

*In the opinion of Co-Bond Counsel, under existing statutes, regulations, rulings and court decisions, interest on the Bonds will not be includible in gross income of the holders thereof for federal income tax purposes, assuming continuing compliance by the Commonwealth with the requirements of the Internal Revenue Code of 1986, as amended. Interest on the Bonds will not be a specific preference item for purposes of computing the federal alternative minimum tax on individuals. Under the laws of the Commonwealth of Pennsylvania, as enacted and construed on the date hereof, interest on the Bonds is exempt from Pennsylvania personal income tax and Pennsylvania corporate net income tax. See "TAX MATTERS" herein...*

**NEW ISSUE – BOOK-ENTRY ONLY**

**RATINGS:**

**Fitch: "AA" (stable outlook)**

**Moody's: "Aa2" (stable outlook)**

**S&P: "A+" (positive outlook)**



**\$1,632,100,000**  
**Commonwealth of Pennsylvania**  
**General Obligation Bonds,**  
**\$1,395,000,000 First Series of 2024**  
**\$237,100,000 First Refunding Series of 2024**

**Dated: Date of Delivery**

**Due: as shown on the inside front cover**

<b>Defined Terms</b>	All capitalized terms that are not otherwise defined on this cover page have the meanings provided to such terms in this Official Statement.
<b>The Offering</b>	\$1,632,100,000 Commonwealth of Pennsylvania General Obligation Bonds, consisting of \$1,395,000,000 First Series of 2024 (the "First Series Bonds") and \$237,100,000 First Refunding Series of 2024 (the "First Refunding Series Bonds" and together with the First Series Bonds, the "Bonds").
<b>The Purpose</b>	The Bonds are being issued to provide funds to finance (i) public improvement projects, including the purchase of original furniture and equipment; public improvement projects for buildings and structures; transportation assistance projects; and redevelopment assistance projects, (ii) the refunding of all or a portion of the Commonwealth's outstanding General Obligation Bonds set forth on Schedule I hereto (the "Refunded Bonds") and (iii) the costs of issuance relating to the Bonds. See "PLAN OF FINANCE" and "ESTIMATED SOURCES AND USES OF FUNDS" herein.
<b>Payment and Security</b>	The Bonds are direct and general obligations of the Commonwealth, and the full faith and credit of the Commonwealth are pledged for the payment of principal of and interest on the Bonds. See "SECURITY AND SOURCE OF PAYMENT FOR BONDS" herein.
<b>Interest Payment Date</b>	The Bonds will be dated, and will bear interest from, the date of delivery thereof. Interest on Bonds will be payable semiannually on February 15 and August 15 of each year, commencing on August 15, 2025 for the First Series Bonds and on February 15, 2025 for the First Refunding Series Bonds.
<b>Redemption</b>	The First Series Bonds are subject to optional and mandatory redemption prior to maturity as set forth herein. The First Refunding Series Bonds are <b>not</b> subject to optional redemption; however, the First Refunding Series Bonds are subject to mandatory redemption as set forth herein. Bidders, in their bids for purchase of the Bonds, may designate principal amounts of Bonds as term bonds as set forth in the Notice of Sale. See "THE BONDS – Redemption Provisions" herein.
<b>Tax Exemption</b>	For information on certain tax matters relating to the Bonds, see the italicized language at the top of this cover page and "TAX MATTERS" herein.
<b>Delivery Date</b>	It is expected that the Bonds will be available for delivery to DTC on October 30, 2024.

**This cover page contains information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement, including the Appendices, which are an integral part hereof, to obtain information essential to making an informed investment decision regarding the Bonds.**

The Bonds are offered when, as and if issued by the Commonwealth and received by the Underwriter, subject to prior sale, to withdrawal or modification of the offer without notice, and are subject to the receipt of the legal opinions of the Office of Attorney General of the Commonwealth and, Eckert Seamans Cherin & Mellott, LLC of Harrisburg, Pennsylvania, Gosfield Law LLC of Gladwyne, Pennsylvania and Cox, Stokes & Lantz, P.C. of Wellsboro, Pennsylvania. Certain legal matters will be passed upon for the Commonwealth by Greenberg Traurig, LLP and Andre C. Dasent, P.C., both of Philadelphia, Pennsylvania, serving as Co-Disclosure Counsel to the Commonwealth.

The date of this Official Statement is October 16, 2024.

**\$1,395,000,000**  
**Commonwealth of Pennsylvania**  
**General Obligation Bonds,**  
**First Series of 2024**

**MATURITY DATES, PRINCIPAL AMOUNTS, INTEREST RATES, PRICES\*, YIELDS AND CUSIPS†**

Maturity Date (August 15)	Principal Amount	Interest Rate	Price	Yield	CUSIP
2025	\$70,750,000	5.000%	101.509	3.050%	70914P3P5
2026	70,750,000	5.000	104.063	2.660	70914P3Q3
2027	70,750,000	5.000	106.585	2.540	70914P3R1
2028	70,750,000	5.000	108.759	2.560	70914P3S9
2029	70,750,000	5.000	110.838	2.580	70914P3T7
2030	70,750,000	5.000	112.536	2.650	70914P3U4
2031	70,750,000	5.000	114.047	2.720	70914P3V2
2032	70,750,000	5.000	115.300	2.800	70914P3W0
2033	70,750,000	5.000	116.189	2.900	70914P3X8
2034	70,750,000	5.000	117.319	2.950	70914P3Y6
2035	68,750,000	5.000	116.856*	3.000	70914P3Z3
2036	68,750,000	5.000	116.302*	3.060	70914P4A7
2037	68,750,000	5.000	115.935*	3.100	70914P4B5
2038	68,750,000	5.000	115.569*	3.140	70914P4C3
2039	68,750,000	5.000	114.842*	3.220	70914P4D1
2040	68,750,000	4.000	102.855*	3.650	70914P4E9
2041	68,750,000	4.000	102.028*	3.750	70914P4F6
2042	68,750,000	4.000	101.209*	3.850	70914P4G4
2043	68,750,000	4.000	100.802*	3.900	70914P4H2
2044	68,750,000	4.000	100.000	4.000	70914P4J8

\*Priced to first optional redemption date of August 15, 2034.

† The above CUSIP (Committee on Uniform Securities Identification Procedures) numbers have been assigned by an organization not affiliated with the Commonwealth or the Underwriters, and such parties are not responsible for the selection or use of the CUSIP numbers. The CUSIP numbers are included solely for the convenience of bondholders and no representation is made as to the correctness of such CUSIP numbers. CUSIP numbers assigned to securities may be changed during the term of such securities based on a number of factors including, but not limited to, the refunding or defeasance of such issue or the use of secondary market financial products. Neither the Commonwealth nor the Underwriters have agreed to, and there is no duty or obligation to, update this Official Statement to reflect any change or correction in the CUSIP numbers set forth above. CUSIP is a registered trademark of the American Bankers Association (“ABA”). CUSIP data is provided by CUSIP Global Services, which is managed on behalf of the ABA by FactSet Research Systems Inc.

**\$237,100,000**  
**Commonwealth of Pennsylvania**  
**General Obligation Bonds,**  
**First Refunding Series of 2024**

**MATURITY DATES, PRINCIPAL AMOUNTS, INTEREST RATES, PRICES, YIELDS AND CUSIPS \***

Maturity Date (February 15)	Principal Amount	Interest Rate	Price	Yield	CUSIP
2025	\$15,580,000	4.000%	100.170	3.380%	70914P3D2
2026	95,000	4.000	101.495	2.810	70914P3EO
2027	100,000	4.000	103.137	2.580	70914P3F7
2028	31,305,000	4.000	104.321	2.620	70914P3G5
2029	420,000	4.000	105.439	2.650	70914P3H3
2030	34,835,000	4.000	106.367	2.700	70914P3J9
2031	36,570,000	4.000	106.875	2.800	70914P3K6
2032	38,395,000	4.000	107.315	2.880	70914P3L4
2033	40,315,000	4.000	107.669	2.950	70914P3M2
2034	39,485,000	4.000	108.053	3.000	70914P3N0

\* The above CUSIP (Committee on Uniform Securities Identification Procedures) numbers have been assigned by an organization not affiliated with the Commonwealth or the Underwriters, and such parties are not responsible for the selection or use of the CUSIP numbers. The CUSIP numbers are included solely for the convenience of bondholders and no representation is made as to the correctness of such CUSIP numbers. CUSIP numbers assigned to securities may be changed during the term of such securities based on a number of factors including, but not limited to, the refunding or defeasance of such issue or the use of secondary market financial products. Neither the Commonwealth nor the Underwriters have agreed to, and there is no duty or obligation to, update this Official Statement to reflect any change or correction in the CUSIP numbers set forth above. CUSIP is a registered trademark of the American Bankers Association (“ABA”). CUSIP data is provided by CUSIP Global Services, which is managed on behalf of the ABA by FactSet Research Systems Inc.

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**COMMONWEALTH OF PENNSYLVANIA**



**THE ISSUING OFFICIALS**

*Governor ..... Josh Shapiro*  
*State Treasurer.....Stacy Garrity*  
*Auditor General.....Timothy Defoor*

**OFFICE OF THE BUDGET**

*Secretary.....Uri Monson*

**Attorney General of the Commonwealth of Pennsylvania:**

Michelle Henry

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Harrisburg, Pennsylvania

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Gladwyne, Pennsylvania

Cox, Stokes, and Lantz, P.C.  
Wellsboro, Pennsylvania

**Co-Disclosure Counsel:**

Greenberg Traurig, LLP  
Philadelphia, Pennsylvania

Andre C. Dasent, P.C.  
Philadelphia, Pennsylvania

No dealer, broker, salesperson or other person has been authorized by the Commonwealth or the Underwriters (defined herein) to give any information or to make any representations with respect to the Bonds other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers of the Bonds. The information set forth herein has been obtained from the Commonwealth and other sources believed to be reliable and has been reviewed by the Underwriters in accordance with and as part of their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction but is not guaranteed as to accuracy or completeness by the Underwriters who provided this sentence for inclusion here. This information and expressions of opinions herein are subject to change without notice, and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Commonwealth since the date hereof.

All quotations from, and summaries and explanations of, provisions of law and documents herein do not purport to be complete, and reference is made to such laws and documents for full and complete statements of their provisions. Any statements made in this Official Statement involving estimates or matters of opinion, whether or not expressly so stated, are intended merely as estimates or opinions and not as representations of fact.

Statements contained in this Official Statement, including the Appendices hereto, which involve estimates, forecasts or other matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact. If and when included in this Official Statement, the words “expects,” “forecasts,” “plans,” “anticipates,” “projects,” “intends,” “anticipates,” “estimates,” “assumes” and analogous expressions are intended to identify forward-looking statements and any such statements inherently are subject to a variety of risks and uncertainties that could cause actual results to differ materially from those that have been projected. Such risks and uncertainties which could affect the Commonwealth generally and/or the amount of revenue collected by the Commonwealth include, among others, changes in economic conditions and various other events, conditions and circumstances, many of which are beyond the control of the Commonwealth. Readers should not place undue reliance on forward-looking statements. Such forward-looking statements speak only as of the date of this Official Statement. The Commonwealth disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any changes in the Commonwealth’s expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

Upon their issuance, the Bonds will not be registered under the Securities Act of 1933, as amended, will not be listed on any stock or other securities exchange and neither the U.S. Securities and Exchange Commission (“SEC”) nor any other federal, state, municipal or other governmental entity, other than the Commonwealth (subject to the limitations set forth herein), will have passed upon the accuracy or adequacy of this Official Statement.

This Official Statement is submitted in connection with the sale of the securities referred to herein and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is being provided to prospective purchasers in electronic format from the following websites: <https://www.budget.pa.gov/Publications%20and%20Reports/InvestorInformation/Pages/InvestorInformation.aspx> and [www.emma.msrb.org](http://www.emma.msrb.org) as well as either bound or printed format (“Original Bound Format”). This Official Statement may be relied upon only if it is in its Original Bound Format or if it is printed or saved in full directly from such websites.

The order and placement of materials in this Official Statement, including the Appendices hereto, are not to be deemed to be a determination of relevance, materiality or importance, and this Official Statement, including the Appendices, must be considered in its entirety.

**IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE COMMONWEALTH AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.**

**IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME WITHOUT PRIOR NOTICE.**

This Official Statement speaks only as of the date printed on the cover page hereof. This Official Statement, and any supplement or amendment thereto, will be delivered to the Municipal Securities Rulemaking Board through the Electronic Municipal Market Access System.

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## OFFICIAL STATEMENT SUMMARY

This summary is furnished to provide limited introductory information regarding the terms of the Bonds and is qualified by the more detailed descriptions appearing in this Official Statement and the appendices hereto. The offering of the Bonds is made only by means of this entire Official Statement, and no person is authorized to make offers to sell or solicit offers to buy the Bonds unless the entire Official Statement is delivered. Certain terms used in this summary are defined elsewhere in this Official Statement.

The Issuer	The Commonwealth of Pennsylvania (the “Commonwealth”).								
The Bonds	\$1,632,100,000 Commonwealth of Pennsylvania, General Obligation Bonds, consisting of \$1,395,000,000 First Series of 2024 (the “First Series Bonds”) and \$237,100,000 First Refunding Series of 2024 (the “First Refunding Series Bonds” and together with the First Series Bonds, the “Bonds”).								
Use of Proceeds	The Bonds are being issued to provide funds to finance: (i) public improvement projects, including the purchase of original furniture and equipment; public improvement projects for buildings and structures; transportation assistance projects; and redevelopment assistance projects; (ii) the refunding of all or a portion of the Commonwealth’s outstanding General Obligation Bonds set forth on Schedule I hereto (the “Refunded Bonds”); and (iii) the costs of issuance relating to the Bonds. See “PLAN OF FINANCE” and “ESTIMATED SOURCES AND USES OF FUNDS” contained herein.								
Maturity	The Bonds mature on the dates in the principal amounts set forth in the inside cover page hereof.								
Interest	Interest on the Bonds accrues from their date of delivery and is payable on February 15 and August 15 of each year, commencing on August 15, 2025 for the First Series Bonds and on February 15, 2025 for the First Refunding Series Bonds, until maturity or earlier redemption.								
Redemption	The First Series Bonds are subject to optional redemption prior to maturity as described herein. See “THE BONDS – Redemption Provisions” contained herein.  The First Refunding Series Bonds are not subject to optional redemption.								
Security for the Bonds	The Bonds are direct and general obligations of the Commonwealth, and the full faith and credit of the Commonwealth are pledged for the payment of principal of and interest on the Bonds. The Bonds are a first priority obligation of the Commonwealth. See “SECURITY AND SOURCE OF PAYMENT FOR BONDS” contained herein.								
Ratings	<table><thead><tr><th></th><th style="text-align: center;"><u>Bonds</u></th></tr></thead><tbody><tr><td>Fitch</td><td>“AA” (stable outlook)</td></tr><tr><td>Moody’s</td><td>“Aa2” (stable outlook)</td></tr><tr><td>S&amp;P</td><td>“A+” (positive outlook)</td></tr></tbody></table> See “RATINGS” contained herein.		<u>Bonds</u>	Fitch	“AA” (stable outlook)	Moody’s	“Aa2” (stable outlook)	S&P	“A+” (positive outlook)
	<u>Bonds</u>								
Fitch	“AA” (stable outlook)								
Moody’s	“Aa2” (stable outlook)								
S&P	“A+” (positive outlook)								
Authorized Denominations	\$5,000 or any integral multiple thereof.								



Book-Entry Only System	The Bonds are initially issuable only to Cede & Co., the nominee of The Depository Trust Company, New York, New York (“DTC”), pursuant to a book-entry only system. No physical delivery of the Bonds will be made to the beneficial owners of the Bonds. Principal of and interest on the Bonds will be paid to Cede & Co., which will distribute such payments to the participating members of DTC for remittance to the beneficial owners of the Bonds. See <u>APPENDIX D</u> herein attached.
No Payment Defaults	The Commonwealth has never failed to make a payment of principal of or interest on its general obligation bonds.
Loan and Transfer Agent	U.S. Bank Trust Company, National Association, a national banking association, Philadelphia, Pennsylvania, is the Loan and Transfer Agent for the Bonds.
Tax Exemption	See “TAX MATTERS” herein.  Co-Bond Counsel is also of the opinion that under the laws of the Commonwealth of Pennsylvania as presently enacted and construed, the interest on the Bonds is exempt from Pennsylvania personal income tax and Pennsylvania corporate net income tax. See “TAX MATTERS” herein
Audited Financial Statements	An independent public accounting firm and the Department of the Auditor General jointly audit the Commonwealth’s annual GAAP basis financial statements. The audited Basic Financial Statements are a component of the Commonwealth’s Annual Comprehensive Financial Report (“ACFR”). The ACFRs for recent fiscal years, including the fiscal year ended June 30, 2023, have been filed with the MSRB and are available on EMMA. The ACFRs for the years ended June 30, 2022 and 2023 are incorporated herein by reference. The ACFR for the fiscal year ended June 30, 2024 is expected to be released on or about December 13, 2024 and will be filed with the MSRB on EMMA ( <a href="http://www.emma.msrb.org">www.emma.msrb.org</a> ).
Investment Considerations	For certain investment considerations relating to the decision to purchase the Bonds, see “CERTAIN INVESTMENT CONSIDERATIONS” herein.

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**OFFICIAL STATEMENT  
Relating to**

**\$1,632,100,000  
Commonwealth of Pennsylvania  
General Obligation Bonds,  
\$1,395,000,000 First Series of 2024  
\$237,100,000 First Refunding Series of 2024**

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**INTRODUCTION**

This Official Statement of the Commonwealth of Pennsylvania (the “Commonwealth”), including the cover page, inside front cover page and appendices hereto, presents certain information in connection with the issuance of \$1,632,100,000. Commonwealth of Pennsylvania, General Obligation Bonds, consisting of \$1,395,000,000 First Series of 2024 (the “First Series Bonds”) and \$237,100,000 First Refunding Series of 2024 (the “First Refunding Series Bonds” and together with the First Series Bonds, the “Bonds”). The Bonds are being issued to provide funds for and toward the costs of various capital projects and refinancing of certain outstanding indebtedness, each as more fully set forth herein. See “PLAN OF FINANCE” herein.

The Bonds are general obligations of the Commonwealth to which the full faith and credit of the Commonwealth are pledged. See “SECURITY AND SOURCE OF PAYMENT FOR BONDS.”

The Bonds will be initially registered in the name of Cede & Co., as nominee for The Depository Trust Company, securities depository for the Bonds under a book-entry only registration system. See APPENDIX D herein attached.

The Bonds are authorized investments for fiduciaries and personal representatives, as defined in the Probate, Estates and Fiduciaries Code within the Commonwealth; are legal investments for Pennsylvania banks, trust companies, bank and trust companies, savings banks, and insurance companies; and are acceptable as security for deposits of the funds of the Commonwealth. See “LEGALITY FOR INVESTMENT.”

Except where otherwise expressly noted, the financial and other information provided in this Official Statement is generally derived from the records of the Commonwealth. Financial information and other data provided herein are derived from the best information available as of the date of this Official Statement. Because agencies of the Commonwealth have different reporting periods, “as of” dates of certain financial and other information presented herein may vary. All financial information should be considered as unaudited unless otherwise specifically identified. All estimates and assumptions are based on the best information available to the Commonwealth but do not constitute factual information. All estimates of future performance or events constituting “forward-looking statements” may or may not be realized because of a wide variety of economic and other circumstances. Included in such forward-looking statements are numbers and other information from budgets for current and future fiscal years. The references to, and summaries of, constitutional and statutory provisions of the Commonwealth and to bond resolutions and other documents are qualified in their entirety by reference to the complete text of such documents and to any judicial interpretations thereof.

For the Auditor General’s Certification that the issuance of the Bonds will not exceed the constitutional debt limit, see APPENDIX A. For Government and Financial Information of the Commonwealth, see APPENDIX B. For Selected Data on the Commonwealth see APPENDIX C. Information relating to the Depository Trust Company is attached hereto as APPENDIX D. For a description of the constitutional provisions relating to the Bonds, see APPENDIX E. The proposed form of the opinion of the Office of Attorney General is set forth in APPENDIX F, and the proposed form of the opinion of Co-Bond Counsel is set forth in APPENDIX G. The form of Continuing Disclosure Agreement relating to the Bonds is attached hereto as APPENDIX H. The order and placement of materials in this Official Statement, including the Appendices hereto, are not to be deemed to be a determination of relevance, materiality or importance, and this Official Statement, including the Appendices, must be considered in its entirety.

## **AUTHORIZATION FOR THE BONDS**

The Bonds are authorized and issued pursuant to and in full compliance with the provisions, restrictions and limitations of Section 7 of Article VIII of the Constitution; the laws of the Commonwealth, including but not limited to the Capital Facilities Debt Enabling Act, Act No. 1999-1, approved February 9, 1999, as amended by Act No. 2002-130, approved October 28, 2002; Act No. 2003-49, approved December 23, 2003; Act No. 2004-67, approved July 4, 2004; Act No. 2005-87, approved December 22, 2005; Act No. 2008-48, approved July 4, 2008; Act No. 2010-48, approved July 7, 2010; Act No. 2013-77, approved October 25, 2013; Act No. 2017-45, approved October 30, 2017; Act No. 2019-43, approved July 2, 2019; and Act No. 2020-25, approved May 29, 2020 (as so amended, the “Capital Facilities Debt Enabling Act”) and annual capital budget bills and various bond authorization bills enacted by the General Assembly, including the Capital Budget Act of 2024-2025, Act No. 2024-95, approved October 2, 2024 (the “2024-2025 Capital Budget”), and the resolutions adopted by the Governor, State Treasurer and Auditor General dated October 3, 2024 and October 16, 2024 (collectively, the “Resolutions”).

All provisions of the Resolutions are incorporated by reference in the text of the Bonds, including, without limitation, those provisions setting forth the conditions under which the Resolutions may be modified. Copies of the Resolutions, including the full text of the forms of the Bonds, are on file at the designated office in Philadelphia, Pennsylvania of U.S. Bank Trust Company, National Association (“Loan and Transfer Agent”).

## **PLAN OF FINANCE**

The Commonwealth is issuing the Bonds for the following purposes:

- (i) \$1,395,000,000 to provide for the construction, acquisition and major rehabilitation of capital facilities projects, as described below under “Capital Facilities Projects” and to finance related costs of issuance for the First Series Bonds; and
- (ii) \$237,100,000 to finance the refunding of all or a portion of the Commonwealth’s outstanding General Obligation Bonds First Series of 2014, as set forth on Schedule I hereto (the “Refunded Bonds”) and to finance related costs of issuance for the First Refunding Series Bonds;

## **Capital Facilities Projects**

A portion of the proceeds of the First Series Bonds will be deposited into the Capital Facilities Fund and applied: (a) to pay a portion of the costs of issuance of the First Series Bonds and (b) to pay the financial costs of various capital facilities projects of the Commonwealth, including reimbursement of the State Treasury for previous payments made for costs incurred relating to various capital facilities projects. Of the combined \$1,395,000,000 aggregate principal amount of the First Series Bonds issued for capital facilities projects: (i) \$20,000,000 aggregate principal amount of the First Series Bonds shall be allocated to the Department of General Services to fund public improvement projects, including the purchase of original furniture and equipment, and the related costs of issuance of the First Series Bonds; (ii) \$900,000,000 aggregate principal amount of the First Series Bonds shall be allocated to the Department of General Services to fund public improvement projects for buildings and structures and the related costs of issuance of the First Series Bonds; (iii) \$175,000,000 aggregate principal amount of the First Series Bonds shall be allocated to the Department of Transportation to fund transportation assistance projects and the related costs of issuance of the First Series Bonds; and (iv) \$300,000,000 aggregate principal amount of the First Series Bonds shall be allocated to the Office of the Budget to fund redevelopment assistance projects and the related costs of issuance of the First Series Bonds. Pending application for the above purposes, the aforementioned proceeds of the First Series Bonds will be held by the State Treasurer in the Capital Facilities Fund and invested in accordance with applicable state and federal laws.

## **Plan of Refunding**

The Commonwealth is issuing the First Refunding Series Bonds in the aggregate principal amount of \$237,100,000 to refinance the Refunded Bonds set forth on Schedule I hereto and finance the costs of issuance relating to the First Refunding Series Bonds.

The refunding of the Refunded Bonds will be accomplished by applying a portion of the proceeds from the sale of the First Refunding Series Bonds to the purchase of certain direct obligations of the United States Government to be held in escrow (the "Escrow Obligations"), in an aggregate principal amount which at all times shall be sufficient, together with the interest to accrue thereon, to pay the principal of such Refunded Bonds, the redemption premium, if any, and the interest due and to become due thereon before and on the respective redemption dates or maturity dates as shown on Schedule I (the "Required Deposit"). See "VERIFICATION" herein. Such Escrow Obligations will be deposited with the State Treasurer of the Commonwealth to be applied solely to the payment of the principal and interest on such Refunded Bonds on the applicable dates set for redemption. Initially, the Escrow Obligations are expected to consist of United States Treasury obligations. Applicable law and the Resolutions permit the State Treasurer to substitute new Escrow Obligations meeting the requirements of the Required Deposit at the time of any such substitution upon fulfillment of certain conditions, including the receipt of an opinion of Co-Bond Counsel and certain certifications. The refunding of the Refunded Bonds will take place as described above only if the First Refunding Series Bonds are issued. The Commonwealth will cause to be provided the requisite notices of redemption in accordance with the documentation relating to the Refunded Bonds, as appropriate, and holders of the Refunded Bonds should rely solely on such redemption notices for purposes of the redemption of the Refunded Bonds.

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## ESTIMATED SOURCES AND USES OF FUNDS

The following table sets forth estimated sources and uses of the proceeds of the Bonds.

<u>Sources of Funds</u>	<u>First Series Bonds</u>	<u>First Refunding Series Bonds</u>	<u>Total</u>
Principal Amount of the Bonds	\$1,395,000,000.00	\$237,100,000.00	\$1,632,100,000.00
Original Issue Premium	135,203,712.50	15,218,786.70	150,422,499.20
<b>Total Sources of Funds</b>	<b><u>\$1,530,203,712.50</u></b>	<b><u>\$252,318,786.70</u></b>	<b><u>\$1,782,522,499.20</u></b>
 <b><u>Uses of Funds</u></b>			
Deposit to Capital Facilities Fund	1,525,886,197.37	-	1,525,886,197.37
Deposit to Escrow Fund	-	251,678,811.93	251,678,811.93
Costs of Issuance*	4,317,515.13	639,974.77	4,957,489.90
<b>Total Uses of Funds</b>	<b><u>\$1,530,203,712.50</u></b>	<b><u>\$252,318,786.70</u></b>	<b><u>\$1,782,522,499.20</u></b>

\* Includes Underwriters' discount, legal, rating agency, verification agent, Loan and Transfer Agent, financial advisor fees; and other costs of issuing the Bonds.

## THE BONDS

### General

The Bonds will be issued in authorized denominations of \$5,000 or any integral multiple thereof, be dated their date of issuance and delivery and bear interest initially from such date, at the rate per annum for each maturity as specified on the inside cover page hereof. Such interest will be payable semi-annually on each February 15 and August 15, commencing August 15, 2025 for the First Series Bonds and February 15, 2025 for the First Refunding Series Bonds, calculated on the basis of a 360-day year of twelve 30-day months, and will mature in the amounts and on the dates as set forth on the inside cover page hereof. The Bonds will be issued in fully registered form, registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC") pursuant to DTC's Book-Entry Only System. See, APPENDIX D herein attached. The Bonds provide that each registered owner, Beneficial Owner, DTC Participant or Indirect Participant (as such terms are defined in APPENDIX D) in DTC, by acceptance of a Bond (including receipt of a book-entry credit evidencing an interest therein), assents to all of such provisions as an explicit and material portion of the consideration running to the Commonwealth to induce it to adopt the Resolutions and to issue such Bonds.

Interest on the Bonds will be payable by check or draft mailed or other transfer made to the persons in whose names the Bonds shall be registered at the close of business on each February 1 and August 1, respectively (whether or not a business day) (each, a "Record Date"). Any interest on any Bond not timely paid or duly provided for shall cease to be payable to the person who is the registered owner as of the regular Record Date, and shall be payable to the person who is the registered owner at the close of business on a special record date for the payment of such defaulted interest. A special record date shall be a date not more than fifteen nor less than ten days prior to the date of the proposed payment and shall be fixed by the Loan and Transfer Agent whenever moneys become available for payment of the defaulted interest. Notice of a special record date shall be given to registered owners of the Bonds not less than fifteen days prior thereto.

Whenever the due date for payment of interest on or principal of the Bonds or the date fixed for redemption of any Bond shall be on a Saturday, a Sunday, a legal holiday or a day on which banks in the Commonwealth are required or authorized by law (including by executive order) to close, then payment of such interest, principal or redemption price need not be made on such date, but may be made on the next succeeding day which is not a Saturday, a Sunday, a legal holiday, or a day upon which banks in the Commonwealth are required or authorized by law (including by executive order) to close, with the same force and effect as if made on the due date for such payment of principal, interest or redemption price, and no interest shall accrue thereon for any period after such due date.

## **Redemption Provisions**

***Optional Redemption.*** The First Series Bonds, or portions thereof in integral multiples of \$5,000, maturing on and after August 15, 2035 are subject to redemption at the option of the Commonwealth prior to scheduled maturity on and after August 15, 2034, as a whole or in part (and if in part, within one or more maturities) at any time and from time to time, in any order of maturity determined by the Commonwealth and by lot within a maturity in such manner as the Commonwealth in its discretion may determine, on at least 30 days (but not more than 60 days) notice, at a redemption price equal to par (100% of stated principal amount) plus accrued interest to the date fixed for redemption.

The First Refunding Series Bonds are **not** subject to optional redemption prior to maturity.

## **Notice of Redemption**

As long as the Bonds are registered pursuant to a book-entry only system, notice of redemption will be given, as required by DTC's (or any successor depository's) procedures, to DTC, its nominee, or successor securities depository, as registered owner of the Bonds. So long as Cede & Co. is the registered owner of the Bonds, the Commonwealth will not be responsible for mailing notices of redemption to anyone other than DTC or its nominee.

Notice of redemption shall be given by the Loan and Transfer Agent via first-class mail not less than 30 days, nor more than 60 days, prior to the date fixed for redemption to the persons in whose names the Bonds to be redeemed are registered at the close of business on the fifth (5<sup>th</sup>) business day prior to such mailings; provided, however, that any defect in the notice or in the mailing thereof with respect to any registered owner shall not affect the validity of the proceedings for such redemption as to any other registered owner. Deposit of any such notice in the United States mail shall constitute constructive receipt of such notice by the registered owner to whom such notice is sent. Notice having been given as aforesaid and provision having been made for redemption from funds on deposit with the Loan and Transfer Agent, no interest on the Bonds, or portions thereof, called for redemption shall accrue after the date fixed for redemption, and the registered holders of the Bonds, or portions thereof, called for redemption shall thereafter have no further right except to receive payment of the redemption price plus accrued interest to the redemption date.

If at the time of the notice of optional redemption, there shall not be on deposit in a restricted account with the State Treasurer money sufficient to redeem all the Bonds called for redemption, such notice shall state, unless the Commonwealth specifically directs otherwise in writing, that it is conditional, that is, subject to the deposit of the redemption money with the State Treasurer not later than the redemption date, and such notice shall be of no effect unless such money is so deposited.

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**ANNUAL DEBT SERVICE REQUIREMENTS**  
**As of October 16, 2024**  
(In Thousands)

The following table sets forth the aggregate debt service requirements for all outstanding General Obligation Bonds, including the Bonds, and reflects the refunding of the Refunded Bonds.

Fiscal Year Ending	Aggregate Debt Service on	First Series Bonds		First Refunding Series Bonds		Total*
	Bonds Outstanding	Principal	Interest	Principal	Interest	
2025	\$ 1,349,471	-	-	\$ 15,580	\$2,766	\$ 1,367,817
2026	1,393,511	70,750	83,885	95	8,861	1,557,101
2027	1,340,918	70,750	61,006	100	8,857	1,481,631
2028	1,201,186	70,750	57,469	31,305	8,853	1,369,563
2029	1,123,090	70,750	53,931	420	7,601	1,255,792
2030	1,040,487	70,750	50,394	34,835	7,584	1,204,050
2031	844,558	70,750	46,856	36,570	6,191	1,004,925
2032	833,025	70,750	43,319	38,395	4,728	990,216
2033	703,332	70,750	39,781	40,315	3,192	857,370
2034	587,195	70,750	36,244	39,485	1,579	735,254
2035	564,245	70,750	32,706	-	-	667,701
2036	482,738	68,750	29,219	-	-	580,707
2037	417,133	68,750	25,781	-	-	511,665
2038	319,415	68,750	22,344	-	-	410,509
2039	316,492	68,750	18,906	-	-	404,149
2040	214,203	68,750	15,469	-	-	298,422
2041	174,183	68,750	12,375	-	-	255,308
2042	126,406	68,750	9,625	-	-	204,781
2043	121,475	68,750	6,875	-	-	197,100
2044	67,575	68,750	4,125	-	-	140,450
2045	-	68,750	1,375	-	-	70,125
Total	<u>\$13,220,637</u>	<u>\$1,395,000</u>	<u>\$651,685</u>	<u>\$237,100</u>	<u>\$60,212</u>	<u>\$15,564,634</u>

\* Total may not add due to rounding; table reflects the issuance of the Bonds and the refunding of the Refunded Bonds.

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**SECURITY AND SOURCE OF PAYMENT FOR BONDS**

The Bonds are direct and general obligations of the Commonwealth to which the full faith and credit of the Commonwealth have been pledged for the payment of the interest thereon as it becomes due and the payment of the principal thereof at maturity or prior redemption. The Bonds are a first priority obligation of the Commonwealth. The various acts authorizing the incurrence of debt by the Commonwealth require the General Assembly to appropriate annually the moneys necessary to pay such interest and principal for which other provisions are not made. See the statutes described in the section “AUTHORIZATION FOR THE BONDS” above. Principal of and interest payments on the Bonds will be made from the General Fund.

The Constitution of the Commonwealth of Pennsylvania (the “Constitution”) places a claim on certain revenues of the Commonwealth for the payment of principal of and interest on all debt of the Commonwealth. Article VIII, Section 7(d) of the Constitution provides that, if sufficient funds are not appropriated for the timely payment of the interest on and principal of all Commonwealth debt, the State Treasurer shall set apart from the first revenues thereafter received applicable to the appropriate fund, a sum sufficient to pay such interest and principal, and shall so apply the money so set apart.

The State Treasurer is required to set aside and apply such revenues at the suit of any holder of Commonwealth obligations.

**Debt Limits**

The Constitution (Article VIII, Section 7(a)) permits debt to be incurred (i) for purposes itemized in law and approved by voter referendum, (ii) without approval of the electorate for the rehabilitation of areas affected by man-made or natural disasters, and (iii) without approval of the electorate for capital facilities projects specifically itemized in a capital budget if such debt does not cause the amount of all net debt outstanding (as defined for purposes of that Section) to exceed one and three quarters times (1.75x) the average of the annual tax revenues of the Commonwealth deposited in all funds in the previous five fiscal years, as certified by the Auditor General (the “Constitutional Debt Limit”). The most recent semi-annual computation of the Constitutional Debt Limit and the amount of net debt outstanding subject to such limit are shown in Table 1.

**Table 1**  
**Constitutional Debt Limit<sup>(a)</sup>**  
**August 31, 2024**  
**(In Millions)**

Average Annual Tax Revenues Fiscal Years ended June 30, 2020-2024.....	\$50,697.05
Times 1.75 .....	88,719.83
Less: Net Debt Outstanding <sup>(b)</sup> .....	9,662.21
Debt Issuable Within Limit.....	\$79,057.62

Source: Office of the Budget.

<sup>(a)</sup> As certified by the Auditor General on August 31, 2024.

<sup>(b)</sup> After credit for refinancing of Refunded Bonds.



The capital debt authorizations for the various categories of capital facilities projects are shown in Table 2 below.

**Table 2**  
**Pro Forma Remaining Debt Authorized After Issuance of the Bonds**  
**(In Millions)**

<b>Capital Facilities Projects Category</b>	<b>Project Debt Authorized</b>	<b>Issued<sup>(a)</sup></b>	<b>Remaining Project Debt Authorized</b>	<b>Remaining Project Debt Authorized After Issuance of the Bonds</b>
Buildings and Structures	\$ 61,533.4	\$14,648.5	\$ 46,884.9	\$ 45,984.9
Furniture and Equipment	2,476.5	556.5	1,920.0	1,900.0
Transportation Assistance	16,039.6	5,086.9	10,952.7	10,777.7
Redevelopment Assistance	40,583.7	5,849.8	34,734.0	34,434.0
Community Colleges	35.8	28.0	7.8	7.8
Highway and Highway Bridge	43,341.3	3,287.5	40,053.8	40,053.8
Flood Control	1,255.2	65.8	1,189.4	1,189.4
Total	<u>\$165,490.4</u>	<u>\$29,523.0</u>	<u>\$135,967.5</u>	<u>\$134,347.6</u>

Source: Office of the Budget.

