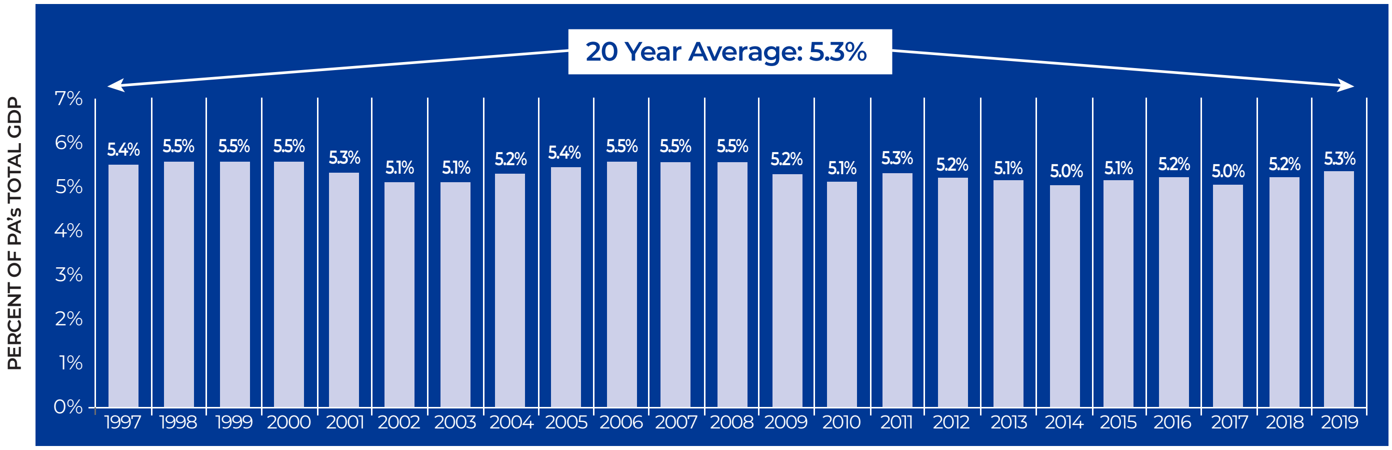
Analysis Snapshot:
The Importance of Policies to Grow Pennsylvania's Economy

CompetePA
Growing PA's Economy

Economic growth is essential to put Pennsylvania's state government on a firm financial footing. History shows us that changing tax policies or raising tax rates won't solve the problem. Our analysis shows that for more than 20 years, the state's annual tax revenue consistently returned about 5.3% of the state's total gross domestic product . There are some year-to-year fluctuations, but over the long run this rate of return has been remarkably stable.

Through an economic boom and the Great Recession, while tax rates have gone up and down, or even as new taxes have been created (such as the casino tax), Pennsylvania has continued to collect about $53 million in taxes for each $1 billion of state GDP.

PA Tax Revenues as a Percentage of PA GDP



Sources: U.S. Census State Government Tax Collections Summary Report (See www.census.gov/govs/statetax)
U.S. Dept of Commerce, Bureau of Economic Analysis - Regional Economic Accounts, GDP by State (See www.bea.gov/regional)

This happens because as tax rules change, businesses and consumers adapt their behavior to the new conditions. New taxes can change the source of state revenues, but the amount of money being collected doesn't grow unless the economy gets bigger.

Based on this understanding, the best avenue – the only avenue – for Harrisburg to really solve the state government's fiscal challenges is to adopt policies and practices that grow our GDP.

Analysis provided by the
Pennsylvania Economy League of Greater Pittsburgh,
an affiliate of the Allegheny Conference.

11 STANWIX STREET, 17TH FLOOR | PITTSBURGH, PA 15222-1312
TOLL FREE: 1 (877) 392-1300 | PHONE: (OUTSIDE OF U.S. AND CANADA) +1 (412) 281-1890
EMAIL: info@alleghenyconference.org | **AlleghenyConference.org**