



GOVERNOR WOLF

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2016-17 MID-YEAR BUDGET BRIEFING

Tom Wolf
Governor

Randy Albright
Secretary of the Budget

December 14, 2016



2016-17 ENACTED BUDGET

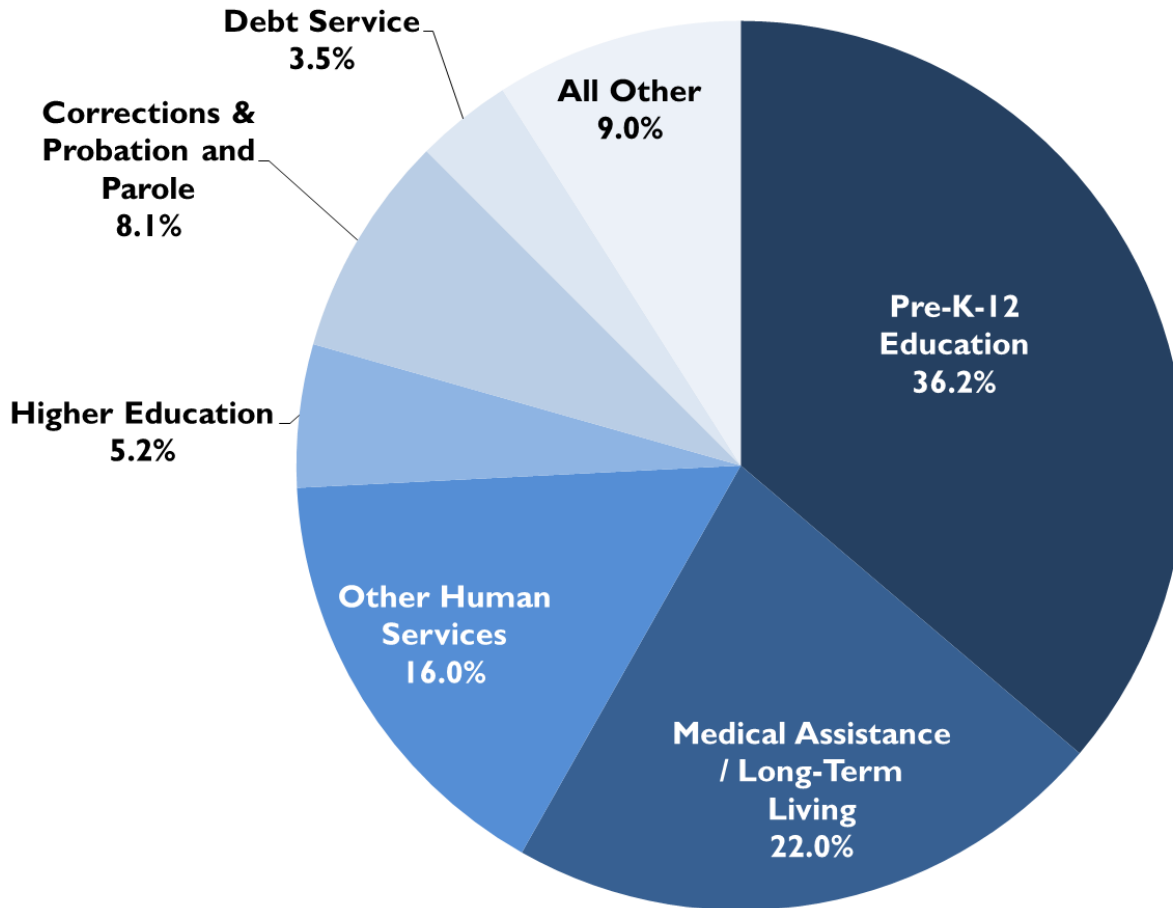
- The 2016-17 General Fund budget is \$31.5 billion, an increase of \$1.4 billion or 4.7 percent, above 2015-16
- Enacted a balanced budget that began to address the structural deficit, while providing critical investments for education, addiction treatment, and support for middle class families
- Implemented full phase-out of Capital Stock and Franchise Tax in January 2016



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2016-17 STATE GENERAL FUND BUDGET - \$31.5 BILLION



(Amounts in Thousands)	
Pre-K-12 Education	\$ 11,403,851
Medical Assistance / Long-Term Living	6,941,645
Other Human Services	5,040,756
Higher Education	1,628,496
Corrections & Probation and Parole	2,563,525
Debt Service	1,111,385
All Other	2,844,074
Total General Fund Expenditures	\$31,533,732