<sup>(a)</sup> Original issuance amounts; not all are presently outstanding.

The amount of debt that may be issued in any given fiscal year for capital projects authorized in current or previous capital budgets is enacted annually by the General Assembly and approved by the Governor. The maximum principal amount of debt currently authorized by the 2024-2025 Capital Budget is as shown in Table 3 below.

**Table 3**  
**Pro Forma Remaining Debt After Issuance of the Bonds<sup>(a)</sup>**  
**(In Millions)**

<b>Capital Facilities Projects Category</b>	<b>Limits</b>	<b>Debt Issued to Date</b>	<b>Remaining Issuable Within Limit</b>	<b>Remaining Debt Authorized After Issuance of the Bonds</b>
Buildings and Structures	\$900	\$0	\$900	\$0
Furniture and Equipment	20	0	20	0
Transportation Assistance	175	0	175	0
Redevelopment Assistance	300	0	300	0
Flood Control	0	0	0	0
Total	<u>\$1,395</u>	<u>\$0</u>	<u>\$1,395</u>	<u>\$0</u>

Source: Office of the Budget.

<sup>(a)</sup> The Bonds are being issued under the debt limits of the 2024-2025 Capital Budget, which became effective on October 2, 2024.

After issuance of the Bonds under the 2024-2025 Capital Budget, no debt will remain authorized and unissued thereunder. See “PLAN OF FINANCE – Capital Facilities Projects.”

For a discussion of the Commonwealth’s outstanding debt and projected future issuance of general obligation debt, see APPENDIX B – GOVERNMENT AND FINANCIAL INFORMATION OF THE COMMONWEALTH – “Outstanding Indebtedness of the Commonwealth” herein attached.

## THE COMMONWEALTH

### General

The Commonwealth of Pennsylvania (the “Commonwealth” or the “State” or “Pennsylvania”) was the second state admitted to the United States of America, founded in 1787. The Commonwealth ranks fifth in the United States in terms of population and 33rd in terms of total area.

The Commonwealth is organized into three separate branches of government: executive, legislative and judicial, as defined in the State Constitution. Five officials of the Commonwealth’s executive branch are elected in statewide elections for four-year terms expiring on the dates shown below.

Name	Office	Term Expires
Josh Shapiro	Governor	January 17, 2027
Austin Davis	Lieutenant Governor	January 17, 2027
Michelle Henry	Attorney General	January 21, 2025
Stacy Garrity	State Treasurer	January 21, 2025
Timothy DeFoor	Auditor General	January 21, 2025

## COMMONWEALTH GOVERNMENT, FINANCIAL PERFORMANCE AND OTHER OBLIGATIONS

### Government and Fiscal Administration

The Commonwealth’s fiscal year begins July 1 and ends June 30. For example, fiscal year 2024 refers to the fiscal year ended June 30, 2024. The principal operating funds of the Commonwealth are the General Fund, the Motor License Fund and the State Lottery Fund. The Commonwealth also has a Budget Stabilization Reserve Fund, which is used to manage around emergencies involving the health, safety or welfare of the residents of the Commonwealth or downturns in the economy resulting in significant unanticipated revenue shortfalls. For a description of the funds, including the Budget Stabilization Reserve Fund, accounting practices and financial reporting, and a discussion of how the funds are invested, see APPENDIX B – GOVERNMENT AND FINANCIAL INFORMATION OF THE COMMONWEALTH – “Commonwealth Financial Structure and Procedures” herein attached. For more information regarding employees of the Commonwealth, see APPENDIX B – GOVERNMENT AND FINANCIAL INFORMATION OF THE COMMONWEALTH – “Commonwealth Government.” For more information regarding the branches of government, fiscal administration, and budgetary process, see APPENDIX B – GOVERNMENT AND FINANCIAL INFORMATION OF THE COMMONWEALTH – “Commonwealth Government and Fiscal Administration.”

### Financial Performance

For discussion of the Commonwealth’s Financial Performance, including budgetary information, and the revenues of the General Fund, Motor License Fund and State Lottery Funds, which are the

Commonwealth's three principal funds, see APPENDIX B – GOVERNMENT AND FINANCIAL INFORMATION OF THE COMMONWEALTH – “Commonwealth Financial Performance” and “ – Commonwealth Revenues and Expenditures.”

### **Annual Comprehensive Financial Reports**

An independent public accounting firm and the Department of the Auditor General jointly audit the Commonwealth's annual GAAP basis financial statements. The audited Basic Financial Statements are a component of the Commonwealth's Annual Comprehensive Financial Report (“ACFR”). The ACFRs for recent fiscal years, including the fiscal year ended June 30, 2023, have been filed with the MSRB (hereinafter defined) and are available on EMMA (hereinafter defined). The ACFRs for the years ended June 30, 2022 and 2023 are incorporated herein by reference.

The ACFR for the fiscal year ended June 30, 2024 (the “2024 ACFR”) is expected to be released on or about December 13, 2024 and will be filed with the MSRB on EMMA ([www.emma.msrb.org](http://www.emma.msrb.org)). Within 240 days after the end of the fiscal year ended June 30, 2024, the Commonwealth will provide updated financial information and operating data of the kind contained in APPENDIX B to reflect the audited financial information contained in the 2024 ACFR, all in accordance with the requirements of its Continuing Disclosure Agreement attached hereto as APPENDIX H.

### **Other Obligations of the Commonwealth**

The Commonwealth has various state-related obligations, including with respect to pension obligations and other post-employment benefits or debt issued by the Pennsylvania Housing Finance Agency to provide housing for low and moderate income families, for instance. For a discussion of such other obligations, see APPENDIX B – GOVERNMENT AND FINANCIAL INFORMATION OF THE COMMONWEALTH – “Other State-Related Obligations” and “ – Other State-Related Obligations – Pensions and Retirement.” In addition, certain state-created organizations have statutory authorization to issue revenue funded debt that is backed by the assets of, or revenues derived from, the various projects so financed and is not a statutory or moral obligation of the Commonwealth. However, some of these organizations are indirectly dependent upon Commonwealth operating appropriations. For a discussion of such other obligations, see APPENDIX B – GOVERNMENT AND FINANCIAL INFORMATION OF THE COMMONWEALTH – “Government Authorities and Other Organizations” attached hereto.

## **CERTAIN INVESTMENT CONSIDERATIONS**

### **Introduction**

The purchase of the Bonds involves numerous investment risks, some of which are referred to in this Official Statement. No representation is made that the risks described or referred to in this Official Statement constitute all of the risks associated with investing in the Bonds. Accordingly, prior to making a decision to invest in the Bonds, each prospective purchaser thereof should make an independent evaluation of all of the information presented in this Official Statement, including the Appendices, and should review other pertinent information.

### **General**

The Bonds, like all general obligations of state governments, are subject to changes in value due to changes in the condition of the market for taxable and tax-exempt obligations or changes in the financial position of the Commonwealth.

It is possible under certain market conditions, or if the financial condition of the Commonwealth should change, that the market price of the Bonds could be adversely affected. With regard to the risk involved in a downward revision, or withdrawal of the ratings for the Bonds, shown on the cover hereof, see “RATINGS” herein.

Prospective purchasers of the Bonds should consult their own tax advisers prior to their purchase of the Bonds as to the impact of the Internal Revenue Code of 1986, as amended (the “Code”) upon their acquisition, holding or disposition of the Bonds.

### **Market for the Bonds**

Subject to prevailing market conditions, the Underwriters intend, but are not obligated, to make a market for the Bonds. There is no assurance that a secondary market for the Bonds will develop or if developed will not be disrupted by certain events impacting the market for the Bonds. Consequentially, investors may not be able to resell the Bonds should they need or wish to do so for emergency or other purposes.

### **Prepayment of Principal**

The Commonwealth may prepay certain principal of the First Series Bonds without penalty. See, “THE BONDS – Redemption Provisions” herein. If such First Series Bonds were to be pre-paid before scheduled maturity, the investor would not receive the scheduled yield through the maturity date. In such a prepayment situation there is no guarantee that the investor could reinvest the proceeds and receive a comparable yield for the period remaining until the scheduled maturity of the First Series Bonds. The investor may therefore receive a lower total return for the period beginning on the date of purchase through the scheduled date of maturity than anticipated.

### **General Economic Conditions**

General economic conditions may affect the Commonwealth’s financial condition and results of operations. A general economic downturn may lead to a reduction in tax revenues. General economic turmoil also may lead to an investment market downturn, which may result in asset market values (including pension plan assets) suffering a decline and significant volatility. For instance, a decline in the market values of the Commonwealth’s pension plans assets could increase required cash contributions to these plans from the General Fund and increased pension expenses in subsequent years.

### **Sustainability**

The effects of climate change can already be observed in Pennsylvania. With heat waves, droughts, diminished air quality, and flooding from major precipitation events, climate change impacts the environment, public health, and the economy. The average annual temperature statewide is expected to rise and instances of extreme heat days are expected to occur more frequently. While the Commonwealth is unable to predict how climate change will affect its financial resources, it believes regular assessments and planning will help Pennsylvania remain resilient in the face of climate uncertainties.

The Pennsylvania Climate Change Act, which was passed in 2008, requires the Department of Environmental Protection (“DEP”) to develop an inventory of greenhouse gas (“GHG”) emissions and update it annually; administer a Climate Change Advisory Committee; set up a voluntary registry of GHG emissions; prepare a Climate Change Impacts Assessment and provide an update once every three years; and prepare a Climate Change Action Plan and provide an update once every three years. Additionally, a 2019 Executive Order created the GreenGov Council, which brings Pennsylvania’s government agencies

together to encourage incorporation of environmentally sustainable practices into the Commonwealth's policy, planning, operations, procurement, and regulatory functions. The initiative has resulted in at least thirty construction or major renovation facilities projects incorporating high-performance building criteria and in a reduction and offsetting of the Commonwealth's energy use.

To address inland flooding, one of the greatest climate risks in Pennsylvania, DEP operates one of the few state-level flood protection programs, which evaluates flood prone areas and designs stream improvements and protection facilities to mitigate flooding. DEP works closely with federal partners at the United States Department of Agriculture and the US Army Corps of Engineers to coordinate federal flood control and bank stabilization projects. The State Water Plan continues to provide DEP with climate change adaptation strategies that address the likely increase in major inland flooding events and expected increased periods of drought.

Despite the Commonwealth's planning efforts, due to uncertainties in the timing, magnitude and long-term effects of climate change, the extent of climate change impacts on the Commonwealth, its operations and its financial performance are indeterminate at this time. No assurance can be given that the Commonwealth will not encounter negative environmental and infrastructural consequences as a result of climate change and that such events will not have a material adverse effect on its operations or financial condition.

The Commonwealth is actively pursuing energy efficiency investments and policy strategies to reduce greenhouse gas emissions in its buildings portfolio. The Commonwealth has reduced facility greenhouse gas emissions by about 30% since 2017 through a combination of energy efficiency and renewable energy procurement. In 2025, the Commonwealth intends to develop sustainability guidelines to support better environmental outcomes and more resilient infrastructure for new construction and major renovation projects, as well as, building energy performance standards for all facilities over 20,000 square feet. With the Inflation Reduction Act creating new opportunities for states to receive tax credits, the Commonwealth intends to ramp-up efforts to pursue energy-saving and clean energy technologies, such as, geothermal, solar, and electric vehicle charging stations. Additional renewable energy procurements are under consideration for deeper decarbonization on the Commonwealth's utility fuel purchases.

## **Cybersecurity**

Information technology systems are susceptible to a variety of cybersecurity risks. These risks include, but are not limited to, data breaches and system compromises caused by ransomware attacks, phishing campaigns, malware, viruses, insider threats, system misconfigurations, and other increasingly sophisticated methods of attack. Such events could result in the disclosure of personally identifiable, regulatory, or other confidential information. They could also negatively impact the Commonwealth's operations, leading to significant exposure and substantial costs.

The Enterprise Information Security Office ("EISO") of the Commonwealth establishes cybersecurity strategy, policy, and baseline standards for Commonwealth agencies. The office aims to prevent and respond to cyber-attacks targeting critical infrastructure, identify and remediate system vulnerabilities, and promote security awareness through education and information sharing, thereby minimizing risks and exposure. EISO serves as a central point for coordination and communication among agency cybersecurity officers and provides guidance on information security architecture, engineering, and incident management.

One key aspect of reducing cybersecurity-related risks is keeping software up to date. In 2024, the Commonwealth's website, pa.gov, is undergoing a comprehensive transformation. This is one of many steps the Commonwealth is taking to enhance the security of its digital infrastructure and systems.

Despite these measures, there is no guarantee that the Commonwealth will be immune to cyber threats or attacks, nor that such incidents will not have a materially adverse effect on its operations and financial condition.

## **LITIGATION**

Based on an inquiry with the Commonwealth's Office of the Attorney General and Office of General Counsel, there is as of the date of this Official Statement, no litigation pending against the Commonwealth in any way restraining or enjoining the sale, issuance or delivery of the Bonds, or in any manner challenging the validity of the Bonds, the security for the Bonds, the Resolutions, the collection of revenues pledged for the payment of the Bonds or the Commonwealth's long-term financial condition.

The Commonwealth and its agencies are parties to routine legal proceedings that normally occur as a consequence of regular governmental operations. At any given point, there are lawsuits involving the Commonwealth or its agencies that could, depending on the outcome of the litigation or the terms of the settlement agreement, impact the Commonwealth's budget and expenditures to one degree or another.

The Commonwealth's Office of Attorney General and Office of General Counsel have reviewed the status of pending litigation against the Commonwealth, its officers and employees, and have provided brief descriptions of certain cases affecting the Commonwealth in APPENDIX B – GOVERNMENT AND FINANCIAL INFORMATION OF THE COMMONWEALTH – “Litigation” herein. While the ultimate outcome and fiscal impact, if any, on the Commonwealth of pending and threatened proceedings and claims are not currently predictable, adverse determination in certain of them could have a programmatic or budgetary impact on the Commonwealth.

## **TAX MATTERS**

### **Federal**

#### *Exclusion of Interest from Gross Income*

In the opinion of Co-Bond Counsel, under existing statutes, regulations, rulings and court decisions, interest on the Bonds will not be includible in gross income of the holders thereof for federal income tax purposes, assuming continuing compliance by the Commonwealth with the requirements of the Internal Revenue Code of 1986, as amended (the “Code”). Interest on the Bonds will not be a specific preference item for purposes of computing the federal alternative minimum tax on individuals.

In rendering its opinion, Co-Bond Counsel have assumed compliance by the Commonwealth with its covenants contained in the Resolutions and its representations in the Tax Compliance Certificate executed by the Commonwealth on the date of issuance of the Bonds relating to actions to be taken by the Commonwealth after issuance of the Bonds necessary to effect or maintain the exclusion from gross income of the interest on the Bonds for federal income tax purposes. These covenants and representations relate to, inter alia, the use and investment of proceeds of the Bonds, and the rebate to the United States Department of Treasury of specified arbitrage earnings, if any. Failure to comply with such covenants could result in interest on the Bonds becoming includible in gross income for federal income tax purposes from the date of issuance of the Bonds.

### *Other Federal Tax Matters*

Ownership or disposition of the Bonds may result in other federal tax consequences to certain taxpayers, including, without limitation, certain S corporations, foreign corporations with branches in the United States, property and casualty insurance companies, taxpayers who have an initial basis in the Bonds greater or less than the principal amount thereof, individual recipients of Social Security or Railroad Retirement benefits, and taxpayers, including banks, thrift institutions and other financial institutions subject to Section 265 of the Code, who may be deemed to have incurred or continued indebtedness to purchase or to carry the Bonds. In addition, ownership or disposition of the Bonds may result in other federal tax consequences to “applicable corporations” (within the meaning of Section 59(k) of the Code enacted as part of the Inflation Reduction Act of 2022) for tax years beginning after December 31, 2022, in that interest on the Bonds may be included in the calculation of the alternative minimum tax imposed on applicable corporations under Section 55(b) of the Code.

Co-Bond Counsel are not rendering any opinion regarding any federal tax matters other than as described under the caption “Exclusion of Interest from Gross Income” above and expressly stated in the form of the opinion of Co-Bond Counsel included as APPENDIX B. Prospective purchasers of the Bonds should consult their independent tax advisors with regard to all federal tax matters.

### **Pennsylvania**

In the opinion of Co-Bond Counsel, under the laws of the Commonwealth as enacted and construed on the date hereof, interest on the Bonds is exempt from Pennsylvania personal income tax and Pennsylvania corporate net income tax; however, under the laws of the Commonwealth, as enacted and construed on the date hereof, any profits, gains or income derived from the sale, exchange or other disposition of the Bonds will be subject to Pennsylvania taxes and local taxes within the Commonwealth.

Co-Bond Counsel are not rendering any opinion as to any Commonwealth tax matters other than those described under the caption “Pennsylvania” above and expressly stated in the form of the opinion of Co-Bond Counsel included as APPENDIX B hereto.

Prospective purchasers of the Bonds should consult their independent tax advisors with regard to all Commonwealth tax matters.

### **Other**

The Bonds and the interest thereon may be subject to state and local taxes in jurisdictions other than the Commonwealth under applicable state or local tax laws.

Purchasers of the Bonds should consult their independent tax advisors with regard to all state and local tax matters that may affect them.

### **RATINGS**

Municipal bond ratings of “AA” (stable outlook), “Aa2” (stable outlook) and “A+” (positive outlook) have been assigned to the Bonds by Fitch Ratings, Inc. (“Fitch”), Moody’s Investor Service, Inc. (“Moody’s”) and S&P Global Ratings (“S&P”), respectively.

The ratings reflect only the views of the respective rating agencies. Any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing the same, at the following addresses: Fitch, One State Street Plaza, New York, New York 10004; Moody’s, 7 World Trade Center,

250 Greenwich Street, New York, New York 10007; and S&P, 55 Water Street, New York, New York 10041. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. A security rating is not a recommendation to buy, sell or hold securities. There is no assurance such ratings will not be revised downward or withdrawn entirely by the rating agencies, if in the judgment of such rating agencies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Bonds.

The Commonwealth has not undertaken any responsibility after issuance of the Bonds to assure the maintenance of the ratings, to oppose any revision or withdrawal of the ratings by S&P, Moody's or Fitch or to inform the holders of the Bonds of any such revision or withdrawal, except as set forth under "CONTINUING DISCLOSURE."

### **COMPETITIVE SALE OF BONDS**

After competitive bidding on October 16, 2024, the Bonds were awarded as follows:

The First Refunding Series Bonds maturing on February 15, 2025 through and including February 15, 2034 (identified as Bid Group A) were sold at a competitive sale on October 16, 2024, and awarded to Wells Fargo Bank, National Association (the "Bid Group A Bonds Initial Purchaser"). The Bid Group A Bonds Initial Purchaser has agreed to purchase the Bid Group A Bonds at a price of \$251,862,794.56, representing the principal amount of the Bid Group A Bonds (\$237,100,000), plus original issue premium of \$15,218,786.70, less a Bid Group A Bonds Initial Purchaser's discount of \$455,992.14.

The First Series Bonds maturing on August 15, 2035 through and including August 15, 2044 (identified as Bid Group B) were sold at a competitive sale on October 16, 2024, and awarded to Morgan Stanley & Co., LLC (the "Bid Group B Bonds Initial Purchaser"). The Bid Group B Bonds Initial Purchaser has agreed to purchase the Bid Group B Bonds at a price of \$744,672,500.00, representing the principal amount of the Bid Group B Bonds (\$687,500,000.00), plus original issue premium of \$59,398,625.00, less a Bid Group B Bonds Initial Purchaser's discount of \$2,226,125.00.

The First Series Bonds maturing on August 15, 2025 through and including August 15, 2034 (identified as Bid Group C) were sold at a competitive sale on October 16, 2024, and awarded to Wells Fargo Bank, National Association (the "Bid Group C Bonds Initial Purchaser"). The Bid Group C Bonds Initial Purchaser has agreed to purchase the Bid Group C Bonds at a price of \$782,282,106.17, representing the principal amount of the Bid Group C Bonds (\$707,500,000.00), plus original issue premium of \$75,805,087.50, less a Bid Group C Bonds Initial Purchaser's discount of \$1,022,981.33.

Morgan Stanley & Co. LLC, an underwriter of the First Series Bonds, has entered into a distribution agreement with its affiliate, Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the First Series Bonds.

Prior to delivery of the Bonds, each Initial Purchaser will execute and deliver to the Commonwealth a certificate to the effect that such Initial Purchaser has provided to the Commonwealth the initial offering prices or yields on the Bonds awarded to such Initial Purchaser as set forth in the maturity table shown on the inside front cover hereof. Each Initial Purchaser may offer and sell such Bonds to certain dealers and



others at prices lower than the offering prices in the maturity table shown on the inside front cover hereof. The public offering prices stated may be changed from time to time by the applicable Initial Purchasers.

### **VERIFICATION**

PFM Asset Management, a division of U.S. Bancorp Asset Management, Inc. (the “Verification Agent”) will deliver to the Commonwealth, on or before the date of the delivery of the First Refunding Series Bonds, its report (the “Verification Report”) indicating that it has verified the mathematical accuracy of the information provided by the Commonwealth and its representatives with respect to the refunding requirements of the Refunded Bonds. Included within the scope of its engagement will be a verification of (a) the mathematical accuracy of the computations indicating that the cash and maturing principal of the securities, along with initial cash deposits, will be sufficient to meet the scheduled payment of interest on the Refunded Bonds until redemption and the payment of the redemption price of the Refunded Bonds on their redemption date; and (b) the mathematical accuracy of the computations supporting the conclusion of Co-Bond Counsel that the First Refunding Series Bonds are not “arbitrage bonds” under the Code and the regulations promulgated thereunder. U.S. Bancorp Asset Management, Inc. is a direct subsidiary of U.S. Bank N.A. and an indirect subsidiary of U.S. Bancorp.

### **LEGALITY FOR INVESTMENT**

Under the Pennsylvania Probate, Estates and Fiduciaries Code, the Bonds are authorized investments for fiduciaries, as defined in that code, within the Commonwealth of Pennsylvania. The Bonds are legal investments for Pennsylvania savings banks, banks, bank and trust companies, and insurance companies and are acceptable as security for deposits of funds of the Commonwealth. The Bonds are eligible for purchase, dealing in, underwriting and unlimited holding by national banking associations pursuant to regulations promulgated by the Comptroller of the Currency set forth in the Code of Federal Regulations, Title 12—Banks and Banking, Sections 1.3(c) and 1.4.

### **CO-FINANCIAL ADVISORS**

PFM Financial Advisors LLC, Harrisburg, Pennsylvania, and Sustainable Capital Advisors, LLC, Washington DC, are serving as independent co-financial advisors to the Commonwealth with respect to the Bonds (the “Co-Financial Advisors”). The Co-Financial Advisors’ fees in connection with the issuance of the Bonds are expected to be paid from Bond proceeds. The Co-Financial Advisors are not obligated to undertake, and have not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in the Official Statement. PFM Financial Advisors LLC is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities. Sustainable Capital Advisors, LLC is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

### **LEGAL MATTERS**

All legal matters incident to the authorization and issuance of the Bonds are subject to the approval of the Office of Attorney General of the Commonwealth of Pennsylvania, and Eckert Seamans Cherin & Mellott, LLC of Harrisburg, Pennsylvania, Gosfield Law LLC of Gladwyne, Pennsylvania, and Cox, Stokes & Lantz, P.C. of Wellsboro, Pennsylvania, Co-Bond Counsel. A copy of the opinion of Co-Bond Counsel will accompany the Bonds delivered to DTC. Copies of the opinion of the Office of Attorney General, together with additional copies of the opinion of Co-Bond Counsel, will be available at the time of delivery of the Bonds. Proposed forms of these opinions are included as Appendix F and Appendix G respectively.

Certain legal matters will be passed upon for the Commonwealth by Greenberg Traurig, LLP and Andre C. Dasent, P.C., both of Philadelphia, Pennsylvania, serving as Co-Disclosure Counsel for the Commonwealth.

### **CONTINUING DISCLOSURE**

In order to assist the Underwriters in complying with Rule 15c2-12 as in effect on the date hereof, promulgated under the Securities Exchange Act of 1934, as amended (the “Rule”), simultaneously with the issuance of the Bonds, the Commonwealth will enter into a written agreement (the “Continuing Disclosure Agreement”) for the benefit of the Beneficial Owners of the Bonds in substantially in the form attached hereto as APPENDIX H – FORM OF CONTINUING DISCLOSURE AGREEMENT. The Commonwealth, as an “obligated person” under the Rule, has covenanted in the Continuing Disclosure Agreement to provide: (a) certain financial information and operating data relating to the Commonwealth and the Bonds in each year (the “Annual Report”); and (b) notice of the occurrence of certain enumerated events as described in the Continuing Disclosure Agreement (each, a “Listed Event Notice”). The Annual Report and each Listed Event Notice, if applicable, will be filed by or on behalf of the Commonwealth, with the repository designated by the SEC, presently the Municipal Securities Rulemaking Board (the “MSRB”) through its Electronic Municipal Market Access system (“EMMA”) in an electronic format prescribed by the MSRB. The specific nature and timing of filing the Annual Report and each Listed Event Notice, and other details of the Commonwealth’s undertakings are more fully described in APPENDIX H – FORM OF CONTINUING DISCLOSURE AGREEMENT attached hereto.

The following disclosure is being provided by the Commonwealth for the sole purpose of assisting the Underwriters in complying with the Rule: The Commonwealth previously entered into continuing disclosure undertakings, as an “obligated person” under the Rule (the “Undertakings”). In the previous five year period beginning on October 1, 2019 and ending on October 1, 2024 (the “Compliance Period”), the Commonwealth has, in several instances during the Compliance Period, failed to comply with certain provisions of the Undertakings, including: (a) failing to timely file certain annual financial information and/or operating data, (b) failing to provide certain required annual financial information and operating data in its annual filings, and (c) failing to file or timely file certain notices. The foregoing description of instances of non-compliance by the Commonwealth with the Undertakings should not be construed as an acknowledgement by the Commonwealth that any such instance was material.

### **ADDITIONAL INFORMATION**

Periodic public reports relating to the financial condition of the Commonwealth are prepared by the Office of the Budget. These reports and additional information may be obtained upon request from the office of the Secretary of the Budget, Attn.: Ms. Natalia Dominguez Buckley, Harrisstown 2, 333 Market Street, 18th Floor, Harrisburg, Pennsylvania 17101-2210 (Telephone (717) 787-2115). Recent Annual Comprehensive Financial Report summaries of enacted fiscal year budgets and certain other information are available in the Budget and Financial Reports section of the Office of the Budget’s web site, <http://www.budget.pa.gov>.

[Remainder of page intentionally left blank]

The execution of this Official Statement has been authorized in the Resolutions and may be executed in any number or counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed to be an original and all of which taken together shall constitute but one and the same document.

/s/ Josh Shapiro  
Josh Shapiro, Governor

/s/ Stacy Garrity  
Stacy Garrity, State Treasurer

/s/ Timothy L. DeFoor  
Timothy L. DeFoor, Auditor General

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SCHEDULE I  
REFUNDED BONDS\*

<u>Principal Amount to be Refunded</u>	<u>Designated Name</u>	<u>Issue Date</u>	<u>Bonds Maturing on</u>	<u>Date of Redemption</u>
\$248,245,000	First Series of 2014	May 15, 2014	June 15, 2025, 2028 and 2030 – 2034	January 28, 2025

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\* Preliminary, subject to change.

APPENDIX A

CERTIFICATE OF THE AUDITOR GENERAL

**AUDITOR GENERAL'S  
CERTIFICATE**

Pursuant to  
ARTICLE VIII, Section 7(a)(4)  
of the  
CONSTITUTION OF PENNSYLVANIA  
and

Section 304 of the Capital Facilities Debt Enabling Act

To the Governor and The General Assembly:

I, Timothy L. DeFoor, Auditor General of the Commonwealth of Pennsylvania, pursuant to Article VIII, Section 7(a)(4) of the Constitution of the Commonwealth of Pennsylvania and Section 304 of the Capital Facilities Debt Enabling Act (Act 1 of 1999, as amended) certify as follows:

The average annual tax revenues deposited in all funds in the five fiscal years ended preceding the date of August 31, 2024.	\$ 50,697,047,251
(i) The amount of outstanding net debt as of the end of the preceding fiscal year.	\$ 9,915,767,212
(ii) The amount of such net debt as of August 31, 2024.	\$ 9,662,211,244
(iii) The difference between the limitation upon all net debt outstanding as provided in Article VIII, Section 7(a)(4) of the Constitution of the Commonwealth of Pennsylvania and the amount of such net debt as of the date of August 31, 2024.	\$ 79,057,621,446
(iv) The amount of such debt scheduled to be repaid during the remainder of the current fiscal year.	\$ 610,925,000
(v) The amount of debt authorized by law to be issued, but not yet incurred.	\$ 135,967,426,419
(vi) The amount of outstanding obligations excluded from outstanding debt as self sustaining pursuant to Article VIII, Section 7(c)(1), (2) and (3) of the Constitution of the Commonwealth of Pennsylvania.	\$ 7,191,990,932

IN TESTIMONY WHEREOF, I have hereto set my hand and affixed the seal of the Auditor General, this 31st day of August 2024.



*Timothy L. DeFoor*

Timothy L. DeFoor  
Auditor General

APPENDIX B

GOVERNMENT AND FINANCIAL INFORMATION  
OF THE COMMONWEALTH

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## COMMONWEALTH GOVERNMENT

The Commonwealth of Pennsylvania (the “Commonwealth” or the “State” or “Pennsylvania”) is organized into three separate branches of government — executive, legislative and judicial — as defined in the State Constitution. Five officials of the Commonwealth’s executive branch are elected in Statewide elections for four-year terms expiring on the dates shown below.

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Josh Shapiro	Governor	January 17, 2027
Austin Davis	Lieutenant Governor	January 17, 2027
Michelle Henry	Attorney General	January 21, 2025
Stacy Garrity	State Treasurer	January 21, 2025
Timothy DeFoor	Auditor General	January 21, 2025

### Commonwealth Employees

Employees are permitted to organize and bargain collectively. As of June 30, 2023, 79.0 percent of full-time salaried employees, under the Governor’s jurisdiction, were covered by collective bargaining agreements or memoranda of understanding, with approximately 37.5 percent of State employees represented by the American Federation of State, County and Municipal Employees (AFSCME). In September 2023, the Commonwealth signed a new agreement with AFSCME for a four-year pact effective July 1, 2023 through June 30, 2027. As AFSCME is the union representing the most employees, they generally set the economic pattern that other union contracts follow. The contract agreed upon with AFSCME provides a general pay increase in each contract year, which totals 11.25 percent, as well as a service increment each contract year. This results in a maximum total of 20.25 percent over the contract term. As of August 2024, the Commonwealth has reached agreement with all the unions who had expiring contracts in 2023. These agreements follow the AFSCME economic pattern. Collectively, these unions represent approximately 59 percent of the workforce.

Interest arbitration awards typically dictate the employee salary increases and employee/employer health care contributions to be provided to, or on behalf of, employees covered by six public safety unions who possess the statutory right under Act 111 (1968) or Act 195 (1970) to have a neutral arbitrator decide the terms of a contract when parties reach impasse. Most of these public safety unions had contracts that expired on June 30, 2024, except for the Fraternal Order of Police (FOP) Lodge 85, who represent the Capitol Police. All these unions are currently working under the terms of their expired contract. The FOP Lodge 85 has declared impasse to proceed to interest arbitration, so the AFSCME economic pattern cannot be guaranteed. Tentative agreement has been reached with the Pennsylvania State Corrections Officers Association representing corrections officers and forensic security employees. Their tentative agreement follows the AFSCME economic pattern. Negotiations continue with the remaining four unions (Pennsylvania State Troopers Association, Pennsylvania State Rangers Association, FOP Lodge #114 (Game), and FOP Lodge #114 (Fish and Boat) with the goal of reaching agreement that follows the AFSCME economic pattern; however, as they have the right to proceed to interest arbitration, following the AFSCME economic pattern cannot be guaranteed at this time.

Tables 1 through 3 used in connection the Commonwealth’s issuance of general obligation debt are not included in this APPENDIX B. The tables have not been renumbered herein to allow for consistency in reporting annual data and financial information. Tables 1 through 3 can be found in the front part of this Official Statement to which this APPENDIX B is appended.

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Table 4 presents a summary of filled salaried positions and employees under the Governor’s jurisdiction for 2019 through 2023.

**Table 4**  
**Filled Salaried Positions and Employees**  
**Under Governor’s Jurisdiction<sup>(a)</sup>**  
**2019–2023**

<u>As of July 1</u>	<u>Total Full and Part Time Filled Salaried Positions</u>	<u>Total Full Time Salaried Positions</u>	<u>Union Positions</u>	<u>Union Positions As a % of Total Filled Salaried Positions</u>
2019	72,429	72,244	58,482	80.9
2020	72,420	72,209	58,220	80.6
2021	71,801	71,606	57,553	80.4
2022	70,687	70,541	56,171	79.6
2023	71,181	71,057	56,112	79.0

Source: Office of Administration, 2024 State Government Workforce Statistics.

<sup>(a)</sup>Excludes employees of the legislative and judicial branches, the Department of the Auditor General, the Treasury Department, the State System of Higher Education and independent agencies, boards and commissions.

## COMMONWEALTH GOVERNMENT AND FISCAL ADMINISTRATION

A general organization chart of the three separate branches of Commonwealth government is included at the end of this section.

### Legislative Branch

The legislative branch consists of the General Assembly and its staff. The General Assembly is bicameral, being comprised of the Senate and the House of Representatives. The 50 members of the Senate serve staggered four-year terms and the 203 Representatives serve identical two-year terms. The General Assembly begins its two-year sessions on the first Tuesday of January following general elections. Special sessions may be called by the Governor on petition from the majority of members in each chamber or whenever the Governor determines that public interest so requires. Legislative leadership includes majority and minority leaders in each chamber, a President Pro Tempore of the Senate and a Speaker of the House of Representatives.

### Executive Branch

The Executive Branch is headed by five elected officials and encompasses 17 departments and 36 independent commissions, boards, authorities and agencies.

The five elected officials are the Governor, the Lieutenant Governor, the Attorney General, the State Treasurer and the Auditor General. The Governor and the Lieutenant Governor are elected on the same ballot and serve a four-year term. The Governor is eligible to succeed himself or herself for one term. The Auditor General, the Attorney General and the State Treasurer are elected for four-year terms in an even-year election held between gubernatorial elections.

The Governor is the chief executive officer of the Commonwealth. All departments except those of the State Treasurer, the Attorney General and the Auditor General are under the direct jurisdiction of the Governor. The head of each of the remaining departments is a Secretary, many of whom must be appointed by the Governor and confirmed by a majority vote of the Senate. Each Secretary serves at the Governor’s pleasure and is a member of the Governor’s Cabinet.

The Lieutenant Governor presides over the Senate and serves as Acting Governor during the disability of the Governor and becomes Governor in the case of death, conviction or impeachment, failure to qualify or resignation of the Governor.

The Attorney General is the chief law enforcement officer of the Commonwealth and is responsible for upholding and defending the constitutionality of Pennsylvania statutes. She is also responsible for reviewing the form and legality of all proposed rules and regulations, deeds, leases and contracts to be executed by Commonwealth agencies. The Office of Attorney General is under the Attorney General's direct jurisdiction.

The State Treasurer is charged with receiving, depositing and investing all Commonwealth funds and is responsible for the pre-audit approval of all requisitions for the disbursements of monies in the State Treasury. The Treasury Department is under the State Treasurer's direct jurisdiction.

The Auditor General is charged with making audits of completed financial transactions. The Department of the Auditor General is under the Auditor General's direct jurisdiction.

