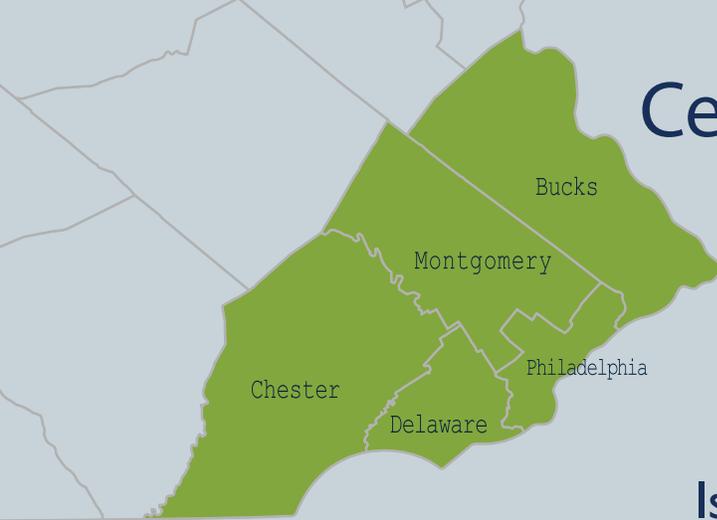


Center on Regional Politics



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SOUTHEAST PENNSYLVANIA AND THE COMMONWEALTH BUDGET

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EXECUTIVE SUMMARY

Revenues and expenditures included in this report are only for those that could be directly attributable to a geographic region, or could reasonably be estimated by county.

Introduction

This report is an update to a 2011 working paper by the Economy League of Greater Philadelphia looking at Pennsylvania's southeast counties' contribution to and appropriations from the State General Fund. The Southeast consists of Bucks, Chester, Delaware, Montgomery, and Philadelphia counties. This report also documents the shrinking size of the State General Fund and provides more detail on grants for courts, hospitals, and other programs.

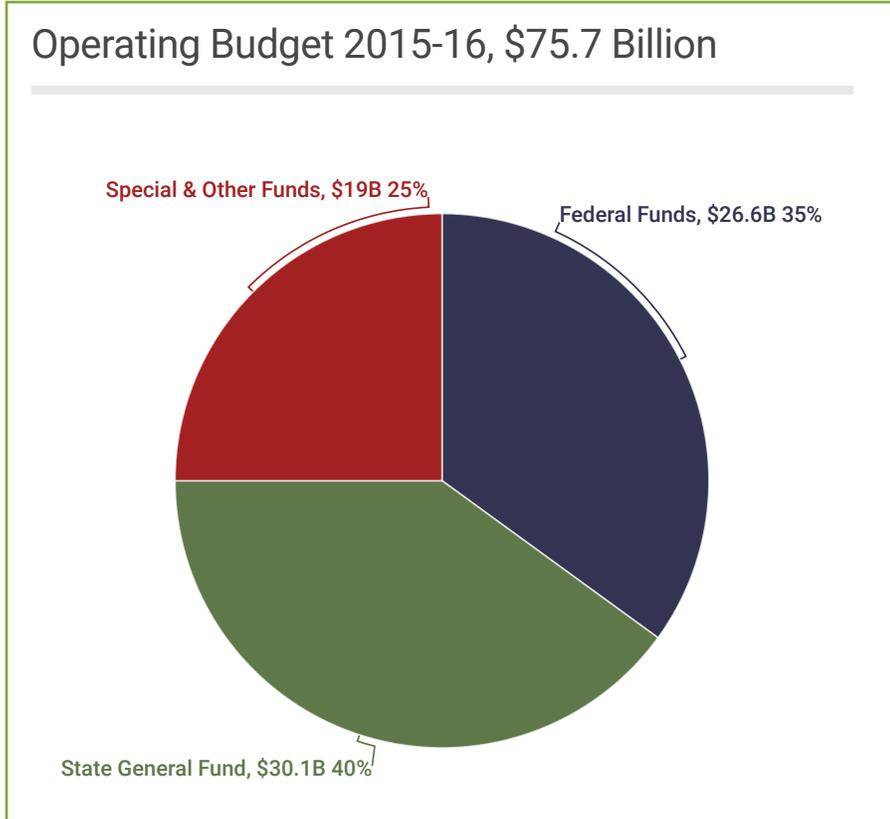
Due to the need to match demographic and budget data, this report uses the latest available information available at the start of the project, namely, the 2015-16 fiscal year and the 2015 calendar year. Earlier years are provided for some data categories to show revenues and expenditures remain relatively stable. These data were the latest available before the 2016 elections for the office of governor and members of the General Assembly. The previous study used 2008-09 data.

Budget Overview

The Commonwealth's total operating budget for fiscal year 2015-16 was \$75.7 billion (Figure ES1), an average annual increase of 3.1% since fiscal 2008-09. The largest fund, accounting for 40% of total operations in 2015-16, was the \$30.1 billion State General Fund. Federal Funds accounted for another 35% of Commonwealth spending totaling \$26.6 billion. The remaining 25% of spending comes from a variety of special funds. The \$2.8 billion State Motor License Fund and the \$1.9 billion Lottery Fund are presented in the Governor's Budget as special funds, but there are also a large number of "other funds" that are special revenue funds including the Tobacco Settlement Fund and the State Gaming Fund (taxes on casino gaming) among many others. Special and other funds totaled \$19 billion in fiscal 2015-16.

The State General Fund is the largest operating fund and provides for governmental activities that are not covered by dedicated funding allocated to the many special and other revenue funds. The Personal Income

Figure ES1



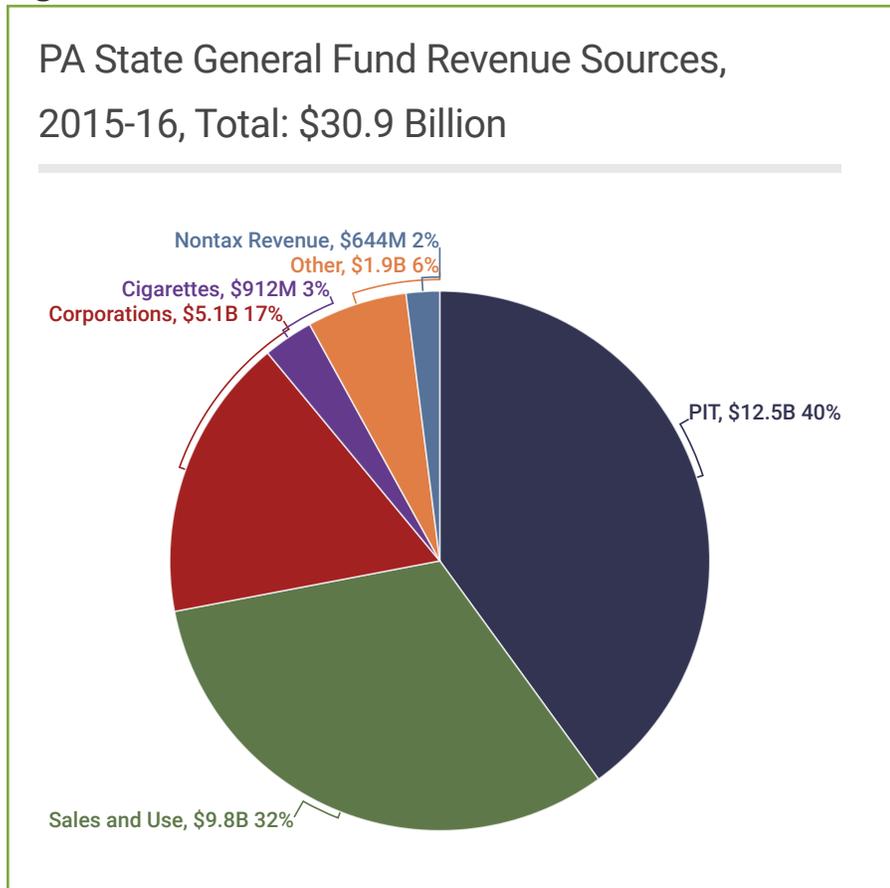
Source: Governor's Executive Budget

Tax (PIT), Sales and Use Tax, and Corporation taxes together provided 89% of State General Fund revenue in Fiscal 2015-16 (Figure ES2).

In Pennsylvania, the average annual growth rate of State General Fund revenues from 2008-09 to 2015-16 was 2.8% compared with 3.0% over the ten years prior to that. State General Fund tax revenues dropped in 2008-09 and did not return to pre-recession levels for four years (until 2012-13).

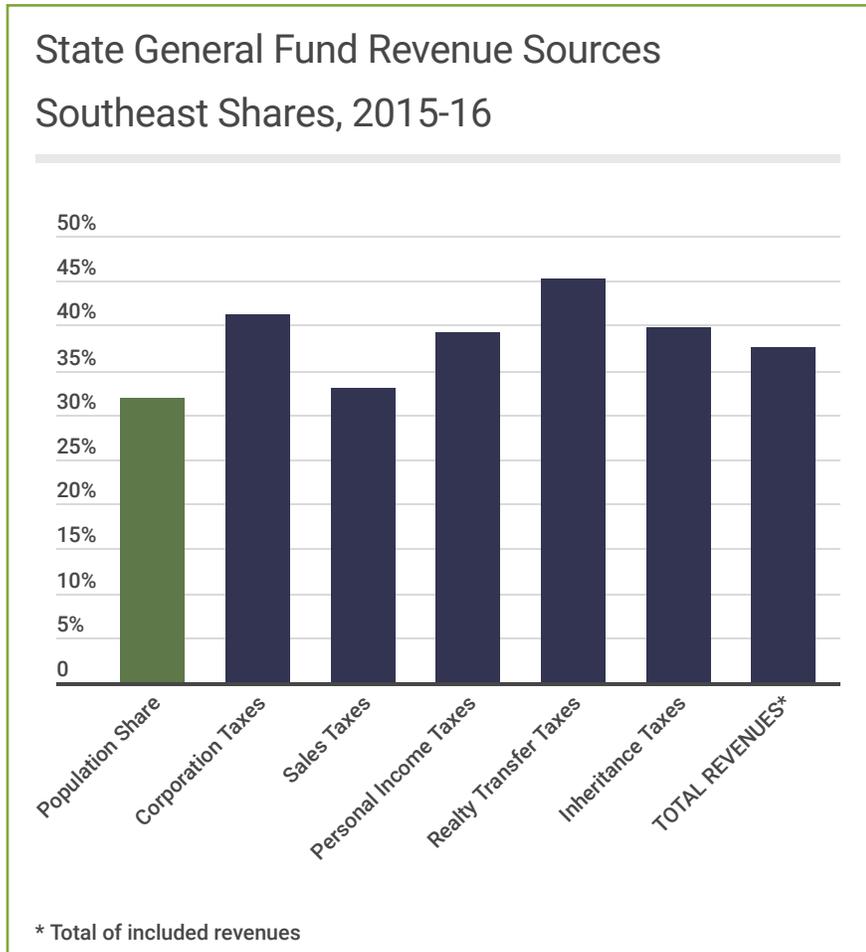
Increasingly, the Commonwealth has used one-time revenue and special revenue funds to augment the slow growth in the State General Fund. The State General Fund has been the slowest growing portion of the total operating budget over the period 2008-09 to 2015-16. At the beginning of our observation period the State General Fund accounted for 44% of total operating funds. At the close of the period it accounted for only 40%.

