



Pennsylvania projected to have big gap between revenues and expenditures

Governor Tom Wolf will face budget negotiations with an expanded number of Republicans winning election to the General Assembly and leaders convinced their electoral success shows voters have no appetite for broad-based tax increases

November 16th – Individuals looking for a distraction from the post-election drama and trauma might want to avoid reading [Pennsylvania's Economic & Budget Outlook: Fiscal Years 2016-17 to 2021-22](#).¹

Pennsylvania's Independent Fiscal Office (IFO) is required by state statute to put forth to the General Assembly "an assessment of the state's current fiscal condition and a projection of what the fiscal condition will be during the next five years. The assessment shall take into account the state of the economy, the demographics, revenues and expenditures."

The IFO is sticking with its prior year projections that the state faces a very plausible and significant "structural deficit."

In the current state fiscal year there is a projected "imbalance" of approximately \$600 million.

The projected disconnect between revenues and state expenditures only grows from there to \$1.8 billion in 2017-2018 and exceeding \$3 billion by 2021-2022.

The IFO's report acknowledges that Governor Tom Wolf and the Pennsylvania General assembly did enact some "permanent tax law changes" and other policy actions in 2016. Still that step forward looks to be wholly insufficient to offset "slightly weaker economic growth and more rapid expansion of certain human services costs."

Expenditures for healthcare ("and to a lesser extent pensions") have the IFO projecting that state expenditures "will increase at an average rate of 4.6 percent" annually. Pennsylvania's Department of Human Services (the department that has Medicaid, long-term living costs for the disabled and elderly, and child welfare) is projected to have its expenditures "expand at an average of 5.8 percent" annually. Take DHS out of the fiscal equation and the state's expenditures "grow by 3.8 percent" instead.

¹ <http://www.ifo.state.pa.us/releases.cfm?date=2016-11>

These growth projections are without factoring in an expected supplemental budget ask from DHS that is about \$390 million.

There can't be a discussion of the overall budget gap without reflecting on the state's demographics.

Between 2015 and 2025 the population ages 60 and over is expected to increase by 711,000. Overall there

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