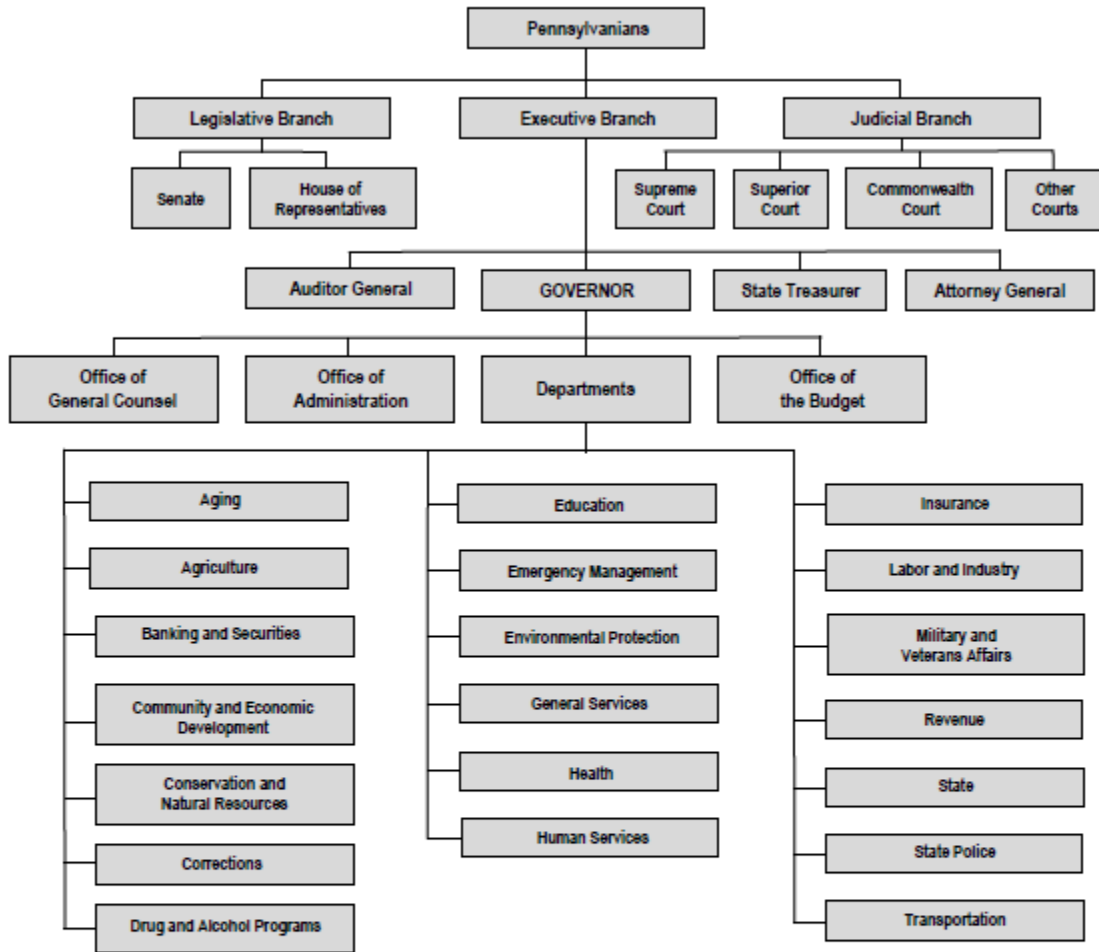
Activities of State government are also conducted by various independent commissions, boards, authorities and agencies created by statute and not under the direct jurisdiction of the executive or legislative branches.

### **Judicial Branch**

The judicial power of the Commonwealth is vested in a unified judicial system consisting of a Supreme Court and various other courts of original and appellate jurisdiction which are under the supervision and authority of the Supreme Court. All justices, judges, and district justices are elected to office.

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# Commonwealth of Pennsylvania Organization Chart



**AGENCIES**

Higher Education Assistance  
Interstate Agencies

**AUTHORITIES**

Automobile Theft Prevention  
Commonwealth Financing  
Economic Development Financing  
Energy Development  
Health Insurance Exchange  
Higher Education Facilities  
Industrial Development  
Infrastructure Investment  
Insurance Fraud Prevention  
Minority Business Development  
Patient Safety  
Public School Building  
Rural Health Redesign Center

**BOARDS**

Claims  
Environmental Hearing  
Finance and Revenue  
Gaming Control  
Liquor Control  
Milk  
Municipal Retirement  
Pardons  
Parole  
Public School Employees' Retirement  
State Employees' Retirement  
Tax Equalization

**COMMISSIONS**

Civil Service  
Crime and Delinquency  
Ethics  
Fish and Boat  
Game  
Harness Racing  
Historical and Museum  
Horse Racing  
Human Relations  
Juvenile Court Judges  
Public Utility  
Tumplike

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## **Fiscal Organization**

Each branch of the Commonwealth's government is responsible for its respective fiscal operations subject to restrictions embodied in the Pennsylvania Constitution ("Constitution"), the Administrative Code and the Fiscal Code. Such restrictions are enforced, and other central administrative functions are provided by five departments: the Office of the Budget ("OB"), the Office of Administration ("OA"), the Treasury Department, the Department of Revenue and the Department of the Auditor General. OB and OA are administrative offices within the Governor's offices. The Secretary of the Budget and the Secretary of Administration are appointed by the Governor and are responsible for the operations of their respective offices. The Department of Revenue is led by the Secretary of Revenue, who is appointed by the Governor subject to the advice and consent of the Senate. The Treasury Department and the Department of the Auditor General are headed by the respective elected officials.

OB monitors the operation of the Commonwealth's departments, operates a central accounting system, compiles and publishes the Commonwealth's financial reports, assists in the preparation and publication of the budget, coordinates capital improvements and is responsible for the issuance of Commonwealth general obligation debt. OA is responsible for personnel policy and programs, management policy and organizational structure, data processing service, and electronic data processing policy and planning. The Treasury Department receives, invests, and disburses all funds and maintains central cash records. The Department of Revenue administers the collection of most taxes. The Department of the Auditor General oversees the examination of most financial transactions.

Commissions, authorities and agencies that are both independent by statute and financially self-supporting, operate autonomously although their capital projects and financing are reviewed by OB and included in the capital budget.

## **The Budgetary Process**

The Commonwealth operates on a fiscal year beginning July 1 and ending June 30. For example, "fiscal year 2024" refers to the fiscal year ended on June 30, 2024.

The budget process commences in September, nine months prior to the beginning of the fiscal year, as departments formulate their initial budgets in response to Program Policy Guidelines issued by the Governor. Departments hold preliminary hearings with OB and other members of the Governor's staff. By November 1, formal budget requests are submitted to OB by all government departments and other institutions requesting appropriations. OB, under the direction of the Secretary of Budget, reviews the requests through November and December and may hold formal hearings.

The Department of Revenue, in conjunction with OB, prepares revenue estimates. In the preparation of such estimates, internal analyses and information from selected departments and econometric analyses are utilized. The Commonwealth subscribes to economic forecasts prepared by the economic forecasting company Global Insight for national and Pennsylvania economic data that are used to estimate economically sensitive Commonwealth revenues. Other econometric forecasts are also consulted.

The Constitution requires that the Governor submit annually to the General Assembly a budget proposal consisting of three parts:

- (a) a balanced operating budget for the ensuing fiscal year setting forth proposed expenditures and estimated revenues from all sources and, if estimated revenues and available surplus are less than proposed expenditures, recommending specific additional sources of revenue enough to pay the deficiency;

- (b) a capital budget for the ensuing fiscal year setting forth in detail proposed expenditures to be financed from the proceeds of obligations of the Commonwealth or of its agencies or authorities or from operating funds; and
- (c) a financial plan for not less than the succeeding five fiscal years, which includes for each year (i) projected operating expenditures classified by department or agency and by program, and estimated revenues by major categories from existing and additional sources, and (ii) projected expenditures for capital projects specifically itemized by purpose and their proposed sources of financing.

All funds received by the Commonwealth are subject by statute to appropriation in specific amounts by the General Assembly or by executive authorizations by the Governor. The Governor's budget encompasses both annual appropriations and executive authorizations.

The Governor is required to submit the proposed budget as soon as possible after the organization of the General Assembly, but not later than the first full week in February, except in the Governor's first year of office, wherein the budget proposal is due in March. The Governor's submission begins with the Budget Message delivered in joint session. The budget, in the form of a proposed bill, is delivered to the appropriations committees of both of the chambers. Hearings are held on the General Appropriation Bill and the other bills collectively constituting the budget. In an iterative process, bills are reported from committee to floor and considered in and between chambers.

The operating budget is considered in the form of the General Appropriations Bill and its supplements. The Bill is limited to appropriations for debt service, public schools and the executive, legislative and judicial branches. Its supplements cover appropriations from special revenue funds not included in the General Appropriations Bill and for such subjects as capital projects funded from current revenues. The operating budget also includes single subject bills covering appropriations made to any charitable or educational institutions not under the absolute control of the Commonwealth, other than certain State-owned schools ("non-preferred appropriations").

The Constitution mandates that total operating budget appropriations made by the General Assembly may not exceed the sum of (a) the actual and estimated revenues in a given year, and (b) the surplus of the preceding year. The Constitution further specifies that a surplus of operating funds, at the end of the fiscal year, shall be appropriated. That is, if funds remain from the end of a fiscal year they must be appropriated for the ensuing year. If a deficit occurs at year-end, the budget must provide funds for such a deficit.

Pursuant to the Pennsylvania Administrative Code, the executive branch establishes the revenue estimates used in the budget. In practice, the revenue estimates used to balance the operating budget consist of the appropriate fund's available surplus and its estimated cash receipts for the fiscal year, as well as net accruals. Appropriation lapses estimated to occur during the year or at year-end are not included; lapsed funds are not available for re-appropriation until they lapse.

Under this budgetary process, a deficit can occur if revenues are less than those estimated in the budget and the shortfall is not offset by any unappropriated surplus or by appropriation lapses during or at the end of the year or by legislative action to increase revenues or reduce appropriation.

The Administrative Code was amended in 1978 to provide for stronger executive control of expenditures. All departments under the Governor's jurisdiction may be required to submit estimates of expenditures during the ensuing month, quarter or any other such period as requested by the Governor. These estimates are subject to the approval of the Secretary of the Budget. The Governor is empowered to request the State Treasurer to withhold funds from any such department not spending within such estimates. The Secretary of the Budget is empowered to set personnel levels for departments. Departments are required to

provide monthly personnel data so that the Commonwealth's computerized data file on personnel levels can be maintained and used to monitor the Commonwealth's largest operating expense.

The proposed capital budget is considered in the form of the Capital Budget Bill and its supplements. The capital budget determines limits for the amount of debt that can be issued in that fiscal year for categories of capital projects, itemizes for funding all capital projects not previously itemized, authorizes the issuance of debt to finance these projects and appropriates the proceeds from the issuance of debt.

All appropriations require the majority vote of all members in each chamber except for non-preferred appropriations, appropriations from the Budget Stabilization Reserve Fund and the Health Endowment Account portion of the Tobacco Settlement Fund, which require passage by a two-thirds vote. During the legislative process, the General Assembly may add, change or delete any items in the budget proposed by the Governor. Once the bills constituting the budget have passed both chambers and are returned to the Governor, the Governor may either veto bills or line item veto appropriations within bills. A gubernatorial veto can be overridden only by a two-thirds majority of all members of each chamber.

In the event that the General Assembly fails to pass, or the Governor fails to sign, a General Appropriation act prior to July 1 of any fiscal year, the Constitution, the laws of Pennsylvania and certain State and federal court decisions provide that the Commonwealth may continue during such un-budgeted fiscal year to make debt service payments, payments for mandated federal programs such as cash assistance, and payments related to the health and safety of the citizens of the Commonwealth, such as police and correctional institution services.

### **Accounting and Budgetary Controls**

Every department of the executive branch that receives appropriations from the Commonwealth, with the exception of the Treasury Department and the Departments of the Auditor General and the Attorney General, shares a centralized encumbrance-based accounting system supervised by OB. Executive departments operating separate additional accounting systems include the Department of Transportation for the Motor License Fund, the Liquor Control Board for the State Stores Fund and the Department of Labor and Industry for the payment of unemployment compensation benefits. Officials within the Treasury Department, the Departments of the Auditor General, the Attorney General and the judicial and legislative branches administer individual operations under the jurisdiction of their respective areas.

Expenditure control occurs at two levels. The first is by appropriations, which is enforced by the State Treasurer and the second is by allocations and allotments, which is enforced by OB for all departments receiving appropriations, except for the legislative branch.

Departments receive authorization to spend and commit funds in the form of appropriations for a specific amount, purpose, and time period. Funds appropriated to a single department may be in one or more appropriations as the General Assembly determines. When multiple appropriations to a department are enacted, separate appropriations are made for general operating expenses, special outlays and for specific programs or groupings thereof. The degree to which a department's total appropriations are itemized may vary, but control is exercised over both total and individual appropriations.

The Constitution requires that with the exceptions named, monies may be paid from the Treasury only if appropriated by law. Accordingly, when a voucher is submitted to the State Treasurer, a check will not be issued unless the amount is within the balance of the agency's total appropriation.

Departments are prevented by the centralized comptroller from incurring obligations in excess of their unexpended individual appropriations by an encumbrance system. Encumbrance control prevents spending beyond remaining individual appropriation balances. When a commitment or obligation is incurred, for example, when a contract or purchase order is signed, the required portion of the corresponding appropriation



is reserved. This reserving of funds is called the encumbrance procedure. All obligations anticipating future disbursement of cash in the fiscal year require an encumbrance, except for debt service payments. Since a debt service appropriation is used for no purpose other than debt service, an encumbrance is not necessary.

All individual appropriations are allocated by OB to departments by major object groups. For example, a department's appropriation for operating expenses may be broken down into such major object groups as personnel service, operating expenses and supplies, etc. Additionally, major object groups are subdivided into minor object groups. For example, personnel service would be broken down into salaries, benefits, overtime, etc. Department expenditures are monitored to ensure that expenditures within an allocation do not exceed the designated totals. The departments, however, are free to adjust their expenditures between minor object groups as long as they do not exceed the major object group allocation. OB can monitor department expenditures against their allocations on a continuing basis, as the records of departments under the Governor's jurisdiction can be accessed from the central system, while those of most other departments and branches are provided monthly.

In addition to the preceding controls, another check is provided by the financial reporting process. All department records are reconciled by OB on a monthly basis with the Treasury Department's records of cash transactions and with the Department of Revenue's records of cash collections.

### **Audits**

The Constitution requires that the financial affairs of any entity receiving appropriations and all department boards, commissions, agencies, instrumentalities, authorities and institutions of the Commonwealth be subject to audits made in accordance with generally accepted auditing standards. Any Commonwealth officer whose approval is necessary for any transaction may not audit that transaction after its occurrence.

The Department of the Auditor General has the responsibility for auditing all State-related financial transactions except its own, those of the legislative and judicial branches, and boards and commissions on which the Auditor General serves and those of certain funds. At least one audit must be made annually of the fiscal affairs of the executive branch. Audits of the Commonwealth General Purpose Financial Statements, since fiscal 1985, have been performed jointly by the Department of the Auditor General and an independent public accounting firm.

The Treasury Department is required to pre-audit all requests for expenditures to ensure that they are in accordance with law. In addition, OB conducts, as a matter of administrative policy, periodic audits of departments under the Governor's jurisdiction and performance audits of State and federal programs.

## **COMMONWEALTH FINANCIAL STRUCTURE AND PROCEDURES**

The Constitution and the laws of the Commonwealth require all payments from the State Treasury except for refunds of taxes, licenses, fees and other charges to be made only by duly enacted appropriations. Amounts appropriated from a fund may not exceed the fund's actual and estimated revenues for the fiscal year, plus any unappropriated surplus available. Appropriations from the principal operating funds of the Commonwealth (the General Fund, the Motor License Fund and the State Lottery Fund) are generally made for one fiscal year and, if not spent or encumbered by the end of the fiscal year, are returned to the unappropriated surplus of the fund categorized as a lapse. The Commonwealth's fiscal year begins July 1 and ends June 30. For example, fiscal year 2024 refers to the fiscal year ended June 30, 2024.

### **Description of Funds**

The Commonwealth utilizes the fund method of accounting. For purposes of governmental accounting, a "fund" is defined as an independent fiscal and accounting entity with a self-balancing set of accounts. Each fund records the cash and/or other resources together with all related liabilities and equities

that are segregated for the purpose of the fund. In the Commonwealth, funds are established by legislative enactment or in certain limited cases by administrative action. Over 150 funds have been established and currently exist for the purpose of recording the receipt and disbursement of moneys received by the Commonwealth. Annual budgets are adopted each fiscal year for the principal operating funds of the Commonwealth and several other special revenue funds. Expenditures and encumbrances against these funds may be made only pursuant to appropriation measures enacted by the General Assembly and approved by the Governor.

The General Fund, the Commonwealth's largest operating fund, receives all tax revenues, non-tax revenues and federal grants and entitlements that are not specified by law to be deposited elsewhere. Most of the Commonwealth's operating and administrative expenses are payable from the General Fund. Debt service on all bond indebtedness of the Commonwealth, except that issued for highway purposes or for the benefit of other special revenue funds, is payable from the General Fund.

The Motor License Fund receives all tax and fee revenues relating to motor fuels and vehicles. All revenues relating to motor fuels and vehicles are required by the Constitution to be used only for highway purposes. Most federal aid revenues designated for transportation programs and tax revenues relating to aviation fuels are also deposited in the Motor License Fund. Operating and administrative costs for the Department of Transportation and other Commonwealth departments conducting transportation related programs, including the highway patrol activities of the Pennsylvania State Police, are also paid from the Motor License Fund. Debt service on certain bonds issued by the Commonwealth for highway purposes is payable from the Motor License Fund.

Other special revenue funds have been established by law to receive specified revenues that are appropriated to departments, boards and/or commissions for payment of their operating and administrative costs. Such funds include the Game, Fish, Boat, Banking Department, Milk Marketing, State Farm Products Show, Environmental Stewardship, State Racing and Tobacco Settlement Funds. Some of these special revenue funds are required to transfer excess revenues to the General Fund. Some receive funding, in addition to their specified revenues, through appropriations.

The Tobacco Settlement Fund is a special revenue fund established to receive tobacco litigation settlement payments paid to the Commonwealth. The Commonwealth is one of forty-six states that settled certain smoking-related litigation in a November 1998 master settlement agreement with participating tobacco product manufacturers (the "Tobacco MSA"). Under the Tobacco MSA, the Commonwealth is entitled to receive a portion of payments made pursuant to the Tobacco MSA by tobacco product manufacturers participating in the Tobacco MSA. Most revenues deposited to the Tobacco Settlement Fund are subject to annual appropriation by the General Assembly and approval by the Governor.

The Budget Stabilization Reserve Fund (colloquially known as the "Rainy Day Fund") is a special revenue fund designated to receive a statutorily determined portion of the budgetary basis fiscal year-end surplus of the General Fund. The Budget Stabilization Reserve Fund (previously designated the "Tax Stabilization Reserve Fund") is used for emergencies threatening the health, safety or welfare of citizens and is used during downturns in the economy that result in significant unanticipated revenue shortfalls not able to be addressed through the normal budget process. Assets of the Budget Stabilization Reserve Fund may be used upon recommendation by the Governor and an approving vote by two-thirds of the members of each chamber of the General Assembly. For purposes of reporting in accordance with generally accepted accounting principles (known as "GAAP"), the Budget Stabilization Reserve Fund has been reported as a fund balance reservation in the General Fund (governmental fund category) since fiscal year 1999. Prior to that fiscal year, the Tax Stabilization Reserve Fund was reported, on a GAAP basis, as a designation of the General Fund unreserved fund balance. See "Budget Stabilization Reserve Fund" below.

The Commonwealth maintains trust and agency funds that are used to administer funds received pursuant to a specific bequest or as an agent for other governmental units or individuals.

Enterprise funds are maintained for departments or programs operated like private enterprises. Two of the largest of such funds are the State Stores Fund and the State Lottery Fund. The State Stores Fund is used for the receipts and disbursements of the Commonwealth's liquor store system. Sale and distribution of all liquor within Pennsylvania is a government enterprise. The State Lottery Fund is also an enterprise fund for the receipt of all revenues from lottery ticket sales and lottery licenses and fees. Its revenues, after payment of prizes and all other costs, are dedicated to paying the costs of programs benefiting the elderly and handicapped in Pennsylvania.

In addition, the Commonwealth maintains funds classified as working capital, bond and sinking funds for other specified purposes.

## **Accounting Practices**

Financial information for the principal operating funds of the Commonwealth is maintained on a budgetary basis of accounting. The Commonwealth also prepares annual financial statements in accordance with GAAP. Annual financial statements prepared in accordance with GAAP are audited jointly by the Department of the Auditor General and an independent public accounting firm.

### ***Budgetary Basis***

A budgetary basis of accounting is used for ensuring compliance with the enacted operating budget and is governed by applicable statutes of the Commonwealth and by administrative procedures. The Constitution provides that operating budget appropriations shall not exceed the actual and estimated revenues and unappropriated surplus available in the fiscal year for which funds are appropriated. Annual budgets are enacted for the General Fund and certain special revenue funds that together represent most expenditures of the Commonwealth. The annual budget classifies fund revenues as Commonwealth revenues, augmentations, federal revenues or restricted receipts and revenues. Commonwealth revenues are revenues from taxes and from non-tax sources such as license and fee charges, penalties, interest, investment income and other miscellaneous sources. Augmentations consist of departmental and institutional billings that supplement an appropriation of Commonwealth revenues, thereby increasing authorized spending. For example, patient billings for services at Commonwealth-owned institutions are augmentations that supplement Commonwealth revenues appropriated to each institution for operating costs. Federal revenues are those federal aid receipts that pay for or reimburse the Commonwealth for funds disbursed for federally assisted programs. Restricted receipts and revenues are funds that are restricted to a specific use or uses by State law, administrative decision, or the provider of the funds. Only Commonwealth revenues and expenditures from these revenues are included in the computation made to determine whether an enacted budget is constitutionally balanced. Augmenting revenues and federal revenues are considered self-balancing with expenditures from their respective revenue sources.

The Commonwealth's budgetary basis financial reports for its governmental funds are based on a modified cash basis of accounting as opposed to the modified accrual basis prescribed by GAAP. Under the Commonwealth's budgetary basis of accounting, tax receipts, non-tax revenues, augmentations and all other receipts are recorded at the time cash is received. An adjustment is made at fiscal year-end to include accrued unrealized revenue, that is, revenues earned but not collected. Revenues accrued include estimated receipts from (i) sales and use, personal income, realty transfer, inheritance, cigarette, liquor, liquid fuel, fuels, and oil company franchise taxes, and interest earnings, and (ii) federal government commitments to the Commonwealth. Expenditures are recorded at the time payment requisitions and invoices are submitted to the Treasury Department for payment. Appropriated amounts are reserved for payment of contracts for the delivery of goods or services to the Commonwealth through an encumbrance process. Unencumbered appropriated funds are automatically lapsed at fiscal year-end and are available for re-appropriation. Estimated encumbrances are established at fiscal year-end to pay certain direct expenditures for salaries, wages, travel and utility costs payable against current year appropriations but disbursed in the subsequent fiscal year. Recording of the applicable expenditure liquidates the encumbered amount. Over-estimates of fiscal year-end

encumbrances are lapsed in the subsequent fiscal year and under-estimates are charged to a subsequent fiscal year appropriation. Appropriation encumbrances are shown on the Commonwealth's balance sheet as a reservation of fund balance.

Other reservations of fund balance include (i) the unexpended balance of continuing appropriations (that is, appropriations that do not lapse at fiscal year-end), and (ii) requested appropriation supplements and deficiency appropriations. Revenues dedicated for specific purposes and remaining unexpended at the fiscal year-end are likewise reserved.

### ***GAAP Financial Reporting***

At the end of each fiscal year, budgetary basis financial information (both revenues and expenditures) is adjusted to reflect appropriate accruals for financial reporting in conformity with GAAP. The Commonwealth is not required to prepare GAAP financial statements and does not prepare them on an interim basis. GAAP financial reporting for governmental funds requires a modified accrual basis of accounting, while proprietary and fiduciary funds are reported on the accrual basis of accounting.

Financial statements of the Commonwealth's government funds prepared under GAAP differ from those traditionally prepared on a budgetary basis for several reasons. Among other differences, the GAAP financial statements for government funds (i) generally recognize revenues when they become measurable and available rather than when cash is received, (ii) report expenditures when goods and services are received and a liability incurred rather than when cash is disbursed, (iii) include a combined balance sheet for the Commonwealth presented by GAAP fund type rather than by Commonwealth fund, and (iv) include activities of all funds in the reporting entity, including agencies and authorities usually considered as independent of the Commonwealth for budgetary purposes. Adjustments to budgetary basis revenues and expenditures required to conform to GAAP accounting generally require including (i) corporation, sales, and personal income tax accruals, (ii) tax refunds payable and tax credits, and (iii) expenditures incurred but not yet posted as expenditures or not covered by appropriations.

An independent public accounting firm and the Department of the Auditor General jointly audit the Commonwealth's annual GAAP basis financial statements. The audited Basic Financial Statements are a component of the Commonwealth's Annual Comprehensive Financial Report ("ACFR"). The ACFRs for recent fiscal years, including the fiscal year ended June 30, 2023, have been filed with the Municipal Securities Rulemaking Board via its Electronic Municipal Market Access system ("EMMA") and are available from EMMA (<http://www.emma.msrb.org>) and at the Publication & Reports – Annual Financial Report section of the Office of the Budget's website – (<https://www.budget.pa.gov>). The ACFRs for the years ended June 30, 2022 and 2023 are incorporated herein by reference. See also "COMMONWEALTH FINANCIAL PERFORMANCE – Financial Statements Introduction" below.

### **Investment of Funds**

The Treasury Department is responsible for the deposit and investment of most funds belonging to the Commonwealth, including the proceeds of the Commonwealth's bonds and the funds held for the payment of interest on and maturing principal of the Commonwealth's bonds. The Commonwealth's Fiscal Code contains statutory limitations on the investment of funds by the Treasury Department. The Board of Finance and Revenue, a three-member board of State officials chaired by the State Treasurer, is authorized to establish the aggregate amount of funds that may be invested in some of the various categories of permitted investments. The State Treasurer ultimately determines the asset allocation and selects the investments within the parameters of the law.

The Commonwealth's Fiscal Code permits investments in the following types of securities: (i) United States Treasury securities and United States Agency securities maturing within two years of issue; (ii) commercial paper issued by industrial, common carrier or finance companies rated "Prime One" or its

equivalent; (iii) certificates of deposit of Pennsylvania-based commercial banks, savings banks or savings and loans; (iv) repurchase obligations secured by Federal obligations; (v) banker's acceptances written by domestic commercial banks with a Moody's Investors Service "AA" rating or the equivalent rating by Standard & Poor's Financial Services or Fitch's Rating Service; and (vi) other non-equity investments not to exceed ten percent of assets subject to a "prudent investor" test. The Treasury Department maintains additional investment restrictions contained in its Investment Policy Guidelines. A summary of the Investment Policy Guidelines and a report on investment activity and performance of funds invested by the Treasury Department are contained in a report periodically prepared and publicly distributed by the Treasury Department.

The State Treasurer has been legislatively authorized to invest Commonwealth moneys in securities under the "prudent investor" standard since June 1999. The common investment pool operated by the State Treasurer for the investment of operating funds of the Commonwealth maintains a portion of its investments in securities subject to this test. Act 54 of 2024 extends this authority to December 31, 2034.

### **Budget Stabilization Reserve Fund**

Balances in the Budget Stabilization Reserve Fund are to be used only when emergencies involving the health, safety or welfare of the residents of the Commonwealth or downturns in the economy resulting in significant unanticipated revenue shortfalls cannot be dealt with through the normal budget process. Funds in the Budget Stabilization Reserve Fund may be appropriated only upon the recommendation of the Governor and the approval of a separate appropriation bill by a vote of two-thirds of the members of both chambers of the General Assembly. Any funds appropriated from the Budget Stabilization Reserve Fund that are not spent are returned to the Budget Stabilization Reserve Fund. As of June 30, 2024, the Budget Stabilization Reserve Fund had a balance of approximately \$6,250.2 million. In September 2024, the Commonwealth made a deposit to the Budget Stabilization Reserve Fund in the amount of \$736.9 million. [As of the date of this Official Statement, the amount on deposit in the Budget Stabilization Reserve Fund, which includes earnings on the amounts on deposit therein, is \$6,268.4 million.]

## **COMMONWEALTH FINANCIAL PERFORMANCE**

### **Fiscal Year 2025 Budget**

The Pennsylvania legislature approved, and the Governor signed, a budget for fiscal year 2025 on July 11, 2024. The enacted budget appropriates \$47,599.0 million from the Commonwealth's General Fund (hereinafter the "General Fund" as described below). The budget includes increases in basic education funding and preserves funding for core state government functions and services. The fiscal year 2025 budget can be viewed at the Governor's Budget Office website at: <https://www.budget.pa.gov>.

### **Financial Statements Introduction**

The most recent Commonwealth audited financial statements are available in the ACFR of the Commonwealth for the fiscal year ended June 30, 2023, which was issued on December 13, 2023. The ACFRs beginning with fiscal year 2019 through fiscal year 2023 issued by the Commonwealth are available from the Publication & Reports – Annual Financial Report section of the Office of the Budget's website at <https://www.budget.pa.gov>, which ACFRs are incorporated herein by reference. This means that (i) the incorporated information is considered part of this Official Statement, and (ii) such information should be reviewed by prospective purchasers of the Bonds as a part of their review of this Official Statement in its entirety.

### **The Commonwealth's 2024 ACFR**

Any financial information for the fiscal year ended June 30, 2024 presented herein constitutes preliminary and unaudited financial information. The ACFR for the fiscal year ended June 30, 2024 (the "2024 ACFR") is expected to be released on or about December 13, 2024 and will be made available

promptly on the Office of the Budget’s website (<https://www.budget.pa.gov>) at the Publication & Reports – Annual Financial Report section and filed with the MSRB on EMMA ([www.emma.msrb.org](http://www.emma.msrb.org)). Within 240 days after the end of the fiscal year ended June 30, 2024, the Commonwealth will provide updated financial information and operating data of the kind contained in this APPENDIX B to reflect the audited financial information contained in the 2024 ACFR, all in accordance with the requirements of its Continuing Disclosure Agreement attached to this Official Statement as APPENDIX H.

***Government-Wide Financial Data (GAAP Basis)***

Government-wide financial statements report financial position and results of activity for the Commonwealth as a whole. Government-wide statements do not report information on a fund-by-fund basis; rather, they reveal information for all governmental activities and all business-type activities in separate columns. In government-wide statements, for both governmental and business-type activities, the economic resources measurement focus, and accrual basis of accounting are used, with revenues and expenses recognized when they occur, rather than when cash is received or paid. This treatment results in including in assets an estimate of the total amount of receivables due at fiscal year-end that are expected to be collected in the future. Capital assets are reported with acquisition or construction costs being reported when the assets are placed in service less accumulated depreciation. Reported liabilities include all liabilities, regardless of when payment is due, including bond principal, employee disability claims liability, and employee compensated absence liabilities.

Table 5 on the following page presents condensed comparative financial information derived from the Commonwealth’s government-wide June 30 Statements of Net Position for the fiscal years indicated.

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**Table 5**  
**Government-Wide Condensed Statement of Net Position**  
**As of June 30, 2023 and 2022 – GAAP Basis Unaudited**  
**(In Millions)**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2023	2022	2023	2022	2023	2022
<b>Assets:</b>						
Cash and investments.....	\$33,962	\$31,244	\$8,201	\$5,951	\$42,163	\$37,195
Capital assets (net).....	44,650	43,570	1,154	1,076	45,804	44,646
All other assets.....	12,125	14,529	2,043	1,826	14,168	16,355
<b>Total assets.....</b>	<b>\$90,737</b>	<b>\$89,343</b>	<b>\$11,398</b>	<b>\$8,853</b>	<b>\$102,135</b>	<b>\$98,196</b>
<b>Total deferred outflows.....</b>	<b>\$10,046</b>	<b>\$7,710</b>	<b>\$376</b>	<b>\$283</b>	<b>\$10,422</b>	<b>\$7,993</b>
<b>Liabilities:</b>						
Accounts payable.....	\$7,440	\$12,775	\$888	\$843	\$8,328	\$13,618
All other current liabilities.....	7,302	8,427	1,941	885	9,243	9,312
Bonds payable, non-current.....	9,830	9,801	4,177	4,336	14,007	14,137
All other long-term liabilities...	40,654	36,062	4,116	3,754	44,770	39,816
<b>Total liabilities.....</b>	<b>\$65,226</b>	<b>\$67,065</b>	<b>\$11,122</b>	<b>\$9,818</b>	<b>\$76,348</b>	<b>\$76,883</b>
<b>Total deferred inflows.....</b>	<b>\$7,948</b>	<b>\$11,655</b>	<b>\$470</b>	<b>\$733</b>	<b>\$8,418</b>	<b>\$12,388</b>
<b>Net position:</b>						
Net invested in capital assets....	\$37,541	\$36,402	\$898	\$808	\$38,439	\$37,210
Restricted.....	6,004	5,102	3,038	2,131	9,042	7,233
Deficit.....	(15,936)	(23,171)	(3,754)	(4,354)	(19,690)	(27,525)
<b>Total net position.....</b>	<b>\$27,609</b>	<b>\$18,333</b>	<b>\$182</b>	<b>(\$1,415)</b>	<b>\$27,791</b>	<b>\$16,918</b>

Source: Office of the Budget, from the Annual Comprehensive Financial Report, fiscal year ended June 30, 2022 (GAAP) and fiscal year ended June 30, 2023.

Net position is one way of monitoring the health of the Commonwealth's finances. Total net position is the difference between total assets and total deferred outflows of resources less total liabilities and total deferred inflows of resources as reported on the statement of net position. Total net position is reported in three distinct components: net investment in capital assets; restricted net position; and unrestricted net position.

Net investment in capital assets represents total capital assets less accumulated depreciation and the outstanding liability (excluding unspent proceeds) for debt specifically related to the construction and acquisition of the capital assets. As of June 30, 2023, governmental and business-type activities, respectively, reported net investment in capital assets of \$37,541 million and \$898 million.

Restricted net position is reported based on constraints imposed by either: 1) creditors, grantors, contributors, or laws or regulations of the Federal or other governments; or 2) Commonwealth enabling legislation. As of June 30, 2023, governmental and business-type activities, respectively, reported \$6,004 million and \$3,038 million of restricted net position.

Unrestricted net position represents total net position less the amounts of net investment in capital assets and restricted net position. As of June 30, 2023, governmental and business-type activities, respectively, reported unrestricted net position deficits of \$15,936 million and \$3,754 million.

***Financial Data for Governmental Fund Types (GAAP Basis)***

Governmental fund financial statements provide fund-specific information about the General Fund, the Motor License Fund, and for other Commonwealth funds categorized as Governmental funds and reported as such in the Basic Financial Statements of prior fiscal years. Where government-wide financial statements cover the entirety of the Commonwealth, fund financial statements provide a more detailed view of the major individual funds established by the Commonwealth. Fund financial statements further differ from government-wide statements in the use by the latter of the current financial resources' measurement focus and the modified accrual basis of accounting.

The governmental funds balance sheet reports total fund balances for all governmental funds. Assets of the Commonwealth's governmental funds (the General Fund and the Motor License Fund are major governmental funds), as of June 30, 2023, were \$46,265.2 million. Liabilities for the same date totaled \$13,309.1 million and deferred inflows of resources totaled \$4,060.2 million, resulting in a fund balance of \$28,895.9 million, an increase of \$6,499.1 million from the fund balance at June 30, 2022. On a fund specific basis, in comparison to fiscal year 2022, the ending fund balance for the General Fund increased by \$4,803.1 million, the fund balance for the Motor License Fund increased by \$308.2 million and the fund balance for aggregated non-major funds increased by \$1,387.7 million. See "General Fund – Fiscal Year 2023 Financial Results" and "Motor License Fund – Fiscal Year 2023 Financial Results" herein.

The relationship between the Commonwealth's GAAP fund balance (fund perspective) for governmental funds and the Commonwealth's governmental net assets (government-wide perspective) under the presentation of financial information is depicted in Table 6 on the following page.

