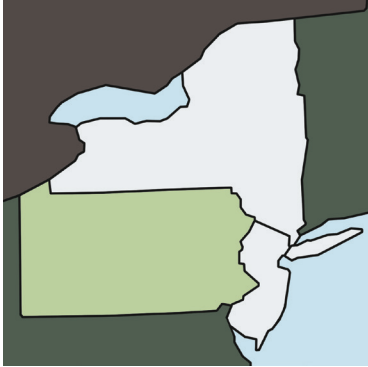# PENNSYLVANIA Budget Report Card

PENNSYLVANIA'S RELIANCE on budget maneuvers, or one-time actions to achieve balance, made it the only state to receive the lowest possible average grade of D-minus in the category for fiscal 2015 through 2019.

Among maneuvers Pennsylvania relied on were deferring expenditures and shifting revenues. For example, it reduced the expenditures in the fiscal 2019 budget by moving $120 million in managed care payments to the following year. In 2018, it transferred $530.4 million from special funds to the general fund.

In 2017–19, Pennsylvania also funded recurring spending with debt, including $1.2 billion of general obligation bonds sold in fiscal 2018. Proceeds were used to pay interest on previously issued debt, fund infrastructure maintenance, and support environmental initiatives. In 2019, the state covered debt-service costs with $70 million in proceeds from bonds issued the previous year backed by the Tobacco Master Settlement Agreement. Such an expense typically is paid from current-year revenues.

Its chronic shortage of cash was an underlying cause of Pennsylvania's poor showing in two other categories. In legacy costs, the state averaged a D. Though it began to fund public worker pensions on an actuarially recommended basis in fiscal 2017, its failure to do so in previous years left the state with a pension funding ratio of 58 percent in 2019, 13 percentage points below the total for all states. For all five years studied, Pennsylvania failed to fund other postemployment benefits (OPEB), primarily health care, on an actuarially determined basis, and it began fiscal 2019 with an unfunded liability of $14.7 billion.

Pennsylvania's C average in reserve funds reflected minimal balances in the general fund and Budget Stabilization Reserve Fund in 2017–19. The shortcoming was partially offset by the state's disbursement and replenishment policies. Pennsylvania received B averages in transparency and budget forecasting. It lacks a consensus revenue forecast; while the executive branch prepares an estimate, the legislature does not have to adhere to it.

MID-ATLANTIC STATES SIDE BY SIDE: Five-Year Average Grades, Fiscal 2015–19

	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.

PENNSYLVANIA Budget Report Card, Fiscal 2015–19

BUDGET FORECASTING

	2015	2016	2017	2018	2019	TREND				
						'15	'16	'17	'18	'19
CATEGORY GRADE	B	B	B	B	B					
Consensus Revenue Forecasts	X	X	X	X	X					
Multiyear Expenditure Forecasts	✓	✓	✓	✓	✓	●	●	●	●	●
Multiyear Revenue Forecasts	✓	✓	✓	✓	✓					
Revenue Growth Projections	✓	✓	✓	✓	✓					
5-YEAR AVERAGE B										

BUDGET MANEUVERS

	2015	2016	2017	2018	2019	TREND				
						'15	'16	'17	'18	'19
CATEGORY GRADE	D	D	D-	D-	D-					
Deferring Recurring Expenditures	X	X	X	X	X					
Revenue and Cost Shifting	X	X	X	X	X					
Funding Recurring Expenditures with Debt	✓	✓	X	X	X					
Using Asset Sales and Up-Front Revenues	X	X	X	X	X	●	●			
5-YEAR AVERAGE D-								●	●	●

LEGACY COSTS

	2015	2016	2017	2018	2019	TREND				
						'15	'16	'17	'18	'19
CATEGORY GRADE	D-	D-	D	D	D					
Public Employee OPEB Funding	X	X	X	X	X					
Public Employee Pension Funding	X	X	✓	✓	✓					
Public Employee Pension Funded Ratio*	56%	53%	55%	55%	58%			●	●	●
5-YEAR AVERAGE D						●	●			

RESERVE FUNDS

	2015	2016	2017	2018	2019	TREND				
						'15	'16	'17	'18	'19
CATEGORY GRADE	B	B	C	C	C					
Positive Reserve or General Fund Balance	✓	✓	X	X	X					
Reserve Funds Disbursement Policy	✓	✓	✓	✓	✓	●	●			
Reserve Funds Replenishment Policy	✓	✓	✓	✓	✓			●	●	●
Reserves Tied to Revenue Volatility	X	X	X	X	X					
5-YEAR AVERAGE C										

TRANSPARENCY

	2015	2016	2017	2018	2019	TREND				
						'15	'16	'17	'18	'19
CATEGORY GRADE	B	B	B	B	B					
Consolidated Budget Website	✓	✓	✓	✓	✓					
Provides Debt Tables	✓	✓	✓	✓	✓	●	●	●	●	●
Discloses Deferred Infrastructure Replacement Costs	X	X	X	X	X					
Discloses Tax Expenditures	✓	✓	✓	✓	✓					
5-YEAR AVERAGE B										

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.