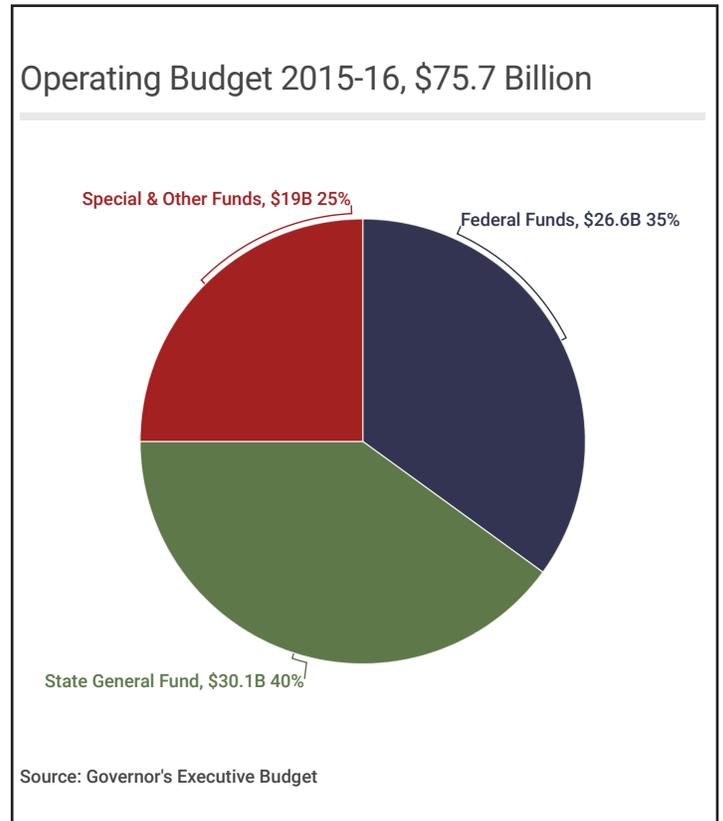
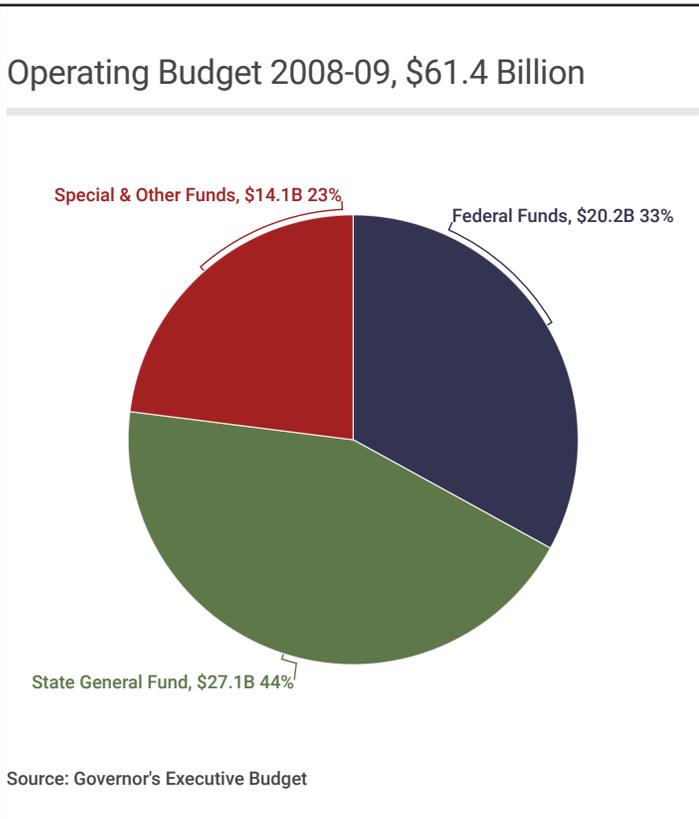




Southeast Pennsylvania and the Commonwealth Budget

An issue memo from the Center on Regional Politics, “Southeast Pennsylvania and the Commonwealth Budget,” shows Pennsylvania’s southeast counties contribute more revenues than they receive in appropriations from the State General Fund. The Southeast consists of Bucks, Chester, Delaware, Montgomery, and Philadelphia counties. The report also documents the shrinking size of the State General Fund as a proportion of the State’s Operating Budget, and it provides detail on grants for courts, hospitals, and other programs, not included in previous analyses.



To match demographic and budget data, the report uses the latest available information available at the start of the project, namely, the 2015-16 fiscal year and the 2015 calendar year. These data were the latest available before the 2016 elections for the office of governor and members of the General Assembly.

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

The Commonwealth's total operating budget for fiscal year 2015-16 was \$75.7 billion, an average annual increase of 3.1% since fiscal 2008-2009, the year used in a previous study by the Economy League of Greater Philadelphia.