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**Table 6**  
**Reconciliation of the Balance Sheet**  
**Governmental Funds (Fund Perspective) to**  
**the Statement of Net Position - Governmental Activities June 30, 2023**  
**(In Thousands)**

<b>Fund Balances - Governmental Funds</b>	
General Fund.....	\$18,174,364
Motor License Fund.....	2,325,782
Nonmajor Funds .....	<u>8,395,776</u>
<b>Total Fund Balance - Governmental Funds .....</b>	<b><u>\$28,895,922</u></b>
Plus: Capital Assets, including infrastructure .....	\$85,092,489
Less: Accumulated depreciation .....	(40,766,465)
Plus: Deferred revenue.....	4,056,478
Plus: Deferred outflows of resources.....	(20,290)
Plus: Net assets of internal service funds.....	(22,136)
Plus: Inventories .....	148,353
Less: Net pension liabilities .....	(13,653,728)
Less: Other postemployment benefit liabilities .....	(20,004,408)
Less: Other asset retirement obligations .....	165,866
Less: Long-term liabilities .....	<u>(16,283,802)</u>
<b>Total Net Position - Governmental Activities.....</b>	<b><u>\$27,608,279</u></b>

Source: Office of the Budget, from the Annual Comprehensive Financial Report for fiscal year ended June 30, 2023.

More detailed information with respect to the General Fund and the Motor License Fund, major operating funds that are categorized as governmental funds, is presented in Table 7 (General Fund) and in Table 9 (Motor License Fund).

The financial tables and the textual discussions that follow containing GAAP basis financial data are unaudited but are derived from the Commonwealth's audited ACFRs for fiscal years 2019 through 2023. The discussion of financial performance on a budgetary basis for prior fiscal years is based on an analysis of budgeted and unaudited numbers and not on numbers prepared in accordance with GAAP. Likewise, the discussion of the fiscal year 2024 enacted budget reflects a budgetary basis analysis rather than a GAAP basis analysis.

Recent financial results for the Commonwealth's major operating funds, the General Fund, the Motor License Fund and the State Lottery Fund and other relevant financial information are described in detail in the narrative below.

### **General Fund**

The General Fund is the Commonwealth's largest operating fund. All tax revenue, non-tax revenue and federal grants and entitlements not specified by law to be deposited elsewhere are deposited into the General Fund. The General Assembly makes appropriations of specific amounts from tax revenue and certain non-tax revenue of the General Fund.

### ***Financial Results for Fiscal Years 2019-2023***

*GAAP Basis.* During the five-year period from fiscal year 2019 through fiscal year 2023, total revenues and other sources increased by an average annual rate of 9.7 percent. Tax revenues during this same period increased by an annual average rate of 7.0 percent. Expenditures and other uses during fiscal years 2019 through 2023 rose at an average annual rate of 8.1 percent. Expenditures for the protection of persons and property during this period increased at an average annual rate of 6.9 percent; public education expenditures during this period increased at an average annual rate of 7.2 percent; health and human services expenditures increased at an average annual rate of 8.3 percent; and capital outlays increased at an average annual rate of 43.5 percent. Commonwealth expenditures for direction and support services (State employees and government administration) increased at an average annual rate of 9.0 percent during fiscal years 2019 through 2023.

The fund balance at June 30, 2023 of the General Fund was \$18,174.4 million, a \$4,803.1 million increase from the June 30, 2022 fund balance. Total revenues and other sources decreased by \$3,021.3 million and tax revenues increased \$466.6 million. The overall increase in the fund balance is primarily due to a decrease in total liabilities in the fiscal year ended June 30, 2023.

Table 7 on the following page presents a summary of revenues, expenditures and fund balance (GAAP basis) for the General Fund for fiscal years 2019 through 2023 taken from the ACFRs for fiscal years ended June 30, 2019 through June 30, 2023.

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**Table 7**  
**Results of Operations – General Fund GAAP Basis – Unaudited**  
**(In Thousands)**

	Fiscal Year Ending June 30				
	2019	2020	2021	2022	2023
<b>Fund Balance — Beginning of Period.....</b>	\$813,710	\$835,414	(\$1,525,203)	\$3,073,026	\$13,371,235
Restatements .....	0	24	(243)	0	0
<b>Fund Balance — Beginning of Period, as Restated.....</b>	<b>\$813,710</b>	<b>\$835,414</b>	<b>(\$1,525,446)</b>	<b>\$3,073,026</b>	<b>\$13,371,235</b>
<b>Revenues:</b>					
Taxes.....	\$33,074,546	\$32,687,322	\$37,181,965	\$42,501,943	\$42,968,507
Licenses and fees .....	854,757	613,793	702,093	700,574	684,754
Intergovernmental .....	28,215,760	33,325,865	39,636,245	50,428,297	46,171,351
Charges for sales and services.....	3,356,759	3,703,708	3,957,922	4,137,369	4,250,671
Other revenues .....	301,908	386,825	347,300	442,778	1,155,759
<b>Other Financing Sources:</b>					
Operating transfers in.....	1,207,913	508,058	961,805	438,104	505,688
Premium on debt issuance.....	0	0	7,627	0	0
Other financing agreements .....	0	0	75,195	0	0
Bonds issued and bond premiums .....	0	0	0	0	0
Other additions.....	1,578	3,460	114,152	263,973	155,054
<b>TOTAL REVENUES AND OTHER SOURCES.....</b>	<b>\$67,013,221</b>	<b>\$71,229,031</b>	<b>\$82,984,304</b>	<b>\$98,913,038</b>	<b>\$95,891,784</b>
<b>Expenditures:</b>					
Direction and supportive services .....	\$908,473	\$1,267,988	\$1,296,900	\$1,317,608	\$1,221,402
Protection of persons and property.....	4,806,069	4,647,132	5,365,030	5,567,082	6,223,912
Health and human services.....	42,633,941	47,128,172	51,172,007	57,923,444	58,431,165
Public education.....	16,295,404	16,824,044	17,398,728	20,434,292	21,393,851
Recreation and cultural enrichment.....	324,364	341,621	341,335	353,066	414,876
Economic development.....	493,406	1,400,678	561,813	788,580	1,290,744
Transportation .....	57,473	58,193	86,243	85,971	92,568
Capital outlay .....	127,394	106,233	234,753	464,451	332,613
Debt service .....	30,760	65,186	68,074	68,688	71,956
<b>Other Uses:</b>					
Operating transfers out.....	\$1,314,257	\$1,750,401	\$1,860,949	\$1,611,647	\$1,615,568
<b>TOTAL EXPENDITURES AND OTHER USES.....</b>	<b>\$66,991,541</b>	<b>\$73,589,648</b>	<b>\$78,385,832</b>	<b>\$88,614,829</b>	<b>\$91,088,655</b>
<b>REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURE AND OTHER USES.....</b>	<b>\$21,680</b>	<b>(\$2,360,617)</b>	<b>\$4,598,472</b>	<b>\$10,298,209</b>	<b>\$4,803,129</b>
<b>Fund Balance — End of Period.....</b>	<b>\$835,390</b>	<b>(\$1,525,203)</b>	<b>\$3,073,026</b>	<b>\$13,371,235</b>	<b>\$18,174,364</b>
<b>Components of Fund Balance</b>					
Nonspendable.....	\$183,102	\$170,248	\$103,772	\$80,856	\$60,496
Restricted .....	8,791	21,779	206,572	279,639	114,626
Committed .....	2,820,739	3,181,608	3,379,346	5,743,068	8,265,049
Assigned .....	0	0	0	23,458	0
Unassigned deficit.....	(\$2,177,242)	(\$4,898,838)	(\$616,664)	7,244,214	9,734,193
<b>TOTAL FUND BALANCE.....</b>	<b>\$835,390</b>	<b>(\$1,525,203)</b>	<b>\$3,073,026</b>	<b>\$13,371,235</b>	<b>\$18,174,364</b>

Source: Office of the Budget, compiled from the Commonwealth's audited Annual Comprehensive Financial Reports for fiscal years ended June 30, 2019 through 2023 (GAAP), but Table 7 is unaudited.

### ***Fiscal Year 2019 Financial Results***

*GAAP Basis.* At June 30, 2019, the General Fund reported a fund balance of \$835.4 million, an increase of \$21.7 million from the \$813.7 million fund balance at June 30, 2018, as expenditures and other uses increased by \$4,130.6 million and revenues and other sources increased by \$2,641 million.

*Budgetary Basis.* General Fund revenues of the Commonwealth were above the certified estimate by \$883 million or 2.6 percent during fiscal year 2019. Final Commonwealth General Fund revenues for the above fiscal year totaled \$34,857.9 million. Total expenditures, net of appropriation lapses and including public health and human services assessments and expenditures from additional sources, were \$33,401.5 million.

General Fund revenues increased \$290.9 million or 0.8 percent during fiscal year 2019 when measured on a year-over-year basis as compared to fiscal year 2018. Tax revenue collections increased \$2,052.9 million or 6.4 percent on a year-over-year basis from fiscal year 2018 to fiscal year 2019 while non-tax revenue collections decreased \$1,761.9 million or negative 68.7 percent from fiscal year 2018 to fiscal year 2019. Corporate tax receipts were \$622.1 million higher than fiscal year 2018 levels. The year-over-year increase in corporate taxes was 12.7 percent during fiscal year 2019 as corporate net income tax collections increased 17.9 percent. Personal income taxes were \$696.6 million above fiscal year 2018 actual collection and the year-over-year growth in personal income tax receipts was 5.2 percent. Personal income tax collections attributable to withholding increased by 4.1 percent or \$407.4 million during fiscal year 2019 and tax collections from the non-withholding portion of the personal income tax increased 8.6 percent or \$289.2 million on a year-over-year basis. Sales and use taxes receipts were \$718.3 million greater during fiscal year 2019 than during fiscal year 2018, a growth rate of 6.9 percent. Sales tax collections increased during fiscal year 2019 as non-motor vehicle sales tax collections grew 7 percent and motor vehicle sales tax receipts increased 6.5 percent during fiscal year 2019. Cigarette tax collections decreased 6.6 percent during fiscal year 2019 and inheritance tax collections increased 3.4 percent. Realty transfer tax revenues increased 3.8 percent during fiscal year 2019.

Commonwealth General Fund appropriations for fiscal year 2019 totaled \$33,401.5 million, an increase of \$1,453.4 million or 4.5 percent from fiscal year 2018. The Commonwealth transferred its fiscal year 2019 ending balance of \$316.9 million to the Budget Stabilization Reserve Fund.

### ***Fiscal Year 2020 Financial Results***

*GAAP Basis.* At June 30, 2020, the General Fund reported a negative fund balance of \$1,525.2 million, a decrease of \$2,360.6 million from the \$835.4 million fund balance at June 30, 2019. The majority of this decrease was due to delays of tax filing dates for personal and corporate taxes because of the COVID-19 pandemic.

*Budgetary Basis.* General Fund revenues of the Commonwealth were below the certified estimate by \$3,221 million or 9.1 percent during fiscal year 2020. The majority of this difference was due to the Commonwealth delaying the filing date for personal and corporate income tax by 90 days. Final Commonwealth General Fund revenues for this fiscal year totaled \$32,275.8 million. Total expenditures, net of appropriation lapses and including public health and human services assessments and expenditures from additional sources, were \$34,090.2 million. After accounting for a positive fiscal year 2020 beginning balance of \$30.3 million, the Commonwealth ended fiscal year 2020 with an unappropriated negative balance of \$2,734.1 million. (See Table 8).

General Fund revenues decreased \$2,582.0 million or 7.4 percent during fiscal year 2020 when measured on a year-over-year basis as compared to fiscal year 2019. Tax revenue collections decreased \$2,445.4 million or 7.2 percent on a year-over-year basis from fiscal year 2019 to fiscal year 2020 while non-tax revenue collections decreased \$136.6 million or 17.0 percent from fiscal year 2019 to fiscal year 2020. Corporate tax receipts were \$671.8 million lower than fiscal year 2019 levels. The year-over-year decrease in

corporate taxes was 12.2 percent during fiscal year 2020 as corporate net income tax collections decreased 16.9 percent and financial institutions tax increased 3.4 percent. Personal income taxes were \$1,260.5 million below fiscal year 2019 actual collection and the year-over-year decrease in personal income tax receipts was 8.9 percent. Personal income tax collections attributable to withholding increased by 0.9 percent or \$98.9 million during fiscal year 2020 and tax collections from the non-withholding portion of the personal income tax decreased 37.2 percent or \$1,359.4 million on a year-over-year basis. Sales and use taxes receipts were \$281.8 million less during fiscal year 2020 than during the prior fiscal year, a decrease of 2.5 percent. Cigarette tax collections declined 17.4 percent during fiscal year 2020 and inheritance tax collections increased 2.7 percent. Realty transfer tax revenues decreased by 6.8 percent during fiscal year 2020.

Commonwealth General Fund appropriations for fiscal year 2020 totaled \$34,090.2 million, an increase of \$688.7 million or 2.1 percent from fiscal year 2019 levels. The ending unappropriated negative balance was \$2,734.1 million for fiscal year 2020.

### ***Fiscal Year 2021 Financial Results***

*GAAP Basis.* At June 30, 2021, the General Fund reported a fund balance of \$3,073 million, an increase of \$4,598.5 million from the \$1,525.4 million negative fund balance, as restated at June 30, 2020.

*Budgetary Basis.* General Fund revenues of the Commonwealth were above the certified estimate by \$3,437.3 million or 9.3 percent during fiscal year 2021. Final Commonwealth General Fund revenues for the above fiscal year totaled \$40,392.0 million. Total expenditures, net of appropriation lapses and including public health and human services assessments and expenditures from additional sources, were \$34,013.2 million in fiscal year 2021. After accounting for a negative fiscal year 2021 beginning balance of \$2,734.1 million, the Commonwealth ended fiscal year 2021 with a surplus of \$2,621.5 million which was transferred to the Budget Stabilization Reserve Fund (See Table 8 below).

General Fund revenues increased \$8,116.1 million or 25.1 percent during fiscal year 2021 when measured on a year-over-year basis as compared to fiscal year 2020. Tax revenue collections increased \$7,568.7 million or 23.9 percent on a year-over-year basis from fiscal year 2020 to fiscal year 2021 while non-tax revenue collections increased \$547.4 million or 82.3 percent from fiscal year 2020 to fiscal year 2021. Corporate tax receipts were \$1,494.5 million higher than fiscal year 2020 levels. The year-over-year increase in corporate taxes was 30.9 percent during fiscal year 2021 as corporate net income tax collections increased 56.5 percent and financial institutions tax increased 7.7 percent. Personal income taxes were \$3,448.4 million above fiscal year 2020 actual collection and the year-over-year decrease in personal income tax receipts was 26.9 percent. Personal income tax collections attributable to withholding increased by 2.8 percent or \$295.2 million during fiscal year 2021 and tax collections from the non-withholding portion of the personal income tax increased 137.6 percent or \$3,153.2 million on a year-over-year basis. Sales and use taxes receipts were \$2,017.1 million more during fiscal year 2021 than during the prior fiscal year, an increase of 18.6 percent. Cigarette tax collections increased 4.3 percent during fiscal year 2021 and inheritance tax collections increased 24.3 percent. Realty transfer tax revenues increased by 28.6 percent during fiscal year 2021.

Commonwealth General Fund appropriations for fiscal year 2021 totaled \$34,013.2 million, a decrease of \$77.0 million or -0.2 percent from fiscal year 2020 levels. The Commonwealth transferred its fiscal year 2021 ending balance of \$2,621.5 million to the Budget Stabilization Reserve Fund.

### ***Fiscal Year 2022 Financial Results***

*GAAP Basis.* At June 30, 2022, the General Fund reported a fund balance of \$13,371.2 million, an increase of \$10,298.2 million from the \$3,073.0 fund balance at June 30, 2021, as revenues and other sources increased by \$15,929.7 million.

*Budgetary Basis.* General Fund revenues of the Commonwealth were above the certified estimate by \$5,598.0 million or 13.2 percent during fiscal year 2022. Final Commonwealth General Fund revenues for the fiscal year totaled \$48,134.2 million. Total expenditures, net of appropriation lapses and including public health and human services assessments and expenditures from additional sources, were \$39,351.3 million. After accounting for a fiscal year 2022 beginning balance of \$4.4 million, and a transfer to the Budget Stabilization Reserve Fund, the Commonwealth ended fiscal year 2022 with a surplus of \$5,537.4 million (See Table 8).

General Fund revenues increased \$7,742.2 million or 19.2 percent during fiscal year 2022 when measured on a year-over-year basis as compared to fiscal year 2021. Tax revenue collections increased \$4,309.0 million or 11.0 percent on a year-over-year basis from fiscal year 2021 to fiscal year 2022 while non-tax revenue collections increased \$3,433.2 million or 283.2 percent from fiscal year 2021 to fiscal year 2022, due primarily to the one-time transfer of federal ARPA funds to the General Fund as revenue replacement. The year-over-year increase in corporate taxes was 15.5 percent during fiscal year 2022. Corporate net income tax collections increased 20.2 percent or by \$895.4 million from 2021 levels. Personal income taxes were \$1,842.3 million above fiscal year 2021 actual collections and the year-over-year increase in personal income tax receipts was 11.3 percent. Personal income tax collections attributable to withholding increased by 11.0 percent or \$1,188.3 million during fiscal year 2022. Sales and use taxes receipts were \$1,079.4 million more during fiscal year 2022 than during the prior fiscal year, an increase of 8.4 percent. Cigarette tax collections decreased 9.3 percent during fiscal year 2022 and inheritance tax collections increased 15.2 percent. Realty transfer tax revenues increased by 32.3 percent and gaming tax collections increased by 27.3 percent during fiscal year 2022.

Commonwealth General Fund appropriations for fiscal year 2022 totaled \$39,351.3 million, an increase of \$5,338.0 million or 15.6 percent from fiscal year 2021 levels. The Commonwealth transferred \$2,100.0 million of its fiscal year 2022 ending balance to the Budget Stabilization Reserve Fund.

### ***Fiscal Year 2023 Financial Results***

*GAAP Basis.* At June 30, 2023, the General Fund reported a fund balance of \$18,174.3 million, an increase of \$4,803.1 million from the \$13,371.2 million fund balance at June 30, 2022, as revenues and other sources decreased by \$3,021.3 million.

*Budgetary Basis:* General Fund revenues of the Commonwealth were above the certified estimate by \$1,337.5 million or 3.1 percent during fiscal year 2023. Final Commonwealth General Fund revenues for the fiscal year totaled \$44,917.1 million. Total expenditures, net of appropriation lapses and including public health and human services assessments and expenditures from additional sources were \$40,801.0 million. After accounting for a fiscal year 2023 beginning balance of \$5,546.4 million, and a transfer to the Budget Stabilization Reserve Fund, the Commonwealth ended fiscal year 2023 with a surplus of \$8,084.9 million.

General Fund revenues decreased \$3,217.1 million or 6.7 percent during fiscal year 2023 when measured on a year-over-year basis as compared to fiscal year 2022. Tax revenue collections increased \$287.8 million or 0.7 percent on a year-over-year basis from fiscal year 2022 to fiscal year 2023 while non-tax revenue collections decreased \$3,504.8 million or 75.4 percent from fiscal year 2022 to fiscal year 2023. The year-over-year increase in corporate taxes was 12.8 percent during fiscal year 2023. Corporate net income tax collections increased 15.3 percent or by \$815.5 million from 2022 levels. Personal income taxes declined \$497.6 million in fiscal year 2023, a decline of 2.7 percent. Personal income tax collections attributable to withholding increased by 5.1 percent or \$617.5 million during fiscal year 2023. Non-withheld personal income tax collections declined by \$1,115.1 million, or 18.3 percent from 2022. Sales and use taxes receipts were \$110.2 million more during fiscal year 2023 than during the prior fiscal year, an increase of 0.8 percent. Cigarette tax collections decreased 11.6 percent during fiscal year 2023 and inheritance tax collections decreased 1.7 percent. Realty transfer tax revenues decreased by 24.0 percent and gaming tax collections increased by 18.6 percent during fiscal year 2023.

Commonwealth General Fund appropriations for fiscal year 2023 totaled \$40,801.0 million, an increase of \$1,449.7 million or 3.7 percent from fiscal year 2022 levels. In November 2023, the Commonwealth transferred \$898.3 million, or 10 percent of its fiscal year 2023 ending General Fund balance to the Budget Stabilization Reserve Fund.

Table 8 below sets forth the sources, uses and changes in unappropriated balances of the General Fund and other funding sources for fiscal years 2023 and 2024 and as enacted for fiscal year 2025. The financial results for the fiscal year ended June 30, 2024 are preliminary and unaudited.

***Fiscal Year 2024 Financial Results – preliminary, unaudited***

*Budgetary Basis:* General Fund revenues of the Commonwealth were above the certified estimate by \$862.9 million or 1.9 percent during fiscal year 2024. Final Commonwealth General Fund revenues for the fiscal year totaled \$45,473.5 million. Total expenditures, net of appropriation lapses and including public health and human services assessments and expenditures from additional sources were \$45,440.8 million. After accounting for a fiscal year 2024 beginning balance of \$8,084.9 million, and a transfer to the Budget Stabilization Reserve Fund, the Commonwealth ended fiscal year 2024 with a surplus of \$6,632.1 million.

General Fund revenues increased \$556.3 million or 1.2 percent during fiscal year 2024 when measured on a year-over-year basis as compared to fiscal year 2023. Tax revenue collections increased \$88.4 million or 0.2 percent on a year-over-year basis from fiscal year 2023 to fiscal year 2024 while non-tax revenue collections increase \$468.0 million or 41.0 percent from fiscal year 2023 to fiscal year 2024. The year-over-year decrease in corporate taxes was 2.7 percent during fiscal year 2024. Corporate net income tax collections decreased 8.0 percent or by \$491.5 million from 2023 levels. Personal income taxes increased \$228.7 million in fiscal year 2024, an increase of 1.3 percent. Personal income tax collections attributable to withholding increased by 4.4 percent or \$558.0 million during fiscal year 2024. Non-withheld personal income tax collections declined by \$329.3 million, or 6.6 percent from 2023. Sales and use taxes receipts were \$231.5 million more during fiscal year 2024 than during the prior fiscal year, an increase of 1.7 percent. Cigarette tax collections decreased 13.6 percent during fiscal year 2024 and inheritance tax collections increased 7.3 percent. Realty transfer tax revenues decreased by 17.6 percent and gaming tax collections decreased by 1.3 percent during fiscal year 2024.

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Table 8 below sets forth the sources, uses and changes in unappropriated balances of the General Fund and other funding sources for fiscal years 2023 and 2024 and as enacted for fiscal year 2025. The financial results for the fiscal year ended June 30, 2024 are preliminary and unaudited.

**Table 8**  
**Sources, Uses and Changes in Unappropriated Balance**  
**General Fund and Other Funding Sources -- Unaudited Budgetary Basis**  
**Commonwealth Revenues Only**  
**(In Thousands)**

<b>Sources:</b>	<b>Actual</b>	<b>Actual</b>	<b>Enacted</b>
	<b>Fiscal Year 2023</b>	<b>Fiscal Year 2024</b>	<b>Fiscal Year 2025</b>
Beginning Balance (Plus Adjustments) .....	\$5,546,421	\$8,159,871	\$6,632,089
Revenue Receipts .....	44,917,148	45,473,489	46,087,400
Refunds.....	(1,489,400)	(1,986,600)	(1,758,000)
Prior Year Lapses. ....	810,000	587,026	250,000
Funds Available.....	\$49,784,169	\$52,233,786	\$51,211,489
<b>Uses:</b>			
Appropriations.....	\$40,800,979	\$45,022,342	\$47,598,974
Supplemental Appropriations/Current Year Lapses.....	0	(157,544)	0
Total Expenditures.....	\$40,800,979	\$44,864,798	\$47,598,974
Preliminary Balance .....	\$8,983,190	\$7,368,988 <sup>(1)</sup>	\$3,612,515
Transfer to Budget Stabilization Fund.....	(898,319)	(736,899)	(361,252)
Ending Unappropriated Balance.....	\$8,084,871	\$6,632,089	\$3,251,263

Source: Office of the Budget.

<sup>(1)</sup>An additional transfer to the Budget Stabilization Reserve Fund will occur by Sept. 30, 2024 in accordance with Article XVII-A of the Fiscal Code of 1929 (the act of April 9, 1929, P.L. 343, No. 176) unless modified by the General Assembly.

***Fiscal Year 2025 Enacted Budget***

The enacted fiscal year 2025 budget appropriates \$47,599.0 million in state general funds. The budget document and related information are available on the Office of the Budget’s website at <https://www.budget.pa.gov> and are incorporated herein by reference.

The General Fund is the primary funding source for most State agencies and institutions supported by the Commonwealth. The majority of every dollar is returned to individuals, local governments, institutions, school districts, and others in the form of grants and subsidies. The remainder pays operating expenses and debt service. Major program expenditures occur in the areas of education, public health and human services, and the State correctional institutions.

**Motor License Fund**

The Constitution requires all proceeds of motor fuels taxes, vehicle registration fees, license taxes, operators’ license fees and other excise taxes imposed on products used in motor transportation to be used



exclusively for construction, reconstruction, maintenance and repair of and safety on highways and bridges and for debt service on obligations incurred for these purposes. The Motor License Fund is the fund through which most such revenues are accounted for and expended. Portions of certain taxes whose receipts are deposited into the Motor License Fund are legislatively restricted to specific transportation programs. These receipts are accounted for in restricted accounts in the Motor License Fund and are not included in the budgetary basis presentations or discussions on the Motor License Fund. The Motor License Fund budgetary basis includes only unrestricted revenue available for annual appropriation for highway and bridge purposes. In contrast, the GAAP basis presentations include all the restricted account revenues and expenditures.

### ***Financial Results for Fiscal Years 2019-2023***

*GAAP Basis.* The fund balance at June 30, 2023, of the Motor License Fund was \$2,325.8 million, a \$308.2 million increase from the June 30, 2022 fund balance. Over five fiscal years, 2019 through 2023, revenues and other sources averaged an annual 1.8 percent increase. Expenditures and other uses during the same period averaged a 0.1 percent annual decrease. Overall, total revenues and other sources increased by \$251.0 million during the fiscal year that ended June 30, 2023. Tax revenues increased \$65.8 million primarily due to the increase in the liquid fuels tax. Licenses and fees increased \$11.3 million due to increased vehicle registrations and driver licenses. During the prior fiscal year, extensions were granted for the expirations of vehicle registrations, drivers' licenses, and learner's permits, including commercial driver's licenses. These extensions expired during fiscal year 2021.

Total expenditures and other uses increased by \$652.9 million during fiscal year ended June 30, 2023. Transportation expenditures increased by \$324.6 million and Capital outlay increased by \$332.5 million. The increase in transportation expenditures were attributable to an increase in operational costs, specifically fuels and bituminous material usage, as highway projects and construction activity continued to increase following the pandemic.

Table 9 on the following page presents a summary of revenues, expenditures and fund balance (GAAP basis) for the Motor License Fund for fiscal years 2019 through 2022 taken from the ACFRs for fiscal years ended June 30, 2019 through June 30, 2023.

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**Table 9**  
**Results of Operations – Motor License Fund**  
**GAAP Basis – Unaudited**  
**(In Thousands)**

	Fiscal Year Ended June 30				
	2019	2020	2021	2022	2023
<b>Fund Balance — Beginning of Period .....</b>	<u>\$1,003,959</u>	<u>\$872,037</u>	<u>\$595,346</u>	<u>\$1,307,435</u>	<u>\$2,017,572</u>
<b>Revenues:</b>					
Taxes .....	\$3,795,265	\$3,382,948	\$3,562,411	\$3,598,713	\$3,664,489
Licenses and fees .....	1,015,010	1,075,920	1,114,831	1,150,205	1,161,459
Intergovernmental.....	1,917,103	1,731,505	2,350,760	2,109,196	2,220,961
Other revenues .....	58,393	73,180	104,618	87,817	145,315
<b>Other Financing Sources:</b>					
Operating transfers in.....	24,860	28,697	12,868	21,508	25,910
Capital lease and installment purchase obligations ....	57	1,145	0	589	892
Other additions.....	0	0	0	0	0
<b>TOTAL REVENUES AND OTHER SOURCES .....</b>	<u>\$6,810,688</u>	<u>\$6,293,395</u>	<u>\$7,145,488</u>	<u>\$6,968,028</u>	<u>\$7,219,026</u>
<b>Expenditures:</b>					
Direction and supportive services .....	\$34,692	\$36,991	\$34,773	\$31,951	\$36,232
Protection of persons and property .....	1,021,772	991,348	963,566	786,121	777,185
Health and human services .....	1	0	0	0	0
Public education.....	290	328	276	300	328
Economic development.....	163	171	148	175	260
Recreation and cultural enrichment .....	5,416	4,886	6,224	7,450	5,773
Transportation.....	2,911,380	2,795,235	2,653,646	2,693,484	3,018,071
Capital outlay.....	2,840,569	2,623,360	2,650,500	2,574,906	2,907,407
Interest and fiscal charges.....	18	171	891	745	775
<b>Other Uses:</b>					
Operating transfers out.....	\$128,309	\$117,596	\$123,375	\$162,759	\$164,785
<b>TOTAL EXPENDITURES AND OTHER USES .....</b>	<u>\$6,942,610</u>	<u>\$6,570,086</u>	<u>\$6,433,399</u>	<u>\$6,257,891</u>	<u>\$6,910,816</u>
<b>REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURE AND OTHER USES .....</b>	<u>(\$131,922)</u>	<u>(\$276,691)</u>	<u>\$712,089</u>	<u>\$710,137</u>	<u>\$308,210</u>
<b>Fund Balance — End of Period .....</b>	<u>\$872,037</u>	<u>\$595,346</u>	<u>\$1,307,435</u>	<u>\$2,017,572</u>	<u>\$2,325,782</u>
<b>Components of Fund Balance</b>					
Restricted.....	\$872,037	\$595,346	\$1,307,435	\$2,017,572	\$2,325,782
<b>TOTAL FUND BALANCE.....</b>	<u>\$872,037</u>	<u>\$595,346</u>	<u>\$1,307,435</u>	<u>\$2,017,572</u>	<u>\$2,325,782</u>

Source: Office of the Budget, compiled from the Commonwealth's audited Annual Comprehensive Financial Reports for fiscal years ended June 30, 2019 through 2023 (GAAP), but Table 9 is unaudited.

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The following budgetary basis information is derived from the Commonwealth's unaudited budgetary basis financial statement for fiscal years 2019 through 2023 and the enacted budget for fiscal year 2025.

### ***Fiscal Year 2019 Financial Results***

*Budgetary Basis.* Commonwealth revenues to the Motor License Fund totaled \$2,849.3 million, a decrease of \$99.2 million or 3.4 percent over fiscal year 2018 revenues. Receipts from liquid fuels taxes decreased by 0.5 percent while license and fee revenues decreased by 5.1 percent from the previous year. Other revenue receipts decreased by 65.2 percent from the previous fiscal year. Fiscal year 2019 Motor License Fund appropriations and executive authorizations totaled \$3,066.2 million, an increase of 5.9 percent over fiscal year 2018. The Motor License Fund concluded fiscal year 2019 with an unappropriated surplus of \$29.0 million, a net decrease of \$187.4 million from the 2018 unappropriated surplus of \$216.4 million.

### ***Fiscal Year 2020 Financial Results***

*Budgetary Basis.* Commonwealth revenues to the Motor License Fund totaled \$2,663.5 million, a decrease of \$185.8 million or 6.5 percent from fiscal year 2019 revenues. Receipts from liquid fuels taxes decreased by 7 percent while license and fee revenues decreased by 3.9 percent from the previous year. Fiscal year 2020 Motor License Fund appropriations and executive authorizations totaled \$2,767.0 million, a decrease of 9.8 percent from fiscal year 2019. The Motor License Fund concluded fiscal year 2020 with a negative unappropriated balance of \$51.2 million, a net decrease of \$80.2 million from the fiscal year 2019 unappropriated surplus of \$29.0 million.

### ***Fiscal Year 2021 Financial Results***

*Budgetary Basis.* Commonwealth revenues to the Motor License Fund totaled \$2,825.6 million, an increase of \$162 million or 6.1 percent from fiscal year 2020 revenues. Receipts from liquid fuels taxes decreased by 3 percent while license and fee revenues increased by 20.7 percent over the previous year. Fiscal year 2021 Motor License Fund appropriations and executive authorizations totaled \$2,722.9 million, a decrease of 1.5 percent over fiscal year 2020. The Motor License Fund concluded fiscal year 2021 with an unappropriated surplus of \$115.4 million, a net increase of \$166.5 million above the fiscal year 2020 negative unappropriated surplus of \$51.1 million.

### ***Fiscal Year 2022 Financial Results***

*Budgetary Basis.* Commonwealth revenues to the Motor License Fund totaled \$2,883.4 million, an increase of \$57.8 million or 2 percent over fiscal year 2021 revenues. Receipts from liquid fuels taxes increased by 5.5 percent while license and fee revenues decreased by 2.2 percent as compared to the previous year.

Fiscal year 2022 Motor License Fund appropriations and executive authorizations totaled \$2,691.9 million, a decrease of 0.6 percent from fiscal year 2021. The Motor License Fund concluded fiscal year 2022 with an unappropriated surplus of \$347.3 million, a net increase of \$231.9 million above the fiscal year 2021 unappropriated surplus of \$115.4 million.

### ***Fiscal Year 2023 Financial Results***

*Budgetary Basis.* Commonwealth revenues to the Motor License Fund totaled \$2,958.3 million, an increase of \$75 million or 2.6 percent over fiscal year 2022 revenues. Receipts from liquid fuels taxes increased by 1.6 percent while license and fee revenues decreased by 0.8 percent as compared to the previous year. Fiscal year 2023 Motor License Fund appropriations and executive authorizations totaled \$3,151.1 million, an increase of 17 percent from fiscal year 2022. The Motor License Fund concluded fiscal year 2023 with an unappropriated surplus of \$255.4 million, a net decrease of \$91.9 million below the fiscal year 2022 unappropriated surplus of \$347.3 million.

***Fiscal Year 2024 Financial Results – preliminary, unaudited***

*Budgetary Basis.* Commonwealth revenues to the Motor License Fund totaled \$3,169.9 million, an increase of \$211.6 million or 7.2 percent over fiscal year 2023 revenues. Receipts from liquid fuels taxes increased by 0.2 percent while license and fee revenues increased by 14.8 percent as compared to the previous year. Fiscal year 2024 Motor License Fund appropriations and executive authorizations totaled \$3,233.5 million, an increase of 2.6 percent from fiscal year 2023. The Motor License Fund concluded fiscal year 2024 with an unappropriated surplus of \$313.0 million, a net increase of \$57.6 million over the fiscal year 2023 unappropriated surplus of \$255.4 million.

***Fiscal Year 2025 Enacted Budget***

*Budgetary Basis.* Commonwealth revenues to the Motor License Fund are budgeted to be \$3,016.2 million, a decrease of \$153.7 million or 4.9 percent from fiscal year 2024 revenues. Receipts from the liquid fuels tax are budgeted to decrease 3.2 percent from the prior year, while license and fee revenues are budgeted to decrease by 4.0 percent. Additionally, other revenue receipts are budgeted to be \$63.9 million. Fiscal year 2025 Motor License Fund appropriations and executive authorizations are budgeted to equal \$3,253.7 million, an increase of 0.6 percent over fiscal year 2024 appropriations. The Motor License Fund is budgeted to conclude fiscal year 2025 with an unappropriated balance of \$75.5 million, a decrease of \$237.5 million from the fiscal year 2024 unappropriated fund balance of \$313.0 million.

**State Lottery Fund**

The Commonwealth operates a Statewide lottery program that consists of various lottery games using computer sales terminals located throughout the State and instant games using preprinted tickets. The net proceeds of all lottery game sales, less sales commissions and directly paid prizes, are deposited into the State Lottery Fund.

State Lottery Fund receipts support programs to assist elderly and handicapped individuals, primarily through property tax and rent rebate assistance and a pharmaceutical assistance program to recipients who meet specified income limits, and the provision of free mass transit rides during off-peak hours.

***Financial Results for Fiscal Years 2019-2023***

*GAAP Basis.* During the fiscal year ended June 30, 2023, the net year-over-year increase in total revenues and other sources was \$695.4 million. Total operating revenues increased \$556.7 million. Total operating expenses increased \$563.0 million. Operating expenses have a strong correlation to operating revenues as the amount of prize payouts are directly related to lottery sales.

Table 10 on the following page presents a summary of revenues, expenditures and fund balance (GAAP basis) for the State Lottery Fund for fiscal years 2019 through 2022 taken from the ACFRs for fiscal years ended June 30, 2019 through June 30, 2023.

