



655 words

Nagging nuggets in Pa.'s revenue stats

By Colin McNickle

Tucked into the weeds of Pennsylvania's general fund revenues collections through April of the current fiscal year are a few nagging nuggets that should trouble the commonwealth's public policy makers, finds an analysis by the Allegheny Institute for Public Policy.

All these weeds traversed, it is a stark reminder "how the state's economy has not kept pace with the nation," say Frank Gamrat, executive director of the Pittsburgh think tank, and Hannah Bowser, a research assistant there (in *Policy Brief Vol. 19, No.23*).

The Keystone State's fiscal year runs from July 1 to June 30. Data for fiscal year 2019 is available through April. And for those 10 months, general fund revenues reached \$29.16 billion.

While that represents an amount that is one-half of a percent higher than the comparable 10 months of FY 2018, it was 2.9 percent higher than anticipated.

State budgeters had been anticipating a drop in non-tax revenues and, thus, estimated lower total general fund revenues for FY 2019. That, due to the sale of \$1.5 billion in revenue bonds backed by future tobacco settlement payments, an additional \$300 million for a one-time lease of the farm show complex in Harrisburg and various special fund transfers.

Strolling further into those weeds, Pennsylvania's personal income tax produced \$11.93 billion for the first 10 months, the largest source of general fund revenue. That's 5.5 percent higher than the same year-ago period but 0.3 percent below what was projected.

Sales and use taxes, the general fund's No. 2 generator, brought in \$9.19 billion through April, up 7.6 percent year over year and beating projections by 3.1 percent.

Meanwhile, corporate net income tax collections were up 22.4 percent in the year-over-year 10-month span, rising from \$2.05 billion to \$2.51 billion.

“In light of the gain to the three main tax revenue categories, fiscal 2019 can,” thus far, “be viewed as a positive for Pennsylvania’s general fund,” say Gamrat, a Ph.D. economist, and Bowser, an economics major from Grove City College.

But now to those nagging nuggets.

Indeed, those general fund gains reflect employment increases in the Keystone State. To wit, in April 2019 the number of total nonfarm jobs reached 6.062 million, the fourth-highest monthly total since 2000.

But that’s only a growth rate of 0.89 percent over the same period ending in April 2018. And the national growth rate for the year-over-year period was nearly double at 1.7 percent.

“A big reason the national growth rate to total nonfarm jobs is so much better than the commonwealth’s can be seen in the manufacturing sector’s employee count,” say Gamrat and Bowser.

Pennsylvania’s manufacturing sector only has managed a quite anemic growth rate of 1.2 percent over nine years. In the year-over-year period ending in April, the rate was 0.35 percent lower. But nationally, manufacturing employment was 11.9 percent higher in the same post-recession period and 1.6 percent higher year over year ending in April.

Additionally, health care and social assistance jobs as well as leisure and hospitality jobs in the commonwealth have shown double-digit percentage growth. But they still lag the national growth rate.

And broken out, the dramatic growth in social assistance jobs (42.2 percent to the national rate of 32 percent in the post-recession years) represent a double-edged sword. They are not high-paying jobs and they are unlikely to prop up the general fund revenues of any state.

Yes, the recent strong growth in tax revenues indeed suggests that Pennsylvania’s economy may be picking up steam.

“However, it is growth that is likely the result of a faster paced national economy,” the think tank researchers caution. “Pennsylvania is still bogged down by anti-business policies that keep it from truly reaching its potential.”

And that fact remains perennially ripe for all policy makers to address.

Colin McNickle is communications and marketing director at the Allegheny Institute for Public Policy (cmcnickle@alleghenyinstitute.org).

*Op-Eds may be reprinted as long as proper attribution is given.
For more information about this and other topics, please visit our website:
www.alleghenyinstitute.org*

<p>Allegheny Institute for Public Policy 305 Mt. Lebanon Blvd.* Suite 208* Pittsburgh PA 15234 Phone (412) 440-0079 * Fax (412) 440-0085 E-mail: aipp@alleghenyinstitute.org</p>
