

Pennsylvania

Federal Policies Have Cost Pennsylvania \$5.3 Billion over the Past Four Years

Federal Policies Affect Pennsylvania Revenue and Spending Levels, 2002-2005

*Cost to
Pennsylvania*

- *Federal Tax Changes:* Recently enacted federal tax cuts reduce state revenue directly. \$139 million
- *Remote Sales:* States cannot collect sales taxes on goods & services purchased over the Internet due to federal law and court decisions. \$2.0 billion
- *Internet Access:* States are generally prohibited from applying tax to Internet access charges. \$197 million
- *Unfunded Mandates:* Federal government imposes responsibilities on states but provides insufficient funding. \$2.6 billion
- *Medicare/Medicaid Dual Eligibles:* Increased use of prescription drugs shifts costs of health care for low-income elderly from federal Medicare program to state Medicaid programs. \$1.2 billion
- *Federal Fiscal Relief:* Congress approved temporary grants in 2003. (\$900 million)

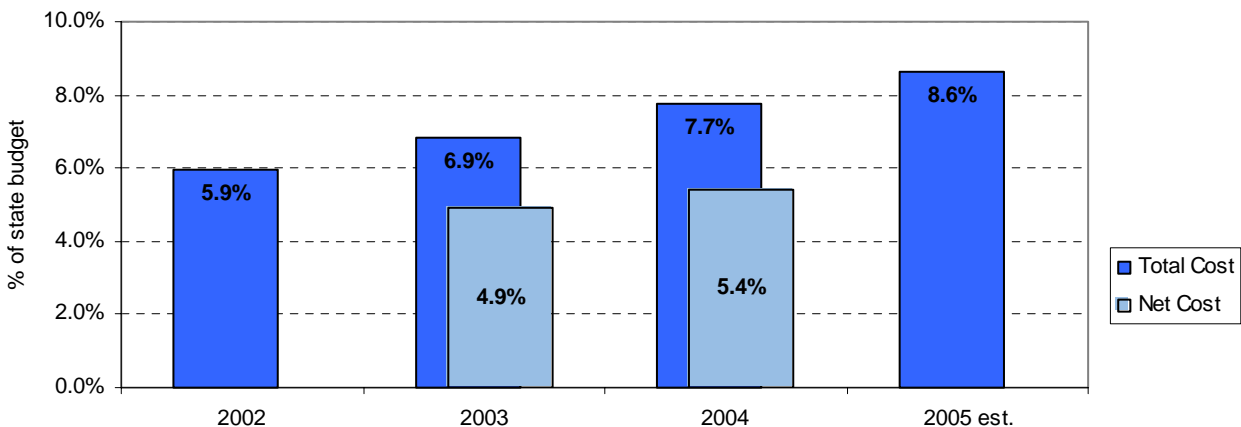
TOTAL COST (net of fiscal relief), 2002-2005: **\$5.3 billion**

Federal Policies Have Worsened Pennsylvania's Fiscal Problems

*Ranking among 50
states plus D.C.*

- Total cost as percent of General Fund budget (2002-2005): **7.3%** **34th**
- Net cost as percent of General Fund budget, including offsetting federal fiscal relief (2002-2005): **6.3%** **34th**

Net Cost of Federal Policy to Pennsylvania as a Percentage of State General Fund Budget



Source: Center on Budget and Policy Priorities, *Passing Down the Deficit: Federal Policies Contribute to the Severity of the State Fiscal Crisis*, May 12, 2004.