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**Table 10**  
**Results of Operations – State Lottery Fund GAAP Basis – Unaudited**  
**(In Thousands)**

	<b>Fiscal Year Ended June 30</b>				
	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
<b>Net Position -</b>					
<b>Beginning of Period .....</b>	(\$393,436)	(\$407,866)	(\$130,068)	(\$23,774)	\$86,127
Restatements .....	0	0	0	0	0
<b>Net Position</b>					
<b>Beginning of Period, as Restated .....</b>	(\$393,436)	(\$407,866)	(\$130,068)	(\$23,774)	\$86,127
<b>Revenues:</b>					
Lottery revenues .....	\$4,587,499	\$4,560,904	\$5,456,344	\$5,127,114	\$5,683,791
Intergovernmental .....	0	0	0	0	140,000
Investment income .....	3,598	2,552	332	1,058	25,229
Other revenues .....	2,338	0	0	34	0
<b>Other Financing Sources:</b>					
Operating transfers in .....	\$141,700	\$265,500	\$500	\$114,700	\$89,300
<b>TOTAL REVENUES AND OTHER SOURCES .....</b>	<b>\$4,735,135</b>	<b>\$4,828,956</b>	<b>\$5,457,176</b>	<b>\$5,242,906</b>	<b>\$5,938,320</b>
<b>Expenditures:</b>					
Costs of sales and services .....	\$4,485,905	\$4,308,501	\$5,105,989	\$4,918,166	\$5,480,224
Depreciation and amortization .....	5,324	6,750	8,986	8,932	9,885
Other expenses .....	7,429	0	0	0	36
<b>Other Uses:</b>					
Operating transfers out .....	\$250,907	\$235,907	\$235,907	\$205,907	\$255,907
<b>TOTAL EXPENDITURES AND OTHER USES .....</b>	<b>\$4,749,565</b>	<b>\$4,551,158</b>	<b>\$5,350,882</b>	<b>\$5,133,005</b>	<b>\$5,746,052</b>
<b>REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURE AND OTHER USES .....</b>	<b>(\$14,430)</b>	<b>\$277,798</b>	<b>\$106,294</b>	<b>\$109,901</b>	<b>\$192,268</b>
<b>Net Position - End of Period .....</b>	<b>(\$407,866)</b>	<b>(\$130,068)</b>	<b>(\$23,774)</b>	<b>\$86,127</b>	<b>\$278,395</b>
<b>Components of Net Position</b>					
Invested in capital assets, net of debt .....	\$31,234	\$37,345	\$37,797	\$41,561	\$96,816
Restricted for elderly programs .....	0	0	0	44,566	181,579
Deficit .....	(439,100)	(167,413)	(61,571)	0	0
<b>TOTAL NET POSITION .....</b>	<b>(\$407,866)</b>	<b>(\$130,068)</b>	<b>(\$23,774)</b>	<b>\$86,127</b>	<b>\$278,395</b>

Source: Office of the Budget, compiled from the Commonwealth's audited Annual Comprehensive Financial Reports for fiscal years ended June 30, 2019 through 2023 (GAAP), but Table 10 is unaudited.

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The following budgetary basis information is derived from the Commonwealth's unaudited budgetary basis financial statements for fiscal years 2019 through 2024 and the enacted budget for fiscal year 2025.

### ***Fiscal Year 2019 Financial Results***

*Budgetary Basis.* Fiscal year 2019 net revenues from lottery sources, including instant ticket sales and the state's participation in the multi-state Powerball game, increased by 8.8 percent. Total funds available, including prior year lapses and net revenues received by the Lottery Fund during fiscal year 2019, were \$1,956.3 million. Total appropriations, net of current-year lapses, were \$1,952.1 million. The fiscal year-end unappropriated balance and reserve had a surplus of \$4.2 million.

### ***Fiscal Year 2020 Financial Results***

*Budgetary Basis.* Fiscal year 2020 net revenues from lottery sources, including instant ticket sales and the state's participation in the multi-state Powerball game, decreased by 6.1 percent. Total funds available, including prior year lapses and net revenues received by the Lottery Fund during fiscal year 2020, were \$1,959.1 million. Total appropriations, net of current-year lapses, were \$2,078.9 million. The fiscal year-end unappropriated balance and reserve had a negative balance of \$119.8 million.

### ***Fiscal Year 2021 Financial Results***

*Budgetary Basis.* Fiscal year 2021 net revenues from lottery sources, including instant ticket sales and the state's participation in the multi-state Powerball game, increased by 19.3 percent. Total funds available, including prior year lapses and net revenues received by the Lottery Fund during fiscal year 2021, were \$1,999.8 million. Total appropriations, net of current-year lapses, were \$1,876.5 million. The fiscal year-end unappropriated balance and reserve had a balance of \$48.3 million.

### ***Fiscal Year 2022 Financial Results***

*Budgetary Basis.* Fiscal year 2022 net revenues from lottery sources, including instant ticket sales and the state's participation in the multi-state Powerball game, decreased by 6.9 percent. Total funds available, including prior year lapses and net revenues received by the Lottery Fund during fiscal year 2022 were \$2,193.3 million. Total appropriations, net of current-year lapses, were \$1,968.5 million. The fiscal year-end unappropriated balance and reserve had a balance of \$149.8 million, an increase of 209.9 percent.

### ***Fiscal Year 2023 Financial Results***

*Budgetary Basis.* Fiscal year 2023 net revenues from lottery sources, including instant ticket sales and the Commonwealth's participation in the multi-state Powerball game, increased by 2.1 percent. Total funds available, including prior year lapses and net revenues received by the Lottery Fund during fiscal year 2023, were \$2,450.2 million. Total appropriations, net of current-year lapses, were \$2,212.6 million. The fiscal-year-end unappropriated balance and reserve had a balance of \$162.6 million, an increase of 8.6 percent.

### ***Fiscal Year 2024 Financial Results – preliminary, unaudited***

*Budgetary Basis.* Fiscal year 2024 net revenues from lottery sources, including instant ticket sales and the Commonwealth's participation in the multi-state Powerball game, decreased by 3.1 percent. Total funds available, including prior year lapses and net revenues received by the Lottery Fund during fiscal year 2024, were \$2,467.4 million. Total appropriations, net of current-year lapses, were \$2,074.3 million. The fiscal-year-end unappropriated balance and reserve had a balance of \$318.1 million, an increase of 95.6 percent.

### ***Fiscal Year 2025 Enacted Budget***

The enacted fiscal year 2025 budget anticipates a 4.3 percent decrease in net revenues from all lottery sources, including instant-ticket sales and the State's participation in the multi-state Powerball game. State Lottery Funds available, including lapses, are estimated to be \$2,473.2 million in fiscal year 2025, an increase of 0.2 percent. Budgeted appropriations and executive authorizations total \$2,194.8 million, which represents an increase of \$120.5 million or a 5.8 percent increase from fiscal year 2024. The fiscal year-end balance reflects a projected surplus of \$203.4 million, a decrease of \$114.7 million from the fiscal year 2024 ending balance.

## **COMMONWEALTH REVENUES AND EXPENDITURES**

### **Recent Receipts and Forecasts**

Table 11, on the next page, presents the Commonwealth revenue receipts, including net revenues accrued but not deposited, on a budgetary basis, for the major operating funds of the Commonwealth as actually received for fiscal years 2020 through 2024.

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**Table 11**  
**General Fund, Motor License Fund and State Lottery Fund – Unaudited <sup>(a)</sup>**  
**Fiscal Year 2020 – Fiscal Year 2024**  
**(In Millions)**

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024<sup>(f)</sup></u>
<b>General Fund</b>					
Tax Revenues:					
Sales and use .....	\$10,817.8	\$12,834.9	\$13,914.3	\$14,024.4	\$14,255.9
Personal income .....	12,835.0	16,283.4	18,125.7	17,628.1	17,856.8
Corporate (b) .....	2,826.9	4,423.8	5,323.2	6,139.5	5,651.5
Public utility (c) .....	1,142.0	1,030.2	1,061.9	1,226.9	1,433.3
Inheritance .....	1,082.0	1,345.5	1,550.5	1,524.4	1,636.0
Financial and insurance (d) .....	866.5	874.7	931.1	887.6	947.4
Cigarette .....	924.3	964.2	874.1	772.9	668.0
Other Tobacco Products .....	127.3	134.9	149.5	152.6	146.4
Realty transfer .....	497.8	640.2	847.1	643.8	530.8
Alcoholic beverages (e) .....	388.9	439.1	453.7	473.2	470.1
Other .....	102.3	208.7	257.0	303.0	268.7
<b>TOTAL TAX REVENUES .....</b>	<u>\$31,610.7</u>	<u>\$39,179.6</u>	<u>\$43,488.2</u>	<u>\$43,776.4</u>	<u>\$43,864.8</u>
Non-Tax Revenues:					
Liquor store profits .....	\$185.1	\$185.1	\$185.1	\$185.1	\$185.1
Licenses, fees and miscellaneous .....	411.8	963.2	4,393.9	889.6	1,356.4
Fines, penalties and interest .....	68.0	64.1	66.9	66.0	67.2
<b>TOTAL NON-TAX REVENUES .....</b>	<u>\$664.9</u>	<u>\$1,212.4</u>	<u>\$4,645.9</u>	<u>\$1,140.7</u>	<u>\$1,608.7</u>
<b>TOTAL GENERAL FUND .....</b>	<u>\$32,275.6</u>	<u>\$40,392.0</u>	<u>\$48,134.1</u>	<u>\$44,917.2</u>	<u>\$45,473.5</u>
<b>Motor License Fund</b>					
Tax Revenues:					
Liquid fuels .....	\$635.1	\$616.3	\$645.7	\$644.4	\$653.0
Fuels use .....	0.0	0.0	0.0	0.0	0.0
Oil company franchise .....	931.4	904.8	949.7	953.3	960.9
Motorbus & alt fuels .....	141.9	135.3	151.5	177.1	164.2
Minor and Repealed .....	(0.2)	(0.4)	0.0	0.0	0.0
<b>TOTAL TAX REVENUES .....</b>	<u>\$1,708.2</u>	<u>\$1,656.0</u>	<u>\$1,746.9</u>	<u>\$1,774.8</u>	<u>\$1,778.0</u>
Non-Tax Revenues:					
Licenses and fees .....	\$954.0	\$1,151.4	\$1,126.6	\$1,117.8	\$1,283.1
Other and miscellaneous .....	1.0	17.9	9.8	65.7	108.8
<b>TOTAL NON-TAX REVENUES .....</b>	<u>\$955.0</u>	<u>\$1,169.3</u>	<u>\$1,136.4</u>	<u>\$1,183.5</u>	<u>\$1,391.9</u>
<b>TOTAL MOTOR LICENSE FUND .....</b>	<u>\$2,663.3</u>	<u>\$2,825.3</u>	<u>\$2,883.3</u>	<u>\$2,958.3</u>	<u>\$3,169.9</u>
<b>State Lottery Fund</b>					
Non-Tax Revenues:					
Lottery revenues .....	\$1,676.0	\$2,006.2	\$1,967.5	\$2,006.9	\$1,944.2
Other and miscellaneous .....	267.9	(6.4)	255.8	112.1	126.1
<b>TOTAL NON-TAX REVENUES .....</b>	<u>\$1,943.8</u>	<u>\$1,999.8</u>	<u>\$2,223.3</u>	<u>\$2,119.0</u>	<u>\$2,070.4</u>
<b>TOTAL STATE LOTTERY FUND .....</b>	<u>\$1,943.8</u>	<u>\$1,999.8</u>	<u>\$2,223.3</u>	<u>\$2,119.0</u>	<u>\$2,070.4</u>

Source: Office of the Budget. Totals may not add due to rounding.

<sup>(a)</sup> Budgetary basis including taxes and interest accrued but not deposited by the Commonwealth by June 30 of each fiscal year.

<sup>(b)</sup> Includes the corporate net income and the capital stock and franchise taxes.

<sup>(c)</sup> Includes the utility gross receipts and utility property tax.

<sup>(d)</sup> Includes the financial institution and insurance premium taxes.

<sup>(e)</sup> Includes the liquor and malt beverage taxes.

<sup>(f)</sup> Preliminary, unaudited.



Table 12 below presents a comparison of the actual revenues on a budgetary basis to the official revenue estimate used for budget enactment for the General Fund and the Motor License Fund for fiscal years 2020 through 2024.

**Table 12**  
**Commonwealth Revenues – Official Estimate vs. Actual <sup>(a)</sup>**  
**General Fund and Motor License Fund – Unaudited**  
**Fiscal Year 2020 – Fiscal Year 2024**  
**(In Millions)**

<b>Fiscal Year Ended June 30</b>	<b>General Fund</b>			<b>Motor License Fund</b>		
	<b>Official Estimate<sup>(b)</sup></b>	<b>Actual</b>	<b>Variance</b>	<b>Official Estimate <sup>(b)</sup></b>	<b>Actual</b>	<b>Variance</b>
2020	\$35,496.8	\$32,275.8	(\$3,221.0)	\$2,849.9	\$2,663.5	(\$186.4)
2021	36,954.7	40,392.0	3,437.3	2,806.1	2,825.6	19.5
2022	42,536.2	48,134.2	5,598.0	2,846.0	2,883.4	37.4
2023	43,579.7	44,917.1	1,337.4	2,916.1	2,958.3	42.2
2024 <sup>(c)</sup>	44,610.6	45,473.5	862.9	3,126.8	3,169.9	43.1

Source: Office of the Budget.

<sup>(a)</sup> Budgetary basis including taxes and interest accrued but not deposited by the Commonwealth by June 30 of each fiscal year.

<sup>(b)</sup> As certified for budget enactment.

<sup>(c)</sup> Preliminary, unaudited.

### Tax Revenues (Unaudited Budgetary Basis)

#### *General Fund*

Tax revenues constituted approximately 96.5 percent of Commonwealth revenues in the General Fund for the fiscal year ended June 30, 2024 (hereafter, fiscal year 2024). The major tax sources for the General Fund of the Commonwealth are shown in the following table:

#### **Major General Fund Tax Sources by Type**

<b>Tax Type</b>	<b>Collections (in millions)</b>
Sales and Use	\$14,255.9
Personal Income	17,856.8
Corporate Net Income	5,561.5
Gross Receipts	1,389.2
Inheritance	1,636.0

Together, the five taxes set forth in the table above produced 92.9 percent of General Fund tax revenues for the fiscal year 2024.

#### *Motor License Fund*

The major tax source for the Motor License Fund is the Oil Company Franchise Tax including fuels and liquid fuels, which produced 50.9 percent of non-restricted Motor License Fund revenues in fiscal year

2024. Portions of certain taxes whose receipts are deposited into the Motor License Fund are legislatively restricted to specific transportation programs. These receipts are accounted for in restricted accounts in the Motor License Fund and are not included in the budgetary basis discussions of the tax revenues of the Motor License Fund.

### **General Fund Revenue Detail**

The major revenue sources (those representing more than 1 percent of total revenues) for the General Fund are described briefly below. For additional information, please refer to the Tax Compendium on the Pennsylvania Department of Revenue's website (<https://www.revenue.pa.gov>). The receipt amounts in the descriptions are on a budgetary basis.

#### **Corporate Net Income Tax**

Total corporate net income taxes of \$5,651.5 million were collected in fiscal year 2024 (12.4 percent of total General Fund revenues).

This tax is paid by all domestic and foreign business corporations for the privilege of doing business, carrying on activities, or employing or owning capital or property in Pennsylvania and is levied on Federal taxable income with Pennsylvania modifications. When the entire business of any corporation is not transacted within Pennsylvania, taxable income is usually determined by a single sales factor apportionment formula for tax years 2013 and beyond.

The tax rate for 2024 is 8.99 percent for the tax year that began January 1, 2023 and then decreased to 8.49 percent for the tax year beginning January 1, 2024. The rate will decrease by 0.5 percent each tax year thereafter until the rate is 4.99 percent for tax year 2031 and after.

#### **Gross Receipts Tax**

Total gross receipts taxes of \$1,389.2 million were collected in fiscal year 2024 (3.1 percent of total General Fund revenues).

This tax is levied on the gross receipts from business transacted within Pennsylvania by specified companies owned, operated or leased by corporations, associations, or individuals. Various gross receipts taxes are imposed upon private bankers; pipeline, conduit, steamboat, canal, slack water navigation and transportation companies; telephone, telegraph and mobile telecommunications companies; electric light, water power and hydroelectric companies; express companies; palace car and sleeping car companies; and freight and oil transportation companies.

The current tax rate on gross receipts from sales of electric energy within Pennsylvania is 59 mills and has been in effect since 2003. The current tax rate on other gross receipts is 50 mills and has been in effect since 1991.

#### **Insurance Premiums Tax**

Total insurance premium taxes of \$546.8 million were collected in fiscal year 2024 (1.2 percent of total General Fund revenues).

This tax is levied on the gross premiums from all business transacted within the Commonwealth during each calendar year by domestic and foreign insurance companies.

Prior to the passage of Act 53 of 2022, premiums from foreign casualty companies and foreign fire companies were deposited in the Municipal Pension Aid Fund (MPAF) and the Fire Insurance Tax Fund (FITF), respectively. Act 53 of 2022 provides that all insurance premiums tax payments are deposited in the

General Fund. At the close of the fiscal year, the greater of 38 percent of insurance premiums tax revenues or \$345 million is to be transferred to the MPAF, and the greater of 8.5 percent of insurance premiums tax revenues or \$85 million is to be transferred to the FITF. The change is effective beginning with fiscal year 2022-23. Amounts transferred in fiscal year 2024 (figures shown above are net of these transfers):

- Municipal Pension Aid Fund - \$382.0 million
- Fire Insurance Tax Fund - \$85.9 million

The current tax rate is 2 percent of gross premiums plus a retaliatory fee where applicable.

## **Sales & Use Tax**

Total sales and use taxes of \$14,255.9 million were collected in fiscal year 2024 (31.3 percent of total General Fund revenues).

This tax is levied on the sale at retail, including rental, of tangible personal property and certain services, or upon the use with Pennsylvania of tangible personal property, or taxable services purchased at retail if the tax was not paid at time of purchase. A tax on the occupancy of hotel rooms is imposed as part of the sales and use tax law.

Listed below are the transfers made from Sales and Use Tax in fiscal year 2024 (figures shown above are net of these transfers):

- Commonwealth Financing Authority - \$162.1 million
- Public Transportation Assistance Fund - \$149.3 million (0.947 percent of gross collections)
- Public Transportation Trust Fund - \$693.9 million (4.4 percent of gross collections)
- Transit Revitalization Investment District Fund - \$0.7 million
- Beginning in fiscal year 2023 an additional monthly transfer is made to the Public Transportation Trust Fund. The transfer is made from Motor Vehicle Sales and Use Tax only, but is calculated on total collections (3.28 percent of gross collections) - \$517.7 million.

The current tax rate uses a bracket system based on 6 percent of purchase price. This rate has been in effect since 1968.

## **Cigarette Tax**

Total cigarette taxes of \$668.0 million were collected in fiscal year 2024 (1.5 percent of total General Fund revenues).

This tax is imposed and assessed on the sale or possession of cigarettes and little cigars weighing less than 4 pounds per 1,000 sticks within Pennsylvania.

Listed below are the transfers made from Cigarette Tax in fiscal year 2024 (figures shown above are net of these transfers):

- Agricultural Conservation Easement Purchase Fund - \$25.5 million
- Children's Health Insurance Program - \$30.7 million
- Tobacco Debt Service - \$115.3 million
- Local Cigarette Tax Fund - \$36.5 million. If collections from the additional Philadelphia Cigarette Tax (\$0.10 per cigarette) fall below \$58.0 million in a fiscal year, a transfer is made from the General Fund to the Local Cigarette Tax Fund to make up the difference.

The current tax rate of \$0.13 per cigarette has been in effect since August 2016.

## **Personal Income Tax**

Total personal income taxes of \$17,856.8 million were collected in fiscal year 2024 (39.3 percent of total General Fund revenues).

This tax is paid by all residents, resident trusts, and estates on eight separate classes of income:

- Compensation
- Net profits
- Interest
- Dividends
- Income from the disposition of property
- Rents and royalties
- Gambling and lottery winnings, including cash prizes of the Pennsylvania Lottery
- Income from estates and trusts.

The tax is also paid by non-resident individuals, estates and trusts on the following income from sources within the Commonwealth:

- Compensation for personal services performed in Pennsylvania unless the taxpayer is a resident of a state with which there is a reciprocal agreement
- Net profits from activity conducted in Pennsylvania
- Income from the rental, ownership, or disposition of any real or personal property
- Income from gambling activity in Pennsylvania, including cash prizes of the Pennsylvania Lottery.

A loss in one class of income may not be offset against income in another class, nor may gains or losses be carried back or forward from year to year. A credit is available to those individuals receiving tax forgiveness under the special provisions for poverty.

The following transfers were made from Personal Income Tax in fiscal year 2023:

- Environmental Stewardship Fund - \$12.3 million
- Farm Show Complex restricted account - \$13.3 million
- Election Integrity Restricted Account - \$45.0 million.

The current tax rate of 3.07 percent has been in effect since 2004.

## **Realty Transfer Tax**

Total realty transfer taxes of \$530.8 million were collected in fiscal year 2024 (1.2 percent of total General Fund revenues).

This tax is levied on the value of real estate transferred by a deed, instrument, or other writing. Other taxable transfers include long-term leases greater than 30 years, transfers of real estate from industrial development authorities that will not be used primarily for industrial purposes, and “deemed” transfers of real estate because of the acquisition of companies which are not in the business of holding or selling real estate.

The following transfers were made from Realty Transfer Tax in fiscal year 2024:

- Keystone Recreation, Park, and Conservation Fund - \$106.4 million (15 percent of gross collections)

- Pennsylvania Housing Affordability and Rehabilitation Enhancement Fund - \$60.0 million in 2024, increasing \$10 million per year until reaching \$100.0 million per fiscal year. The transfer will increase to \$70.0 million in 2025; \$80 million in 2026; \$90.0 million in 2027; and \$100.0 million in 2028 and each year thereafter.

The current tax rate for the Pennsylvania share of the Realty Transfer Tax is 1 percent of the actual consideration or price of the property represented in the deed. Pennsylvania realty transfer tax is collected, often along with an additional local realty transfer tax, by county Recorders of Deeds. The Recorders of Deeds remit the Commonwealth's 1 percent to the Department of Revenue, and locals have the option to share their realty transfer tax among school districts and municipalities.

### **Inheritance Tax**

Total inheritance taxes of \$1,636.0 million were collected in fiscal year 2024 (3.6 percent of total General Fund revenues).

This tax is imposed on the value of property transferred to beneficiaries of a deceased person and certain transfers made during the decedent's lifetime. The value of the transfer is established on the date of the decedent's death.

Rates are based on the relationship of the decedent and the beneficiary. Transfers of non-jointly held property to spouses are untaxed. Transfers to parents from decedents 21 years of age or younger are untaxed. Transfers to beneficiaries 21 years of age or younger from their decedent parents are also untaxed. Transfers to other lineal beneficiaries are taxed at 4.5 percent. Transfers to siblings of the decedents are subject to a 12 percent tax rate. Transfers to all other beneficiaries are taxed at 15 percent.

### **Liquor Tax**

Total liquor taxes of \$448.8 million were collected in fiscal year 2024 (1.0 percent of total General Fund revenues)

This tax is a consumption tax on the sale of liquor by the Commonwealth. The distribution of liquor is a state enterprise under the auspices of the Pennsylvania Liquor Control Board ("LCB"). The Commonwealth assumed the liquor control responsibility following the repeal of Prohibition in 1933.

All liquors sold by the LCB are subject to this tax at a rate of 18 percent, which is computed on the actual price paid by the consumer including mark-up, handling charge, and federal tax. The first sale of liquor is also subject to the Sales and Use Tax at the time of purchase. Retail licensees, such as restaurants and bars, purchase liquor from the LCB at a discounted price and pay Liquor and Sales Taxes on these purchases. These taxes are not charged on subsequent purchases of liquor by restaurant customers.

### **Non-Tax Revenues**

Total non-tax revenues of \$1,608.7 million were collected in fiscal year 2024 (3.5 percent of total General Fund revenues).

This category is made up of the following major components:

- Liquor Store Profits
- Licenses and Fees
- Miscellaneous Non-Tax Revenues
- Fines, Penalties, and Interest

## Motor License Fund Revenue Detail

The major tax sources (those representing more than 1 percent of total non-restricted revenues) for the Motor License Fund are described briefly below. For additional information, please refer to the Tax Compendium on the Pennsylvania Department of Revenue's website (<https://www.revenue.pa.gov>). The tax receipt amounts in the descriptions are on a budgetary basis.

### Motor Carriers Road Tax / International Fuel Tax Agreement (IFTA)

Total motor carriers road tax/IFTA of \$146.0 million was collected in fiscal year 2024 (4.6 percent of total non-restricted Motor License Fund revenues).

The motor carriers road tax/IFTA is imposed on fuel consumed by qualified motor vehicles operated within Pennsylvania. Qualified motor vehicles operated exclusively in Pennsylvania are subject to fuel taxation under the Motor Carriers Road Tax. Credit is granted for tax paid on fuel purchases. The tax rate is equivalent to the rate per gallon currently in effect on liquid fuels, fuels, or alternative fuels.

Annual decal fees indicating vehicle registration in Pennsylvania are also included in these taxes. The cost is \$12 per vehicle per calendar year. The decals must be displayed on both sides of each qualified vehicle operated in Pennsylvania.

### Oil Company Franchise Tax

Total oil company franchise taxes, which includes fuels and liquid fuels taxes, of \$1,613.8 million were collected in fiscal year 2024 (50.9 percent of total non-restricted Motor License Fund revenues).

The oil company franchise tax is imposed on all taxable liquid fuels and fuels on a cents-per-gallon equivalent basis, and it is remitted by distributors of liquid fuels and fuels.

Fuels sold and delivered to the following are exempt from the tax:

- U.S. government, the Commonwealth, and any of its political subdivisions; volunteer fire companies;
- volunteer ambulance services and volunteer rescue squads;
- second class county port authorities; and
- nonpublic, nonprofit schools (K-12).

In addition to these exemptions, reimbursements are made for certain agricultural purposes and for fuel consumed in truck-mounted refrigerator units.

The following table shows the tax rates in effect for calendar year 2024:

Aviation gasoline	\$0.060/gallon
Jet fuel	\$0.020/gallon
Liquid fuels (motor gasoline and gasohol)	\$0.576/gallon
Fuels (undyed diesel and undyed kerosene)	\$0.741/gallon

### Licenses and Fees

Total licenses and fees revenues of \$1,283.1 million were collected in fiscal year 2024 (40.5 percent of total non-restricted Motor License Fund revenues).

This category is made up of the following major components:

- Special Hauling Permits
- Pennsylvania’s share of registration fees from other states
- Operator’s Licenses
- Vehicle Registration and Titling

## **Federal Revenues**

Receipts by the Commonwealth in its General Fund, Motor License Fund and Tobacco Settlement Fund from the federal government during fiscal year 2023 totaled \$46,892 million and during fiscal year 2024 totaled \$46,229 million. Anticipated receipts from the federal government included in the fiscal year 2025 enacted budget is \$50,120 million. Approximately \$36,478 million, or 77.8 percent, of total federal revenue to the Commonwealth for fiscal year 2023 was attributed to public health and welfare programs, the largest of which are for the Medical Assistance and Temporary Assistance to Needy Families programs. In fiscal year 2024, \$34,534 million, or 74.7 percent, of federal revenues were attributed to these types of programs. In the fiscal year 2025 enacted budget, approximately \$35,993 million or 71.8 percent of federal revenues are expected to be attributable to public health and welfare programs.

## **Major Commonwealth Expenditures**

The Commonwealth’s major operating funds—the General Fund, the Motor License Fund and the State Lottery Fund—provide financial resources to operate programs and fund grants. Trends in expenditures from those funds for various program areas are discussed below based on budgetary basis financial statements for fiscal year 2023 and fiscal year 2024 and based on the enacted budget for fiscal year 2025.

### ***Education***

In fiscal year 2023, expenditures from Commonwealth revenues for education purposes were more than \$17,127 million. In fiscal year 2024, expenditures from Commonwealth revenues for education purposes were more than \$18,021 million. The enacted budget for fiscal year 2025 includes more than \$19,442 million in education funding, an increase of approximately 7.89 percent over fiscal year 2024.

*Elementary and Secondary Education.* The financing of public elementary and secondary education in Pennsylvania is shared by the Commonwealth and local school districts. There are 500 local school districts in the State. With certain exceptions, each is governed by a locally elected school board responsible for the administration of the public schools in the school district with the authority to levy taxes within the limits prescribed by the Public School Code of 1949, as amended. Funds supplied by the Commonwealth supplement the funds raised locally. Local school districts receive various subsidy payments for basic instruction, career and technical education, debt service, pupil transportation, employee retirement programs including Social Security and various special education programs. The largest such subsidy is the Basic Education subsidy. The enacted budget for fiscal year 2025 increases the State Basic Education subsidy by \$285 million to \$8,157.4 million. A portion of the education funding is distributed to school districts, based on local wealth, existing tax burden, district size and certain student characteristics.

Certain specialized education programs are operated and administered in Pennsylvania by 29 intermediate units established by the component local school districts. These intermediate units are funded from contributions from member school districts. Programs operated by intermediate units generally are special education programs for the gifted, for individuals with mental and physical disabilities and for support of nonpublic schools through the provision of auxiliary services and the lending of instructional materials such as textbooks to children attending nonpublic schools in Pennsylvania.

Total Commonwealth expenditures for basic education programs in fiscal year 2023 were more than \$15,001 million, representing 87.59 percent of all Commonwealth expenditures for education in fiscal year 2023. Total Commonwealth expenditures for basic education programs in fiscal year 2024 were more than \$15,842 million, representing approximately 87.91 percent of all Commonwealth expenditures for education in fiscal year 2024. The enacted budget for fiscal year 2025 includes more than \$17,108 million for basic education programs. Table 13 below shows fall enrollment in Pennsylvania public and non-public elementary schools and secondary schools for school years 2020 through 2024.

**Table 13**  
**Fall Enrollment in Pennsylvania Public and**  
**Non-Public Elementary Schools and Secondary Schools School Years 2020-2024**  
**(In Thousands)**

	School Year Ended June 30				
	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
<b>Elementary Schools</b>					
Public	910	877	874	874	873
Nonpublic	147	142	148	165	168
<b>Secondary Schools</b>					
Public	815	819	816	813	813
Nonpublic	64	70	144	70	
<b>Total</b>					
Public	1,725	1,696	1,690	1,687	1,686
Nonpublic	211	214	221	235	312
<b>Total</b>	<u>1,936</u>	<u>1,910</u>	<u>1,911</u>	<u>1,922</u>	<u>1,998</u>

Source: Pennsylvania Department of Education.

*Higher Education.* Higher education in Pennsylvania is provided through degree-granting institutions, which include the universities of the State System of Higher Education (PASSHE), four State-related universities, community colleges, independent colleges and universities and specialized degree-granting institutions. PASSHE, established by statute in 1983 from the fourteen State-owned colleges, is administered by a 20-member Board of Governors, of which 11 members are appointed by the Governor and confirmed by the Senate. Over \$2,007 million was expended by the Commonwealth in fiscal year 2023 for these institutions and student financial assistance. Over \$2,056 million was expended by the Commonwealth in the 2024 fiscal year for these institutions and student financial assistance. The enacted budget for fiscal year 2025 includes over \$2,208 million for higher education.

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Table 14 below shows the full-time enrollment at Commonwealth supported institutions of higher education for school years 2020-2024.

**Table 14**  
**Full-Time Equivalent Enrollment at State-Supported**  
**Institutions of Higher Education**  
**School Years 2020-2024**  
**(In Thousands)**

	<b>School Year Ended June 30</b>				
	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
State System of Higher Education	88	88	80	77	78
State-Related Universities	160	161	159	157	155
Community Colleges	76	70	61	60	60
<b>Total</b>	<b>324</b>	<b>319</b>	<b>300</b>	<b>294</b>	<b>293</b>

Source: Pennsylvania Department of Education.

***Public Health and Human Services***

Fiscal year 2024 public health and human services expenditures were \$58,371 million (budgetary basis) and are projected to be \$61,600 million in fiscal year 2025. Regarding fiscal year 2024 expenditures, nearly \$18,346 million was funded from the General Fund, while \$19,261 million is estimated to be provided from the General Fund for fiscal year 2025. Federal funds are expected to increase by \$1,472 million and augmentations are expected to increase by \$801 million for fiscal year 2025. Public health and human service programs are the largest single component of combined State and federal spending in the Commonwealth’s operating budget. The overall budget increase reflects the impact of caseload increases, federal mandates, litigation, and continued support of county operated programs for child welfare, mental health, and intellectual disabilities.

The fiscal year 2025 budget includes \$333 million of receipts from the Tobacco Settlement Fund to be expended for health care related programs. For fiscal year 2025, the Governor has proposed to transfer \$115.3 million of cigarette tax revenue to the Tobacco Settlement Fund to replace monies deducted from the Tobacco MSA for deposit in the Tobacco Revenue Bond Debt Service Account. Federal funds matching the Tobacco MSA funds are also expected to be provided. However, under the terms of the 1998 settlement that created the Tobacco Settlement Fund, payments by the tobacco companies may, in certain circumstances be reduced, reflecting a decline in cigarette sales and such payments also may be limited, delayed, or terminated as a result of bankruptcy or insolvency of tobacco companies or legal challenges to the settlement or to amounts due thereunder. In June 2018, a settlement was reached with various tobacco companies resolving 20 years of disputes and future disputes related to the non-participating manufacturer adjustment. The settlement resulted in a payment of which \$352 million was used to offset health care related costs in fiscal year 2024.

Programs providing temporary financial assistance and medical assistance comprise the largest portion of public health and human services expenditures. General Fund expenditures for these assistance programs by the Commonwealth amounted to \$14,198 million in fiscal year 2024, while \$14,869 million is budgeted from the General Fund for fiscal year 2025. In addition, a nursing home assessment fee provided a General Fund offset (meaning a reduction in required General Fund appropriations) of \$170 million in fiscal year 2024 and is expected to provide a \$174 million offset in fiscal year 2025. A Managed Care Organization assessment provided a General Fund offset of \$1,330 million in fiscal year 2024 and in fiscal year 2025 the offset is projected at \$1,485 million. Also, a Statewide Quality Care assessment provided a \$368 million offset in fiscal year 2024 and is expected to provide a \$452 million offset in fiscal year 2025. In fiscal year 2025, approximately 31.27 percent of the total cost of assistance to the economically needy is proposed to be

supported by Commonwealth funds appropriated from the General Fund. The balance is expected to be provided from reimbursements by the federal government and through various program collection activities conducted by the Commonwealth.

Medical assistance, including long-term living home and community-living programs and the intellectual disability waiver program, continues to be a growing component of public health and human services expenditures. Despite implementation of Commonwealth initiatives to restrain costs, the program continues to grow due to expanding caseloads, technology improvements and general medical cost inflation. Expenditures for medical assistance increased during the period from fiscal years 2014 through 2024 by an average annual rate of 8.02 percent. Fiscal year 2024 expenditures from Commonwealth funds were \$13,961 million (budgetary basis) and are projected to be \$14,597 million in fiscal year 2025, an increase of 4.56 percent from the prior fiscal year. Income maintenance cash assistance payments to families in transition to independence were \$1,028 million for fiscal year 2024, of which \$139 million was from the General Fund. The enacted budget for fiscal year 2025 includes a total of \$925 million, for such purpose with \$143 million provided from the General Fund.

### ***Transportation***

The Commonwealth is responsible for the construction, restoration and maintenance of the highways and bridges in its 40,000-mile State highway system, including certain city streets that are a part of the State highway system. Assistance for the maintenance and construction of local roads and bridges is provided to municipalities through financial aid grants. Highway maintenance costs, construction costs, and assistance grants are paid from the Motor License Fund. Other special funds, including the Public Transportation Assistance Fund, the Public Transportation Trust Fund, the Multimodal Transportation Fund and the State Lottery Fund provide funding for mass transit and other modes of transportation.

Act 89 of 2013 provided dedicated additional funding for highways and bridges through the incremental uncapping of the Oil Company Franchise Tax and the indexing of vehicle and driver services fees. Act 89 of 2013 also restructured Act 44 of 2007 Pennsylvania Turnpike Commission payment distributions.

In addition to its unrestricted State funds, the Motor License Fund includes five restricted revenue accounts funded by State revenues legislatively dedicated to these specific purposes. Some of the restricted purposes, funded from these accounts, also receive funding by annual appropriations of unrestricted Motor License Fund revenues. Programs receiving funds from a restricted account include highway bridges, highway construction and maintenance, grants to municipalities for highways and bridges and airport development.

Total funding for the Commonwealth's highway and bridge program for fiscal year 2023 was \$3,136 million (budgetary basis). The funding was increased to \$3,428 million (budgetary basis) in fiscal year 2024. The fiscal year 2025 budget reflects an increase to \$3,493 million (budgetary basis). Support of highway and bridge expenditures by local governments through grants paid from the Motor License Fund and restricted revenues was \$677 million in fiscal year 2023 and \$647million in fiscal year 2024. For fiscal year 2025, grants to local governments decreased to \$634 million.