2016-17 ENACTED FINANCIAL STATEMENT

(Dollars in Thousands)

	2014-15 <u>Actual</u>	2015-16 <u>Actual</u>	2016-17 <u>Enacted</u>
Beginning Balance	\$ 80,631	\$ 274,457	\$ 1,991
Revenue Estimate.....	30,595,615	30,883,746	32,776,400
Refunds	(1,340,000)	(1,250,000)	(1,300,000)
Total Revenue	29,336,246	29,908,203	31,478,391
Prior-Year Lapses	90,974	220,953	57,400
Funds Available	29,427,220	30,129,156	31,535,791
Enacted Expenditures	29,027,839	30,023,825	31,533,732
Supplemental Appropriations	163,783	103,341	
Current-Year Lapses	(38,859)	(1)	-
Total Expenditures	29,152,763	30,127,165	31,533,732
Preliminary Balance	274,457	1,991	2,059
Transfer to the Rainy Day Fund	-	-	-
Ending Balance	\$ 274,457	\$ 1,991	\$ 2,059



2016-17 GENERAL FUND REVENUE COLLECTIONS THROUGH NOVEMBER

	<u>Estimated</u>	<u>Actual</u>	<u>\$ Difference</u>	<u>% Difference</u>
(Dollars in Millions)				
Tax Revenue:				
Corporation Taxes	\$ 864.2	\$ 807.2	\$ (57.0)	-6.6%
Consumption Taxes	4,975.6	4,833.3	(142.3)	-2.9%
Sales & Use - Non-Motor	3,664.5	3,562.4	(102.1)	-2.8%
All Other	1,311.1	1,271.0	(40.1)	-3.1%
Other Taxes	5,197.8	5,086.1	(111.7)	-2.1%
PIT Withholding	3,914.7	3,862.2	(52.5)	-1.3%
PIT Non-Withholding	638.0	609.4	(28.6)	-4.5%
All Other	645.1	614.6	(30.5)	-4.7%
Non-Tax Revenue:	60.6	109.7	49.1	81.1%
TOTAL	\$ 11,098.2	\$ 10,836.4	\$ (261.8)	-2.4%