Figure ES2



Source: Governor's Executive Budget

Figure ES3



Source: US Census, ACS 2011-15 5-Year Estimates, PA Department of Revenue

Revenues

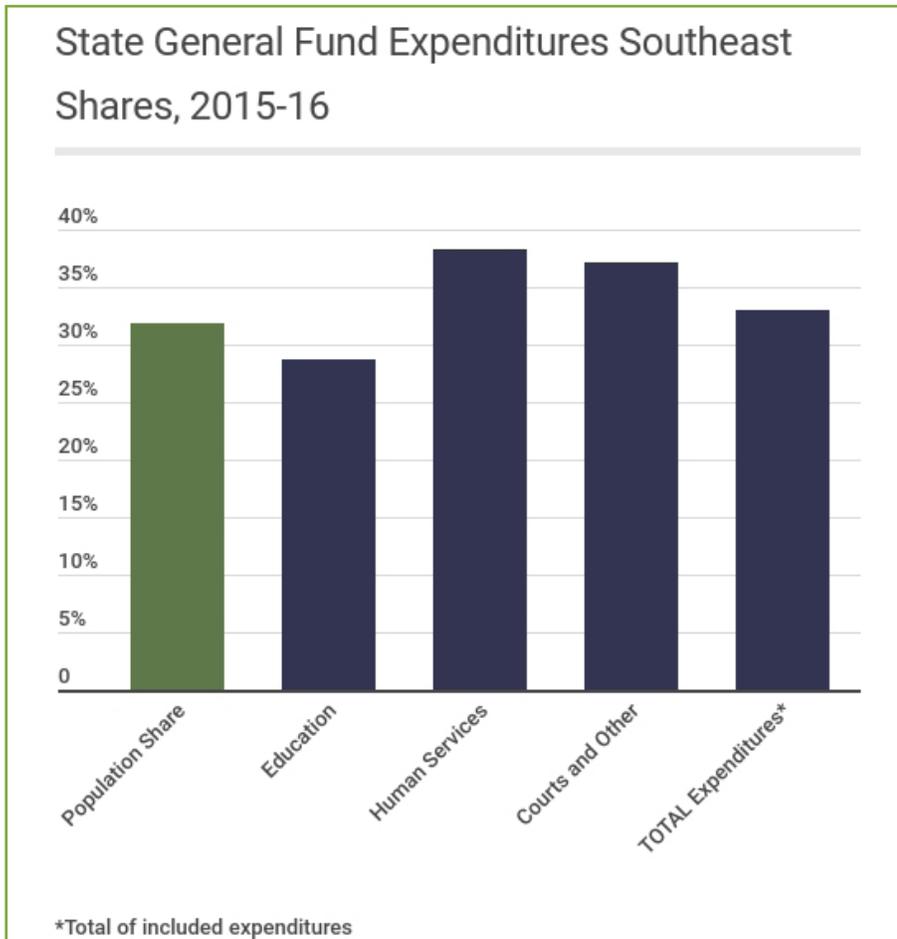
It is not possible to allocate to a particular county the sources of all State General Fund revenues. Personal income, inheritance, and realty transfer taxes can be attributed to counties, but state sales taxes are reported by business location, not point of sale. Corporate taxes are even more difficult to determine as they are not reported as to where the actual business occurred. This report uses a similar methodology as the 2011 analysis by allocating business activity to the region using its share of Gross State Product, Gross County Product, and the share of payroll from the US Census County Business Patterns.

Southeast PA accounts for 31.82% of the population of the state. As shown in Figure ES3, the region

generates a larger portion of revenue for the State General Fund than its share of population.

Total revenues included account for 89.93% of the State General Fund, \$27.18 billion. The remaining revenues are from non-tax sources or cannot be attributed to a specific geography. The regional share of these State General Fund revenues is 37.43%, \$10.17 billion.

Figure ES4



Source: US Census, ACS 2011-15 5-Year Estimates, CORP calculations

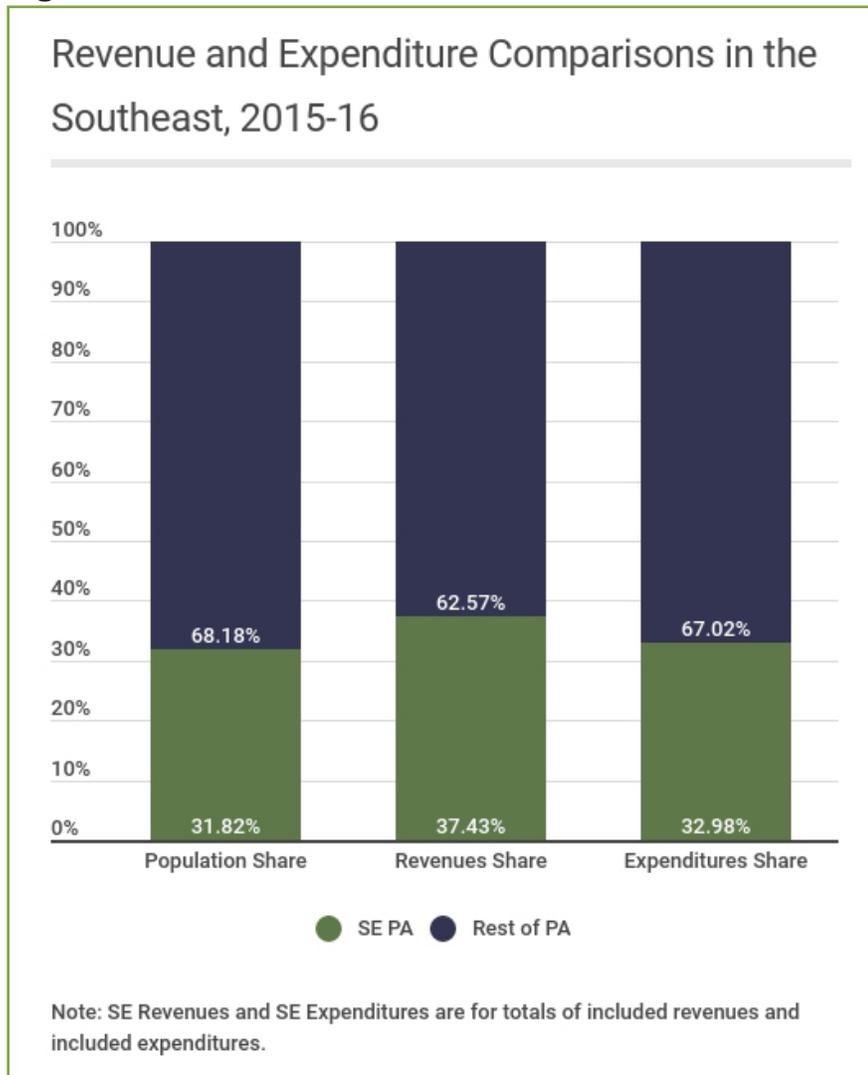
Expenditures

The State General Fund includes general revenues from which spending is appropriated for the general expenses of the state. General funds, unlike special funds, which are specific purpose dedicated funding, provide more flexibility to the legislature in how the funds can be spent.

Education spending (Pre-K-12 and higher education) dominates expenditures from the State General Fund comprising 41.1%, followed closely by health and human services and medical assistance at 39%. These categories dwarf other spending categories. Total expenditures for the State General Fund for fiscal 2015-16 were \$30.1 billion.

Figure ES 4 shows the expenditures for the Southeast from the State General Fund attributable to a specific county, a total of \$19.79 billion, or 65.68%. The region as a whole receives \$6.53 billion, 32.98% of the State General Fund expenditures covered in this analysis, slightly more than its share of the population, but less than its share of regional revenues.

Figure ES5



Source: CORP calculations

Conclusion

The Southeast region contributes 37.43% to the State General Fund and takes in 32.98% of expenditures (Figure ES5). Both of these figures only include revenue and expenditures that are allocable by geographic source. They do not include, for example, non-state and non-tax revenues in the State General Fund, nor do the expenditures include state government operations.

Overall revenue for FY 2016 was \$30.9 billion, so this analysis accounts for 87.95% of State General Fund revenues. On the other hand, State General Fund expenditures for FY 2016 were \$30.1 billion, meaning 65.68% of State General Fund spending could be traced to specific geographic locations.

Given these caveats, the foregoing calculations show the region contributes more to the State General Fund than it receives in spending.

An alternative approach using estimates based on state and county populations to allocate expenditures that are arguably state-wide is found in the appendix. Under this analysis using all tax revenues and expenditures as the base for calculations, the Southeast contributes 32.92%, \$10.17 billion, to State General Fund revenues and receives 28.02%, \$8.44 billion, of expenditures. Some amounts are unallocated, however, totaling 12.05% of revenues and 14.34% of expenditures.

INTRODUCTION

This report updates a January 2011 paper discussing the Southeast Pennsylvania share of the Commonwealth’s State General Fund revenue and expenditures published by the Economy League of Greater Philadelphia. For the purposes of this report, Southeast PA consists of five counties: Bucks, Chester, Delaware, Montgomery, and Philadelphia (both a city and a county). The previous report was based on data from the 2008-09 fiscal year and 2008 calendar year. This report uses the latest available data for all analyses, the 2015-16 fiscal year and the 2015 calendar year. Additional years are located in the appendix.

METHODOLOGY

Not all revenues and expenditures can be directly linked to specific geographic regions of the Commonwealth. For example, sales tax revenue are recorded based on the reporting location of the business, not point of sale.¹ On the expenditure side, the cost of state government administration and some environmental programs impact the entire state, and so are not assigned to a specific county. Other examples are pointed to throughout this study, such as the funding of institutions of higher education, which, except for community colleges that are geographically focused, serve all residents of the state.

SOUTHEAST PENNSYLVANIA

Sources of the data include the US Census American Community Survey, the Pennsylvania Office of the Budget, the Pennsylvania Departments of Revenue, Education, Human Services, and Community and Economic Development, and the Legislative Budget and Finance Committee. Whenever possible, data collected by the state executive department which oversees the revenues or expenditures of a particular area of the budget were used to develop these calculations. The following should not be perceived as exact allocations to or from the Southeast region, but those closest possible according to the information available and acceptable estimating methods.

In 2015, the region, which encompasses 4.8 % of the land mass of Pennsylvania, contained nearly 1/3 of the total state population at 31.82%, or slightly over 4 million, out of a total state population of 12.8 million. The share of population has been increasing slightly year to year, climbing from 31.3% in 2008.

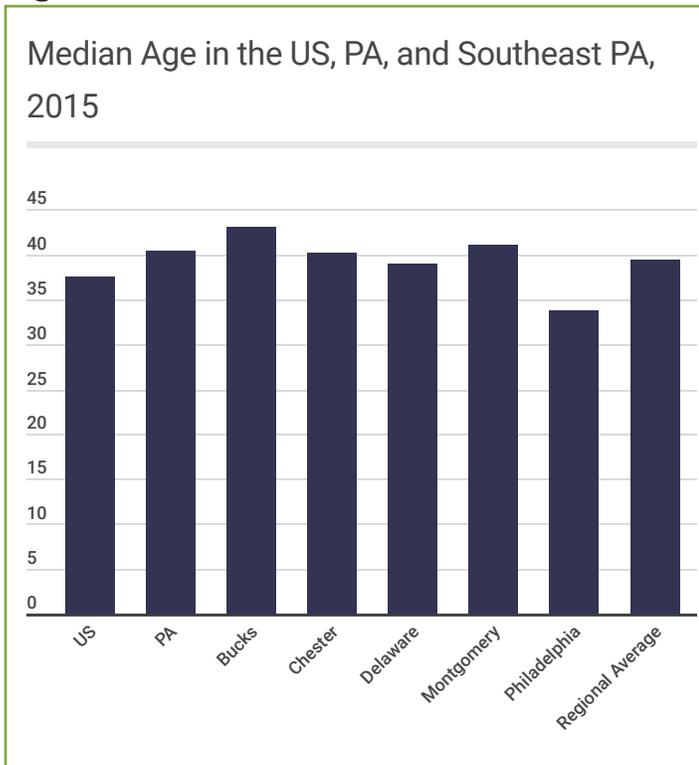
As will be documented later in this report, the region generates just over 40% of the state’s gross domestic product and of business payrolls. The average per capita income for the region is \$33,237 per year, 13.47% higher than the state per capita income (Table I). Approximately 14.7% of residents live below the poverty line, slightly higher than the overall state figure of 13.5%. The labor force participation rate for those aged 20 to 64 for the region is 77.85%, again somewhat higher than for Pennsylvania at 77.4%.