In addition to its support of the highway system, the Commonwealth provides subsidies for mass transit systems including passenger rail and bus service.

For fiscal year 2008, the funding mechanisms for mass transit in the Commonwealth were changed with the enactment of Act 44 of 2007. Mass transit funding was shifted from the General Fund to a combination of sources of revenue primarily going into a Public Transportation Trust Fund established by Act 44 of 2007. The Public Transportation Trust Fund was created to provide a long-term, predictable and growing source of revenues for public transportation systems. Act 89 of 2013 increased funding and revenue sources for the Public Transportation Trust Fund. Revenues are provided by scheduled payments by the Pennsylvania

Turnpike Commission, a portion of the Sales and Use Tax, certain motor vehicle fees, vehicle code fines and surcharges, and transfers from the Public Transportation Assistance Fund and the Lottery Fund. This funding supports mass transit programs Statewide, providing financial assistance for operating costs, capital costs, and certain administrative costs for the Department of Transportation. For fiscal year 2023, Commonwealth funding available for mass transit was \$2,514 million (budgetary basis). Funding for mass transit was increased in fiscal year 2024 to \$2,702 million (budgetary basis). The fiscal year 2025 budget for mass transit was increased to \$2,721million.

Act 89 of 2013 created the Multimodal Transportation Fund to provide additional funding for freight and passenger rail, ports, aviation, bicycle and pedestrian facilities, and other modes of transportation. Revenues deposited into the Multimodal Transportation Fund include payments from the Pennsylvania Turnpike Commission, a portion of certain motor vehicle fees and a portion of the Oil Company Franchise Tax. For fiscal year 2023, Commonwealth funding available for multimodal transportation was \$167 million (budgetary basis). The fiscal year 2024 funding was \$183 million (budgetary basis), and the budget for fiscal year 2025 is \$183million.

The Commonwealth's current aviation program funds the development of public airport facilities through grants providing for airport development, runway rehabilitation, and real estate tax rebates for public use airports. Taxes levied on aviation and jet fuel provide revenues for a restricted account for aviation programs in the Motor License Fund. In fiscal year 2023, \$9million was expended from aviation restricted accounts. For fiscal year 2024 funding was \$10 million and the budget for fiscal year 2025 is \$11 million.

Taxes on motor fuels provide approximately 57 percent of total non-restricted Motor License Fund revenues annually. COVID-19 significantly impacted both non-restricted and restricted Motor License Fund revenues. This resulted in fiscal year 2021 revenues well below previous levels for Pennsylvania's highway and bridge infrastructure system. These revenue shortfalls primarily impacted the construction program. Federal transportation relief funding of \$407 million along with higher fund revenues and the enactment of \$279 million from federal American Rescue Plan Act State Fiscal Relief funds, allowed calendar year 2021 and 2022 to rebound. The passage of the federal Infrastructure Investment and Jobs Act will afford the opportunity to further increase construction spending by an additional \$748 million in 2023, \$792 million in 2024, and \$838 million in 2025. However, while Motor License Fund revenues are projected to surpass pre-pandemic levels for the current budget and future and planning years, additional state funds for construction will be necessary to meet the overall infrastructure needs of the Commonwealth. Act 85 of 2024 imposes an annual fee on Electric Vehicles (EV) and Plug-in Hybrid Electric Vehicles (PHEV). The EV Fee shall be allocated in the same manner as the Oil Company Franchise Tax and be utilized for the construction, reconstruction, maintenance, repair of, and safety on public highways and bridges.

The Commonwealth is not responsible for toll roads and bridges in Pennsylvania. These are under the jurisdiction of various authorities and commissions. See "GOVERNMENT AUTHORITIES AND OTHER ORGANIZATIONS" herein.

## **OUTSTANDING INDEBTEDNESS OF THE COMMONWEALTH**

### **General**

Article VIII, Section 7(a) of the Constitution permits the Commonwealth to incur the following types of debt: (i) debt to suppress insurrection or rehabilitate areas affected by disaster, (ii) electorate-approved debt, (iii) debt for capital projects, subject to the constitutional debt limit, and (iv) tax anticipation notes payable in the fiscal year of issuance. All debt, except debt incurred through the issuance of tax anticipation notes, must be amortized in substantial and regular amounts.

Debt service on Commonwealth general obligation debt is paid from appropriations out of the General Fund except for debt issued for highway purposes, which is paid from Motor License Fund appropriations. Table 15 on the following page shows general obligation debt outstanding for fiscal years 2015 through 2024.

**Table 15**  
**General Obligation Debt Outstanding<sup>(a)</sup>**  
**Fiscal Years 2015-2024 (In Millions)**

<b>Fiscal Year Ended June 30</b>	<b>General Obligation Debt Outstanding</b>
2015 .....	\$12,074.8
2016 .....	11,578.5
2017 .....	12,009.0
2018 .....	12,455.4
2019 .....	11,559.0
2020 .....	10,750.3
2021 .....	10,939.4
2022 .....	10,084.7
2023 .....	10,206.6
2024 .....	10,505.6

Source: Office of the Budget.

<sup>(a)</sup>Net of sinking fund balances.

Net outstanding general obligation debt totaled \$10,505.6 million at June 30, 2024, an increase of \$299.0 million over June 30, 2023. Over the 10-year period ending June 30, 2024, total net outstanding general obligation debt decreased at an annual rate of 1.4 percent. Over the 5-year period ending June 30, 2024, total net outstanding general obligation debt has decreased at an annual rate of 0.5 percent.

General obligation debt for non-highway purposes of \$9,742.1 million was outstanding on June 30, 2024. Outstanding debt for these purposes increased by a net \$373.3 million since June 30, 2023. For the period ending June 30, 2024, the 10-year and 5-year average annual compound growth rate for total outstanding debt for non-highway purposes has been -0.9 percent and -1.5 percent, respectively. In its current debt financing plan, Commonwealth infrastructure investment projects include improvement and rehabilitation of existing capital facilities and construction of new facilities, such as public buildings, prisons and parks, transit facilities, economic development and community facilities, and environmental remediation projects.

Outstanding general obligation debt for highway purposes was \$763.5 million on June 30, 2024, a decrease of \$74.3 million from June 30, 2023. Highway outstanding general obligation debt grew over the 10-year and decreased over the 5-year period ending June 30, 2024, at the annual average rates of 0.4 percent and -6.2 percent, respectively. A previous decline in outstanding highway debt was due to the policy that began in 1980 of funding highway capital projects with current revenues, except for very limited exceptions. However, beginning with fiscal year 2009, the Commonwealth initiated a multi-year plan to issue an average of \$200 million in general obligation bonds annually to accelerate the rehabilitation of a portion of the Commonwealth's 6,000 structurally deficient bridges. Funding to support such debt issuance was initially provided from an existing restricted account rather than from general revenues of the Motor License Fund or the General Fund. During the 2010 fiscal year, the Commonwealth issued \$200 million in general obligation bonds to jumpstart its bridge rehabilitation program. During fiscal years 2011, 2012, 2013 and 2014 the Commonwealth issued \$130 million, \$120 million, \$85 million and \$40 million, respectively, in general obligation debt for the bridge rehabilitation program.

Table 16, on the following page, shows selected debt ratios for the Commonwealth for fiscal year 2014 and for fiscal years 2020 through 2024.

**Table 16**  
**Selected Debt Ratios**  
**Fiscal Years 2014 and 2020 through 2024**  
**(In Millions)**

	2014	2020	2021	2022	2023	2024 <sup>(f)</sup>
Net Outstanding Debt (Millions)						
General Obligation Debt(a) .....	\$11,409	\$10,750	\$10,939	\$10,085	\$10,206	\$10,506
Lease Payment Obligations(b).....	2,410	3,711	3,587	3,460	3,328	3,577
Total .....	<u>\$13,819</u>	<u>\$14,461</u>	<u>\$14,526</u>	<u>\$13,544</u>	<u>\$13,534</u>	<u>\$14,083</u>
% Increase (Decrease) over prior year.....	3.4%	-3.5%	0.4%	-6.8%	-0.1%	4.1%
Population (Thousands)*.....	12,851	12,993	13,000	13,006	12,970	12,963
Per Capita Debt .....	\$1,075	\$1,113	\$1,117	\$1,041	\$1,043	\$1,057
Personal Income (Millions)* .....	\$589,720	\$729,142	\$783,826	\$833,322	\$836,778	\$878,681
Debt as a % of Personal Income.....	2.3%	2.0%	1.9%	1.6%	1.6%	1.6%
Debt Service (Millions)(c)						
Highway Bonds(d) .....	\$54	\$87	\$91	\$106	\$108	\$108
All Other Bonds .....	1,233	1,239	1,226	1,238	1,216	1,258
Lease Payments.....	171	165	178	173	173	171
Total .....	<u>\$1,458</u>	<u>\$1,491</u>	<u>\$1,495</u>	<u>\$1,517</u>	<u>\$1,497</u>	<u>\$1,537</u>
Increase (Decrease) Over Prior Year.....	2.2%	(2.7%)	0.3%	1.5%	(1.3%)	2.7%
Cash Revenues (Millions)(e)						
Motor License Fund .....	\$2,447	\$2,633	\$2,826	\$2,883	\$2,958	\$3,170
General Fund.....	28,608	32,276	40,392	48,134	44,917	45,473
Total .....	<u>\$31,055</u>	<u>\$34,909</u>	<u>\$43,218</u>	<u>\$51,018</u>	<u>\$47,875</u>	<u>\$48,643</u>
% Increase (Decrease) over prior year.....	(0.0%)	(7.4%)	23.8%	18.1%	(6.2%)	1.6%
Highway Bond Debt Service as a % of Motor License						
Fund Revenues.....	2.2%	3.3%	3.2%	3.7%	3.7%	3.4%
All Other Bond Debt Service and Lease Payments as a						
% of General Fund Revenues .....	4.9%	4.4%	3.5%	2.9%	3.1%	3.1%
Total Debt Service and Lease Payments as a % of Motor						
Motor License and General Fund Revenues.....	4.7%	4.3%	3.5%	3.0%	3.1%	3.2%

Source: Office of the Budget.

Prior fiscal year debt ratios can be found in previous Official Statements under Investor Information at [www.budget.pa.gov](http://www.budget.pa.gov).

(a) Net of all sinking fund balances.

(b) Includes unduplicated data of issues contained in Table 20.

(c) As paid from appropriations, available funds and/or sinking fund balances.

(d) Highway Bonds and Highway Bridge Improvement Bonds.

(e) Commonwealth revenues only.

(f) Preliminary, unaudited.

\*Population and personal income numbers based upon calendar year-end data available. 2024 figures are estimated.

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## General Obligation Debt Outstanding

As of June 30, 2024, the Commonwealth had the following amount of general obligation debt outstanding:

**Table 17**  
**General Obligation Debt Outstanding as of June 30, 2024**  
**(In Thousands)**

	<b>Debt Outstanding</b>	<b>Less: Refunding Escrow<sup>(a)</sup></b>	<b>Less: Sinking Funds<sup>(b)</sup></b>	<b>Net Debt Outstanding</b>
<b>Capital Projects Debt:</b>				
Capital Facilities Bonds .....	\$6,446,874	\$0	(\$8,154)	\$6,438,720
Highway Bonds .....	428,752	0	0	428,752
Refunding Bonds .....	3,048,295	0	0	3,048,295
<b>Total Capital Projects Debt Outstanding.....</b>	<b>\$9,923,921</b>	<b>\$0</b>	<b>(\$8,154)</b>	<b>\$9,915,767</b>
<b>Electorate Approved Debt:</b>				
PA Economic Revitalization Bonds.....	\$0	\$0	\$0	\$0
Land & Water Development Bonds.....	0	0	0	0
Nursing Home Loan Development Bonds .....	0	0	0	0
Volunteer Companies' Loan Bonds.....	0	0	0	0
Vietnam Veterans Compensation Bonds .....	0	0	0	0
Water Facilities Restoration-1981 Referendum.....	0	0	0	0
Pennvest—1988 Referendum Bonds .....	0	0	0	0
Pennvest—1992 Referendum Bonds .....	0	0	(37,806)	(37,806)
Agricultural Conservation Easement Bonds .....	0	0	0	0
Local Criminal Justice Bonds .....	0	0	0	0
Keystone Recreation, Parks & Conservation Bonds.....	0	0	0	0
Growing Greener Bonds .....	76,389	0	(6)	76,383
Water Supply and Wastewater Treatment Bonds.....	20,275	0	0	20,275
Persian Gulf Conflict Veterans .....	0	0	0	0
Water and Sewer Assistance.....	29,845	0	(4)	29,841
<b>Total Electorate Approved Debt Outstanding.....</b>	<b>\$126,509</b>	<b>\$0</b>	<b>(\$37,816)</b>	<b>\$88,693</b>
<b>Other Bonded Debt:</b>				
Disaster Relief Bonds .....	\$0	\$0	\$0	\$0
Refunding Bonds .....	501,185	0	0	501,185
<b>Total Other Bonded Debt Outstanding .....</b>	<b>\$501,185</b>	<b>\$0</b>	<b>\$0</b>	<b>\$501,185</b>
<b>Total General Obligation Debt Outstanding .....</b>	<b>\$10,551,615</b>	<b>\$0</b>	<b>(\$45,970)</b>	<b>\$10,505,645</b>

Source: Office of the Budget.

<sup>(a)</sup> Principal amount of bonds refunded to be paid from escrowed bond proceeds in State Treasurer escrow account.

<sup>(b)</sup> Funds already deposited in sinking funds.

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Debt service payable during each fiscal year on outstanding general obligation debt, net of refunding escrow amounts, as of June 30, 2024, for the years shown below is set forth in Table 18.

**Table 18**  
**General Obligation Bond Debt Service**  
**(In Thousands)**

<b>Fiscal Year Ending</b>			
<b>June 30</b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>
2025	\$932,255	\$454,476	\$1,386,731
2026	996,055	406,413	1,402,468
2027	992,090	357,785	1,349,875
2028	928,985	312,364	1,241,349
2029	863,535	267,576	1,131,111
2030	853,200	229,709	1,082,909
2031	692,155	195,168	887,323
2032	710,605	165,546	876,151
2033	610,320	136,521	746,841
2034	519,280	111,821	631,101
2035	473,880	90,365	564,245
2036	411,325	71,413	482,738
2037	360,955	56,178	417,133
2038	275,260	44,155	319,415
2039	283,215	33,277	316,492
2040	191,495	22,708	214,203
2041	158,255	15,928	174,183
2042	116,250	10,156	126,406
2043	116,250	5,225	121,475
2044	66,250	1,325	67,575
<b>Total</b>	<b>\$10,551,615</b>	<b>\$2,988,110</b>	<b>\$13,539,725</b>

Source: Office of the Budget.

Totals may not add due to rounding.

**Nature of Commonwealth Debt**

*Capital Projects Debt.* The Commonwealth may incur debt to fund capital projects for community colleges, highways, bridge projects, public improvements, transportation assistance, flood control, and redevelopment assistance. Before a project may be funded, it must be itemized in a capital budget bill adopted by the General Assembly. An annual capital budget bill states the maximum amount of debt for capital projects that may be incurred during the current fiscal year for projects authorized in the current or previous years' capital budget bills. Capital projects debt is subject to the Constitutional debt limit.

Once capital projects debt has been authorized by the necessary legislation, issuance authority rests with at least two of the three Issuing Officials (the Governor, the State Treasurer and the Auditor General), one of whom must be the Governor.

*Electorate Approved Debt.* The issuance of electorate-approved debt is subject to the enactment of legislation that places on the ballot the question of whether debt shall be incurred. The legislation authorizing the referendum must state the purposes for which the debt is to be authorized and, as a matter of practice, includes a maximum amount of funds to be borrowed. Upon electorate approval and enactment of legislation implementing the proposed debt-funded program, bonds may be issued. All such authorizing legislation to date has given issuance authority to at least two of the Issuing Officials, one of whom must be the Governor.

*Other Bonded Debt.* Debt issued to rehabilitate areas affected by disasters is authorized by specific legislation. Authorizing legislation has given issuance authority to at least two of the three Issuing Officials, one of whom must be the Governor.

*Tax Anticipation Notes.* Due to the timing of major tax payment dates, the Commonwealth's General Fund cash receipts are generally concentrated in the last four months of the fiscal year, from March through June. Disbursements, however, are distributed more evenly throughout the fiscal year. As a result, operating cash shortages can occur during certain months of the fiscal year. When necessary, the Commonwealth engages in short-term borrowing to fund expenses within the fiscal year through the sale of tax anticipation notes. The authority to issue such notes rests with the Issuing Officials.

The Commonwealth may issue tax anticipation notes only for the account of the General Fund or the Motor License Fund or both such funds. The principal amount issued, when added to already outstanding amounts, may not exceed in the aggregate 20 percent of the revenues estimated to accrue to the appropriate fund or funds in the fiscal year.

Tax anticipation notes must mature within the fiscal year in which they are issued. The Commonwealth is not permitted to fund deficits between fiscal years with any form of debt. Any year-end deficit balances must be funded in the succeeding fiscal year budget.

*Line of Credit (General Fund).* The Commonwealth has entered into an investment agreement with the Pennsylvania Treasury Department which allows the Commonwealth to use governmental monies on deposit with the Treasury Department on a short-term basis to fund General Fund expenses within the fiscal year (the "STIP Facility"). Under the STIP Facility, the Treasury Department invested and the Commonwealth repaid \$650 million in fiscal year 2019 and \$1,700 million in fiscal year 2020. The Treasury Department did not make a STIP Facility investment in fiscal years 2021, 2022, 2023 and 2024. All amounts due and owing under the STIP Facility are repaid with interest within the same fiscal year in which they are invested. As of the date of this Official Statement, there is no STIP Facility in place or expected to be needed in fiscal year 2025.

*Line of Credit (Capital Facilities Fund).* The Commonwealth has entered into an investment agreement with the Pennsylvania Treasury Department which allows the Commonwealth to use governmental monies on deposit with the Treasury Department on a short-term basis to fund capital expenses within the fiscal year. On November 13, 2023, the Commonwealth used \$200 million of the line of credit to fund projects within several capital facilities categories. The \$200 million was repaid with interest on December 20, 2023 at settlement of the Commonwealth's First Series of 2023 Bonds.

*Bond Anticipation Notes.* Pending the issuance of general obligation bonds, the Commonwealth may issue bond anticipation notes subject to the same statutory and constitutional limitations generally imposed on general obligation bonds. The term of such borrowings may not exceed three years. Issuing authority rests with the Issuing Officials. No bond anticipation notes are outstanding.



## Projected Issuance of Long-Term Debt

Table 19 shows actual and projected future issuance of new-money general obligation bonds (or bond anticipation notes) through fiscal year 2029 as currently estimated, based on current authorizations. Bonds authorized under the economic stimulus program and other programs of the Commonwealth Financing Authority are not included in the table below. Actual issuance of bonds will be affected by several economic and other factors and may vary significantly from the projections contained in Table 19 below.

**Table 19**  
**General Obligation Bond Issuance and Principal Retirements**  
**Fiscal Years 2025-2029<sup>(a)</sup>**  
**(In Millions)**

	Fiscal Year Ended June 30				
	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>
Capital Facilities <sup>(b)</sup>					
Buildings and Structures.....	\$1,000	\$1,000	\$1,100	\$1,100	\$1,100
Furniture and Equipment .....	20	15	15	15	15
Transportation Assistance .....	175	175	175	175	175
Redevelopment Assistance.....	300	300	300	300	300
Flood Control .....	0	5	0	5	0
Highway and Bridge Projects.....	0	0	0	0	0
Special Purpose:					
Pennvest — 1988, 1992 & 2008 Referenda <sup>(a)</sup> .....	0	0	0	0	0
Water and Wastewater Referendum .....	0	0	0	0	0
Growing Greener II Referendum.....	0	0	0	0	0
Total Projected Issuance .....	<u>\$1,495</u>	<u>\$1,495</u>	<u>\$1,590</u>	<u>\$1,595</u>	<u>\$1,590</u>
Principal Retirement <sup>(c)</sup> .....	<u>\$838</u>	<u>\$972</u>	<u>\$1,047</u>	<u>\$1,082</u>	<u>\$1,112</u>

Source: Office of the Budget.

Totals may not add due to rounding.

<sup>(a)</sup> As set forth in the fiscal year 2025 Governor's Executive Budget.

<sup>(b)</sup> Includes issuance for new projects and for projects previously authorized.

<sup>(c)</sup> On bonded debt, outstanding and pro forma for projected bond issuances.

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## **OTHER STATE-RELATED OBLIGATIONS**

### **Pennsylvania Housing Finance Agency**

The Pennsylvania Housing Finance Agency (“PHFA”) is a State-created agency that provides financing for housing for low and moderate-income families, and people with special housing needs in the Commonwealth. The bonds, but not the notes, of the PHFA are partially secured by a capital reserve fund required to be maintained by the PHFA in an amount equal to the minimum capital reserve fund required for such fund. If there is a potential deficiency in the capital reserve fund or if funds are necessary to avoid default on interest, principal or sinking fund payments on bonds or notes of PHFA, the statute creating PHFA directs the Governor, upon notification from PHFA, to include in the proposed executive budget of the Commonwealth for the next succeeding year an amount sufficient to fund such deficiency to avoid such default. The budget, as passed, by the General Assembly may or may not include the amount so requested by the Governor. PHFA is not permitted to borrow additional funds so long as any deficiency exists in the Capital Reserve Fund. No deficiency exists currently.

According to PHFA, as of June 30, 2024, PHFA had \$5,442.2 million of revenue bonds outstanding.

### **Lease Financing**

The Commonwealth, through several of its departments and agencies, leases various real property and equipment. Some leases and the lease payments thereunder are, with the Commonwealth’s approval, pledged as security for debt obligations issued by certain public authorities or other entities within the Commonwealth. All lease payments payable by Commonwealth departments and agencies are subject to and dependent upon, approval of an annual spending authorization by the legislature through the Commonwealth’s annual budget process. The Commonwealth is not required by law to appropriate or otherwise provide moneys to pay lease payments. The obligations to be paid from such lease payments do not constitute bonded debt of the Commonwealth.

Table 20 below contains summary information on material obligations secured by annual appropriations of Commonwealth departments, agencies and authorities payable from the General Fund or other budgeted special funds.

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**Table 20**  
**Obligations Secured by Commonwealth**  
**Annual Appropriations as of June 30, 2024**  
**(In Thousands)**

<b>Entity</b>	<b>Purpose</b>	<b>Maximum Annual Principal</b>	<b>Principal Amount Outstanding<sup>(1)</sup></b>	<b>Final Maturity</b>
Sports & Exhibition Authority of Pittsburgh and Allegheny County	Public Auditorium	\$18,465	\$214,090	Nov. 1, 2039
NORESKO, LLC	Equipment	2,070	5,615	Oct. 1, 2026
NORESKO, LLC	Equipment	1,455	4,015	Oct. 1, 2026
NORESKO/Johnson Controls	Equipment	3,080	13,625	Apr. 1, 2027
Pennsylvania Economic Development Finance Authority	Convention Center	23,680	195,465	June 15, 2039
Commonwealth Financing Authority	General Government	359,365	4,063,065	June 1, 2042
Pennsylvania Economic Development Finance Authority	Office Space	17,580	81,205	Mar. 1, 2034
Pennsylvania Economic Development Finance Authority	Rapid Bridge Replacement	43,290	588,585	June 30, 2042
Department of General Services	Lease/Lease Back	12,745	180,415	June 30, 2046
Pennsylvania Economic Development Finance Authority	County Voting Apparatus	8,845	48,450	June 1, 2030
Pennsylvania Economic Development Finance Authority	Bridge Replacement	123,650	1,759,135	Dec. 31, 2062

Source: Office of the Budget.

(1) Principal amount outstanding as of June 30, 2024.

In 2010, the Commonwealth executed an installment purchase agreement with Noresco, LLC, a Massachusetts limited liability company (“Noresco”). The purpose of the installment purchase agreement is to assist the Commonwealth, acting through its Department of Human Services, to acquire certain energy-savings improvements at Ebensburg State Center, an intermediate care facility. Certificates of participation in the amount of \$15.6 million were issued in March 2010 and are payable from lease payments made by the Commonwealth from, and subject to, annual appropriation to its Department of Human Services. The Commonwealth has also entered into additional installment purchase agreements with Noresco and Johnson Controls. Certificates of participation in the amount of \$86.9 million were issued in October 2010 and are payable by the Commonwealth from, and subject to, annual appropriations to its Departments of General Services, Corrections and Human Services. Certificates of participation in the amount of \$12.4 million were issued in December 2010 and are payable by the Commonwealth from, and subject to, annual appropriations to its Departments of General Services and Human Services. The purpose of the additional installment purchase agreements was to assist the Commonwealth, acting through various departments, to acquire certain energy-saving improvements.

On March 1, 2009, the Commonwealth entered into a 25-year master lease agreement for certain office space within the Forum Place complex in the City of Harrisburg. The master lease covered 375,000 square feet of office space and had a term through February 28, 2034. In January 2012, the Pennsylvania Economic Development Financing Authority (“PEDFA”) issued lease revenue bonds in the principal amount of \$107.4 million to acquire the Forum Place complex from the then-controlling majority holder of the defaulted 1998 Dauphin County General Authority bonds. Contemporaneous with the issuance of the PEDFA bonds to acquire the Forum Place, the Capital Region Economic Development Corporation (CREDC) entered into an agreement with both the Commonwealth and PEDFA pursuant to which the Commonwealth leases approximately 375,000 square feet of office space and 500,000 square feet of parking space in the Forum Place complex from CREDC. The PEDFA Bonds are payable from lease payments made by the Commonwealth to CREDC from and subject to annual appropriations authorizing payments to various Commonwealth agencies occupying the leased space.

### **Lease for Pittsburgh Penguins Arena**

In October 2007, the Commonwealth and the Sports and Exhibition Authority of Pittsburgh and Allegheny County (the “SEA”) entered into a lease agreement (the “Arena Lease”) that, while not creating indebtedness of the Commonwealth, creates a “subject to appropriation” obligation of the Commonwealth. The SEA, a joint public benefit authority, issued in October 2007 its \$313.3 million Commonwealth Lease Revenue Bonds (the “Arena Bonds”) to finance a multi-purpose arena (the “Arena”), to serve as the home of the Pittsburgh Penguins (the “Penguins”), a hockey team in the National Hockey League. The Arena Bonds are not debt of the Commonwealth but are limited obligations of the SEA payable solely from the special revenues pledged therefor. These special revenues include annually (1) \$4.1 million from a lease with the Penguins, (2) not less than \$7.5 million from the operator of a casino located in the City of Pittsburgh, and (3) \$7.5 million from the Commonwealth’s Economic Development and Tourism Fund (the “Development and Tourism Fund”). The Development and Tourism Fund is funded with an assessment of five percent of the gross terminal revenue of all total wagers received by all slot machines in the Commonwealth less cash payments.

While the special revenues were projected to be adequate to pay all debt service on the Arena Bonds, the revenues have not been able to fully cover the debt service. To the extent such revenues are in any year inadequate to cover debt service, the Commonwealth is obligated under the Arena Lease to fund such deficiency, subject in all cases to appropriation by the General Assembly. The maximum annual amount payable by the Commonwealth under the Arena Lease is \$18.6 million. In December 2009, the Commonwealth was notified by the SEA that an additional \$2.8 million would be required in fiscal year 2010 to support debt service. In compliance with its obligations under the Arena Lease, the Commonwealth included an appropriation request for \$2.8 million from the Pennsylvania Gaming and Economic Development Tourism Fund in its fiscal year 2010 budget. Subsequent to the fiscal year 2010 budget, the Commonwealth has been annually notified by the SEA that additional funds are required to support debt service. In each subsequent year, the Commonwealth included the appropriation request in the appropriate fiscal year budget. In fiscal year 2019 it was \$754,059.60; in fiscal year 2020 the debt service was \$695,000.00; in fiscal year 2021 the debt service was \$783,144.78; in fiscal year 2022 the debt service was \$262,764.24; in fiscal year 2023 the debt service was \$243,753.68 and in fiscal year 2024 the debt service was \$191,346.38.

During April 2010, the SEA issued \$17.4 million in additional Commonwealth Lease Revenue Bonds (the “Supplemental Arena Bonds”) to complete the Arena. The Supplemental Arena Bonds do not constitute debt of the Commonwealth but are limited obligations of the SEA payable solely from the special revenues pledged therefor. As with the Arena Bonds, the Commonwealth is obligated under the Arena Lease, as amended, to fund any deficiency in special revenues necessary to pay debt service on the Supplemental Arena Bonds, subject in all cases to appropriation by the General Assembly.

## **Pennsylvania Convention Center**

In April 2010, the Commonwealth acquired (through ownership and a long-term leasehold interest) the Pennsylvania Convention Center located in Philadelphia, Pennsylvania and the expansion thereto in 2011. Such acquisition was financed through the issuance by PEDFA of \$281.1 million of revenue bonds (the “Convention Center Bonds”). The Commonwealth, the City of Philadelphia (the “City”) and the Pennsylvania Convention Center Authority (the “Convention Center Authority”) entered into an Operating Agreement (the “Operating Agreement”) in connection with the issuance of the Convention Center Bonds and the acquisition of the Pennsylvania Convention Center which provides for the operation of the Pennsylvania Convention Center by the Convention Center Authority (which also leases the facility), for the City to make an annual payment of \$15 million plus a percentage of its Hotel Room Rental Tax and Hospitality Promotion Tax revenues to support operations of the Pennsylvania Convention Center and for the Commonwealth to make payments to finance operating deficits and operating and capital reserve deposits of the Pennsylvania Convention Center and to pay debt service on the Convention Center Bonds. The Commonwealth also entered into a Grant Agreement (the “Grant Agreement”) with PEDFA and U.S. Bank National Association, as trustee for the Convention Center Bonds, with respect to the obligations of the Commonwealth to make the payments required under the Operating Agreement and related amounts due with respect to the Pennsylvania Convention Center and the Convention Center Bonds.

The obligations of the Commonwealth under the Operating Agreement and the Grant Agreement do not create indebtedness of the Commonwealth but are payable from (1) funds available in the Gaming Economic Development and Tourism Fund and (2) other funds of the Commonwealth, subject to annual appropriation by the State legislature. Payments from the Gaming Economic Development and Tourism Fund of up to \$64 million per year for up to 30 years (but not exceeding \$880 million in the aggregate) have been appropriated by the General Assembly (by Act 53 of 2007) for the payment of debt issued with regard to the Pennsylvania Convention Center and for operating expenses of the Pennsylvania Convention Center; however, there is no requirement in Act 53 of 2007, or otherwise that funds in the Gaming Economic Development and Tourism Fund be so applied. Moneys in the Gaming Economic Development and Tourism Fund have also been appropriated by the General Assembly to several other projects and could be appropriated to additional projects in the future. The Gaming Economic Development and Tourism Fund is funded with an assessment of five percent of the gross terminal revenue of all total wagers received by all slot machines in the Commonwealth less cash payments. While the Gaming Economic Development and Tourism Fund is projected to continue to have sufficient revenues to pay its current appropriated obligations, there can be no absolute assurance that the Gaming Economic Development and Tourism Fund in any future fiscal year will receive sufficient receipts to pay its appropriated obligations.

Any payments due from the Commonwealth under the Operating Agreement and the Grant Agreement and which are not paid from the Gaming Economic Development and Tourism Fund are subject to annual appropriation by the General Assembly. The Commonwealth currently projects that payments materially in excess of the aggregate \$880 million appropriated from the Gaming Economic Development and Tourism Fund will be required to be paid by it to satisfy the Commonwealth’s obligations under the Operating Agreement and the Grant Agreement over the terms of such agreements.

## **Commonwealth Financing Authority**

The Commonwealth Financing Authority (“CFA”) was established in April 2004 with the enactment of legislation establishing the CFA as an independent authority and an instrumentality of the Commonwealth. The CFA is authorized to issue limited obligation revenue bonds and other types of limited obligation revenue financing for the purposes of promoting the health, safety, employment, business opportunities, economic activity and general welfare of the Commonwealth and its citizens through loans, grants, guarantees, leases, lines and letters of credit and other financing arrangements to benefit for-profit,

non-profit, and various government entities. The CFA's bonds and financings are to be secured by revenues and accounts of the CFA, including funds appropriated to CFA from general and other revenues of the Commonwealth for repayment of CFA obligations. The obligations of the CFA do not constitute a debt or liability of the Commonwealth.

In Act 85 of 2016, the General Assembly enacted a new Section 1753.1-E of the Fiscal Code that obligates the State Treasurer, in consultation with the Commonwealth's Secretary of the Budget, to transfer the monies necessary for payment of CFA's debt service each fiscal year, beginning July 1, 2016 from sales tax receipts deposited in the General Fund to a restricted revenue account within the General Fund which may only be used to pay that debt service.

Debt service for Authority debt (other than the Tobacco Bonds (defined below)) is currently payable from continuing appropriations pursuant to Section 1753.1-E of the Fiscal Code while debt service for Tobacco Bonds is currently payable from continuing appropriations pursuant to Sections 2805 and 2809 of the Tax Reform Code.

Since November 2005, the CFA has completed multiple bond issues to fund programs established by its original economic stimulus mission of April 2004, the ("Original Programs.") Currently, there are no plans to issue additional debt for the Original Programs.

As part of the enactment process for the fiscal year 2009 budget, the General Assembly enacted and on July 9, 2008, the Governor signed into law Act 63 of 2008 and Act 1 of Special Session 1 of 2008 ("Act 1"). Combined, these two acts provided the CFA with additional bond issuance authority of up to an additional \$1,300 million. Act 63 of 2008 provides the CFA with authority to issue up to \$800 million in limited obligation revenue bonds in order to fund water or sewer projects, storm water projects, flood control projects and high hazard unsafe dam projects. Act 63 of 2008 also provides for the use of Pennsylvania Gaming and Economic Development and Tourism Fund revenues to support debt service costs associated with the \$800 million in additional CFA debt authority. Act 1 provides the CFA with authority to issue up to \$500 million in limited obligation revenue bonds to fund the development of alternative sources of energy. As of 2021, the CFA has issued \$473 million in limited obligation revenue bonds authorized by Act 1 and \$757 million in limited obligation revenue bonds authorized by Act 63 of 2008. Other than bonds for refunding purposes, there currently are no plans to issue additional debt for these programs.

As of June 30, 2024, the CFA had \$4,063.1 million in outstanding bond debt (including Tobacco Bonds). With respect thereto, a restricted revenue account is funded annually through a Sales and Use Tax Transfer as the source used to service approximately \$3,513.0 million of outstanding debt and the Pennsylvania Gaming and Economic Development and Tourism Fund has been the source used to service approximately \$550.1 million of such outstanding debt.

Pursuant to Act 25 of 2016, the CFA is authorized to issue debt related to the Commonwealth's share of school district construction costs referred to as the PlanCon process. Act 25 of 2016 established a new funding mechanism to pay school districts for construction reimbursements due to them and to fund capital grants to school districts as part of the PlanCon process. The CFA is authorized to issue up to \$2,500 million in appropriation backed debt in connection with the Commonwealth's share of school construction costs; debt in excess of \$2,500 million may be incurred by CFA for this purpose if CFA and the Department of Education determine that \$2,500 million is insufficient to carry out the purposes of Act 25 of 2016 and if the Secretary of the Budget approves such determination. The expectation is that the borrowings (other than refunding bonds) will occur from time to time through fiscal year 2025 based on statute as authorized by Act 25 of 2016. As of June 30, 2024, the CFA has issued \$1,903.1 million for construction reimbursement purposes under Act 25 of 2016.

In addition, the CFA, pursuant to Article XXVIII of the Tax Reform Code, added by Act 43 of 2017 issued Tobacco Master Settlement Payment Revenue Bonds, (the “Tobacco Bonds”) on February 13, 2018, in a principal amount necessary to fund a deposit of \$1,500 million in the General Fund of the Commonwealth to provide General Fund budgetary relief. Currently, there are no plans to issue additional Tobacco Bonds (other than for refunding purposes).

## **Pensions and Retirement**

### ***General Information***

The Commonwealth maintains contributory benefit pension plans covering all State employees, public school employees, and employees of certain State-related organizations. State employees and employees of certain State-related organizations are members of the Pennsylvania State Employees’ Retirement System (“SERS”). Public school employees are members of the Public School Employees’ Retirement System (“PSERS”). With certain exceptions, membership in the applicable retirement system is mandatory for covered employees.

