



**GOVERNOR WOLF**

SCHOOLS THAT TEACH • JOBS THAT PAY • GOVERNMENT THAT WORKS

# 2020-21 MID-YEAR BUDGET BRIEFING

Tom Wolf  
*Governor*

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*Secretary of the Budget*

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## 2020-21 FINANCIAL STATEMENT

*(dollars in thousands)*

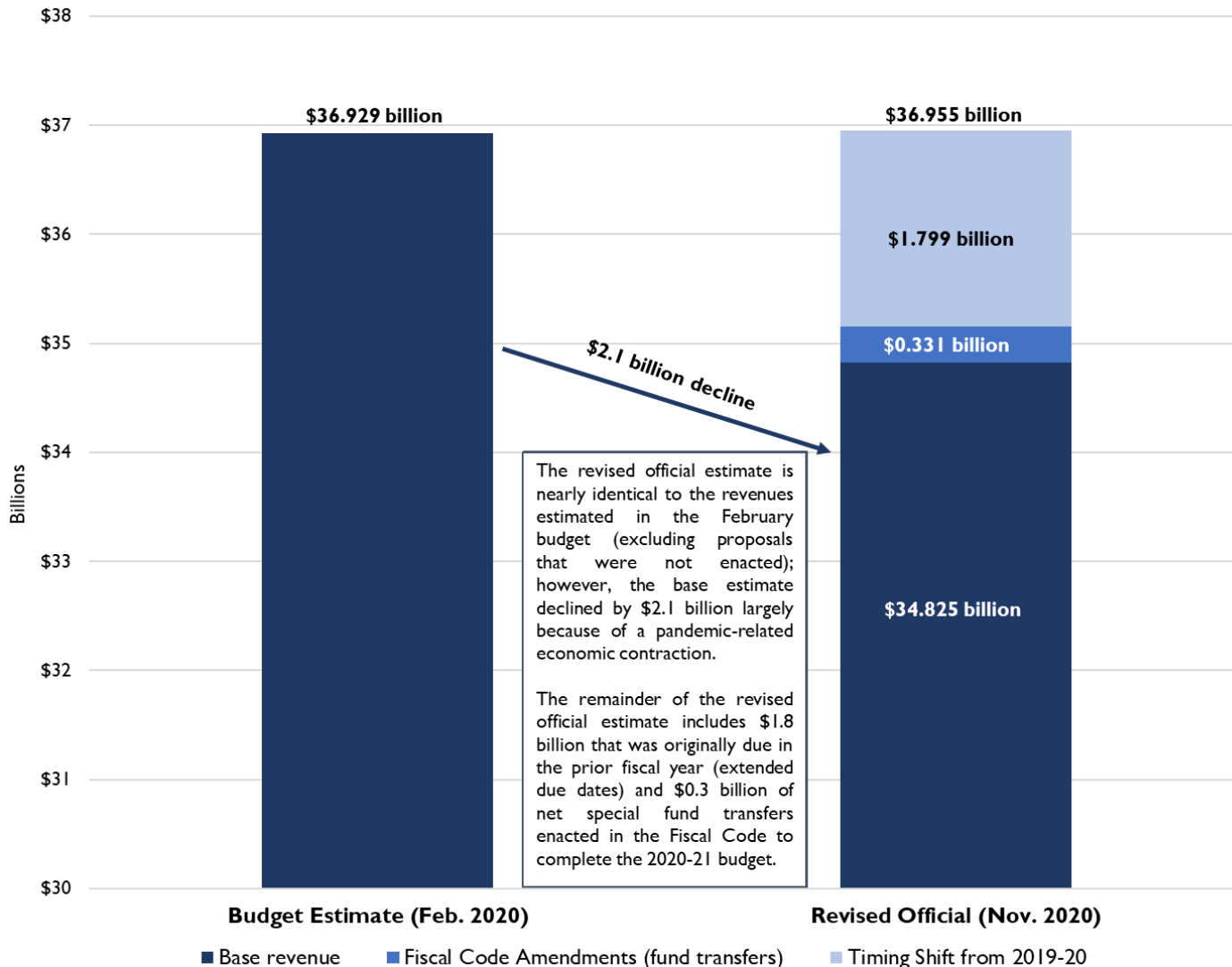
	2018-19	2019-20	2020-21
	<u>Actual</u>	<u>Actual</u>	<u>Estimated</u>
<b>Beginning Balance</b>	\$ 22,362	\$ -	\$ (2,734,070)
Adjustments to Beginning Balance	(55,847)	30,373	
Revenue Actuals/Estimates	34,857,878	32,275,785	36,954,700
Federal Stimulus		1,129,395	3,402,906
Refunds	<u>(1,306,000)</u>	<u>(1,150,000)</u>	<u>(1,295,000)</u>
<b>Total Revenue</b>	<b>33,518,393</b>	<b>32,285,553</b>	<b>36,328,536</b>
Prior-Year Lapses	<u>200,000</u>	<u>200,000</u>	<u>220,000</u>
<b>Funds Available</b>	<b>33,718,393</b>	<b>32,485,553</b>	<b>36,548,536</b>
Enacted Expenditures	33,401,521	34,120,228	33,140,670
Federal Stimulus	-	1,129,395	3,402,906
<b>Total Expenditures</b>	<b>33,401,521</b>	<b>35,249,623</b>	<b>36,543,576</b>
Current-Year Lapses		(30,000)	
<b>Preliminary Balance</b>	316,872	(2,734,070)	4,960
Transfer to the Rainy Day Fund	<u>(316,872)</u>	-	<u>(1,240)</u>
<b>Ending Balance</b>	<b>\$ -</b>	<b>\$ (2,734,070)</b>	<b>\$ 3,720</b>