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.

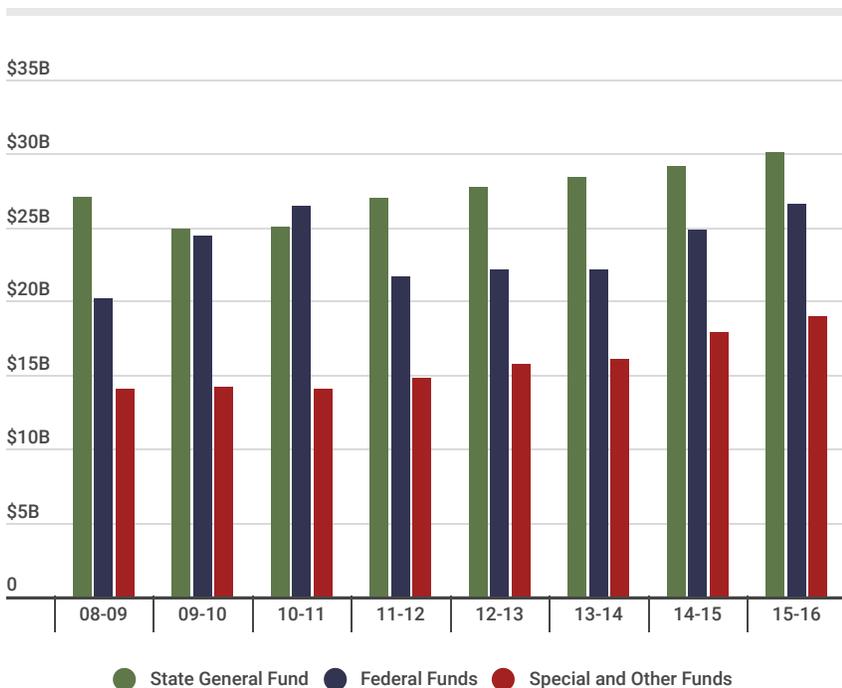
The State General Fund is the largest operating fund and provides for governmental activities that

are not covered by dedicated funding allocated to the many special and other revenue funds. The Personal Income Tax, Sales and Use Tax, and Corporation taxes together provided 89% of State General Fund revenue in Fiscal 2015-16.

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 2008-2009 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 the observation period the State General Fund accounted for 44% of total operating funds. At the close of the period it accounted for only 40%.

Commonwealth Operating Budget by Fund, 2008-09 to 2015-16

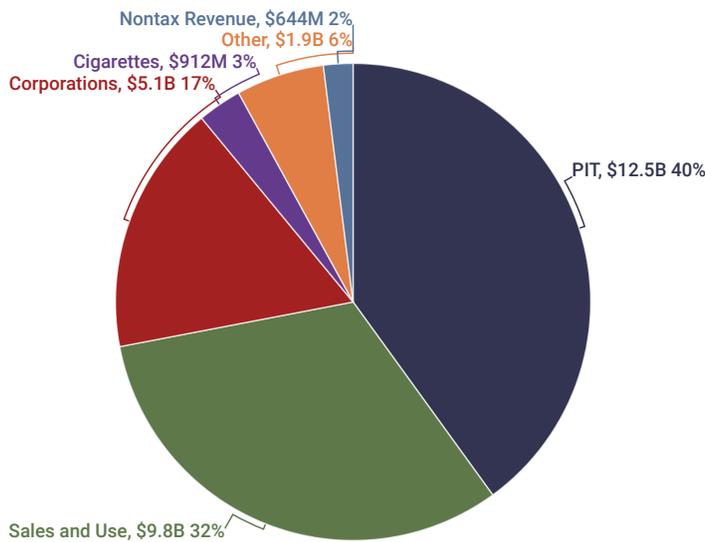


Source: Governor's Executive Budget

Revenues

It is not possible to pin down the exact county for 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. The report allocates 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.

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



Source: PA Department of Revenue

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.

Expenditures from the State General Fund attributable to a specific county total \$19.79 billion, or 65.68% of the total fund. The region as a whole receives \$6.53 billion, or 32.98% of the State General Fund expenditures covered in the analysis, 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.