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## History of Retirement System Participants 2019-2023

<u>Year<sup>(a)</sup></u>	<u>PSERS</u>			<u>SERS</u>		
	<u>Total Annuitants, Beneficiaries and Survivor Annuitants</u>	<u>Active Members</u>	<u>Total Membership</u>	<u>Total Annuitants and Beneficiaries</u>	<u>Active Members</u>	<u>Total Membership<sup>(b)</sup></u>
2019	237,339	255,749	493,088	132,731	102,850	235,581
2020	239,614	256,246	495,860	133,334	100,962	234,296
2021	242,839	248,145	490,984	134,360	97,857	232,217
2022	246,901	247,873	494,774	135,647	96,395	232,042
2023	249,724	250,820	500,544	136,972	98,115	235,087

Source: Pennsylvania State Employee Retirement System and Public School Employees Retirement System.

<sup>(a)</sup> PSERS data as of June 30, 2023, SERS data as of December 31, 2023.

<sup>(b)</sup> Does not include inactive plan members entitled to but not yet receiving benefits.

SERS and PSERS are established by State law as independent administrative boards of the Commonwealth, each directed by a governing board that exercises control and management of its system, including the investment of its assets. The SERS board consists of eleven members, five appointed by the Governor, two members each from the Senate and House of Representatives, the Secretary of Banking and Securities, and the State Treasurer. The PSERS board has fifteen members, including the Commonwealth's Secretary of Education, the Commonwealth's Secretary of Banking and Securities, the State Treasurer, the Executive Director of the Pennsylvania School Boards Association, one member appointed by the Governor, six elected members (three from among the System's certified members, one from among the System's noncertified members, one from among the System's annuitants, and one from among school board members in Pennsylvania), two members from the Senate, and two members from the House of Representatives. The PSERS and SERS audited financial statements, investment policies, board personnel and other data regarding the respective pension plans are available electronically at the following websites, respectively, <https://www.psers.pa.gov/Pages/default.aspx> and <http://www.sers.pa.gov/index.html>.

The retirement plans of SERS and PSERS are contributory defined benefit plans for which the benefit payments to members and contribution rates by employees are specified in State law. Changes in benefit and contribution provisions for each retirement plan must be made by legislation enacted by the General Assembly. Under statutory provisions established in 1981, all legislative bills and amendments proposing to change a public employee pension or retirement plan are to be accompanied with an actuarial note prepared by an enrolled pension actuary providing an estimate of the cost and actuarial effect of the proposed change.

The Commonwealth's retirement programs are funded by contributions from both the employer and employee. Act 120 of 2010 introduced a shared risk program that can affect member contribution rates for state employees enrolled on or after January 2011 and school members enrolled on or after July 1, 2011 depending on the investments results of the respective retirement system. Act 5 of 2017 enhanced the shared risk program. Under the shared risk program, eligible members benefit when the investments results of the retirement systems are doing well and share some of the risk when the investment underperform benchmarks defined in the retirement codes of each System. The investment performance for the shared risk program is measured every three years and contributions for members eligible for the shared risk program can fluctuate every three years based on how the Systems' actual investment performance compares to the shared risk investment return target defined in the retirement code.

The contribution rate for PSERS members who enrolled in the pension plan on or after January 1, 2002 and before July 1, 2011 is 7.5 percent of compensation. Effective July 1, 2021 the contribution rates for PSERS members who enrolled on or after July 1, 2011 and before June 30, 2019 were increased by



0.5 percent to 8.0 percent or 10.8 percent, depending upon elections made by each member, in accordance with member shared risk provisions of the retirement code. The new rates will remain in effect through June 30, 2024 when they may be adjusted based on the results of the next shared risk measurement period. For PSERS members enrolled on July 1, 2019 or thereafter member contribution rates are set forth in Act 5 of 2017 (“Act 5”). The contribution rates for PSERS members who enrolled prior to January 1, 2002 range from 5.25 percent to 7.5 percent of compensation, depending upon the date of commencement of employment and elections made by each employee member. The SERS’ employee contribution rate is 6.25 percent for most member employees. Interest on each employee’s accumulated contributions is credited annually at a 4 percent rate mandated by State statute. Accumulated contributions plus interest credited are refundable to covered employees upon termination of their employment for most members.

Act 5 established three pension plan design options for most State employees hired on or after January 1, 2019 and for most school employees hired on or after July 1, 2019. The plan designs for SERS and PSERS under Act 5 are available electronically at the following respective websites: [www.psers.pa.gov](http://www.psers.pa.gov) and [www.sers.pa.gov](http://www.sers.pa.gov).

### *Act 5 of 2017*

On June 12, 2017, the Governor signed Act 5 of 2017 into law (“Act 5”) which established three new pension plan design options for most State employees hired on or after January 1, 2019 and for most school employees hired on or after July 1, 2019.

The new plan design options include two hybrid options, which have both a defined benefit (DB) component and a defined contribution (DC) component, as well as a stand-alone DC plan option. New Pennsylvania State Police officers, corrections officers and other hazardous duty personnel hired on or after January 1, 2019, are exempt from participation in the new plan options. New judges and legislators beginning State service after January 1, 2019, would be included under the new plan designs. The table on the following page provides a brief outline of the new plan designs for SERS and PSERS. The PSERS and SERS information regarding Act 5 are available electronically at the following respective websites: [www.psers.pa.gov](http://www.psers.pa.gov) and [www.sers.pa.gov](http://www.sers.pa.gov).

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	Hybrid (SERS Class A-5, PSERS Class T-G) <sup>(b)</sup>	Alternate Hybrid (SERS Class A-6, PSERS Class T-H) <sup>(b)</sup>	Defined Contribution (DC) <sup>(a)</sup>
<b>Annual Benefit Accrual Rate</b>	1.25%	1.0%	N/A
<b>New Employee Contribution Rate</b>			
SERS	8.25% (DB 5.0%, DC 3.25%)	7.5% (DB 4.0%, DC 3.5%)	7.5%
PSERS	8.25% (DB 5.5%, DC 2.75%)	7.5% (DB 4.5%, DC 3.0%)	7.5%
<b>DC Employer Contribution Rate<sup>(a)</sup></b>			
SERS	2.25%	2.0%	3.5%
PSERS	2.25%	2.0%	2.0%
<b>Vesting Years</b>	DB 10/DC 3	DB 10/DC 3	3
<b>Final Average Salary</b>	Highest 5 Years	Highest 5 Years	N/A
<b>Normal Retirement Age</b> (Unreduced Pension)	Age 67/3 years of service; Rule of 97 and 35 eligibility points	Age 67/3 years of service; Rule of 97 and 35 eligibility points for SERS only	N/A
<b>Early Retirement Milestone</b>	Age 57/25 years of service	Age 62/25 years of service for SERS; *Age 55/25 years of service for PSERS	N/A
<b>Early Retirement Reduction</b>	<b>If reach milestone:</b> 3% reduction for each year under age 67 <b>OR</b>  Age 62/10 years of service for SERS: Actuarial reduction for each year under age 67 <b>OR</b>  10 years of service but NOT age 62: Standard Actuarial reduction from 62-67 plus special 7.375% rate actuarial reduction for each year under 62 for SERS. PSERS special rate has yet to be determined	<b>If reach milestone:</b> 3% reduction for each year under age 67 <b>OR</b>  Age 62/10 years of service for SERS: Actuarial reduction for each year under age 67 <b>OR</b>  10 years of service but NOT age 62: Standard Actuarial reduction from 62-67 plus special 7.375% rate actuarial reduction for each year under 62 for SERS. *PSERS special rate has yet to be determined	N/A

\* PSERS special rate is 7.00%.

<sup>(a)</sup> In addition, there is a defined benefit employer contribution rate that is actuarially determined.

<sup>(b)</sup> Effective July 1, 2021 PSERS defined benefit member contributions rates were increased to 5.75% for Hybrid and 5.25% for the Alternative Hybrid in accordance with the member risk share provisions of the retirement code. The new rates will remain in effect through June 30, 2024 when they may be adjusted based on the results of the next shared risk measurement period.

### ***Investment Performance***

SERS returns for the calendar years 2019, 2020, 2021, 2022, and 2023 were 18.8 percent, 11.1 percent, 17.2 percent, -12.2 percent, and 12.2 percent, respectively. PSERS' returns for fiscal years 2019, 2020, 2021, 2022 and 2023 were 6.68 percent, 1.12 percent, 24.58 percent, 2.23 percent, and 3.54 percent, respectively. See "Actuarial Calculations and Unfunded Actuarial Accrued Liability" below regarding investment rate of return assumptions for PSERS and SERS.

### ***Plan Assets***

Contributions to the PSERS and SERS pension plans by the Commonwealth including medical premium assistance payments, employee contributions, interest earnings and benefit payments are shown in the following tables, which have been prepared by the respective staffs of PSERS and SERS.

**Table 21**  
**Public School Employees' Retirement Fund**  
**2019-2023**  
**(In Millions)**

<b>Year Ended June 30</b>	<b>Employer Contributions</b>	<b>Employee Contributions<sup>(a)</sup></b>	<b>Net Investment Income (Loss)</b>	<b>Total Deductions From Plan Net Assets<sup>(b)</sup></b>	<b>Plan Net Assets<sup>(c)</sup></b>
2019	\$4,608	\$1,064	\$ 3,631	\$6,928	\$58,868
2020	4,801	1,076	1,004	7,041	58,708
2021	4,891	1,100	14,764	7,301	72,162
2022	5,141	1,167	(283)	7,424	70,763
2023	5,403	1,225	2,821	7,757	72,455

Source: Pennsylvania Public School Employees Retirement System.

<sup>(a)</sup> Excludes PSERS Health Options Plan activity.

<sup>(b)</sup> Includes PSERS administrative expenses.

<sup>(c)</sup> Includes the effect of change in accounting principle of \$80.

### **Investment Return Reporting vs. Financial Statement Reporting**

For PSERS the fiscal year 2022 time-weighted investment rate of return is a positive 2.23 percent in contrast to the fiscal year 2022 net investment (loss) of \$(283) million. This difference is due to the Pension industry's use of quarter lag reporting for certain asset classes for investment return reporting. For financial statement reporting purposes, nearly all Real estate and Alternative investments are valued based on June 30, 2022 valuations. For investment return reporting, the Real estate and Alternative investments are based on quarter lag valuations as of March 31, 2022. As a result, the financial statements include a net valuation decrease of \$(317) million at June 30, 2022 that will not be recognized in the investment returns for fiscal year 2022. In fiscal year 2021, the financial statements included a June 30, 2021 Real estate and Alternative investment valuation increase of \$1.9 billion which was not recognized in the investment returns until fiscal year 2022. The combined impact of the fiscal year 2021 and fiscal year 2022 quarter lag valuation adjustments is \$2.2 billion. As a result, the fiscal year 2022 investment returns are higher than the net investment loss recognized in the financial statements. This combined impact is the reason why the financial statements have a Net Investment Loss of \$(283) million and fiscal year 2022 investment returns are a positive 2.23 percent.

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**Table 22**  
**State Employees' Retirement Fund**  
(In Millions)

<b>Fiscal Year Ended December 31</b>	<b>Employer Contributions</b>	<b>Employee Contributions</b>	<b>Net Investment Income/Loss<sup>(a)</sup></b>	<b>Total Deductions From Fiduciary Net Position<sup>(b)</sup></b>	<b>Fiduciary Net Position<sup>(c)</sup></b>
2019	\$2,115	\$405	\$5,175	\$3,536	\$31,096
2020	3,187 <sup>(d)</sup>	410	3,919	3,584	35,028
2021	2,871 <sup>(e)</sup>	405	5,683	3,756	40,231
2022	2,075	418	(5,213)	3,904	33,607
2023	2,199	427	4,127	3,935	36,425

Source: Pennsylvania State Employee Retirement System.

<sup>(a)</sup> Includes net appreciation (depreciation) in fair value of investments.

<sup>(b)</sup> Includes SERS administrative costs.

<sup>(c)</sup> Market value of investment assets. For the fiscal year ended December 31, 2014, SERS adopted GASB Statement No. 67, which replaces requirements of GASB Statement No. 25. These require that investments be reported at their fair value. Also includes securities lending collateral pool pursuant to GASB Statement No. 28.

<sup>(d)</sup> In April 2020, Penn State University submitted a payment of \$1.06 billion toward its unfunded liability. In return, the university will receive an annual credit against their contributions for 30 years, beginning in FY 2020-21. The credit totals nearly \$93.3 million for twenty years and then decreases over the final 10 years beginning at nearly \$72.6 million and ending at approximately \$2.3 million in FY 2049-50. The 2020 employer contributions include this lump sum payment.

<sup>(e)</sup> In April 2021, the Pennsylvania State System of Higher Education submitted a payment of \$825 million toward its unfunded liability. In return, the organization will receive an annual credit against their contributions for 30 years, beginning with FY 2021-22. The credit totals more than \$79.9 million for ten years and then decreases over the final 20 years beginning at more than \$69.4 million and ending at nearly \$2.7 million in FY 2050-51. The 2021 employer contributions include this lump sum payment.

### ***Actuarial Calculations and Unfunded Actuarial Accrued Liability***

Annual actuarial valuations are required by State law to determine the employer contribution rates necessary to accumulate sufficient assets and provide for payment of future benefits. Actuarial assessments are “forward-looking” information that reflect the judgment of the fiduciaries of the pension plans, and are based upon a variety of assumptions, one or more of which may prove to be inaccurate or be changed in the future. Actuarial assessments will change with the future experience of the pension plans. The actuary’s recommendations for employer contribution rates represent a funding plan for meeting current and future retirement obligations. The employer’s contribution rate is computed to fully amortize the unfunded actuarial accrued liability of a plan as determined by the actuary. The unfunded accrued liability is a measure of the present value of benefits estimated to be due in the future for current employees under specified assumptions as to mortality, pay levels, retirement experience and employee turnover, less the present value of assets available to pay those benefits, under specified assumptions of normal cost, supplemental annuity amortization, employer contribution levels and employee contributions. The unfunded actuarial accrued liability for recent years with completed valuations is shown in Table 23 below for both SERS and PSERS.

The Boards of PSERS and SERS hire their actuarial firms through a competitive Request for Proposal process generally for a five-year term. PSERS current actuary is Buck Global, LLC, and SERS actuary is Korn Ferry. The Boards of PSERS and SERS periodically review their respective system actuarial assumptions with actuaries, investment consultants and staff and determine whether to make any prospective changes to these assumptions. Actuarial data and information for each system is available from their respective websites. Both Boards have adopted changes to their respective system actuarial assumptions recently and in past years. As discussed below, PSERS Board decreased the actuarial rate of return assumption from 7.25 percent to 7.0 percent for the June 30, 2021 valuation and for subsequent valuations. The SERS Board maintained the actuarial rate of return at 6.875 percent for the December 31, 2023 valuation. These changes to SERS’ and

PSERS' investment return assumptions bring both Fund's return assumptions below the median assumption used by public pension funds nationally.

**Table 23**  
**Unfunded Actuarial Accrued Liability**  
**2019-2023**  
**(In Millions)**

<u>Valuation Year Ended In</u>	<u>SERS<sup>(a)</sup></u>	<u>PSERS<sup>(b)</sup></u>
2019.....	\$23,039	\$44,134
2020.....	22,395	44,034
2021.....	16,080	45,534
2022.....	17,489	43,965
2023.....	16,985	42,350

Source: Pennsylvania State Employee Retirement System and Public School Employees Retirement System.

<sup>(a)</sup> The fiscal year for SERS ends on December 31 of each year.

<sup>(b)</sup> The fiscal year for PSERS ends on June 30 of each year. Amounts presented are for Pension only and excludes Premium Assistance.

During fiscal year 2021, PSERS Actuary, Buck Global, LLC, presented to the PSERS Board recommendations from the Five-Year Actuarial Study which is a periodic review of actual versus expected actuarial experience of the retirement system to ensure that the system is financed on a sound basis. This is an investigation of actuarial experience that has been performed based upon economic and demographic experience from July 1, 2015 through June 30, 2020. The study reviewed the experience and developed recommended assumptions for use in the June 30, 2021 valuation and subsequent valuations. The PSERS Board approved several recommended actuarial assumption changes which included, but was not limited to, lowering the actuarial rate of return from 7.25 percent to 7.0 percent, lowering the annual inflation assumption from 2.75 percent to 2.50 percent, reducing salary growth from 5.0 percent to 4.5 percent and the payroll growth assumption from 3.50 percent to 3.25 percent. The aggregate impact of all assumption changes increased PSERS unfunded actuarial liability by approximately \$2.8 billion.

As of June 30, 2019, PSERS funded ratios were 58.1 percent and 55.7 percent on an actuarial and market value basis, respectively. As of June 30, 2020, PSERS funded ratios were 59.2 percent and 54.4 percent on an actuarial and market value basis, respectively. As of June 30, 2021, PSERS funded ratios were 59.6 percent and 63.7 percent on an actuarial and market value basis, respectively. As of June 30, 2022, PSERS funded ratios were 61.6 percent and 61.3 percent on an actuarial and market value basis, respectively. As of June 30, 2023, PSERS funded ratios were 63.6 percent and 61.9 percent on an actuarial and market value basis, respectively.

Changes in the PSERS unfunded actuarial liability and unfunded liability on a market value basis are attributable to several factors that include investment returns as well as differences between actual and expected demographic results. Additionally, 2021 valuations, subsequent valuations, unfunded actuarial liability and unfunded liability on a market value basis were impacted by the change in actuarial assumptions resulting from the most recent five-year experience study.

For SERS, its funded ratios as of December 31, 2019 were 56.5 percent and 58.7 percent on an actuarial and market value basis, respectively. As of December 31, 2020, SERS funded ratios were 59.4 percent and 63.6 percent on an actuarial and market value basis, respectively. As of December 31, 2021, SERS funded ratios were 69.6 percent and 76.0 percent on an actuarial and market value basis, respectively. As of December 31, 2022, SERS funded ratios were 68.0 percent and 61.5 percent on an actuarial and market value basis, respectively. As of December 31, 2023, SERS funded ratios were 69.6 percent and 65.3 percent on an actuarial and market value basis, respectively.

Changes in the SERS unfunded actuarial liability are attributable to several factors that include actual investment returns, the reduction in the actuarial assumed rate of return from 7.0% to 6.875%, as well as differences between actual and expected results.

Changes in the unfunded actuarial accrued liability are attributable to investment returns as well as differences between expected and actual experience.

Previously for financial reporting purposes, both PSERS and SERS adopted the Governmental Accounting Standards Board's ("GASB") Statement No. 25. GASB Statement No. 25 required a specific method of accounting and financial reporting for defined benefit pension plans. Among other things, GASB Statement No. 25 required a comparison of employer contributions to "annual required contributions" ("ARC"). GASB Statement No. 25 is superseded by GASB Statement No. 67 and is only provided for informational purposes. Currently for financial reporting purposes starting with December 31, 2014 for SERS and June 30, 2014 for PSERS, both systems adopted GASB Statement No. 67, which is discussed in the following section under "New Accounting Standards."

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**Table 24**  
**Comparison of Employer Contributions to Actuarially Determined Contribution (“ADC”)/Annual**  
**Required Contribution**  
**(In Thousands)**

<b>Public School Employees' Retirement Fund<sup>(a)</sup></b>			
<b>Year Ended June 30</b>	<b>ADC or ARC<sup>(a)</sup></b>	<b>Actual Employer Contributions</b>	<b>Percentages Contributed</b>
2023	\$5,237,092	\$5,237,092	100%
2022	4,985,571	4,985,571	100
2021	4,752,338	4,752,338	100
2020	4,671,931	4,671,931	100
2019	4,478,236	4,782,326	100

<b>State Employees' Retirement Fund<sup>(b)</sup></b>			
<b>Year Ended December 31</b>	<b>ADC or ARC<sup>(b)</sup></b>	<b>Actual Employer Contributions</b>	<b>Percentages Contributed</b>
2023	\$2,188,125	\$2,188,125	100%
2022	2,066,132	2,066,132	100
2021	2,078,951	2,858,088	(c) 138
2020	2,164,144	3,174,854	(d) 147
2019	2,106,138	2,106,138	100

(a) Amounts presented are for Pension only and excludes Premium Assistance. The ADC or ARC presented above was determined as part of the actuarial valuation as of two years prior to the dates indicated (i.e., the ADC for the fiscal year ended June 30, 2021 was determined by the valuation completed as of June 30, 2021 which was based on a 7.25 percent interest rate).

(b) The ARC is calculated as part of SERS funding valuation using GASB Statement No. 25 (GASB 25) requirements. Starting in 2014, GASB 25 was superseded by GASB Statement No. 67 (GASB 67) for accounting purposes. GASB 67 replaces the ARC with an actuarially determined contribution (ADC).

(c) The 2021 Actual Employer Contributions includes an \$825 million one-time contribution from the Pennsylvania State System of Higher Education towards its unfunded liability that was made possible by Act 2019-105.

(d) The 2020 Actual Employer Contributions includes a \$1.06 billion one-time contribution from Penn State University towards its unfunded liability that was made possible by Act 2019-105.

(\*) Net of purchase of service contributions.

Source: Pennsylvania State Employee Retirement System and Public School Employees Retirement System.

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Table 25 below provides the State’s projected employer contribution rates expressed as a percentage of the actuarially determined covered payroll for PSERS and SERS for fiscal years 2023 through 2027.

**Table 25**  
**Projected Employer Contribution Rates**  
**2023-2027**

Fiscal Year <sup>(a)</sup>	PSERS <sup>(b)</sup>	SERS <sup>(c)</sup>
2023	35.26%	35.27%
2024	34.00	34.12
2025	34.73	33.88
2026	35.49	34.02
2027	35.41	32.62

<sup>(a)</sup> The fiscal year 2023 employer contribution rates are actual rates which began on July 1, 2023.

<sup>(b)</sup> The projection of contribution rates is an assumption that there are no changes in demographic assumptions, no changes in benefit provisions, and no actuarial gains or losses other than gains or losses on the actuarial value of assets that result from recognizing currently deferred gains or losses on the market value of assets. In addition, a constant active population is assumed with future new members to be Class T-G members with the same demographic characteristics of new members during the period 7/1/2018 to 6/30/2023.

<sup>(c)</sup> These projections are based on SERS economic and demographic actuarial assumptions in place for the 12/31/2023 valuation.

Source: Pennsylvania State Employee Retirement System and Public School Employees Retirement System.

For PSERS as of June 30, 2023, the employer net pension liability was \$44.5 billion while plan fiduciary net position as a percentage of the total pension liability was 61.85 percent. For PSERS as of June 30, 2022 and 2021, the employer net pension liability was \$44.5 billion and \$41.1 billion, respectively, while plan fiduciary net position as a percentage of the total pension liability was 61.34 percent and 63.67 percent, respectively.

Over the past 7 years the longer-term trend of the employer net pension liability has decreased from \$49.6 billion to \$44.5 billion, and the plan fiduciary net position as a percentage of total pension liability has increased from 50.14 percent to 61.85 percent over the same time period. For PSERS as of June 30, 2023 and 2022, actuarially determined contribution (ADC) and contributions in relation to the ADC were both \$5,237 million and \$4,986 million, respectively.

SERS is the administrator of a cost-sharing multiple-employer defined benefit pension plan and reports required items per GASB 67 in Notes to Financial Statements as well as in Required Supplementary Information starting with its 2014 Annual Comprehensive Financial Report. SERS implemented GASB 67 as of December 31, 2014, but also retroactively reported as of December 31, 2013. For SERS as of December 31, 2023 and 2022, net pension liability was \$19.4 billion and \$21.0 billion, respectively, while plan fiduciary net position as a percentage of the total pension liability was 65.3 percent and 61.5 percent, respectively. For SERS as of December 31, 2023 and 2022, actuarially determined contributions (ADC) and contributions in relation to the ADC were both \$2.2 billion and \$2.1 billion, respectively. For SERS as of December 31, 2021, actuarially determined contributions are \$2.1 billion and contributions in relation to ADC are \$2.9 billion. Actual contributions for 2021 include the \$825 million lump sum payment received from the Pennsylvania State System of Higher Education as indicated in footnote (c) of Table 24.

***Other Post-Employment Benefits***

In addition to a defined benefit pension plan for State employees and employees of certain State-related organizations, the Commonwealth also provides health care plans for its eligible retirees and their qualifying dependents. These and similar plans are commonly referred to as “other post-employment benefits”



or “OPEBs.” The Commonwealth provides OPEBs under two plans. The Retired Pennsylvania State Police Program (RPSPP) provides collectively bargained benefits to retired State enlisted members and their dependents. The Retired Employee Health Program (REHP) provides Commonwealth- determined benefits to other retired State employees and their dependents.

The General Assembly, based upon the Governor’s request, annually appropriates funds to meet the obligation to pay current retiree health care benefits on a “pay-as-you-go” basis. Retiree health care expenditures are currently funded by the Commonwealth’s General Fund (approximately 41 percent), and by Federal, Other and Special Funds. Commonwealth costs for such benefits totaled \$579 million in fiscal year 2020, \$410 million in fiscal year 2021, \$372 million in fiscal year 2022, \$448 million in fiscal year 2023, and \$682 million in fiscal year 2024.

#### ***Governmental Accounting Standards Board Statements #74/75***

In June 2015, the GASB released Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans and GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (“Statements No. 74/75”). Statements No. 74/75 establish standards for the measurement, recognition and display in the financial reports of state and local governments of OPEBs liabilities, when provided separately from a pension plan, and related expense or expenditures. Under Statements No. 74/75, governments are required to: (i) recognize the actuarial liabilities of promised benefits associated with past service net of any assets held in trust for the payment of those benefits (the net OPEB liability) and the related expense on the accrual basis of accounting; (ii) provide plan information on the membership, benefits, trusted assets, actuarial assumptions, and changes to the net OPEB liability (NOL) from the previous valuation; and (iii) provide information useful in assessing trends and potential demands on the employer’s future cash flows.

In fiscal year 2008, the Commonwealth’s Office of Budget entered into an Interagency Agreement with the independent Pennsylvania Department of Treasury to establish irrevocable trust accounts for the purpose of providing advance funding to both the REHP and RPSPP programs. The Commonwealth had previously established restricted receipt accounts for the REHP and RPSPP programs in order to accumulate funds to pay retiree health care costs on a “pay-as-you-go” basis while maintaining an adequate reserve balance.

In fiscal year 2024, \$50 million was transferred to the REHP Trust Account and \$1 million was transferred to the RPSPP Trust Account from the pre-existing restricted receipt accounts. No additional transfers have been made to the trust accounts. At June 30, 2024, the combined balance in the trust accounts and restricted receipt accounts was \$1.103 billion.

The Commonwealth has retained Deloitte Consulting, LLP, a multinational professional services firm, to provide actuarial services for GASB 75 implementation and reporting. The Deloitte Consulting’s fiscal year 2022 OPEB valuation for the REHP and RPSPP programs is updated to reflect the following:

The combined NOL reported as of June 30, 2023 was \$13,925 million. The NOL for the REHP was \$7,776 million comprised of an actuarial accrued liability of \$8,528 million less \$752 million of plan assets.

The NOL for the RPSPP was \$6,149 million comprised of an actuarial accrued liability of \$6,284 million less \$135 million of plan assets.

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## GOVERNMENT AUTHORITIES AND OTHER ORGANIZATIONS

Certain State-created organizations have statutory authorization to issue debt for which State appropriations to pay debt service thereon are not required. The debt of these organizations is funded by assets of, or revenues derived from, the various projects financed and is not a statutory or moral obligation of the Commonwealth. However, some of these organizations are indirectly dependent upon Commonwealth operating appropriations. In addition, the Commonwealth may choose to take action to financially assist these organizations. These organizations, their purposes and their outstanding debt, as computed by each organization, (excluding swap obligations) are as follows:

*Delaware River Joint Toll Bridge Commission (“DRJTBC”).* The DRJTBC, a public corporation of the Commonwealth and New Jersey, owns and operates toll and non-toll bridges across the Delaware River north of the toll bridges operated by DRPA (defined below). Debt service on bonds is paid from tolls and other revenues of DRJTBC. DRJTBC had \$634.1 million in bonds outstanding as of December 31, 2024.

*Delaware River Port Authority (“DRPA”).* The DRPA, a public corporation of the Commonwealth and New Jersey, operates several toll bridges over the Delaware River within and near Philadelphia, and promotes the use of the Philadelphia-Camden port and promotes economic development in the port district. Debt service on bonds is paid from toll revenues and other revenues pledged by DRPA to repayment of bonds. As of June 30, 2024, the DRPA had \$906.3 million in revenue bond debt outstanding and \$42.1 million in other bond debt outstanding that is paid from general funds.

*Pennsylvania Economic Development Financing Authority (“PEDFA”).* PEDFA was created in 1987 to offer pooled bonds and other issues of both taxable and tax-exempt bonds on behalf of local industrial development authorities and industrial development corporations for economic development projects. Bonds are payable from and secured by loan repayments and other revenues which may be received by PEDFA. PEDFA had \$8,746.5 million of debt outstanding as of June 30, 2024.

*Pennsylvania Higher Education Assistance Agency (“PHEAA”).* The PHEAA makes or guarantees student loans to students or parents, or to lending institutions or post-secondary institutions. Debt service on the bonds is paid by loan interest and repayments and other agency revenues. The PHEAA had \$1,553.1 million in bonds outstanding as of June 30, 2024.

*Pennsylvania Higher Educational Facilities Authority (“PHEFA”).* The PHEFA is a public corporation of the Commonwealth established to finance college facilities. As of June 30, 2024, the PHEFA had \$5,039.8 million in revenue bonds and notes outstanding payable from the lease rentals or loan repayments of the projects financed. Some of the lessees or borrowers, although private institutions, receive grants and subsidies from the Commonwealth.

*Pennsylvania Industrial Development Authority (“PIDA”).* The PIDA is a public corporation of the Commonwealth established for the purpose of financing economic development. The PIDA had \$13.78 million in revenue bond debt outstanding on June 30, 2024, to which all its revenues are pledged.

*Pennsylvania Infrastructure Investment Authority (“Pennvest”).* Pennvest was created in 1988 to provide low- interest rate loans and grants for the purpose of constructing new and improving existing water supply and sewage disposal systems to protect the health and safety of the citizens of the Commonwealth and to promote economic development within the Commonwealth. Loans and grants are available to local governments and, in certain circumstances, to private companies. The Pennvest bonds are secured by principal repayments and interest payments on Pennvest loans. Pennvest had \$65.8 million of revenue bonds outstanding as of June 30, 2024.

*Pennsylvania Turnpike Commission (“PTC”).* The PTC operates the Pennsylvania Turnpike System (“System”). Its outstanding indebtedness, \$15,930.7 million as of June 30, 2024, is payable from the net revenues of the System, primarily toll revenues, or from certain taxes dedicated to the System.

*State Public School Building Authority (“SPSBA”).* The SPSBA finances public school projects and community college capital projects. Bonds issued by the SPSBA are supported by the lease rental payments or loan repayments made to the SPSBA by local school districts and the community colleges. A portion of the funds appropriated annually by the Commonwealth as aid to local school districts and community colleges may be used by them to pay a portion of such lease rental payments or loan repayments. The SPSBA had \$2,152.2 million of revenue bonds outstanding as of June 30, 2024.

### **City of Philadelphia – Pennsylvania Intergovernmental Cooperation Authority**

The Pennsylvania Intergovernmental Cooperation Authority (“PICA”) was created by Act 6 of 1991 to assist the City of Philadelphia (the “City”), the Commonwealth’s largest city, in remedying its fiscal emergencies. PICA is authorized to provide financial assistance to the City through the issuance of debt, and to make factual findings and recommendations to the City concerning its budgetary and fiscal affairs. This financial assistance has included grants used by the City for defeasance of certain City general obligation bonds, funding of capital projects, and the liquidation of the cumulative general fund deficit of the City, as of June 30, 1992, of \$224.9 million. Under the PICA act, the City is required to submit to PICA: (i) a five-year financial plan on an annual basis; and (ii) quarterly financial reports. Currently the City is operating under a five-year financial plan that covers fiscal years 2025 through 2029, which was approved by PICA.

Over the years, the City has expressed a desire to retain the financial oversight and reporting requirements of the PICA act beyond the expiration of the PICA Bonds. Act 36 of 2022 amended the PICA act to, among other things, (i) extend the term of PICA’s existence until the later of (A) January 2, 2047 or (B) one year after all its liabilities are met or, in the case of PICA Bonds, one year after provision for such payment shall have been made or provided for in the applicable bond indenture; (ii) continue all of the financial oversight and reporting requirements of the PICA act for the life of PICA (regardless of whether PICA Bonds are outstanding); (iii) permit on a limited basis, at the request of the City, the issuance of PICA Bonds for capital projects of the City; and (iv) continue the authorization and dedication of the PICA Tax for so long as PICA remains in existence (regardless of whether any PICA Bonds are outstanding).

Neither the taxing power nor the credit of the Commonwealth is pledged to pay debt service on the PICA bonds. All PICA bonds were retired on June 30, 2023 and presently, there are no PICA bonds outstanding as of June 30, 2024.

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## LITIGATION

The Commonwealth's Office of Attorney General and Office of General Counsel have reviewed the status of pending litigation against the Commonwealth, its officers and employees, and have provided the following brief descriptions of certain cases affecting the Commonwealth.

In 1978, the General Assembly approved a limited waiver of sovereign immunity with respect to lawsuits against the Commonwealth. This cap does not apply to tax appeals. Damages for any loss are limited to \$250,000 for each person and \$1,000,000 for each accident. The Supreme Court of Pennsylvania has held that this limitation is constitutional. Tort claim payments for the departments and agencies, other than the Department of Transportation, are paid from departmental and agency operating and program appropriations. Tort claim payments for the Department of Transportation are paid from an appropriation from the Motor License Fund. The Commonwealth also represents and indemnifies employees who have been sued under Federal civil rights statutes for actions taken in good faith in carrying out their employment responsibilities. There are no caps on damages in civil rights actions. The Commonwealth's self-insurance program covers damages in these civil cases up to \$250,000 per incident. Damages in excess of \$250,000 are paid from departmental and agency operating and program appropriations.

***Pennsylvania Professional Liability Joint Underwriting Association v. Wolf*, Nos. 18-2297, 18-2323, 19-1057, 19-1058, 21-1099, 21-1112, & 21-1155 (Third Cir. Ct. of Appeals); 19-cv-01121 (U.S.D.C., M.D. Pa.)**

The Pennsylvania Professional Liability Joint Underwriting Association (JUA) first initiated an action against Governor Wolf on May 18, 2017, case no. 1:17-cv-00886-CCC (M.D. Pa.). The JUA challenged, on various federal constitutional grounds, a provision of Act 85 of 2016 that directed (1) the transfer of \$200 million from the JUA to the General Fund and (2) repayment of the transferred sum over a five-year period commencing July 1, 2018. The contemplated transfer did not take place. During the pendency of case no. 1:17-cv-00886-CCC, Act 44 of 2017 became law. Act 44 of 2017 again mandated the transfer of \$200 million from the JUA to the General Fund and, if such transfer was not made by December 1, 2017, mandated the abolishment of the JUA. The JUA challenged Act 44 of 2017 at case no. 1:17-cv-02041-CCC (M.D. Pa.). To date, no transfer of funds from the JUA to the General Fund has taken place. On November 30, 2017, the Court stayed case no. 1:17-cv-00886-CCC pending the outcome of 1:17-cv-02041-CCC. On May 17, 2018, the Court held that the sections of Act 44 of 2017 pertaining to the JUA are an unconstitutional taking of private property under the 5th and 14th Amendments to the U.S. Constitution. Act 41 of 2018 folded the JUA into the Department of Insurance and shifted control of the JUA and its assets to that Department. The JUA challenged Act 41 of 2018 at case no. 1:18-cv-01308-CCC (M.D. Pa.). On December 18, 2018, the Court held that Act 41 of 2018 also violated the 5th and 14th Amendments to the U.S. Constitution. Governor Wolf and the other defendants have appealed the trial court orders to the Third Circuit Court of Appeals, which has consolidated the cases for appeal. The appellate briefing is finished, and the Third Circuit scheduled argument. During the pendency of the appeal, the General Assembly enacted Act 15 of 2019. This act, among other things, places the JUA under the purview of the Right-To-Know Law, the Commonwealth Attorneys Act, the Pennsylvania Web Accountability and Transparency Act, and the Commonwealth Procurement Code. Act 15 of 2019 also newly requires the JUA to submit annual budget requests to the Secretary of the Budget and to be funded via appropriations from the General Assembly. Aside from these requirements, Act 15 of 2019 does not implicate any transfer of funds to or from the JUA or the General Fund. The JUA brought a new action challenging the constitutionality of the law, case no. 1:19-cv-1121 (U.S.D.C., M.D. Pa), seeking, in part, a preliminary injunction. On July 17, 2019, the district court denied the request for injunctive relief, finding that the JUA had failed to establish irreparable harm. Because of the enactment of Act 15 and initiation of case no. 1:19-cv-1121, the Third Circuit canceled oral argument and placed the appeal on its *curia advisor vult* (CAV) list, requiring the parties to inform the Court every 120 days of the status of case no. 1:19-cv-1121, and any additional legislative enactments. The appeal is stayed pending adjudication of the challenge to Act 15 in the

district court. A scheduling order has been issued for the case filed at No. 1:19-cv-1121. Discovery has ended and dispositive motions were filed on April 15, 2020. The Court issued a ruling on December 22, 2020, holding Act 15 unconstitutional in part. Particularly, the Court ruled that Act 15 is unconstitutional insofar as it resources the entity, and requires it to comply with the budgetary process, because it restricts the use of its private funds. It ruled that it is unconstitutional as a violation of the First Amendment and procedural due process insofar as it applies the Commonwealth Attorneys Act, because it restricts JUA's choice of counsel. The Court did grant summary judgment with respect to JUA's claims against the application of the Sunshine Act, and Right-to-Know Law, holding that these provisions are constitutional as rational. All parties appealed the District Court's order on Act 15 to the Third Circuit Court of Appeals, which consolidated the three appeals. Briefing concluded in July 2021. The Third Circuit heard oral arguments on November 9, 2022. On January 19, 2023, the Third Circuit issued a Petition for Certification of Question of State Law to the Pennsylvania Supreme Court asking the following question: Under Pennsylvania law, is the Commonwealth's Joint Underwriting Association a public or private entity? The Pennsylvania Supreme Court granted the petition and certified the question. Briefing has completed. Oral argument was held on November 29, 2023. On February 21, 2024, the Pennsylvania Supreme Court concluded that it had "improvidently granted the petition for certification" and returned the case to the Third Circuit without answering the question posed. These matters remain pending with the Third Circuit.