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## 2020-21 GENERAL FUND REVENUE ESTIMATE COMPARISON: BASE REVENUE ESTIMATES SUBSTANTIALLY LOWER POST-PANDEMIC



## 2020-21 FINAL ENACTED BUDGET

- 2019-20 ended with a \$2.7B deficit
- \$33.1B in 2020-21 state General Fund spend
- Appropriates \$1.3B in remaining federal CARES Act funding for commonwealth public safety and health care costs incurred due to COVID-19 pandemic
- Includes \$2.1B in federal enhanced FMAP
- Level-funds education at all levels and preserves funding for core state government functions and services

## ECONOMIC OUTLOOK

After GDP decline in 2020, both U.S. and PA economic growth rebounds slightly in 2021

- Outlook supported by low interest rates and short-term fiscal policy
- PA unemployment rate declines, but remains above U.S. rate
- Real GDP (U.S. and PA) does not return to pre-pandemic levels until 2022
- Estimates assume no additional federal stimulus, dragging down growth

<b>U.S. Outlook</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
Real GDP	-3.6%	3.1%	2.5%
Nominal GDP	-2.4%	5.1%	4.6%
10-Year Treasury Note	0.88%	0.97%	1.24%
Consumer Price Index	1.3%	2.3%	2.6%
Unemployment Rate	8.1%	5.7%	4.7%

<b>Pennsylvania Outlook</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
Real GDP	-3.8%	3.3%	2.3%
Nominal GDP	-3.0%	5.3%	4.4%
Employment Growth (000's)	-435	222	159
Age 20-64 Population Change (000's)	-42	-41	-34
Unemployment Rate	9.3%	6.1%	5.2%

All variables are annual averages. Percentages represent growth rates, except for the unemployment rate and the 10-year Treasury Note.

Source: IHS Markit, November 2020





## 2021-22 BUDGET CONCERNS

- Uncertainty of COVID-19 impacts on state revenue
- Unknown potential additional federal stimulus funding
- Increased costs related to serving seniors and those with disabilities
- Replacement of one-time funding sources
- Motor License Fund cap on State Police spending



## 2021-22 BUDGET PRIORITIES

- Continue to respond to evolving impacts of COVID-19 on public health and the economy
- Work with federal partners on additional stimulus funding for state & local governments, small businesses, education, MA programs, transportation and childcare
- Increase funding across all levels of education
- Maintain investment in economic and workforce development to grow family-sustaining employment
- Create a fairer, more competitive business tax climate and over all more progressive tax system
- Protect vulnerable individuals and families