Table I. Southeast PA Demographic Characteristics

	2015 Total Population	2015 Share of Population	2015 Per Capita Income	2015 Percent in Poverty	2015 Labor Force Participation Rate (20-64)
PA	12,779,559	100%	\$29,291	13.5%	77.4%
Bucks	626,583	4.9%	\$38,795	6.0%	82.6%
Chester	509,797	4.0%	\$42,556	7.1%	82.7%
Delaware	561,683	4.4%	\$34,064	10.6%	79.4%
Montgomery	812,970	6.4%	\$42,275	6.6%	83.0%
Philadelphia	1,555,072	12.2%	\$22,919	26.4%	71.4%
Regional Total/ Weighted Average	4,066,105	31.82%	\$33,237	14.70%	77.85%

Source: US Census, ACS 2011-15, 5-Year Estimates

Figure 1



Source: US Census, ACS 2011-15, 5-Year Estimates

The state of Pennsylvania is older than the nation as a whole, with a median age of 40.5 contrasted with the US median of 37.6 (Figure 1). In the Southeast, the median age is 39.4, slightly younger than the rest of the state. The age distribution for the region closely mirrors the rest of the state, though Pennsylvania as a whole has a slightly larger senior citizen population with 16.3% of citizens over age 65, and the region with 14.7%. Within the region, however, Philadelphia has a significantly lower median age of 33.7. This is due to both a smaller proportion of seniors and a larger proportion of young adults -- including many college students -- than other southeast counties, the state, or the nation. (See Figure 2.)

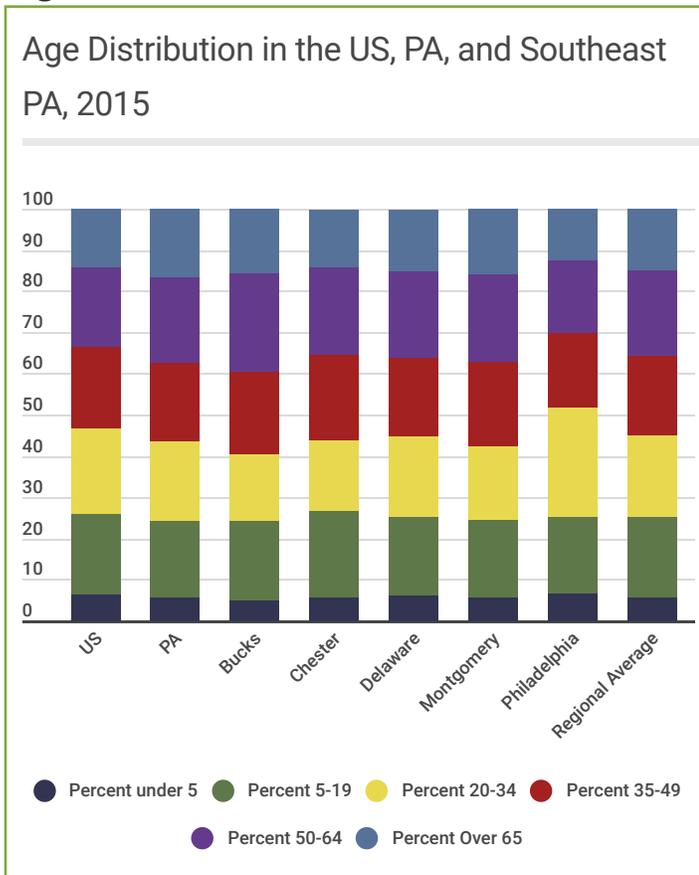
BUDGET OVERVIEW

The previous report which this paper updates was based on data from the 2008-09 fiscal year and 2008 calendar year, the most up-to-date available when the report was done. This analysis using the 2015-16 fiscal year and 2015 calendar year shows a similar picture. However, the context in which the analysis of State General Fund shares should be evaluated has changed significantly from 2008-09 to 2015-16 and changed even more significantly with the 2017-18 budget.

THE OPERATING BUDGET

The Commonwealth's total operating budget for fiscal year 2015-16 was \$75.7 billion; an average annual increase of 3.1% since fiscal 2008-09 (Figures 3 and 4). State government operations are paid for using state tax revenues, federal funds and a variety of non-tax revenues. Non-tax revenues include such diverse sources as the profits from state liquor store operations, the State Lottery, income from the sale of assets or leasing of state property, as well as a variety of fees and assessments for various government services ranging from drilling permits to casino licenses to driver licenses and other activities. There are a variety of separate funds that are used to collect these revenues and account for Commonwealth operations.

Figure 2

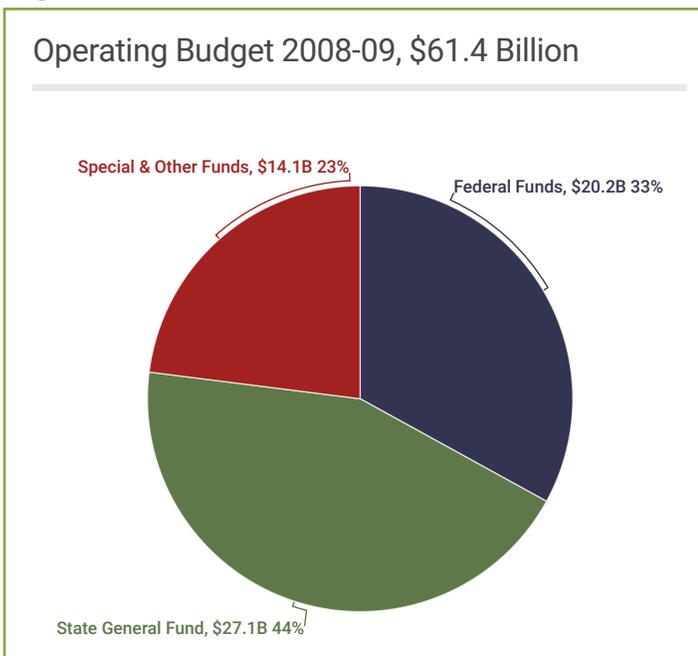


Source: US Census, ACS 2011-15, 5-Year Estimates

The largest fund, accounting for 40% of total operations in 2015-16, was the \$30.1 billion State General Fund. Federal Funds accounted for another 35% of Commonwealth spending totaling \$26.6 billion. The remaining 25% of spending comes from a variety of special funds. The \$2.8 billion State Motor License Fund and the \$1.9 billion Lottery Fund are presented in the Governor’s Budget as special funds, but there are also a large number of “other funds” that are special revenue funds including the Tobacco Settlement Fund and the State Gaming Fund (taxes on casino gaming) among many others. Special and other funds totaled \$19 billion in fiscal 2015-16.

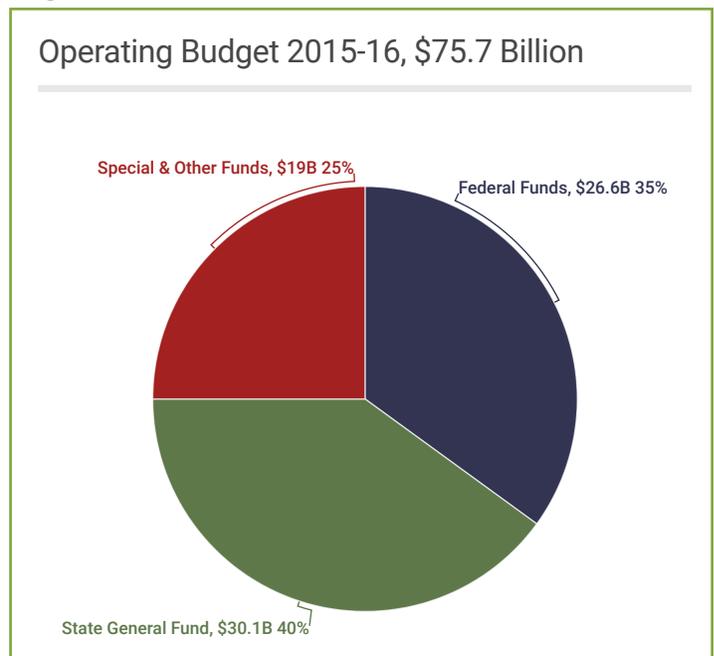
The State General Fund has been the slowest growing portion of the total operating budget over the period 2008-09 to 2015-16. At the beginning of our observation period the State General Fund accounted for 44% of total operating funds. At the close of the period it accounted for only 40%. The best way to measure growth in spending is by focusing on the combined operating budget because budgets may inconsistently shift money among funds from year to year. (See Figures 5 and 6.)

Figure 3



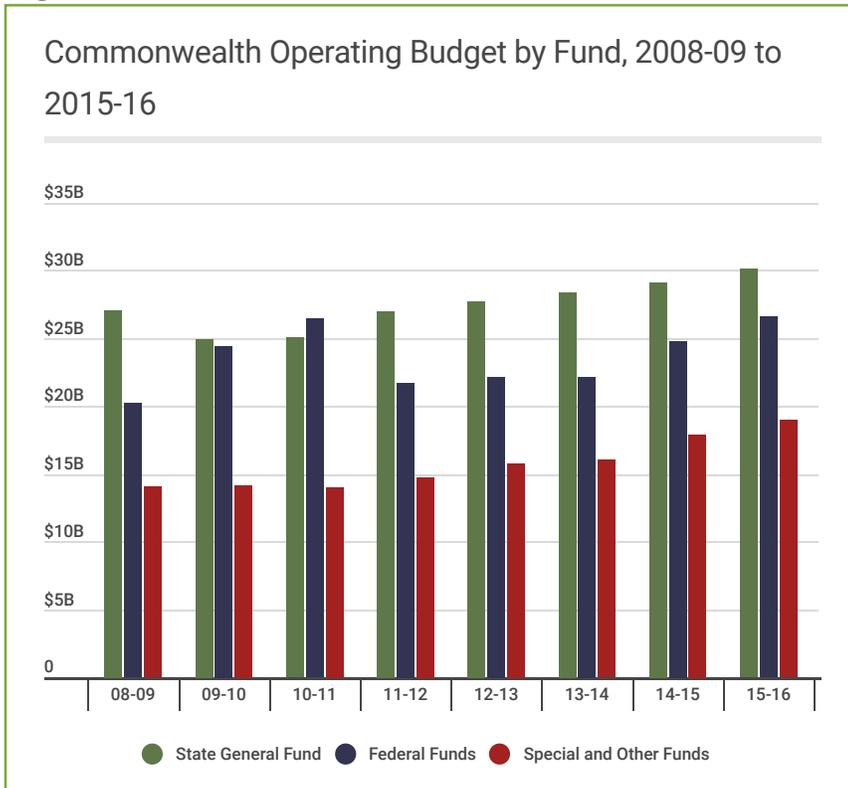
Source: Governor’s Executive Budget

Figure 4



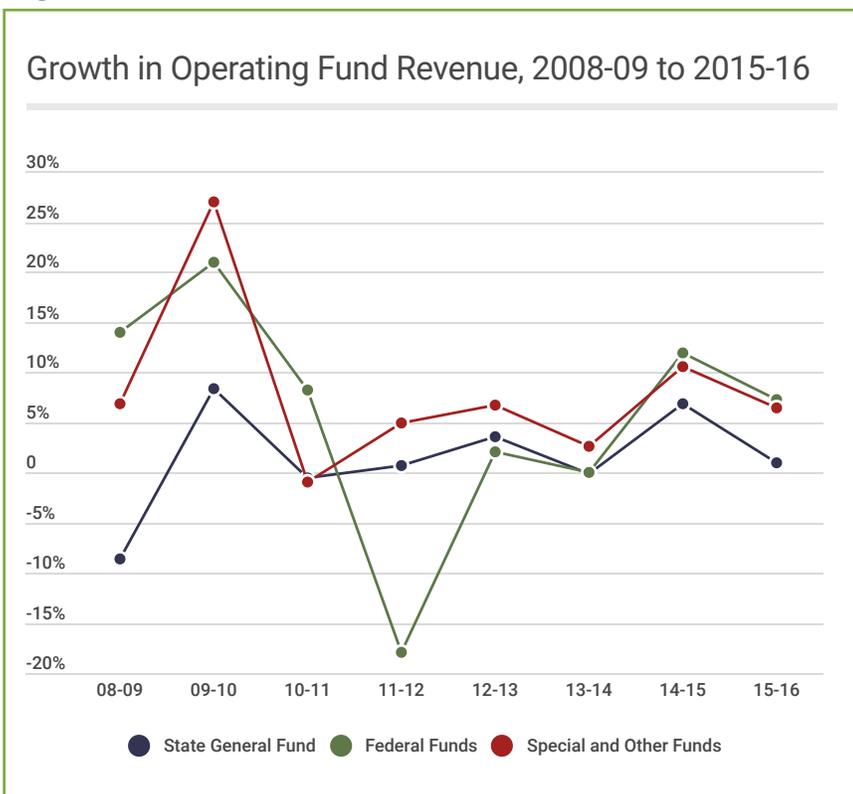
Source: Governor’s Executive Budget

Figure 5



Source: Governor’s Executive Budget. Additional detail in Appendix.