ECONOMIC FORECASTS

Global Insight's Economic Outlook

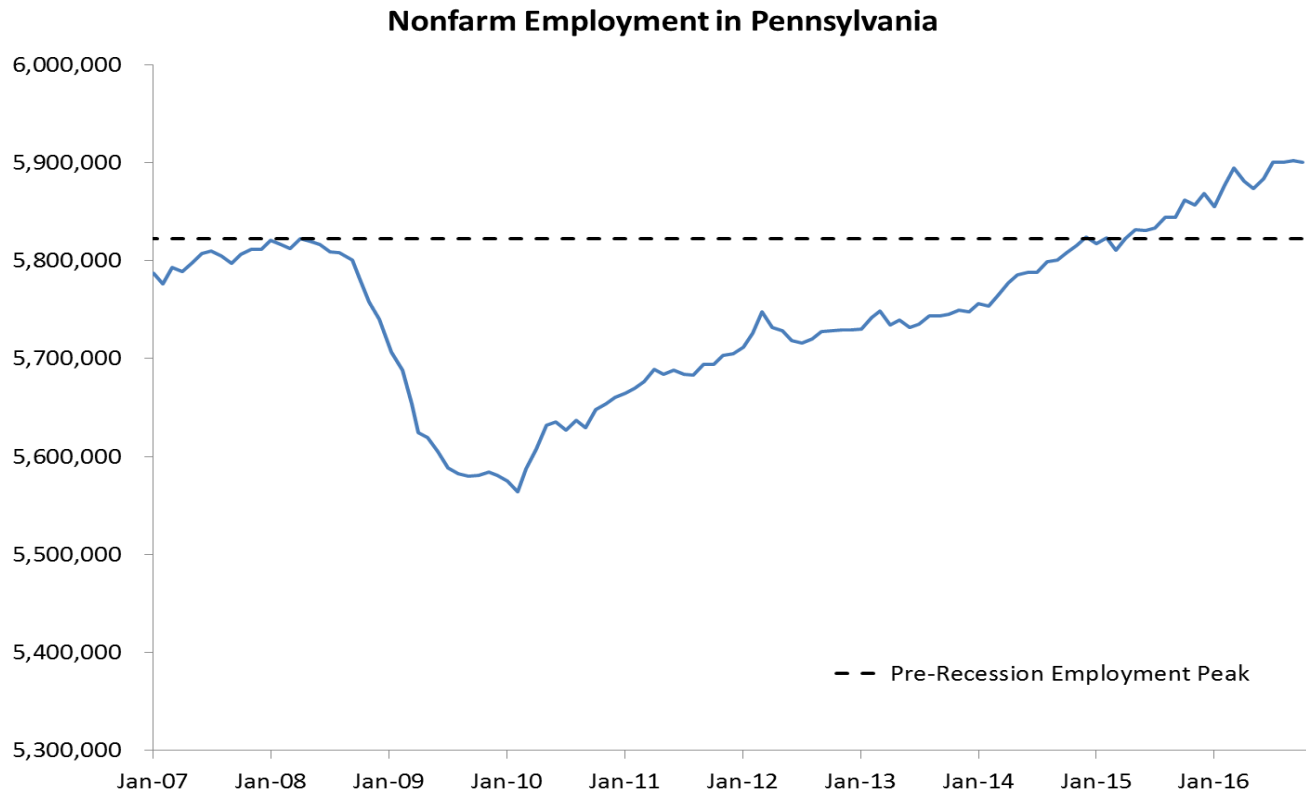
	Real GDP Growth		U.S. Consumer Expenditures		U.S. Personal Income Growth	
	June 2016 Estimate	November 2016 Estimate	June 2016 Estimate	November 2016 Estimate	June 2016 Estimate	November 2016 Estimate
2016	1.9%	1.5%	2.8%	2.6%	4.2%	3.3%
2017	2.6	2.2	2.7	2.5	4.8	4.3
2018	2.6	2.2	2.6	2.5	5.1	4.9
2019	2.3	2.2	2.7	2.4	5.1	5.0
2020	2.3	2.0	2.4	2.3	5.0	4.8





JOB MARKET IN PA

- Slow but steady job growth continues to increase employment above pre-recession levels
- Total employment at 5.9 M in October 2016



Source: Current Employment Statistics, U.S. Bureau of Labor Statistics

2016-17 REVISED FINANCIAL STATEMENT

	(Dollars in Thousands)	
	2016-17	2016-17
	<u>Enacted</u>	<u>Revised</u>
Beginning Balance	\$ 1,991	\$ 1,991
Revenue Estimate	32,776,400	32,351,700
Refunds	(1,300,000)	(1,300,000)
Total Revenue	31,478,391	31,053,691
Prior-Year Lapses	57,400	57,400
Funds Available	31,535,791	31,111,091
Enacted Expenditures	31,533,732	31,532,232
Supplemental Appropriations	-	182,618
Current-Year Lapses	-	-
Total Expenditures	31,533,732	31,714,850
Preliminary Balance	2,059	(603,759)
Transfer to the Rainy Day Fund	-	-
Ending Balance	\$ 2,059	\$ (603,759)