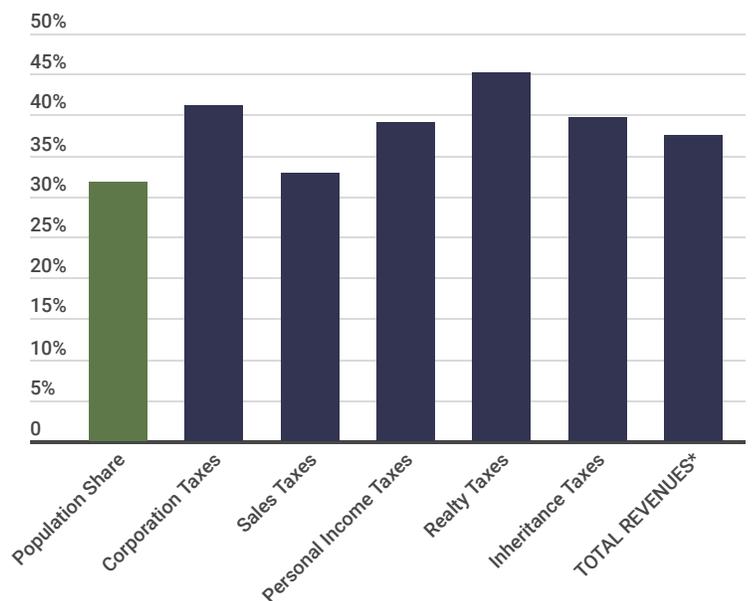
Southeast PA accounts for 31.82% of the population of the state, and the region generates a larger portion of revenue for the State General Fund than its share of population.

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

Expenditures

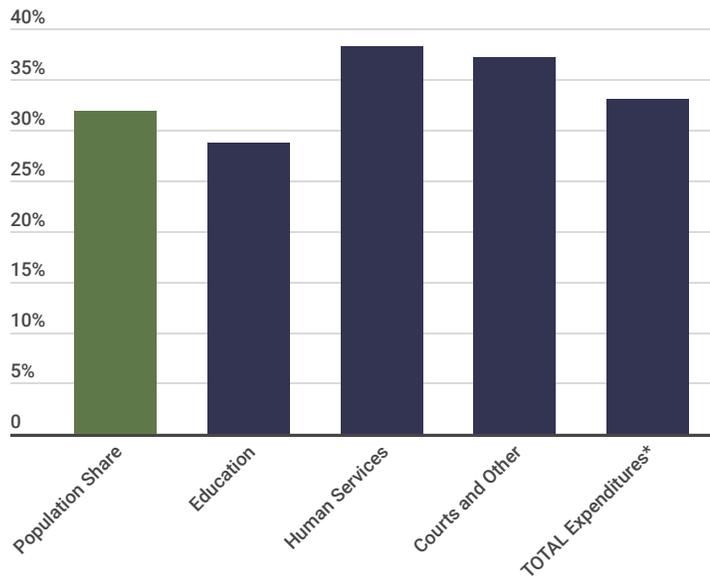
The State General Fund includes general revenues from which spending is appropriated for the general expenses of the state. General funds, unlike special funds, which are specific purpose dedicated funding, provide more flexibility to the legislature in how the funds can be spent.

State General Fund Revenue Sources Southeast Shares, 2015-16



* Total of included revenues
Source: CORP calculations

State General Fund Expenditures Southeast Shares, 2015-16



*Total of included expenditures
Source: CORP calculations

An alternative approach using estimates based on state and county populations to allocate expenditures that are arguably statewide is found in the appendix of the report. Under this analysis using all 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.

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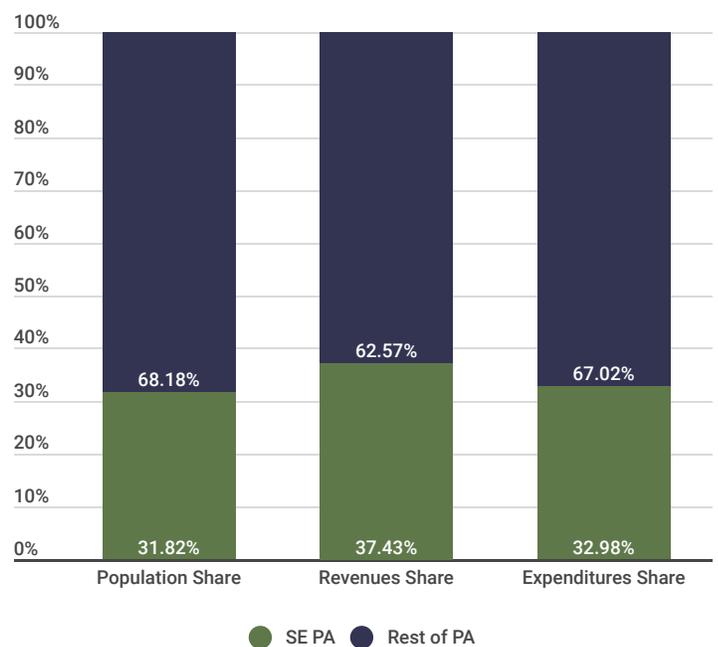
Conclusion

The Southeast region contributes 37.43% to the State General Fund and takes in 32.98% of expenditures. 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.

Revenue and Expenditure Comparisons in the Southeast, 2015-16



Note: SE Revenues and SE Expenditures are for totals of included revenues and included expenditures.

Source: CORP calculations