Figure 6



Source: Governor’s Executive Budget

Federal Funds showed the most variability in growth over the time frame due to the temporary provision of additional Federal Funds that were part of the American Recovery and Reinvestment Act (ARRA). More than \$7 billion in temporary Federal ARRA funding was provided during fiscal years 2008-09, 2009-10 and 2010-11 to offset State General Fund revenue requirements. Federal operating funds grew at an annual average of 4.6% over the seven-year period.

Special and Other Funds was the fastest growing fund category with revenue increasing by an average of 8.2% per year over the eight-year period. The Commonwealth’s Rainy Day Fund is included in this category. The Rainy Day Fund balance of \$755 million was transferred to the State General Fund to help balance the 2009-10 budget. The Tobacco Settlement Fund is also included in this category. Tobacco Settlement funds have been used to offset State General Fund costs for Medical Assistance Long-Term Care continuously since 2005-2006. In addition, Tobacco Settlement Funds have been used to provide periodic augmentations to the State General Fund. In 2010-11 a transfer of \$250 million of Tobacco Settlement funds was made to the State General Fund to help balance the budget. In 2014-15 Tobacco Settlement Fund assets worth \$111 million were sold and \$87.5 million in cash from the fund (a total of \$198.5 million) were transferred to the Pennsylvania School Employees’ Retirement Fund in lieu of making a cash payment from the State General Fund to cover a portion of the state’s employer contribution.

THE STATE GENERAL FUND

The State General Fund is the largest operating fund and provides for governmental activities that are not covered by dedicated funding allocated to the many special and other revenue funds. Health and human services and education spending account for 81% of State General Fund spending.² The State General Fund receives tax revenue and non-tax revenue (See Figures 7 and 8.)

The Personal Income Tax, Sales and Use tax, and Corporation taxes together provided 89% of State General Fund revenue in Fiscal 2015-2016.

The taxes collected for the State General Fund include the following:

Personal Income Tax (PIT) – the tax is imposed on eight classes of income received by individuals, estates, trusts, partnerships, S corporations and Limited Liability Companies (LLCs) not taxed as corporations. Qualified retirement income is not subject to the tax. A full credit is available for incomes below \$6,500 for a single taxpayer, \$13,000 for married taxpayers, and an additional \$9,500 per dependent. The tax rate has been 3.07% since 2004.

Sales and Use Tax – the tax is imposed on retail sales of tangible personal property and selected services. A complementary use tax is imposed. The rate has been 6% since 1968. Notable exemptions include food not ready-to-eat, clothing, drugs, residential heating fuels and sales for resale. A hotel occupancy tax at the same rate is imposed on room rental charges for less than 30 days.

Corporation Taxes – this category includes the following taxes:

Corporate Net Income Tax imposed at 9.99% on separate company income. Net operating losses are allowed and capped and can be carried forward.

Capital Stock and Franchise Tax was a tax on the value of a corporation's capital stock determined by a formula. The tax rate has been phasing

down since 1999 and the tax was eliminated for tax years beginning in 2016.

Utility Gross Receipts Tax imposed at 50 mills on transportation, telegraph and telephone companies (including cellular) and 59 mills on electricity sales.

Utility Property Tax is imposed on certain utility property that is exempt from local real estate taxation at a rate calculated each year. The revenue is redistributed to local governments according to a formula. A 7.6 mill levy is retained by the state.

Insurance Premiums Tax, Bank Shares Tax and Mutual Thrift Institutions Tax are imposed in lieu of the corporate income tax on entities in those industries.

Cigarette Tax – \$1.60 per pack from November 2009. \$2.60 per pack since August 2016.

Other Taxes – Liquor and malt beverage taxes, realty transfer tax, inheritance tax, table games tax.

Nontax Revenues – Liquor Store profits, licenses, fees, Treasury earnings, escheated property income, transfers from other funds, fines, penalties and interest.

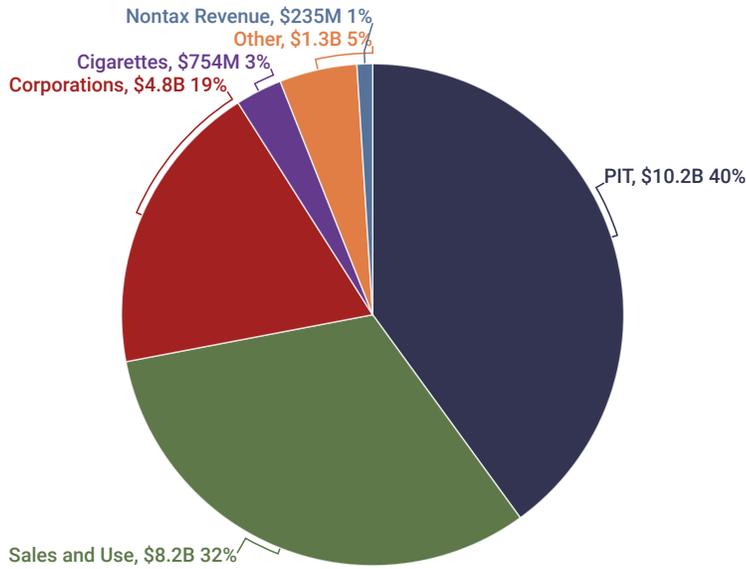
Since the Great Recession began in December 2007, the Commonwealth has increased its use of one-time revenues to balance state budgets. The recession ended in June 2009, but the budget problems it ushered in have remained. The slow pace of the financial recovery left many states unable to maintain program levels with existing resources after federal stimulus funding ended.

In Pennsylvania, the average annual growth rate of State General Fund revenues from 2008-09 to 2015-16 was 2.8% compared with 3.0% over the ten years prior to that. State General Fund tax revenues dropped in 2008-09 and did not return to pre-recession levels for four years (until 2012-13). The Capital Stock tax has been phasing out over the entire period 1999-2016.

Non-tax revenues increased at an average annual rate of 146.4% over the recent seven-year period compared with 2.2% in the ten years leading up to that.

Figure 7

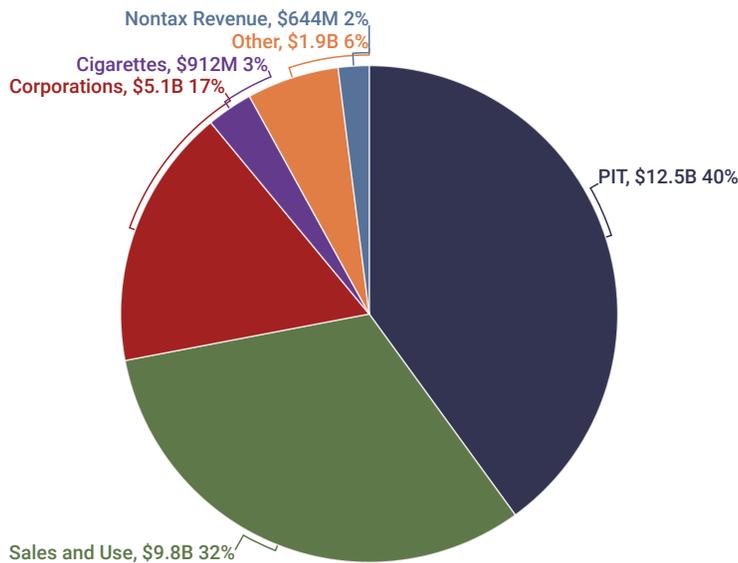
PA State General Fund Revenue Sources, 2008-09, Total: \$25.5 Billion



Source: PA Department of Revenue

Figure 8

PA State General Fund Revenue Sources, 2015-16, Total: \$30.9 Billion



Source: PA Department of Revenue

One-time Revenues and Special Funds

Slow growth and continuing tax reductions combined with pressures to maintain spending levels have led to an ongoing reliance on one-time revenues. Two tax amnesty programs have been conducted since the Recession. One amnesty was conducted from April 26 to June 18, 2010, and generated \$254.6 million at a cost of \$12.6 million in administrative expenses with \$90.8 million in interest, penalties and fees waived. Another amnesty was held April 21 to June 19, 2017. That amnesty generated \$142.9 million at a cost of \$12.5 million in administrative expenses with \$36.4 million in interest, penalties and fees waived.

Increasingly, the Commonwealth has used one-time revenue and special revenue funds to augment the slow growth in the State General Fund. The 2017-18 Commonwealth budget initiated a new revenue element by monetizing future revenue streams to meet current State General Fund spending needs. Continued reliance on non-recurring revenues, the lack of a significant rainy day fund, the Commonwealth’s “history of late budget adoption,”³ and its ongoing structural deficit combined with debt and substantial pension obligations were all cited by bond-raters as reasons they have downgraded their ratings of the state’s general obligation bonds. That, in turn, has resulted in higher borrowing costs for the Commonwealth. More recently, the bond-raters have regarded the Commonwealth’s fiscal outlook as stable.

Borrowed funds, fund transfers and other revenue streams that cannot be traced geographically may well continue to be a significant source of growth in the State General Fund budget making geographic revenue comparisons somewhat less useful.

SOUTHEAST PA AND STATE GENERAL FUND REVENUES

It is not possible to allocate to a particular county the source of all State General Fund revenues. Personal income, inheritance, and realty transfer taxes can be attributed to counties, but state sales taxes are reported by business reporting location, not point of sale. Corporate taxes are even more difficult to

determine as they are not reported as to where the actual business occurred. This report utilizes a similar methodology as the 2011 analysis by allocating business activity to the region using its share of Gross State Product, Gross County Product, and the share of payroll from the US Census County Business Patterns. This percentage is then used to estimate the region's contribution to the Corporate Tax portion of the State General Fund.

Table 2: Regional Share of Business Payroll

	2015 Total Payroll (\$M)	Share of 2015 PA Payroll	2015 Share of Population	2014 Total Payroll (\$M)	Share of 2014 PA Payroll	2014 Share of Population
PA	\$257,626.94	100%	100%	\$248,560.94	100%	100%
Bucks	\$11,179.48	4.34%	4.90%	\$10,758.21	4.33%	4.91%
Chester	\$17,415.31	6.76%	3.99%	\$16,297.50	6.56%	3.97%
Delaware	\$11,959.07	4.64%	4.40%	\$11,868.48	4.77%	4.40%
Montgomery	\$30,085.01	11.68%	6.36%	\$29,281.72	11.78%	6.34%
Philadelphia	\$33,868.88	13.15%	12.17%	\$32,447.00	13.05%	12.12%
Regional Total	\$104,507.79	40.57%	31.82%	\$100,652.92	40.49%	31.74%

Source: US Census County Business Patterns

Table 3: PA and Regional Shares of Payroll by Sector

	PA 2015 %	By Sector Share for Regional Total 2015 %	Regional Share of PA Total by Sector 2015
Total for all sectors	100.00%	40.57%	40.57%
Agriculture, forestry, fishing and hunting	0.04%	0.01%	25.21%
Mining, quarrying, and oil and gas extraction	0.94%	0.01%	1.28%
Utilities	1.26%	0.26%	20.96%
Construction	5.40%	1.92%	35.48%
Manufacturing	11.95%	3.05%	25.48%
Wholesale trade	6.94%	2.93%	42.20%
Retail trade	6.73%	2.27%	33.73%
Transportation and warehousing	3.62%	1.04%	28.64%
Information	3.98%	2.60%	65.26%
Finance and insurance	8.82%	4.67%	52.89%
Real estate and rental and leasing	1.36%	0.64%	47.05%
Professional, scientific, and technical services	9.73%	5.16%	52.97%
Management of companies and enterprises	6.82%	2.91%	42.63%
Administrative and support and waste management and remediation services	4.36%	1.91%	43.77%
Educational services	4.13%	2.33%	56.38%
Health care and social assistance	17.15%	6.15%	35.85%
Arts, entertainment, and recreation	1.24%	0.63%	50.35%
Accommodation and food services	2.88%	1.03%	35.70%
Other services (except public administration)	2.62%	1.01%	38.33%
Industries not classified	0.01%	0.00%	38.80%

Source: US Census County Business Patterns

In 2015, Southeast PA accounted for 40.57% of business payroll for the Commonwealth (Table 2). This is slightly lower than the 2008 calculation of 41.6%. Calculations were also done for 2013, but the results were not much different, dipping to 40.26% that year. The 2013 calculations can be found in the Appendix.