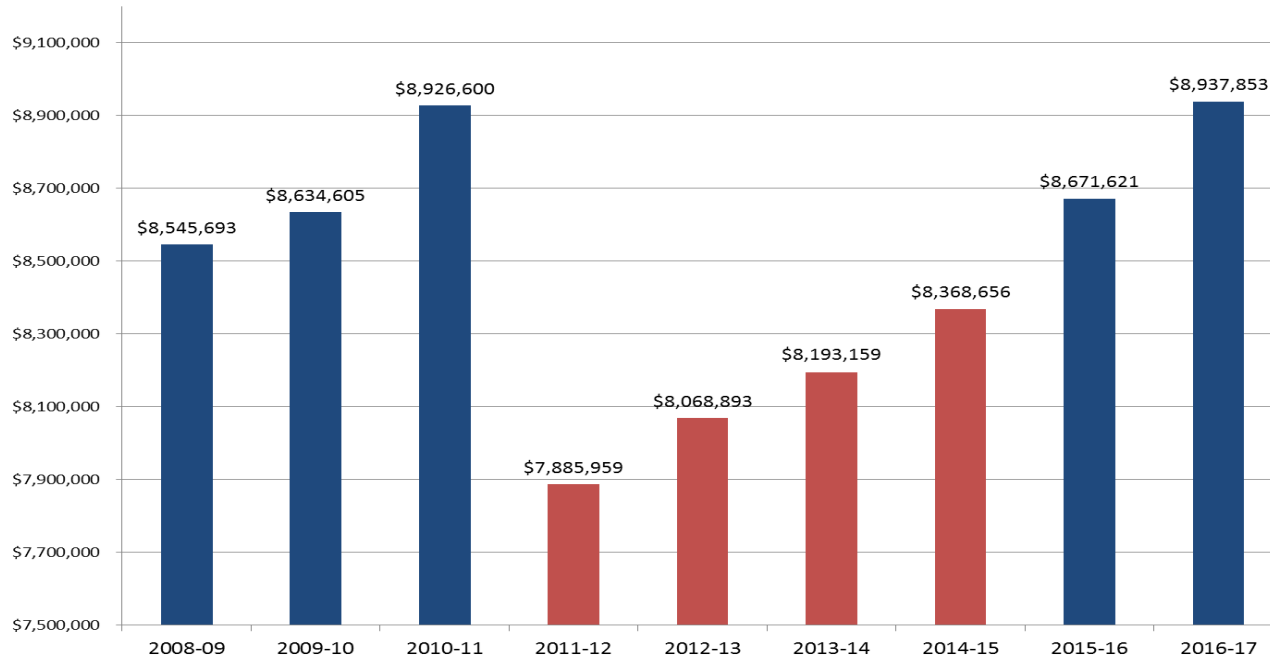




2016-17 ACCOMPLISHMENTS

- Historic increases in education funding in two years:
 - \$415 million in basic education funding
 - \$60 million for early childhood education
 - \$50 million in special education funding
 - \$14.6 million for early intervention
 - Enacted fair funding formula
 - \$81.4 million for PASSHE and state-related schools
 - \$16.4 million for Community Colleges
 - Eliminated backlog for school construction reimbursements

Pre-K to 12 Education Funding
(Dollar amounts in thousands)



Note: Excludes Authority Rentals and Sinking Fund Requirements.

2016-17 ACCOMPLISHMENTS

- Jobs that Pay
 - Announced \$300 million capital investment plan at the Port of Philadelphia, doubling their container capacity and creating more than 2,250 direct jobs
 - Shell Chemical to proceed with building cracker plant in Western Pennsylvania, creating 6,000 full-time construction jobs and 600 permanent positions

2016-17 ACCOMPLISHMENTS

- Opioid Addiction Treatment – \$20.4 million
 - Enables DHS to implement 45 Opioid Use Disorder (OUD) Centers of Excellence that will treat approximately 4,500 people that currently are not able to access treatment
 - Enacted five key bills to decrease opioid abuse, reversed more than 2,000 opioid overdoses through Naloxone initiative, and launched prescription drug monitoring program

2016-17 ACCOMPLISHMENTS

- GO-TIME Savings
 - Identified over 200 projects, resulting in more than \$156 million in agency savings in 2015-16
 - Improving procurement strategies
 - Consolidating state prison purchasing
 - Streamlining mailrooms and services
 - Goal of \$500 million in savings by 2020

2016-17 ACCOMPLISHMENTS

- Medicaid Expansion – reduced uninsured from 14% to 6.4% and cut costs by more than \$500 million
- Reduced corrections population by 1,538 inmates since January 2015
- Legalized medical marijuana
- Eliminated redundant agency functions and consolidated operations
- Reduced future school district borrowing costs through statutory action
- Increased consumer convenience and profits to the commonwealth through the sale of beer, wine, and spirits

