

PENNSYLVANIA Budget Report Card



PENNSYLVANIA HAS STRUGGLED for years with a severe discrepancy between revenues and expenditures, which has bred a reliance on one-time actions to balance budgets. The use of such measures explains why Pennsylvania was the only state to average a D-minus, the lowest grade possible, in budget maneuvers for fiscal 2016 through 2018.

During that time, stalemates between the governor and legislature delayed budget passage and repeatedly threw the state into fiscal crisis. Pennsylvania, which also experienced budget impasses between 2007 and 2009, did badly in 2017 and 2018 in all four major criteria for that category: deferring recurring expenditures, shifting revenues and costs, funding recurring expenditures with debt, and using asset sales and upfront revenues to balance the budget.

In addition to using more common budget-balancing maneuvers, such as transferring \$530 million to its general fund from special funds in fiscal 2018, the state, along with seven others, funded recurring expenses with debt in fiscal 2017 and 2018.

Pennsylvania also fared poorly in legacy costs, earning a D average—even though it made its full actuarially recommended pension contributions in 2017 and 2018. But the years that Pennsylvania skimmed on contributions left it with a pension funded level of 55.3 percent as of 2017, versus 127 percent in 2000. It also failed to make the recommended contribution for other postemployment benefits, mainly health care.

In reserve funds, Pennsylvania earned a three-year average of C. Though its grade was bolstered by the use of policies to control the disbursement and replenishment of money in its rainy day fund, the state lost credit because the fund was almost empty in fiscal 2017 and 2018.


MID-ATLANTIC STATES SIDE BY SIDE: Three-Year Average Grades, 2016-18


	BUDGET FORECASTING	BUDGET MANEUVERS	LEGACY COSTS	RESERVE FUNDS	TRANSPARENCY
New Jersey	D	D	D-	B	B
New York	A	D	B	B	B
Pennsylvania	B	D-	D	C	B
US AVERAGE	C	B	C	B	B


NOTE States are grouped by US Census Bureau divisions.


Average grades are based on annual numerical scores. For more information, download *Truth and Integrity in State Budgeting: Preventing the Next Fiscal Crisis* at VolckerAlliance.org.


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BUDGET FORECASTING				
	2016	2017	2018	
	CATEGORY GRADE	B	B	B
	Consensus Revenue Forecasts	X	X	X
	Multiyear Expenditure Forecasts	✓	✓	✓
	Multiyear Revenue Forecasts	✓	✓	✓
	Revenue Growth Projections	✓	✓	✓
3-YEAR AVERAGE B		3-YEAR TREND —		

BUDGET MANEUVERS				
	2016	2017	2018	
	CATEGORY GRADE	D	D	D
	Deferring Recurring Expenditures	X	X	X
	Revenue and Cost Shifting	X	X	X
	Funding Recurring Expenditures with Debt	✓	X	X
	Using Asset Sales and Up-Front Revenues	X	X	X
3-YEAR AVERAGE D		3-YEAR TREND ↘		

LEGACY COSTS				
	2016	2017	2018	
	CATEGORY GRADE	D	D	D
	Public Employee OPEB Funding	X	X	X
	Public Employee Pension Funding	X	✓	✓
	Public Employee Pension Funded Ratio*	53%	55%	55%
3-YEAR AVERAGE D		3-YEAR TREND ↗		

RESERVE FUNDS				
	2016	2017	2018	
	CATEGORY GRADE	B	C	C
	Positive Reserve or General Fund Balance	✓	X	X
	Reserve Funds Disbursement Policy	✓	✓	✓
	Reserve Funds Replenishment Policy	✓	✓	✓
	Reserves Tied to Revenue Volatility	X	X	X
3-YEAR AVERAGE C		3-YEAR TREND ↘		

TRANSPARENCY				
	2016	2017	2018	
	CATEGORY GRADE	B	B	B
	Consolidated Budget Website	✓	✓	✓
	Provides Debt Tables	✓	✓	✓
	Discloses Deferred Infrastructure Replacement Costs	X	X	X
	Discloses Tax Expenditures	✓	✓	✓
3-YEAR AVERAGE B		3-YEAR TREND —		

KEY

✓	Followed best practice
X	Did not follow best practice

BUDGET FORECASTING evaluates whether and how states estimated long-term revenue and expenditure trends. **BUDGET MANEUVERS** evaluates whether states used one-time revenues, borrowings, asset sales, and other measures to achieve short-term budgetary balance. **LEGACY COSTS** evaluates whether states provided adequate funding, as defined by retirement system actuaries, for pensions and other promised retirement benefits for public workers. **RESERVE FUNDS** evaluates states' rainy day funds and other fiscal reserves, as well as any policies governing their use and replenishment. **TRANSPARENCY** evaluates the accessibility to the public of states' budget practices.

* **SOURCE** Bloomberg; 2017 data also used for 2018.