreasonable surpluses to balance the budget—paying off last year's budget deficit—before raising taxes on working families.

2. Drawing down on the state's fund balances is an appropriate solution to the temporary problem of \$1.5 billion in unpaid bills from last fiscal year.

This one-time transfer represents just 13 percent of the \$11 billion balance sitting in the Treasury's investment pools.

The state should not rely on fund transfers to pay for current and future spending. For this fiscal year, lawmakers should prioritize *future* spending in the shadow budget and permanently redirect new, recurring tax revenue to the General Fund.

If lawmakers combine shadow budget reforms with liquor privatization, welfare reform, and gambling expansion, they can balance the budget without tax hikes.

3. Utilizing excessive fund balances is not a form of borrowing.

Transferring a portion of surplus funds from the shadow budget would not require interest payments, and lawmakers do not need to replenish these fund balances. The only plan that requires interest payments is the proposal to borrow up to \$1.3 billion from future Tobacco Settlement Fund revenue—which would require about \$2.1 billion in repayment over 30 years, and \$75 million in costs for bond lawyers.

4. Tax hikes are not a solution.

Four tax hikes in eight years [failed](#) to solve the state's structural budget challenges. Credit agency warnings have expressed concern over [Pennsylvania's slow economic growth](#), a problem that higher taxes would worsen.

5. Many of the special funds inside the shadow budget are paid for with tax dollars, not user fees or premium payments.

For example, the Public Transportation Trust Fund is funded by turnpike tolls (charged to *drivers* who choose *not* to use mass transit) and sales taxes. Likewise, the Race Horse Development Fund is financed predominantly by slot machine gamblers. And the Keystone Park, Recreation and Conservation Fund is financed by the Realty Transfer Tax.

^{*}Note: The balance of the Common Investment Pool fluctuates. The [Treasurer's transparency portal](#) posts the daily balance.