The US Census County Business Patterns also provides payroll information by county by industry according to NAICS (North American Industry Classification System) codes. Table 3 shows the totals in each category for the state, the region, and the regional share by sector. Accordingly, the Southeast accounts for more than half of the state’s payroll in information; finance and insurance; professional, scientific, and technical services; educational services; and arts, entertainment, and recreation. Changes by sector since 2011 are found in the Appendix.

Information regarding Gross County Product was obtained through IHS Markit.⁴ The Bureau of Economic Analysis (BEA) does not provide any disaggregation for Gross County Product, although BEA does generally provide it for major sectors for Metropolitan Statistical Areas (MSAs). Using output is a reasonable way to disaggregate total Gross County Product, a measure of value added. Output by sector for states, MSAs and counties are estimates they derive using national data.

Gross County Product shares are very similar to the figures calculated for share of business payrolls (Table 4). For 2015, Gross County Product for the region

was 41.6% of the state total. This percentage is also very close to that for 2014, 41.22%. Calculations were performed going back to 2010, where it was 40.83%. Total shares were always within two percentage points year over year. Additional year share calculations are found in the Appendix.

These calculations translate into about 41.6% of the state’s business taking place in the Southeast region. Of course, this also assumes that the circumstances of businesses in the region are similar to those in the rest of the state. It also does not take into account that some businesses, including those active in shale regions, produce high GDP, but are not organized as or taxed as corporations. Such is the nature of distributional assumptions in the face of the absence of geographically detailed data.

This report averages the measures of payroll share (40.57%) and Gross County Product share (41.6%) for an estimate of regional share of corporate tax revenue at 41.085%. Corporate taxes make up about 17% of State General Fund revenues.

**Total Corporate Tax Revenue 2015-16:
\$5,133.35 million
x 41.085% Southeast Share
= Southeast Portion: \$2,109.04 million**

Table 4: PA and Regional Gross Products and Shares

	2015 Gross Product (\$M)	2015 Share	2015 Population Share	2014 Gross Product (\$M)	2014 Share	2014 Population Share
PA	\$708,011.80	100%	100%	\$685,510.30	100%	100%
Bucks	\$41,449.50	5.85%	4.90%	\$40,149.60	5.86%	4.91%
Chester	\$41,022.30	5.79%	3.99%	\$39,648.40	5.78%	3.97%
Delaware	\$31,235.50	4.41%	4.40%	\$30,175.80	4.40%	4.40%
Montgomery	\$78,319.60	11.06%	6.36%	\$75,547.90	11.02%	6.34%
Philadelphia	\$102,479.50	14.47%	12.17%	\$97,026.30	14.15%	12.12%
Regional Total/ Share	\$294,506.50	41.60%	31.82%	\$282,548.00	41.22%	31.74%

Source: IHS Markit

Sales and Use Taxes

Sales and Use Taxes comprise 32% of the State General Fund budget for a total of \$9.8 billion in fiscal 2015-16. The Department of Revenue reports sales and use taxes by county, but those marked miscellaneous, those from out-of-state, unallocated, or separately remitted, account for 39.8% of all sales tax revenue received. Additionally, Liquor Control Board taxes are not allocated by county and represent 1.39% of sales tax revenue.

Table 5 displays the Sales and Use Taxes by county out of the total that can be assigned. It shows the Southeast region represents 28.32% of total Sales and Use Taxes.

Table 5: Sales and Use Tax by County (not including Motor Vehicle Sales Tax)

	Sales Tax Remittance 2015-16 (\$M)	Share of Sales Tax 2015-16
PA Total	\$4,414.20	100%
Bucks	\$221.68	5.00%
Chester	\$218.03	4.94%
Delaware	\$188.88	4.26%
Montgomery	\$302.76	6.84%
Philadelphia	\$322.98	7.29%
Regional Total	\$1,250.32	28.32%
Miscellaneous	\$3,898.62	
LCB	\$136.13	
TOTAL (not including motor vehicle)	\$8,448.95	

Source: PA Department of Revenue

Motor vehicle sales taxes are reported separately but also recorded as remitted by county. Accordingly, 29.36% of this tax is derived from the Southeast (Table 6).

Unfortunately, a large portion of Sales and Use Taxes (miscellaneous and LCB), are not reported by county. Tables 7 and 8 show the calculations used to create an estimate of the region's portion of these revenues. Using an estimate based on the Personal Income Tax revenue from the region, Table 7 shows the share of

Pennsylvania-only revenue from the Personal Income Tax in calendar year 2015 at 39.17%.

Using the regional portion of Personal Income Tax to estimate the remaining miscellaneous and LCB sales taxes, the Southeast region contributes 32.94% to the sales and use tax portion of the General Fund (\$3,225 million) (Table 8).

Table 6: Motor Vehicle Sales Taxes by County

	Motor Vehicle Sales Tax Remittance 2015-16 (\$M)	Motor Vehicle Sales Tax Share 2015-16
PA Total*	\$1,345.01	100%
Bucks	\$73.89	5.49%
Chester	\$63.17	4.70%
Delaware	\$53.08	3.95%
Montgomery	\$90.35	6.72%
Philadelphia	\$114.38	8.50%
Regional Total	\$394.87	29.36%

*does not include out-of-state collections
Source: PA Department of Revenue

Table 7: Regional Share of PA Income Tax

	PIT Tax Revenue 2015 (\$M)	Share of PA-Only Revenue 2015
Total PIT Revenues	\$11,490.81	NA
Out-of-State	\$758.58	NA
PA Total	\$10,732.24	100%
Bucks	\$794.08	7.40%
Chester	\$772.17	7.19%
Delaware	\$616.23	5.74%
Montgomery	\$1,199.56	11.18%
Philadelphia	\$822.16	7.66%
Regional Total	\$4,204.17	39.17%

Source: PA Department of Revenue

Table 8: Regional Share of All Sales and Use Tax Revenue

	Sales and Use Tax Revenue 2015-16 (\$M)
Using 39.17% of Taxable Income for Misc. and LCB	\$1,580.02
TOTAL Region (Nonmotor and Motor)	\$3,225.38
All Sales Tax Revenue	\$9,792.96
TOTAL Estimated Share	32.94%

Source: PA Department of Revenue, CORP Calculations

Personal Income Tax

Personal Income Taxes are 40% of the General Fund, the same percentage as they were in the 2011 report. Currently, they stand at \$12.5 billion for fiscal 2015-16, by far the largest contributor to the fund. The figures in Table 9 use calendar year 2015 data in order to assign the amounts to the counties in the Southeast as reported by the PA Department of Revenue.

Using the Pennsylvania-only portion of the PIT, the Southeast region contributes 39.17% of these revenues to the State General Fund, while the population share is just 31.82% of the state. The regional contribution per capita is \$1,003.95, compared to \$749.19 per capita in the rest of the state. This represents a 31.94% larger contribution per capita in the South-

east compared to the residents outside the region. It is also a 20.72% larger contribution than the average Pennsylvanian.

Additional calculations for 2014 are in the Appendix.

Table 9: Personal Income Taxes and the Southeast Region

	PIT Tax Revenue 2015 (\$M)	Share of PA-Only Revenue 2015	Population Share 2015	Per Capita Revenue 2015
Total PIT Revenues	\$11,490.81	---	---	---
Out-of-State	\$758.58	---	---	---
PA Total	\$10,732.24	100%	100%	\$839.80
Bucks	\$794.08	7.40%	4.90%	\$1,267.31
Chester	\$772.15	7.19%	3.99%	\$1,514.61
Delaware	\$616.23	5.74%	4.40%	\$1,097.11
Montgomery	\$1,199.56	11.18%	6.36%	\$1,475.53
Philadelphia	\$822.16	7.66%	12.17%	\$528.70
Regional Total	\$4,204.17	39.17%	31.82%	\$1,033.95
PA (Excluding the Southeast)	\$6,528.07	60.83%	68.18%	\$749.19

Source: PA Department of Revenue, US Census ACS 5-Year Estimates

Inheritance Taxes and Realty Transfer Taxes

Inheritance and Realty Transfer Taxes account for 4.92% of the State General Fund. The Southeast region generates 41.74% of this total.⁵ (See Table 10.)

Table 10: Inheritance and Realty Transfer Taxes and the Southeast Region

	Inheritance and Estate Taxes 2015-16 (\$M)	Realty Transfer Taxes 2015-16 (\$M)	Inheritance + Realty Transfer Taxes 2015-16 (\$M)	Share of PA Total 2015-16
PA Total	\$958.87	\$560.58	\$1,519.45	100%
Bucks	\$79.57	\$42.59	\$122.16	8.04%
Chester	\$66.50	\$43.00	\$109.50	7.21%
Delaware	\$57.48	\$29.17	\$86.65	5.70%
Montgomery	\$107.44	\$62.35	\$169.79	11.17%
Philadelphia	\$70.09	\$75.99	\$146.09	9.61%
Regional Total	\$381.09	\$253.09	\$634.17	41.74%

Source: PA Department of Revenue

All Tax Revenues in the State General Fund and the Southeast Region

The total revenues herein account for 89.93% of the State General Fund, \$27.18 billion. The remaining revenues are from non-tax sources or cannot be attributed to a specific geography. The regional share of the State General Fund is then 37.43%, \$10.17 billion, while the total population is 31.82% of the state (Table 11). In each category of taxes, the region contributes a larger percentage than its population share. Not included in this analysis are cigarette, malt beverage, liquor, and table games taxes, as well as non-state tax revenue, and nontax revenue.

Table 11: Summary of Tax Revenues in the State General Fund and the Southeast Region

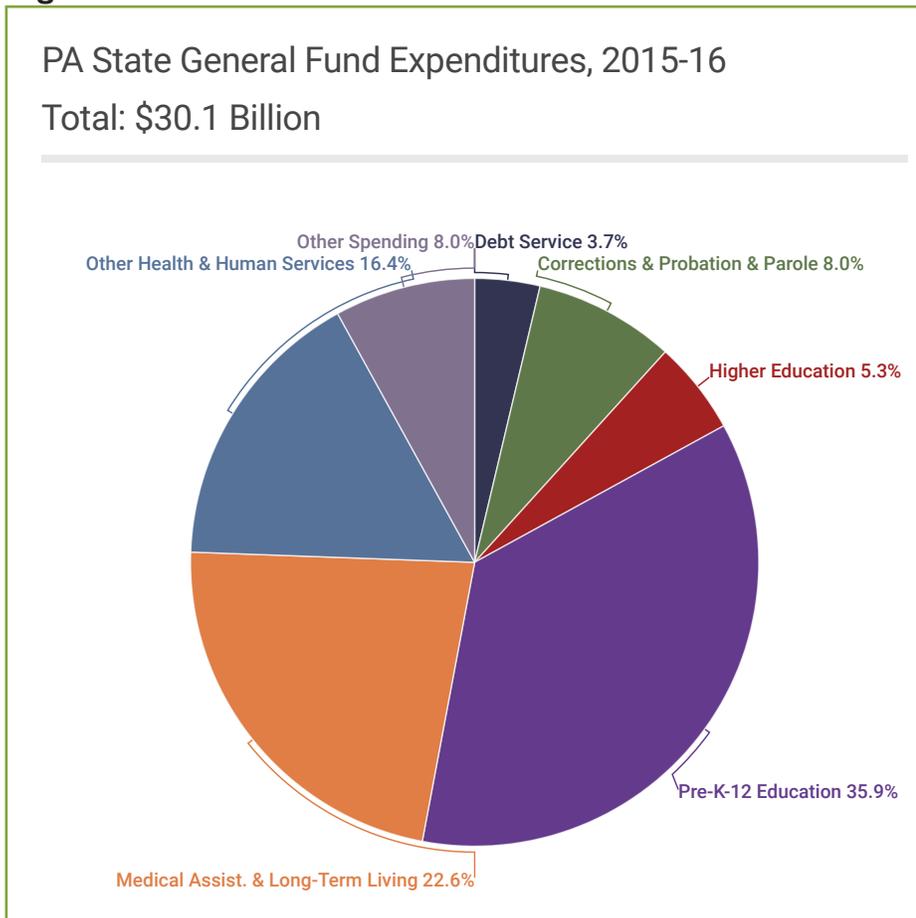
	PA Revenue Totals 2015-16 (\$M)	Regional Revenue Totals 2015-16 (\$M)	Regional Share
Corporate Taxes	\$5,133.35	\$2,109.04	41.09%
Sales Taxes	\$9,792.96	\$3,225.38	32.94%
PIT (PA Only)	\$10,732.24	\$4,204.17	39.17%
Realty Taxes	\$560.58	\$253.09	45.15%
Inheritance Taxes	\$958.87	\$381.09	39.74%
Total	\$27,177.99	\$10,172.76	37.43%
Total of State GF Tax Revenues	\$30,257.82	NA	NA