2017-18 BUDGET CHALLENGES

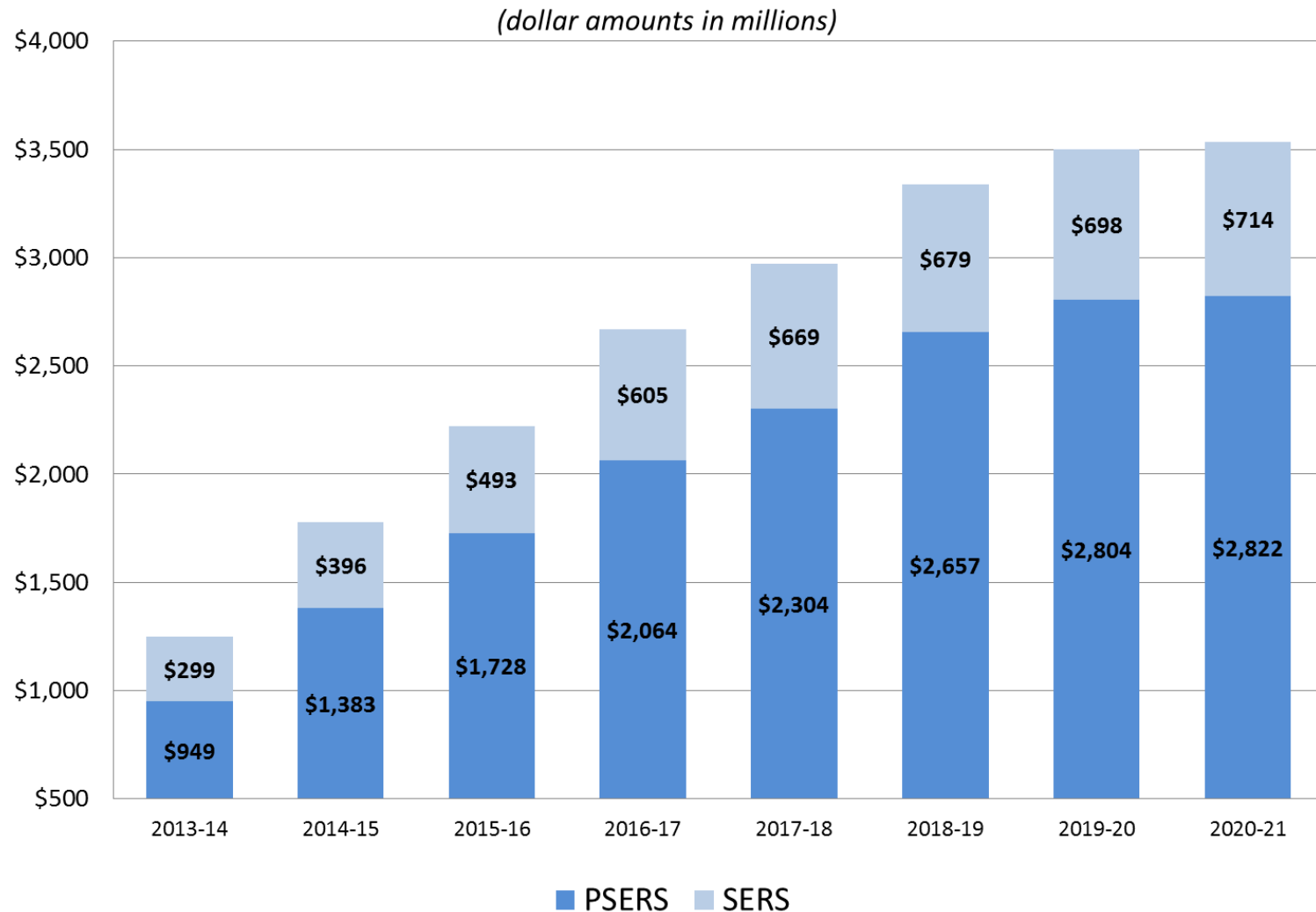
- Continued concern regarding future revenue growth
- \$304 million increase to fund future school district and state pension obligations
- \$133 million increase in General Fund debt obligations
- Non-recurring one-time revenue options used to balance current-year budget
- Continuing steps to maintain Lottery Fund solvency
- Increasing federal matching requirements, rising health care costs, and expanding service needs continue to drive higher human service costs



