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Corbett's proposed budget through the end of the next fiscal year.

May. 02, 2013

HARRISBURG — An estimate released Wednesday by the state's Independent Fiscal Office shows a \$520 million shortfall between projected general fund revenues and Gov. Tom Corbett's proposed budget through the end of the next fiscal year.

The state will likely bring in \$28.5 billion for the fiscal year ending June 30 and \$28.9 billion in the next fiscal year in general fund revenues, according to IFO estimates. While these figures show increasing general fund dollars, they paint weaker expectations clearly less robust than the figures projected by the governor's office — \$28.8 billion and \$29.2 billion, respectively.

"These numbers point to the need for ... continued discipline and the need for changes and reforms," such as pension overhaul, said Jay Pagni, spokesman for the Governor's Budget Office.

State Rep. Joe Markosek, D-Monroeville, the ranking Democrat on the House Appropriations Committee, said in a statement, "If we are to have a responsible state budget that makes the necessary investments in education, public safety and the safety net for our most vulnerable citizens, we will need to prioritize people over continued corporate tax breaks in next year's budget as we cannot afford to cut vital programs and services."

Similarly, the left-leaning Pennsylvania Budget and Policy Center said the numbers should cause lawmakers to take a hard look at corporate tax cuts.

"The IFO's report should raise a red flag for lawmakers. Pennsylvania's revenue outlook is not as rosy as everyone expected back in February," the group said in a statement issued Wednesday.

Sales tax collections have “pretty consistently been below estimate,” said state

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confidence and the end of the federal payroll tax cut have combined to lower sales tax receipts.

“Consumer spending is down,” she said. “When people aren’t spending money on taxable goods, sales tax is down.”

The Independent Fiscal Office provides revenue analysis and impartial analysis, similar to the Congressional Budget Office. The office must publish an initial state revenue forecast every May 1; a final estimate will be released June 17.

Matthew Knittel, director of the IFO, said when discussing the revenue outlook Wednesday, he is concerned increased economic activity as the recession ends is not translating into increased jobs.

Mr. Knittel also said his agency is paying closer attention to student loan debt in its long-term consumer outlook. Pennsylvania has the second highest per-capita student debt in the country he said, averaging \$30,000 per student.

“We do think that bears watching, in particular in regards to our sales tax forecast,” he said.

He also highlighted an improving stock market and better housing market as possible bright spots.

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