Source: PA Department of Revenue, CORP calculations

SOUTHEAST PA AND STATE GENERAL FUND EXPENDITURES

The State General Fund includes general revenues from which spending is appropriated for the general expenses of the state. General funds, unlike special funds, which are specific purpose dedicated funding, provide more flexibility to the legislature as to how the funds are spent.

Figure 9



Debt Service	\$1,128.88M
Corrections & Probation & Parole	\$2,401.82M
Higher Education	\$1,589.18M
Pre-K-12 Education	\$10,827.64M
Medical Assistance	\$6,816.62M
Other Health & Human Services	\$4,954.92M
Other Spending	\$2,408.10M
TOTAL	\$30,127.17M

Source: Governor’s Executive Budget

Education spending (Pre-K-12 and higher education) dominates expenditures from the State General Fund comprising 41.2%, followed closely by health and human services and medical assistance at 39%. These categories dwarf other allocations, with other spending categories (Department of Community and Economic Development programs, administrative functions of state government such as the legislature and Governor’s Office, environmental programs, etc.) at 8%, corrections and probation and parole at 8%, and debt service at 3.7%.

Education

Education is the largest expenditure in the General Fund. Together, higher education (5.3%) and preK-12 education (35.9%) comprise over 41% of spending. Total state funding for preK-12 education totals \$10.8 billion. This includes funding for school districts, career training centers, charter schools, special program jointures, and libraries. Table 12 shows total regional spending from the state at about \$3 billion. (Expenditures do not exactly match district reporting because of accounting differences.) The region receives 28.50% of total state funding and has 32.07% of the state’s students. Accordingly, the region receives less state funding than its share of students. Enrollment is calculated using average daily membership (ADM) as the exact population of students at each school is constantly in flux.

The Commonwealth appropriates funding to the 14 state system schools, the four state-related higher education institutions (Pitt, Temple, Penn State, and Lincoln), and some private colleges and universities, but these funds are not included in this report because students study at those institutions from all over the state. Students at community colleges are residents of the counties these colleges serve. The region has four community colleges, one for each county except for Chester which sends students to Delaware County Community College.

As Table 13 shows, the region accounts for over 41% of the student population of all state community colleges, and 38.20% of combined operating and capital funding. The statewide per student funding for community colleges is \$3,224.27, and the region’s students receive \$2,949.40 each, lower than the statewide figure.

Table 12: State Spending on K-12 Education in the Southeast Region, 2015-16

	Total State Funding (\$M)	Share of State Funding	ADM (Enrollment) 2015-16	Share of PA Students 2015-16
PA	\$10,589.95	100%	1,723,515.64	100%
Bucks	\$377.16	3.56%	89,027.69	5.17%
Chester	\$297.58	2.81%	75,975.74	4.41%
Delaware	\$427.21	4.03%	75,512.58	4.38%
Montgomery	\$426.67	4.03%	108,183.92	6.28%
Philadelphia	\$1,489.84	14.07%	204,059.94	11.84%
Regional Total	\$3,018.45	28.50%	552,759.86	32.07%

Source: PA Department of Education

Table 13: PA Community College Funding, 2015-16

	Operating Funding (\$M)	Capital Funding (\$M)	Share of State Funds	Number of FTE Students*	Share of FTE Students*	Per Student Funding
PA	\$226.45	\$48.63	100%	85,314	100%	\$3,224.27
Bucks CCC	\$18.69	\$4.22	8.33%	5,986	7.02%	\$3,827.61
Delaware CCC	\$17.91	\$4.20	8.04%	7,632	8.95%	\$2,897.94
Montgomery CCC	\$18.50	\$6.10	8.94%	7,509	8.80%	\$3,276.03
CC of Philadelphia	\$29.96	\$5.50	12.89%	14,504	17.00%	\$2,444.93
Regional Total	\$85.07	\$20.02	38.20%	35,631	41.76%	\$2,949.40

*FTE stands for full-time equivalent for the calendar year

Sources: PA Department of Education, National Center on Education Statistics Integrated Postsecondary Education Data System

The Commonwealth also subsidizes local public libraries, though admittedly, in comparison to the size of the education budget, it is a very small amount. See Table 14. Fiscal 2015 is shown to provide another year of comparison.

Table 14: Public Library Support

	Public Library Support 2015-16 (\$M)	Share 2015-16	Public Library Support 2014-15 (\$M)	Share 2014-15
PA	\$54.47	100%	\$53.51	100%
Bucks	\$2.77	5.09%	\$2.72	5.09%
Chester	\$2.12	3.90%	\$2.09	3.90%
Delaware	\$2.33	4.27%	\$2.28	4.27%
Montgomery	\$3.14	5.77%	\$3.09	5.77%
Philadelphia	\$6.76	12.42%	\$6.64	12.42%
Regional Total	\$17.12	31.44%	\$16.82	31.44%

Source: PA Department of Education

Health and Human Services

Spending on health and human services is nearly 40% of expenditures from the State General Fund. Medical Assistance and Long-term Living together are 22.6% of spending from this fund. Other health programs comprise 16.4% of State General Fund allocations. Table 15 shows the estimated State General Fund share of Medical Assistance payments by county, including medical care and long-term care.

Tables 16 to 19 show 11 program areas in the Department of Human Services. Altogether, these programs accounted for 70.7% of the department's overall State General Fund spending in 2015-16. With the exception of Medical Assistance and TANF Cash Grants, all other expenditures are for county-run programs.

Table 15: Medical Assistance, 2015-16

	Medical Assistance* (\$M)	Medical Assistance Recipients Average FY 2015-16	Share of State Medical Assistance Population	Share of Population with Medical Assistance
PA	\$6,456.18	2,694,163	100%	21.08%
Bucks	\$206.65	73,864	2.74%	11.79%
Chester	\$135.39	51,001	1.89%	10.00%
Delaware	\$300.83	111,179	4.13%	19.79%
Montgomery	\$384.67	101,227	3.76%	12.45%
Philadelphia	\$1,381.49	617,378	22.92%	39.70%
Regional Total	\$2,409.03	954,649	35.43%	23.48%

*Estimate of State General Fund share of total spending of 29.4%; Source: PA Department of Human Services

Across the state, about 21% of residents receive Medical Assistance (MA). In the Southeast region, this group is about 23.5%, so higher than the state total. The region accounts for 35.43% of the state’s population of MA recipients, but is 31.82% of the state’s overall population. It should be noted that expenditures vary greatly from person to person, with children consuming far fewer services than older adults. The disabled and elderly populations are one-third of overall enrollments, but account for two-thirds of expenditures. Therefore, the dollar amounts in Table 15 are a truly rough estimate of costs.

Financial responsibility for the Medical Assistance program is shared between the federal government and the Commonwealth, with the federal government reimbursing Pennsylvania for those MA expenditures that qualify for Medicaid matching funds. The fed-

eral share, or Federal Medical Assistance Percentage (FMAP), is determined annually through a formula specified in the Social Security Act and is in effect for the federal fiscal year which begins each October 1. It is not unusual for a state’s FMAP to change by 1 or 2 percentage points with each annual recalculation of this statutory formula. In recent years, Pennsylvania’s FMAP has averaged roughly 52%, for the 2015-16 fiscal year it was 51.82% through September and increased to 52.01% in October. Changes to the annual FMAP significantly impact the state share of Medical Assistance expenditures, i.e., a tenth of a percentage point change in PA’s annual FMAP can mean tens of millions of dollars.

Table 16 shows the portion of MA recipients who are children between 0 and 18. The regional share is slightly higher than the state’s in both 2015 and 2016.

Table 16: Medical Assistance in the 0-18 Population

	MA Population 2015	Number of Children 0-18 on Medical Assistance 2015	Share of MA Population 0-18 2015	MA Population 2016	Number of Children 0-18 on Medical Assistance 2016	Share of MA Population 0-18 2016
PA	2,555,601	1,095,553	42.87%	2,776,051	1,116,435	40.22%
Bucks	68,881	31,198	45.29%	76,492	32,107	41.97%
Chester	47,865	24,365	50.90%	52,636	24,692	46.91%
Delaware	101,113	46,545	46.03%	113,519	48,125	42.39%
Montgomery	94,741	42,377	44.73%	104,622	44,236	42.28%
Philadelphia	589,096	245,072	41.60%	636,009	248,926	39.14%
Regional Total	901,696	389,557	43.20%	983,278	398,086	40.49%

Source: Annie E. Casey Foundation, PA Department of Human Services

Table 17: Medical Assistance Transportation Program, Child Welfare, Mental Health Services, 2015-16

	Medical Assistance Transportation Program (\$M)	Share	County Child Welfare (\$M)	Share	Mental Health Services (\$M)	Share
PA	\$57.68	100%	\$882.95	100%	\$529.89	100%
Bucks	\$1.17	2.03%	\$30.45	3.45%	\$16.11	3.04%
Chester	\$1.93	3.35%	\$16.11	1.82%	\$13.11	2.47%
Delaware	\$2.69	4.66%	\$32.31	3.66%	\$29.32	5.53%
Montgomery	\$1.33	2.31%	\$21.04	2.38%	\$25.99	4.90%
Philadelphia	\$17.05	29.56%	\$258.61	29.29%	\$119.76	22.60%
Regional Total	\$24.17	41.90%	\$358.52	40.60%	\$204.29	38.55%

Source: PA Department of Human Services

Table 17 shows actual State General Fund expenditures on the Medical Assistance Transportation Program (for those on Medical Assistance needing transportation), County Child Welfare, and Mental Health Services in the Southeast Region. Accordingly, for these three programs the Southeast accounts for 41.90%, 40.60%, and 38.55% of expenditures, respectively.

Table 18 displays the actual expenditures in the Intellectual Disabilities Community Base Program, Behavioral Health Services, Homeless Assistance, and Human Services Development Fund from the State General Fund. Only Homeless Assistance is below the

state share of the region’s population of 31.82%. The Human Services Development Fund provides grants to counties for services not covered by other programs such as: adult day care, chore services, counseling, employment services, life skills education, and home delivered meals, among others.⁶

Table 19 shows the Southeast Region receives beyond its population share of TANF cash grants. It also has a larger share of recipients. The reported State General Fund grants seem small because the bulk of grants paid (more than 90%) to TANF recipients are funded by the federal TANF Block Grant.