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PSERS AND SERS EMPLOYER CONTRIBUTIONS – GF SHARE





COLLECTIVE BARGAINING AGREEMENT

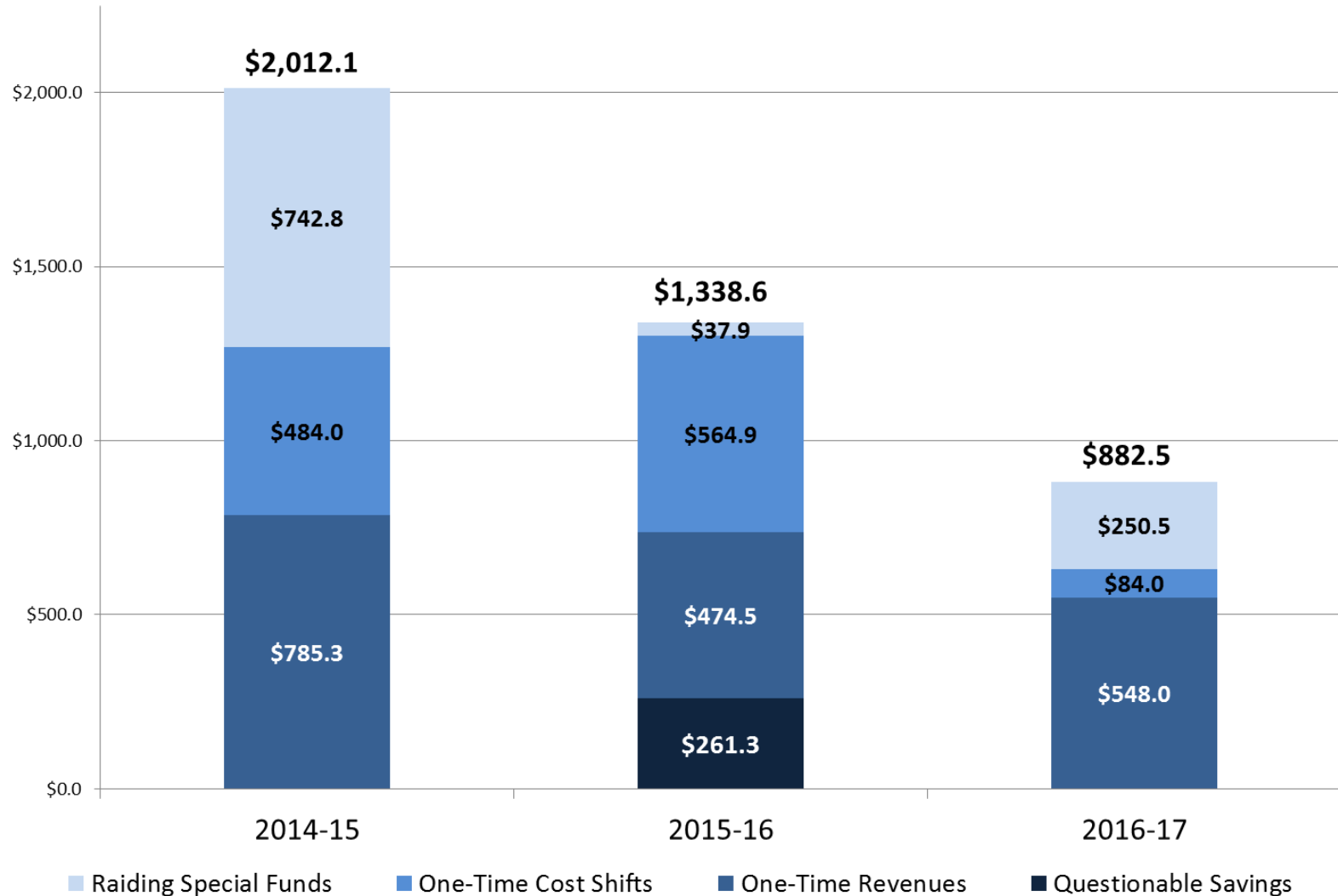
2017-18 General Fund Cost of Collective Bargaining Agreement	
<i>(amounts in millions)</i>	
AFSCME wage & employer benefits	\$30.57
Act 195 Pattern	\$18.84
Total	\$49.41

3-Year Savings	
<i>(amounts in millions)</i>	All Funds
Collective Bargaining	
Employee contribution change	(\$31.00)
AFSCME length of benefit change	(\$3.00)
Total Collective Bargaining	(\$34.00)
Health Plan Design Changes	
PEBTF Active Plan Design	(\$59.00)
Retiree – Non-Medicare Plan Design	(\$62.70)
Retiree – Medicare Plan Design	(\$58.50)
Total Plan Design	(\$180.20)
TOTAL	(\$214.20)



ONE-TIME FUNDING SOURCES

(dollar amounts in millions)



2017-18 BUDGET PLANNING

- The administration will not abandon those hardest hit by the Great Recession – local governments, school districts, non-profits, and middle class families
- Governor Wolf will maintain his commitment to increase state support for local school districts, early learning programs, and opioid treatment
- We will exhaust any and all opportunities to restrain or reduce state spending before seeking additional revenues necessary to balance the 2017-18 budget