Table 18: ID, Behavioral Health, Homeless Assistance, and Human Services Development Fund Expenditures, 2015-16

	ID Community Base Program (\$M)	Share	Behavioral Health Services (\$M)	Share	Homeless Assistance (\$M)	Share	Human Services Development Fund (\$M)	Share
PA	\$134.66	100%	\$43.12	100%	\$18.50	100%	\$13.30	100%
Bucks	\$7.17	5.32%	\$1.27	2.95%	\$0.40	2.16%	\$0.41	3.08%
Chester	\$4.30	3.19%	\$1.52	3.53%	\$0.28	1.51%	\$0.29	2.18%
Delaware	\$7.68	5.70%	\$1.35	3.13%	\$0.93	5.03%	\$0.51	3.83%
Montgomery	\$8.88	6.59%	\$1.57	3.64%	\$0.48	2.59%	\$0.50	3.76%
Philadelphia	\$23.79	17.67%	\$11.95	27.71%	\$3.58	19.35%	\$3.29	24.74%
Regional Total	\$51.82	38.48%	\$17.65	40.93%	\$5.66	30.59%	\$5.01	37.67%

Source: PA Department of Human Services

Table 19: TANF Cash Grants and Number of Recipients, 2015-16 (State General Fund Only)

	TANF Cash Grants (\$M)*	Share of Grants	Number of TANF Cash Grant Recipients Average	Share of Recipients
PA	\$20.80	100%	\$167,019	100%
Bucks	\$0.21	1.01%	\$1,632	.98%
Chester	\$0.17	.82%	\$1,330	.80%
Delaware	\$0.62	2.98%	\$5,603	3.35%
Montgomery	\$0.33	1.59%	\$2,650	1.59%
Philadelphia	\$10.26	49.33%	\$82,304	49.28%
Regional Total	\$11.59	55.72%	\$93,519	55.99%

* Estimate of State General Fund share of total spending of 8.81%; Source: PA Department of Human Services

Table 20 shows the estimated amounts from the State General Fund toward supplemental hospital payments. Of the \$941 million distributed in FY 2015-16 (from the State General Fund, Tobacco Settlement Fund, hospital assessment revenue, and federal Medicaid

matching funds), it is estimated the State General Fund portion was \$158.74 million, and the Southeast share \$92.82 million, or 58.48%. The Southeast counties do not qualify for Critical Access Payments, which are paid to rural hospitals.

Table 20: Supplemental Hospital Payments, 2015-16

	Special DSH/ Other Payments (\$M)*	Outpatient DSH (\$M)	Community Access Fund (\$M)	Medical Education (\$M)	Med. Ed. Psychiatrist (\$M)	Burn Centers (\$M)
PA	\$40.13	\$28.69	\$17.62	\$38.59	\$0.24	\$3.54
Bucks	\$0	\$0	\$0.07	\$0	\$0	\$0
Chester	\$0	\$0	\$0	\$0	\$0	\$0
Delaware	\$7.78	\$0.44	\$1.58	\$1.62	\$0	\$0.74
Montgomery	\$0	\$0	\$1.92	\$0.57	\$0	\$0
Philadelphia	\$21.48	\$17.36	\$7.09	\$23.86	\$0.08	\$0.90
Regional Total	\$29.26	\$17.80	\$10.66	\$26.05	\$0.08	\$1.64

	OB/NICU (\$M)**	Trauma Centers (\$M)	Critical Access Hospitals (\$M)	Academic Medical Centers (\$M)	TOTAL (\$M)	Share
PA	\$3.53	\$7.77	\$6.64	\$10.99	\$158.74	100%
Bucks	\$0.06	\$0.16	\$0	\$0	\$0.29	.18%
Chester	\$0.08	\$0.18	\$0	\$0	\$0.27	.17%
Delaware	\$0.16	\$0.35	\$0	\$0	\$12.67	7.98%
Montgomery	\$0.10	\$0.20	\$0	\$0	\$2.79	1.76%
Philadelphia	\$1.32	\$2.04	\$0	\$2.67	\$76.81	48.39%
Regional Total	\$1.72	\$2.93	\$0	\$2.67	\$92.82	58.48%

* DSH stands for Disproportionate Share Hospital; **OB/NICU stands for Obstetrics/Neonatal Intensive Care Unit
Source: PA Department of Human Services

Table 21: Court Expenditures, 2015-16

	Court Expenditures (\$M)	Share
PA	\$230.51	100%
Bucks	\$7.40	3.21%
Chester	\$7.22	3.13%
Delaware	\$11.52	5.00%
Montgomery	\$12.05	5.23%
Philadelphia	\$33.01	14.32%
Regional Total	\$71.20	30.89%

Source: Annual Report of the Administrative Office of Pennsylvania Courts (AOPC), 2015 and requests of AOPC. Note: When two counties were part of one judicial district, the combined amount was reported for the district.

Courts

The legislature allocates funds to the state’s unified judicial system, including the Supreme and Superior Courts, which are statewide and therefore not included in this analysis. Spending that was able to be attributed to counties is listed in Table 21. This includes Courts of Common Pleas, Magisterial District Judges, Jurors Cost Reimbursement, County Courts Reimbursement, Senior Judge Reimbursement, and Court Interpreter County Grants. Judicial Education and the Ethics Committee are also statewide and so not included. The totals shown are expenditures, and include lapses and transfers during the fiscal year and so do not exactly equal appropriation amounts.

Expenditures in the Southeast, 30.89% of statewide totals, are just slightly below its share of population.

Other Spending

Table 22 shows the distribution of grants identifiable for the Southeast Region outside the above categories. It includes spending from Agriculture, the Office of the Attorney General, the Department of Community and Economic Development (DCED), Drug and Alcohol Programs, Executive Offices, Health, Probation and Parole, and payouts from the Public Utility Real Estate Tax.

The grants summarized in Table 22 were included in a study of the Commonwealth’s PennWATCH system for funds spent in FY 2015-16 by the Legislative Budget and Finance Committee. The table includes only spending identified as coming from the State General Fund. There are a number of caveats to the study due to the limitations of reporting to the PennWATCH system, one of which is identifying the ultimate source of where funds were spent. For example, the report recorded the county of the address of the payee, even if funds might have ultimately been spent in another county.⁷

The distribution of DCED’s state-funded grants and loans together for FY 2016 are in the Appendix as well as the distribution of tax credits administered by DCED.

Table 22: Other Grants Spending, 2015-16

	Total Spending (\$M)	Share
PA	\$322.43	100%
Bucks	\$12.19	3.78%
Chester	\$12.60	3.91%
Delaware	\$8.10	2.51%
Montgomery	\$17.71	5.49%
Philadelphia	\$83.22	25.81%
Regional Total	\$133.82	41.50%

Source: Legislative Budget and Finance Committee, Grant Expenditures by Commonwealth Agencies, March 2017.

Total Expenditures in the Southeast

Table 23 shows total expenditures in major spending categories for each of the Southeastern counties, the region, and the state. In total, state amounts add up to 65.68% of State General Fund expenditures. The remaining dollars could not be affirmatively attached to a specific geographic region, or were general government expenses such as for administration of the legislature and executive branches.

The region as a whole receives 32.98% of the State General Fund expenditures covered in this analysis, \$6.53 billion, slightly more than its share of the population (due mainly to the region’s slightly larger share of poverty), but less than its share of regional revenues.

Table 23: Education, Human Services, and Courts and Other Expenditures, 2015-16

	Education Total (\$M)	Education Share	HS Total (\$M)	HS Share	Courts and Other (\$M)	Courts and Other Share	Total (\$M)	Total Share
PA	\$10,919.50	100%	\$8,315.82	100%	\$552.94	100%	\$19,788.26	100%
Bucks	\$402.85	3.69%	\$264.13	3.18%	\$19.58	3.78%	\$686.55	3.47%
Chester	\$299.70	2.74%	\$173.37	2.08%	\$19.82	3.91%	\$492.89	2.49%
Delaware	\$451.65	4.14%	\$388.91	4.68%	\$19.61	2.51%	\$860.18	4.35%
Montgomery	\$454.41	4.16%	\$447.58	5.38%	\$29.77	5.49%	\$931.76	4.71%
Philadelphia	\$1,532.06	14.03%	\$1,906.59	22.93%	\$116.23	25.81%	\$3,554.88	17.96%
Regional Total	\$3,140.66	28.76%	\$3,180.56	38.25%	\$205.02	41.50%	\$6,526.24	32.98%

Conclusion

Table 24 shows the state revenues and expenditures for the Commonwealth, the five southeast counties, and the southeast region as a whole. Share calculations indicate the region contributes 37.43% to the State General Fund and receives 32.98% of expenditures. Both of these figures only include revenue and expenditures that were attributable by geographic source. They do not include, for example, non-state and non-tax revenues in the State General Fund, nor do the expenditures include state government operations.

Overall revenue for FY 2016 was \$30.9 billion, so this report accounts for 87.95% of State General Fund revenues. On the other hand, State General Fund expenditures for FY 2016 were \$30.1 billion, meaning just 65.68% of State General Fund spending could be traced to specific geographic locations.

Given these caveats, the foregoing calculations show the region contributes more to the State General Fund than it receives in spending.

An alternative approach using estimates based on state and county populations to allocate expenditures that are arguably state-wide is found in the Appendix. This method creates a roughly equal distribution of geographically allocable revenues and expenditures from the State General Fund.

Table 24: Revenues and Expenditures, 2015-16

	All Revenues (\$M)	Revenues Share	All Expenditures (\$M)	Expenditures Share
PA	\$27,177.99	100%	\$19,788.26	100%
Bucks	\$1,770.84	6.52%	\$686.55	3.47%
Chester	\$1,794.94	6.60%	\$492.89	2.49%
Delaware	\$1,640.01	6.03%	\$860.18	4.35%
Montgomery	\$2,795.98	10.29%	\$931.76	4.71%
Philadelphia	\$2,422.53	8.91%	\$3,554.88	17.96%
Regional Total	\$10,172.76	37.43%	\$6,526.24	32.98%

APPENDIX

Table A1: Operating Budget by Fund by Fiscal Year (\$M)

	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
General Fund	\$27,084.36	\$24,942.39	\$25,074.07	\$27,030.54	\$27,717.29	\$28,395.04	\$29,152.76	\$30,127.17
Federal Funds	\$20,214.83	\$24,437.97	\$26,452.07	\$21,708.56	\$22,174.82	\$22,177.60	\$24,810.67	\$26,601.55
Special and Other Funds	\$14,074.94	\$14,197.11	\$14,048.89	\$14,784.63	\$15,767.49	\$16,048.00	\$17,926.74	\$18,969.67
Total Operating Budget	\$61,374.12	\$63,577.46	\$65,575.04	\$63,523.73	\$65,659.59	\$66,620.65	\$71,890.18	\$75,698.38

Source: Governor's Executive Budget, various years, "Seven-Year Summary of Commonwealth Programs". Page B-5 in most years.
Note: Does not sum to total due to rounding.

Table A2: Total Payroll and Share of Payroll, 2013

	2013 Total Payroll (\$M)	Share of 2013 PA Payroll	Share of Population 2013
PA	\$237,620.23	100%	100%
Bucks	\$10,719.26	4.51%	4.92%
Chester	\$14,905.98	6.27%	3.95%
Delaware	\$11,493.21	4.84%	4.40%
Montgomery	\$27,527.26	11.58%	6.32%
Philadelphia	\$31,026.40	13.06%	12.07%
Regional Total	\$95,672.12	40.26%	31.66%

Source: US Census County Business Patterns

Table A3: NAICS Code Payroll Changes 2011-2015

	Change by sector in PA in overall totals	Change by sector regional share	Growth by sector within region only	Growth by sector in PA
Total for all sectors	0.00%	-0.18%	14.12%	13.73%
Agriculture, forestry, fishing, and hunting	0.00%	-1.44%	11.66%	6.30%
Mining, quarrying, and oil and gas extraction	0.05%	-0.21%	24.39%	9.50%
Utilities	0.21%	-16.91%	80.50%	-0.79%
Construction	-0.06%	-1.03%	17.18%	14.70%
Manufacturing	0.57%	-0.74%	12.28%	9.65%
Wholesale Trade	-0.21%	-0.40%	17.12%	16.33%
Retail Trade	0.29%	-0.46%	11.25%	10.02%
Transportation and warehousing	-0.22%	0.28%	18.25%	19.04%
Information	-0.33%	-6.00%	28.10%	20.82%
Finance and insurance	-0.49%	-0.72%	19.64%	18.53%
Real estate and rental and leasing	-0.14%	3.06%	17.69%	22.71%
Professional, scientific, and technical services	0.00%	0.08%	13.63%	13.75%
Management of companies and enterprises	-0.06%	5.59%	3.33%	14.53%
Administrative and support and waste management and remediation services	-0.10%	0.82%	14.10%	15.68%
Educational services	0.04%	-1.32%	14.96%	12.91%
Health care and social assistance	0.37%	0.75%	10.05%	11.89%
Arts, entertainment, and recreation	-0.06%	-3.44%	23.73%	18.14%
Accommodation and food services	0.11%	2.36%	4.52%	10.43%
Other services (except public administration)	0.05%	1.14%	9.48%	12.10%
Industries not classified	0.00%	13.78%	21.78%	42.28%

Source: US Census County Business Patterns

Table A4: Shares of Gross State Product in PA, 2010-13

	2010	2011	2012	2013
Bucks	5.85%	5.76%	5.75%	5.81%
Chester	5.55%	5.58%	5.62%	5.74%
Delaware	4.22%	4.18%	4.39%	4.57%
Montgomery	10.97%	10.76%	10.92%	11.09%
Philadelphia	14.25%	14.01%	14.31%	14.81%
Regional Total	40.83%	40.29%	41.00%	42.02%

Source: IHS Markit

Table A5: Personal Income Taxes, 2014

	PIT Revenue (\$M)	Share of PA Only Revenue	Population Share	Per Capita Revenue
Total PIT Revenues	\$10,962.60	---	---	---
Out-of-State	\$709.32	---	---	---
PA Total	\$10,253.27	100%	100%	\$803.63
Bucks	\$756.62	7.38%	4.91%	\$1,208.26
Chester	\$720.38	7.03%	3.97%	\$1,422.49
Delaware	\$589.76	5.75%	4.40%	\$1,051.68
Montgomery	\$1,126.76	10.99%	6.34%	\$1,392.14
Philadelphia	\$768.05	7.49%	12.12%	\$496.50
Regional Total	\$3,961.57	38.64%	31.74%	\$978.24
PA (excluding the Southeast)	\$6,291.71	61.36%	68.26%	\$722.43

Source: PA Department of Revenue, US Census ACS 5-Year Estimates

Table A6: PA Department of Community and Economic Development State-Funded Grants and Loans, 2015-16

	DCED Grants and Loans (\$M)	Share
PA	\$532.56	100%
Bucks	\$12.59	2.36%
Chester	\$3.99	0.75%
Delaware	\$4.08	0.77%
Montgomery	\$15.14	2.84%
Philadelphia	\$44.13	8.29%
Regional Total	\$79.93	15.01%

Source: PA Department of Community and Economic Development

The Department of Community and Economic Development's mission is to encourage the shared prosperity of all Pennsylvanians by supporting good stewardship and sustainable development initiatives. It provides strategic technical assistance, training, and financial resources to help communities and industries flourish.⁸ Grant programs can be funded by the State General Fund, or other funds. Loan programs are not usually paid through the State General Fund, except for a sometime initial appropriation to establish the program. In FY 2015-16, the region received 15% of DCED's state-funded grants and loans. As reported previously, the region is home to 31.82% of the state's population.

The amounts in Table A6 do not reflect any spending of federal monies.

Table A7: Tax Credit Expenditures Monitored through DCED, 2014-16

	FY 2014 (\$M)	Share of FY 2014 Total	FY 2015 (\$M)	Share of FY 2015 Total	FY 2016 (\$M)	Share of FY 2016 Total
PA	\$188.95	100%	\$131.68	100%	\$151.12	100%
Bucks	\$5.89	3.12%	\$4.76	3.61%	\$6.35	4.20%
Chester	\$15.22	8.05%	\$11.51	8.74%	\$10.91	7.22%
Delaware	\$4.57	2.42%	\$5.04	3.83%	\$1.56	1.03%
Montgomery	\$31.06	16.44%	\$11.38	8.64%	\$19.27	12.75%
Philadelphia	\$20.46	10.83%	\$16.03	12.17%	\$17.40	11.52%
Regional Total	\$77.20	40.86%	\$48.71	36.99%	\$55.49	36.72%

Source: PA Department of Community and Economic Development

The above includes the following tax credit programs:

- Education Improvement Tax Credit
- Film Tax Credit
- JCTC
- KIZ Tax Credit Program
- NAP
- NAP NPP
- NAP EZP
- NAP SPP
- NAP Charitable Food Program
- Opportunity Scholarship Tax Credit

Figure A1

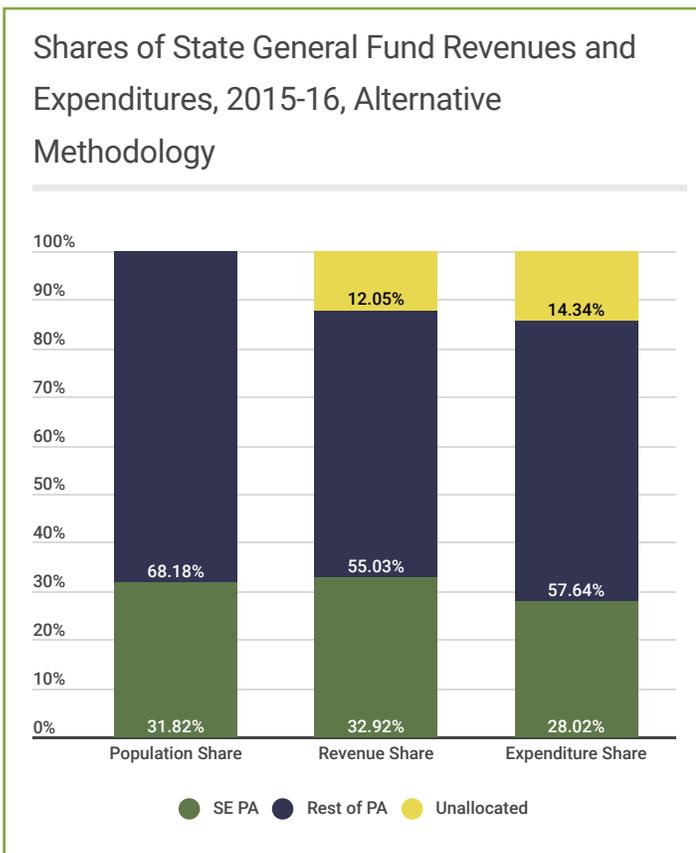


Figure A1 shows an alternative methodology for the allocation of State General Fund revenues and expenditures. Instead of using only revenues generated in Pennsylvania and attributable to a region, all revenues are included. Likewise, instead of using only geographically allocable expenditures, estimates were created using state and county populations for arguably state-wide functions. For example, expenditures like executive agency general operations lines (grants excluded) and the costs of the General Assembly and appellate courts are allocated on a per capita basis so as to more closely balance the proportion of revenues and expenditures. This method then accounts for 87.95% of State General Fund revenues, and 85.66% of State General Fund expenditures. Calculations are based on 100% of revenues and expenditures from the FY 2015-16 budget. The Southeast’s share of revenue is 32.92%, \$10.17 billion, while the expenditure share is 28.02%, \$8.44 billion.

NOTES

1. Pennsylvania Department of Revenue, “The Statistical Supplement for the Pennsylvania Tax Compendium - Fiscal Year 2015-16.” Available at: <https://www.revenue.pa.gov/GeneralTaxInformation/News%20and%20Statistics/ReportsStats/TaxCompendium/Stat-Supplement/Pages/default.aspx>. See pages 15 and 16 for references to sales tax reporting.

2. It is important to note that not all spending in each year is for services rendered in that year. For example, the state portion of PSERS expenditures (Public School Employees’ Retirement System) is for funding current employees as well as the liabilities built up due to prior years’ underfunding of the system.

3. Steve Esack. 2017. “As Pennsylvania’s Credit Rating Is Downgraded, Senate Rejects House Budget Bill.” *The Morning Call*, September 20. Available at <https://www.mcall.com/news/pennsylvania/mc-nws-pennsylvania-gets-credit-downgrade-20170920-story.html>.

4. <https://ihsmarkit.com/index.html>.

5. Revenues are banked when received and the county breakdowns come from monthly reports from the Registers of Wills and Registers of Deeds. Reports and revenues will agree, but are not received at the same time. At year end, this results in a mismatch between the receipt date of the funds versus the reports reconciling the receipts and providing the county detail.

6. See the program description on the DHS website here: <http://www.dhs.pa.gov/learnaboutdhs/humanservicesdevelopmentfund/index.htm>.

7. The full methodology and the report are found at <http://lbfc.legis.state.pa.us/Resources/Documents/Reports/581.pdf>.

8. This is a paraphrase of the mission statement located in the Governor’s Executive Budget for 2018-19 (p. E10-1). Available at: <https://www.budget.pa.gov/PublicationsAndReports/CommonwealthBudget/Documents/2018-19%20Proposed%20Budget/2018-19%20>

Governor’s Executive Budget Web.pdf.

About the Author

Michelle J. Atherton is associate director for Temple University’s Center on Regional Politics. She is also associate director of the Institute for Public Affairs, at Temple, staff advisor for the Pennsylvania Policy Database Project, and director of the Pennsylvania Capital Semester, an internship program in Harrisburg for students at Temple and all Pennsylvania colleges and universities, as well as The Washington Semester, Temple’s intern program in Washington, DC. Atherton graduated *summa cum laude* from the University of Pittsburgh with a dual B.A. in English literature and philosophy of science. She holds an M.A. in political science from Temple, where she was a University Fellow, and an M.S. in community and regional planning also from Temple, where she received the Department of Planning and Community Development Academic Excellence Award. She also served as a legislative intern to Philadelphia City Councilwoman Blondell Reynolds Brown, and taught American politics, the politics of race, and political philosophy as a teaching assistant and adjunct instructor before joining the Institute for Public Affairs in 2008. Atherton also serves on the executive committee of the Pennsylvania Political Science Association and is managing editor of *Commonwealth: A Journal of Pennsylvania Politics and Policy*. In addition to co-editing books, her articles include publications in *State and Local Government Review*, *State Politics and Policy Quarterly*, *Sage Research Method Cases*, and the London School of Economics *American Politics and Policy Blog*.

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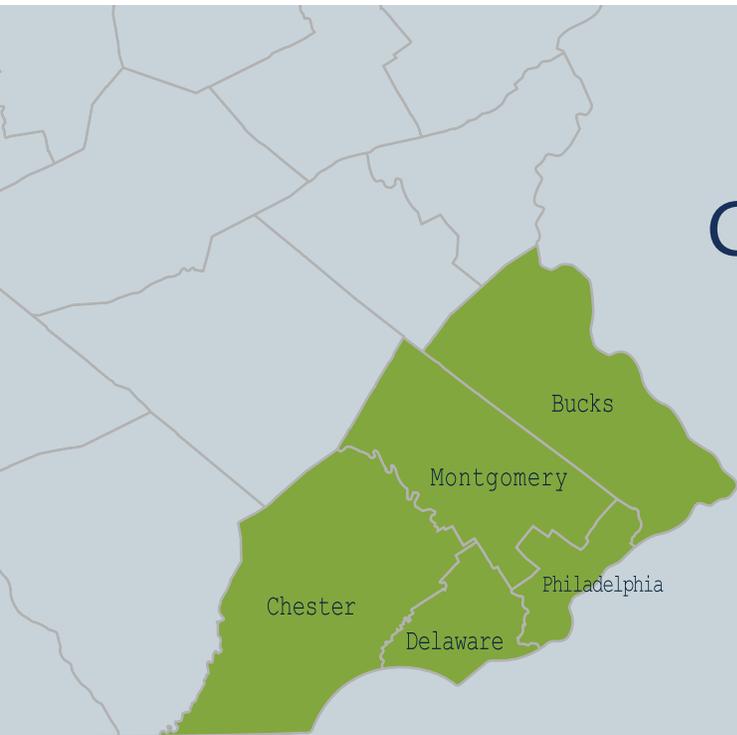
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