***Level 3 Communications, LLC v. Commonwealth of Pennsylvania, Nos. 121-122 FR 2018 (Pa. Commonwealth Ct.)***

Level 3 (also known as L3) filed a petition with the Pennsylvania Commonwealth Court seeking a refund of \$23 million in gross receipts tax claiming that its sales of private line services are not subject to this tax. L3 contends that its communications technology falls outside the scope of the taxable telephone and telegraph messages component of the gross receipts tax statute because its private lines are largely sold in connection with non-voice services that are not subject to tax (such as colocation and Internet access) or are sold on a stand-alone basis. L3 contends that its services are therefore distinguishable from the private line services that the Pennsylvania Supreme Court held are subject to gross receipts tax in *Verizon Pennsylvania, Inc. v. Commonwealth*, 127 A.3d 745 (Pa. 2015). In February 2024, the Office of Attorney General delegated this matter to the Department of Revenue. After L3 filed this appeal, numerous other entities that sell similar services filed legal challenges to the gross receipts tax on the same grounds as L3. On September 12, 2024, the court consolidated a number of gross receipts tax appeals based on the same legal arguments pending resolution of L3's appeal. The Department of Revenue estimates that more than \$100 million of gross receipts tax collected by the Department could be at issue if the courts rule against the Commonwealth on all of these appeals. Briefing concluded in May 2024. The Commonwealth Court has not yet formally set an oral argument date, but argument is expected to take place in December 2024.

***Facebook, Inc. v. Commonwealth of Pennsylvania, Nos. 432-34 FR 2021 (Pa. Commonwealth Ct.) and Meta Platforms, Inc. v. Commonwealth of Pennsylvania, Nos. 51-52 FR 2024 (Pa. Commonwealth Ct.)***

These are corporate net income tax appeals concerning the sourcing of advertising receipts originally based on location of target audience but later sourced based on location of customers paying for advertising services. This is contrary to existing Department of Revenue policy. The taxpayer is seeking to reopen closed tax periods to revalue its net operating losses. This lawsuit could result in a potential refund to the taxpayer in excess of \$67 million. Briefing and argument has not yet been scheduled by the court. A settlement proposal has been submitted by the taxpayer for the earlier dockets. This proposal is under review.

***Apple, Inc. v. Commonwealth of Pennsylvania, Nos. 92, 93, and 276-287 FR 2022 (Pa. Commonwealth Ct.)***

These corporate net income tax and franchise tax reassessment appeals involve over \$25 million. They concern the apportionment fraction and sourcing of receipts from the sale of digital goods and advertising revenue. The taxpayer treated both types of receipts as income from the sale of intangibles and sourced the according to costs of performance rules. The Department of Revenue treated each as the sale of service income and sourced the receipts under those rules. The taxpayer maintains that they should both be treated as sales of intangibles and sourced accordingly. The taxpayer has not yet submitted a settlement proposal or stipulation of facts.

***Mastercard International, Inc. v. Commonwealth, Nos. 665-672 FR 2018; 819-823 FR 2019; and 227-228 FR 2023 (Pa. Commonwealth Ct.)***

These corporate net income tax appeals concern the sourcing of sales receipts based on location of where the benefit of the services was received versus location of where the services are delivered. The taxpayer claims that its services are not delivered to cardholders or merchants but are instead delivered to banks and other third parties that participate in the Mastercard network. The parties are currently in settlement negotiations. The Department of Revenue estimates that these appeals involve at least \$34 million.

***Nestle Purina PetCare Co. v. Commonwealth of Pennsylvania, Nos. 363-365 FR 2020 (Pa. Commonwealth Ct.)***

These corporate net income tax appeals involve almost \$13 million. The taxpayer argues that its sales for purposes of determining the sales factor numerator were overstated because the computation was done based on initial shipping destination rather than on the location of the sale to the customer. The taxpayer requests a refund based on reduction of the sales factor numerator because the reported numerator allegedly included receipts from sales with an ultimate destination outside Pennsylvania.

***UPS Worldwide Forwarding v. Commonwealth of Pennsylvania, Nos. 199, 203, and 205 FR 2021 (Pa. Commonwealth Ct.)***

In these corporate net income tax appeals, the taxpayer claims the right to use the transportation company apportionment for its logistics company. The taxpayer contends that the airline apportionment is appropriate methodology for its computations, and that the taxpayer has only nominal apportionment in Pennsylvania. The parties are involved in settlement negotiations. The Commonwealth addressed this issue as to other open tax years via legislation, and these appeals covers the remaining years that were not addressed through legislation. The Department of Revenue estimates that \$18 million is at issue.

***Visa USA v. Commonwealth of Pennsylvania, Nos. 330-332 FR 2022; 844-845 FR 2018; 608-609 FR 2019; and 198 FR 2023 (Pa. Commonwealth Ct.)***

This corporate net income tax appeal has substantially similar facts and legal argument as set forth in Mastercard matter discussed above. The Department of Revenue estimates that the amount at issue exceeds \$19 million.

***Verizon Wireless, et al. v. Commonwealth of Pennsylvania, Nos. 600-603 FR 2019; 137-166 FR 2022; 628-637 FR 2022; 61-63 FR 2023 (Pa. Commonwealth Ct.)***

These 41 gross receipts tax refund and reassessment appeals involve nearly \$250 million. The appeals primarily deal with receipts from the sale of roaming (Internet), roaming (voice/text), prepaid phone charges (non-Internet access), which accounts for over 97% of the tax at issue. The parties are in active settlement discussions.

***XXVI Holdings Inc. (Google) v. Commonwealth of Pennsylvania, Nos. 108-110 FR 2024 (Pa. Commonwealth Ct.)***

In these corporate net income tax appeals, the taxpayer contends that taxes regarding its sourcing of advertising revenue receipts should be sourced to Pennsylvania solely based on Pennsylvania population figures. A collateral Department of Revenue audit of Google suggests most of the revenue in question should be sourced to Pennsylvania. The taxpayer filed petitions for review with the Commonwealth Court in March 2024, but the litigation has not yet been scheduled for status conference. The Department of Revenue estimates that over \$39 million is at issue in this matter.

***Alcatel-Lucent USA, Inc. v. Commonwealth of Pennsylvania, No. 8 MAP 2023 (Pa. Supreme Ct.)***

Following the decision in *Nextel Communications of the Mid-Atlantic, Inc. v. Commonwealth*, the Department of Revenue issued Corporation Tax Bulletins 2017-10 and 2018-02 to announce that the flat-dollar cap on the net loss deduction would no longer be available for tax years beginning in 2017 and thereafter. Alcatel-Lucent challenges those Bulletins and argues that the Department of Revenue has violated the uniformity, equal protection, due process, and remedies clauses in its failure to retroactively apply *Nextel* and assess taxpayers who took the flat-dollar net loss deduction beginning with the 2014 tax year. On September 13, 2021, a unanimous Commonwealth Court panel held that *Nextel* applied prospectively and denied the request for a retroactive refund. On June 22, 2022, the matter was argued on exceptions before the Commonwealth Court sitting *en banc*. On April 6, 2023, the Commonwealth Court granted taxpayer's exceptions to allow for retroactive relief in accordance with the decision in *General Motors Corporation v. Commonwealth*. The matter was appealed to the Pennsylvania Supreme Court. Applying *Nextel* retroactively could result in tax refunds of approximately \$150 million for the 2014 – 2016 tax years and tax refunds of approximately \$208 million for the 2007 – 2013 tax years. The parties argued this matter before the Pennsylvania Supreme Court in March 2024 and are awaiting a decision from the Court.

***Pennsylvania Environmental Defense Foundation (PEDF) v. Commonwealth of Pennsylvania, No. 235 MD 2024 (Pa. Commonwealth Ct.)***

The petition for review seeks, among other things, an accounting of all monies derived from public natural resources under the DCNR's management and a repayment of all such monies into the DCNR that are found to have been spent inconsistent with Pa. Const. Art. I, Sec. 27 trust purposes. The petition specifically seeks review of monies derived from oil and gas, timber harvesting, licenses for right-of-way, camp leases. The petition notes the \$383 million found by the Supreme Court to be spent inconsistent with trust purposes and needing to be paid back in the *PEDF II* and *IV* decisions. The petition specifically requests a finding that \$1.7 billion was spent inconsistent with Section 27 and needs to be paid back, in addition to any other amounts found through an accounting. The Commonwealth has filed preliminary objections in the nature of a demurrer in July 2024. In response, Petitioner has filed a request for a preliminary injunction ordering the Trustee to refrain from spending any appropriations from the Oil and Gas Lease Fund pending the Court's review of the past spending.

***Pennsylvania Environmental Defense Foundation (PEDF) v. Commonwealth of Pennsylvania, No. 253 MD 2021 (Pa. Commonwealth Ct.)***

In its fourth related petition concerning the use of the Oil and Gas Lease Funds, PEDF seeks to compel the State Treasurer to provide an accounting of all Oil and Gas Lease money from 2009-10 through present; pay approximately \$383 million into the Oil and Gas Lease Fund to correct for prior transfers to the General Fund; pay approximately \$800 million, without appropriation, into the Oil and Gas Lease Fund to redress amounts taken for DCNR's general budgetary needs; and pay approximately \$200 million, without appropriation, into the Oil and Gas Fund money to redress appropriations made to the Marcellus Legacy Fund. On September 8, 2021, the Court granted the parties' joint application to stay the case pending the Supreme

Court's disposition of 65 MAP 2020. Although 65 MAP 2020 has been resolved, the parties have not yet moved to lift the stay and the case remains active.

***Amir Mohammadi v. Slippery Rock University, et al., No. 22-cv-01684 (U.S.D.C., W.D. Pa.)***

Former University Vice President claims a violation of the Pennsylvania Whistleblower Law based upon his termination from service at Slippery Rock University in April 2022. Plaintiff alleges that his termination was directly related to good faith reports of alleged waste and wrongdoing regarding the University's engineering program and financial reports. Plaintiff also asserts that his termination is a breach of the terms of a prior settlement agreement with the University, and that then-University President took steps to prevent implementation of the terms of the settlement agreement. If successful, total damages may exceed \$1 million based upon Plaintiff's salary at the time of his termination and attorneys' fees.

***Abbey Zink v. Pennsylvania State System of Higher Education, et al., No. 22-cv-01170 (U.S.D.C., W.D. Pa.)***

Plaintiff, a former Vice President at Slippery Rock University (SRU), filed a Complaint asserting retaliation, discrimination, and substantive and procedural due process violations as a result of her termination from SRU in April 2022. Plaintiff alleges her termination was motivated by retaliatory and discriminatory animus and was directly related to actions she took in reporting alleged improper actions by the University President in managing the implementation of several programs at the University and in reporting the University's financial status. Plaintiff's third Amended Complaint also includes an associational discrimination claim based on her working relationship with Amir Mohammadi, another University Vice President who was also terminated in April 2022. The State System of Higher Education has retained outside counsel to represent the System and the university. If successful, total damages may exceed \$1 million based upon Plaintiff's salary at the time of her termination and attorneys' fees.

***Borough of West Chester v. State System of Higher Educ. and West Chester University, No. 9 MAP 2023 (Pa. Supreme Ct.)***

This litigation concerns the stream protection fee imposed by the Borough of West Chester (Borough) on West Chester University of Pennsylvania (WCU) several years ago. When the University refused to pay the fee in 2018, the Borough brought this action in Commonwealth Court seeking a declaration that the fee was lawful. In January 2023, the Court, sitting *en banc*, issued a unanimous decision granting WCU's Application for Summary Relief, holding that the Borough had no legal authority to impose its stormwater management fee on WCU because legally that fee constitutes a tax. Notably, the Court held that "...the Stormwater Charge constitutes a general tax, as opposed to a special assessment, because the work funded thereby does not benefit individual properties, but rather, yields a common benefit shared by residents of the Borough generally." And because "[t]ax immunity extends to every 'arm, agency, subdivision, or municipality of the Commonwealth'...Respondents are immune from payment." The Borough appealed this decision to the Pennsylvania State Supreme Court. The appeal has been fully briefed and oral argument was held on September 11, 2024. This case has the potential to impact the stormwater "fees" imposed on many different Commonwealth agencies by numerous municipalities across Pennsylvania.

***West Chester University v. Boro Construction, No. 4259 (Pa. Board of Claims)***

West Chester University (WCU) had numerous ongoing issues with timeliness and quality of work by Boro Construction, the general contractor on the Science and Engineering Center and the Commons (SECC) building project, which has become a hub for student and academic activity on the campus. Three years ago, the Pennsylvania State System of Higher Education engaged outside counsel to support the university. The project is now complete, including a full assessment of all the claims by outside counsel, our scheduling expert, and a design professional. WCU's dispute with Boro Construction is now pending in two forums: (1) WCU's claims (seeking more than \$5 million in liquidated damages from Boro) are pending in the Commonwealth's



Board of Claims (BOC), and Boro's claims for delay damages (over \$2 million) are pending in the Board of Claims as well; and (2) WCU's claims against Boro for amounts paid directly to subcontractors (over \$1 million) is pending in arbitration (because the BOC did not allow them to be adjudicated at the Board). The BOC matters are now in discovery. Outside construction counsel continues to manage all these matters for the University, with University Legal Counsel providing support and coordination with university officials.

***Anglemeyer, et al. v. Ammons, et al.*, No. 19-cv-03714 (U.S.D.C., E.D. Pa.)**

This is a section 1983 excessive force lawsuit brought by four of nine residents of a home that was searched by the Pennsylvania State Police's (PSP) Special Emergency Response Team pursuant to a search warrant. The plaintiffs assert that they were subjected to excessive force resulting in injury. There are currently 19 PSP defendants. The Commonwealth's motion for summary judgment was granted and the ruling has been appealed. The parties argued this case to the U.S. Third Circuit Court of Appeals in September 2023, and the Court of Appeals thereafter remanded this lawsuit back to the federal district court. A trial is scheduled for January 13, 2025. The Commonwealth estimates that the Commonwealth's exposure could exceed \$1 million if a decision is delivered in favor of the plaintiffs.

***Greenwood Gaming and Entertainment, Inc., et al. v. Department of Revenue, et al.*, No. 76 MAP 2021 (Pa. Commonwealth Ct.)**

A group of Pennsylvania casinos challenge the Pennsylvania Lottery's internet instant games alleging they simulate interactive casino-style games in violation of Act 42 of 2017, which amended the Pennsylvania Race Horse Development and Gaming Act. Petitioners seek to either shut down the entire iLottery system or strip the games of certain features. If the Court grants the relief sought it could potentially result in the loss of significant revenue to the Lottery, which over time could be in the millions of dollars. Following a bench trial in October 2020, judgment was entered in favor of the Department of Revenue. On appeal, Commonwealth Court determined iLottery program was not in violation of the Gaming Act. A motion for Post-Trial Relief was denied and the matter was appealed to the Supreme Court. Oral argument was held in April 2023, and the Commonwealth awaits a decision. On December 19, 2023, the Pennsylvania Supreme Court issued a decision establishing a new subjective test under which iLottery games were to be analyzed and remanded the matter to the Commonwealth Court for further review. The matter was re-briefed and re-argued based on the existing Commonwealth Court record. We are still awaiting a final decision based upon the additional briefs filed in May 2024.

***Lee v. Lamas*, No. 19-cv-00241 (U.S.D.C., E.D. Pa.)**

Plaintiff brings a putative collective action under the Fair Labor Standards Act and class action under the Pennsylvania Minimum Wage Law alleging that Corrections Officer Trainees and Corrections Officer 1s at SCI-Chester prison were not paid for post-shift work. Specifically, Plaintiff avers that he was forced to wait at his post at the end of a shift change for the next shift's officer to arrive, and he was not paid for this time. The Court recently granted the Commonwealth's motion for summary judgment, and plaintiff has filed a notice of appeal, which is now docketed with the Third Circuit, No. 24-2414. A brief for the appellant (plaintiff) is due September 23, 2024.

***Brown v. Wilson*, No. 20-cv-00985 (U.S.D.C., W.D. Pa.)**

After investigation by Pennsylvania State Police, Plaintiff was arrested, charged and adjudicated delinquent in the murder of his stepmother when he was eleven years old. On appeal, the Superior Court affirmed the adjudication, but the Supreme Court concluded there was insufficient evidence to support his adjudication of delinquency beyond a reasonable doubt for the offenses charged. Consequently, Plaintiff was released after spending nearly 10 years in custody. Trial is currently scheduled for December 2024. Settlement negotiations are currently in progress. Given the nature of the litigation, the Commonwealth's estimated exposure could exceed \$1 million.

***Roberts, et al., v. State Employees' Retirement Board, No. 339 MD 2022 (Pa. Commonwealth Ct.)***

This is an original jurisdiction Commonwealth Court action filed by eight judges. Respondents are the State Employees' Retirement Board as an entity, and each of the individual Board members. Petitioners took office on or after January 1, 2019, and are subject to the benefit and contribution provisions of the Act of June 12, 2017, P.L. 11, No. 5 (Act 5). Act 5 established the new retirement benefit tiers for most new State employees, including judges. These new tiers are the Class A-5 and Class A-6 hybrid defined benefit/defined contribution plans and the straight defined contribution plan option. Petitioners allege that the new benefit tiers produce lower benefits than the old benefit tiers in violation of constitutional requirements for judicial pension benefits as interpreted and applied by prior Pennsylvania Supreme Court decisions. Petitioners filed an Application for Summary Relief, which was denied. They sought an immediate appeal to the Supreme Court of Pennsylvania. If the Petitioners are ultimately successful, it could have a significant effect on the Commonwealth's budgeting and may require reallocation of funds, of an amount well over \$1 million, towards the state employee retirement system. The Pennsylvania Supreme Court, on April 9, 2024, denied Petitioners' request for an interlocutory appeal. The case remains pending before Commonwealth Court.

***Hall v. Phelps, et al., No. 22-cv-00480 (U.S.D.C., M.D. Pa.)***

This is a section 1983 excessive force and First Amendment retaliation lawsuit brought by the Estate of Christian Hall. Pennsylvania State Police (PSP) responded to several calls of a suicidal male who was standing at the edge of an overpass. The troopers worked for over two hours to deescalate the situation, but Mr. Hall drew his handgun, pointed it in the direction of troopers, and was shot by two of the troopers on scene. There are also First Amendment claims against the former Commissioner related to statements made by PSP following the shooting. Discovery was completed on July 31, 2024. PSP estimates that the Commonwealth's exposure from this lawsuit may exceed \$1 million.

***Medical Marijuana Access & Patient Safety, Inc. v. Klinepeter, et al., No. 58 MD 2022 (Pa. Commonwealth Ct.)***

Petitioners, a collection of medical marijuana organizations and patients, initiated an action seeking declaratory judgment, a temporary injunction, and other relief following the Department of Health's request that medical marijuana grower-processors recall certain medical marijuana vaporization products. Pursuant to the Medical Marijuana Act (Act), the Department of Health (Department) is required to approve or deny medical marijuana products. These products include a wide range of different devices that aid delivery of medical marijuana. One of the more popular medical marijuana delivery devices are vaporizers. Many grower-processors sell medical marijuana in a form designed to be inhaled using vaporization devices. In some cases, medical marijuana includes additives. Prior to approving vaporization products, the Department takes steps to ensure the products are safe for inhalation. To that end, the Department has relied on the Food and Drug Administration's (FDA) list of approved additives to evaluate whether an additive in a vaporization product is safe for inhalation. Petitioners have challenged the Department's "safe for inhalation" standard as an unpromulgated regulation. Additionally, Petitioners have argued that the Act only permits the Department to deny an additive if the product does not satisfy one of two listed "considerations" in the Act. In February 2022, the Department instructed grower/processors to recall vaporization products with unapproved additives. Petitioners sought a temporary injunction which was granted in June 2022 and which permitted some of the products to remain on the market. Following briefing and oral argument, on May 30, 2024, the Commonwealth Court granted a permanent injunction against the Department. The injunction permitted only those vaporization devices which were subject to the June 2022 temporary injunction back on the market. The court tacitly approved the Department's authority generally by specifically stating the permanent injunction was issued solely for the "current" recalled products. The court concluded that "Petitioner is entitled to permanent injunctive relief, but only as to DOH's *current* [recall]" because the recall itself was "unlawful because it is an unpromulgated *de facto* regulation." The court could have expressly rejected the Department's authority to approve or deny products but did not, and this is important because the lawsuit occurred prior to approval of

the final form regulations which were amended to include new language. The final form regulations include additional language which would arguably permit the “approved for inhalation” standard. (See 28 Pa. Code § 1151a27(f)(iv)). This decision had a significant impact on policy and agency operations. The case is now closed.

***Green Analytics N., LLC, et al. v. Pennsylvania Department of Health, No. 104 MD 2023 (Pa Commonwealth Ct.) and 76 MAP 2023 (Pa. Supreme Court)***

Petitioners, a licensed medical marijuana laboratory and six medical marijuana grower/processors, initiated this case through the filing of a petition for review with Commonwealth Court on March 4, 2023. That petition challenged one provision of a broader regulation that regulates medical marijuana issued by the Department of Health earlier that day. That provision, known as the “two-lab requirement,” required medical marijuana grower-processors to contract with two separate laboratories to have their medical marijuana tested at two different stages of production. Simultaneous with the petition, petitioners filed a motion for an *ex parte* temporary restraining order preventing the Department from enforcing the two-lab requirement, which Commonwealth Court granted. The Department then agreed to refrain from enforcing the two-lab requirement during the pendency of this litigation. The parties then moved for summary relief, and argument was held before the *en banc* court on May 10, 2023. On June 29, 2023, a divided Commonwealth Court granted Petitioners’ application for summary judgment as to Count I of their petition, which alleged that the two-lab requirement exceeded the Department’s statutory authority under the Medical Marijuana Act (the Act). It simultaneously denied Respondent’s application for summary judgment. The court declared the two-lab requirement invalid and unenforceable, and entered judgment in Petitioners’ favor. The majority opinion, found that the two-lab requirement exceeded the Department’s authority because it conflicted with Section 704 of the Act, which states, in relevant part: “A grower/processor shall contract with one or more independent laboratories to test the medical marijuana produced by the grower/processor.” The matter is pending before the Pennsylvania Supreme Court. If a permanent injunction is issued, or if the Court determines the regulations are not supported by the Act, then the Department will be unable to ensure that two independent labs test all medical marijuana products. The parties argued the case to the Pennsylvania Supreme Court on September 10, 2024, and the Supreme Court took the case under advisement. This decision could have a significant impact on policy and agency operations.

***Allegheny Reproductive Health Center v. Pennsylvania Department of Human Services, No. 26 MD 2019 (Pa. Commonwealth Ct.)***

This case concerns an equal protection challenge by numerous providers of reproductive health care services throughout Pennsylvania to the prohibition of Medical Assistance coverage for abortion services under 18 Pa.C.S. § 3215(c, j). Petitioners request that the Court declare the statute and regulations unconstitutional, that abortion is a fundamental right under the Pennsylvania Constitution, and that the Court enjoin enforcement of the Pennsylvania abortion coverage ban statute and implementing regulations. DHS filed preliminary objections and challenged the Petitioners’ standing. Separate applications to intervene were filed by members of the Pennsylvania Senate and the Pennsylvania House of Representatives and were ultimately granted. The Senate and House Intervenors also filed preliminary objections. On March 26, 2021, the Commonwealth Court issued an opinion sustaining the Preliminary Objections filed by the Department of Human Services (DHS), as well as Intervenors from the Senate and House of Representatives, and dismissing the Petition for Review. Petitioners appeal the Pennsylvania Supreme Court the Commonwealth Court’s order allowing intervention and the order that sustained preliminary objections. On January 29, 2024, the Supreme Court reversed the Commonwealth Court. The Supreme Court (1) held that the Petitioners had standing; (2) held that the Senate and House Intervenors did not have a right to intervene; (3) overruled the interpretation of the Equal Rights Amendment articulated in *Fischer v. Department of Public Welfare*, 502 A.2d 114 (Pa. 1985); (3) provided guidance on how courts should interpret the Equal Rights Amendment and the Equal Protection Clause; and, (4) remanded the matter to Commonwealth Court. On July 16, 2024, the DHS informed the Commonwealth Court that in light of the Supreme Court’s decision, DHS did not intend to defend the statute. Briefing on

Petitioners' application for summary relief is ongoing. This decision could have significant impact on policy and agency operations as well as a financial impact on the Commonwealth of at least \$1 million.

***R., et al. v. Pennsylvania Department of Human Services, No. 17-cv-02332 (U.S.D.C., M.D. Pa.)***

This case concerns a class action filed by Disability Rights Pennsylvania, challenging the alleged failure to provide a full array of mental health services for dependent children with mental health needs. The Plaintiffs, on behalf of themselves and all children under the age of 21 who now or in the future are adjudicated dependent and have a diagnosed mental health disability, allege violations of Title XIX, the ADA, and Section 504 of the Rehabilitation Act, for failure to provide medically necessary Medical Assistance (MA)-funded behavioral health services with reasonable promptness; failure to provide child welfare services equal to those provided to children without mental health disabilities; and failure to provide services in-state in the most integrated setting appropriate to the needs of the Plaintiffs. The parties have been engaged in settlement discussions for a significant period of time. In view of the amount of discovery involved in this matter and the breadth of the settlement negotiations, costs could be significant. The parties are working to finalize the settlement terms.

***Derrick v. Glen Mills School, Miller, Dallas, Utz, et al., No. 19-CV-01541 (U.S.D.C., E.D. Pa.)***

This case concerns a putative class action filed by the Juvenile Law Center and the Education Law Center on behalf of former students at Glen Mills against three former secretaries of two agencies, the Department of Human Services (DHS) and Pennsylvania Department of Education (PDE), along with a DHS Deputy Secretary in their individual capacities only, and Glen Mills executives. Plaintiffs allege the DHS defendants violated their rights to be free from excessive and unreasonable use of force, to be protected from harm, and to receive adequate medical treatment. Plaintiffs claim the DHS defendants had an affirmative duty to protect them from harm and knew or should have known Glen Mills staff routinely used physical violence and excessive force against students. Plaintiffs' settlement demand that DHS pay \$16.6 million was not accepted. DHS and PDE successfully engaged in global settlement discussions with Plaintiffs, and the settlement agreement was executed by all parties.

***Hamilton, et al. v. Pennsylvania Department of Human Services, No. 2024-CV-3681 (Dauphin County Court of Common Pleas)***

Sixteen plaintiffs claim to be former minors in the care of the Department of Human Services (DHS) at DHS-operated Youth Development Centers (YDC). The plaintiffs allege that they were physically and sexually abused by YDC staff members from 2003 through 2018, that DHS was negligent in allowing a culture of sexual abuse to flourish, and that DHS failed to protect them despite DHS' alleged knowledge of the abuse. To date, DHS has filed an answer to the plaintiffs' complaint. On July 31, 2024, DHS was apprised of another, separate complaint (captioned *L.R. et al. v. DHS*; Dauphin Co.) filed by 20 new plaintiffs who also allege abuse at DHS facilities. The Commonwealth does not yet have an estimate of its potential liability, but given the allegations and the number of plaintiffs, it is possible that the Commonwealth's exposure could equal or exceed \$1 million if a final judgment or settlement is entered in favor of the plaintiffs.

***Turton, Deceased, by U'Ren v. Southwestern Veterans' Center, No. GD-21-009829 (Allegheny County Court of Common Pleas)***

In this negligence action, Plaintiff alleges the Southwestern Veteran's Center breached its duty to resident Turton by leaving drain cleaner accessible to Turton, who ingested the drain cleaner and died. Plaintiff demands \$500,000 in damages. The plaintiff has stated an intention to challenge the constitutionality of the Commonwealth's \$250,000 statutory cap on damages in 42 Pa.C.S. § 8528. This matter is still in discovery.

***Ronnie Johnson, et al., v. Little, et al., No. 22-1516 (U.S.D.C., W.D. Pa.)***

Plaintiffs are a class of inmates who are or were incarcerated at SCI Fayette in the Security Threat Group Management Unit. They are alleging that they suffer from serious mental illness and were confined in long-term segregation despite that diagnosis. They alleged they were living under horrific/harsh conditions, denied adequate mental health care, were mistreated and retaliated against. In May 2024, the parties engaged in an Early Neutral Evaluation (ENE), but the ENE did not progress into a mediation. The parties are now engaging in pre-class discovery.

***Anthony Reid, et al. v. Wetzel, et al., No. 18-00176 (U.S.D.C., M.D. Pa.)***

Plaintiffs make up a class action of current capital case inmates at Department of Corrections' facilities. The department settled these cases settled and paid attorneys' fees in the amount of \$507,500, which exceeds the \$250,000 cap set by the Commonwealth's Employee Liability Self-Insurance Program. The settlement agreement led to an additional \$240,000 in attorneys' fees that were paid at the conclusion of the settlement in 2020. The department will continue to incur additional attorneys' fees, monitoring fees, and mental health evaluation fees arising from the matter in excess of \$1 million.

***Fernando Nunez v. Wolf, et al., No. 15-1573 (U.S.D.C., M.D. Pa.) and No. 22-3076 (Third Cir. Ct. of Appeals)***

Plaintiff sought three religious accommodations from the Department of Corrections (DOC): (1) conjugal visits; (2) private prayer with his family; and (3) circumcision. The Commonwealth prevailed before the United States District Court and the plaintiff appealed to the US Court of Appeals for the Third Circuit. The case has been fully briefed and oral argument occurred on November 1, 2023. Although the appellant will not receive significant financial compensation if he prevails, a decision against DOC could require DOC to spend significant funds to create a space for conjugal visits.

***Estate of Dominic Ingle v. Wetzel, et al., No. 21-2019 (U.S.D.C., M.D. Pa.)***

After arriving from a mental health commitment, Dominic Ingle committed suicide at SCI Camp Hill in December of 2019. Plaintiff's counsel has demanded approximately \$5 million in compensation and damages. Discovery is scheduled to conclude on October 17, 2024, with expert discovery is to be completed in February 2025.

***Hammond, et al. v. DOC, et al., No. 24-922 (U.S.D.C., E.D. Pa.)***

Plaintiffs seek to bring a class action lawsuit on behalf inmates with mental illness in the Department of Corrections' Restricted Housing Unit (RHU) and Intensive Management Unit (IMU). The Court granted a request for a stay and the Court will consider a venue transfer. Based on the current definitions, this class action could exceed 15,000 plaintiffs and this case has the potential to substantially affect state government operations and policies. *See also, Henderson and Walker.*

***Henderson, et al. v. Harry, et al., No. 24-2290 (U.S.D.C., E.D. Pa.)***

Plaintiffs brought a purported class action lawsuit on behalf of inmates that have spent three years consecutively or cumulatively in the Department of Corrections' Restricted Housing Unit (RHU) and Intensive Management Unit (IMU). The lawsuit seeks injunctive relief and monetary relief. The Court granted a request for a stay and the Court will consider a venue transfer. Based on the current definitions, this class action could exceed 800 plaintiffs and this case has the potential to substantially affect state government operations and policies. *See also, Hammond and Walker.*

***Walker, et al. v. Harry, et al., No. 24-2295 (U.S.D.C., E.D. Pa.)***

Plaintiffs brought a purported class action lawsuit on behalf of inmates that are on the RRL or IMU. This is a due process case that seeks both injunctive and compensatory damages. The Court granted a request for a stay and the Court will consider a venue transfer. Based on the current definitions, this class action could exceed 150 Plaintiffs and this case has the potential to substantially affect state government operations and policies. *See also, Henderson and Hammond.*

***Williams v. Little, et al., No. 23-0037 (U.S.D.C., W.D. Pa.)***

Plaintiff filed a preliminary injunction challenging the DOC's new ceremonial meals policy, a policy commonly known as "the Little Policy" that affects religious meals. The Court granted Williams's preliminary injunction and required the DOC to revert to the ceremonial meals policy that pre-dated the Little Policy. The DOC submitted a new policy pertaining to religious meals. Both parties filed for summary judgment. The Court granted, in part, and denied, in part, both motions. Notably, the Court granted a permanent injunction regarding the "Little Policy" as it applies to SCI Albion. As to the new policy, the remaining question to be resolved at a bench trial, are whether Williams has a sincerely held religious belief that halal meat consumed at the Eid feasts must be fresh and if so, whether the Shelf Stable Policy burdens such a belief and is the least restrictive means in addressing a compelling DOC interest. DOC will already need to pay attorneys' fees relating to Williams prevailing on the former policy. The larger cost is if the Court finds that the DOC must provide freshly slaughtered halal meat that is prepared in a Halal kitchen. The DOC does not have a halal or kosher kitchen. It will cost the DOC millions of dollars to construct kitchens that are kosher and/or halal appropriate.

***Keefer, et al. v. Joseph R. Biden, et al., No. 24-cv-1716 (Third Cir. Ct. of Appeals)***

On January 25, 2024, a group of Pennsylvania legislators sued President Biden, Governor Shapiro, Pennsylvania Secretary of State Schmidt, and Deputy Secretary Marks claiming violations of the Electors Clause and Elections Clause of the U.S. Constitution, as well as the Pennsylvania Constitution, by excluding Plaintiffs from the law-making process regulating federal elections for President and Congress. Plaintiffs assert that Defendants repeatedly violate both clauses by "usurping the rights of the state legislators by changing Pennsylvania election laws, through inter alia, Executive Order 14019, which requires federal agencies to develop plans to increase voter registration (against President Biden only); the implementation of an opt-out process (instead of opt-in) for voter registration at PennDOT; and, the Department's 2018 Directive Concerning Help America Vote Act-Matching directive. The State Executive Branch Defendants filed a response to the preliminary injunction motion and a Motion to Dismiss the Complaint. On March 26, 2024, the District Court granted the motions to dismiss, denied Plaintiffs' motion for a preliminary injunction, and dismissed the case. The Court ruled that Plaintiffs lacked standing, both as individual legislators and candidates and in any other capacity to pursue their claims. Plaintiffs filed a Notice of Appeal with the Third Circuit on April 18, 2024, and also filed a Petition for Writ of Certiorari Before Judgement with the U.S. Supreme Court. The appeal has been fully briefed.

***Pennsylvania State Conference of the NAACP, et al. v. Schmidt, et al., No. 22-cv-339 (U.S.D.C., W.D. Pa.)***

On November 4, 2022, the American Civil Liberties Union, on behalf of various public interest groups including the NAACP and the League of Women Voters filed suit in federal court for the Western District of Pennsylvania, No. 1:22-cv-339, against the Secretary of the Commonwealth and all 67 County Board of Elections claiming that the refusal to count ballots enclosed in outer envelopes that are undated or wrongly dated mail-in and absentee ballots violates the materiality provision of the Civil Rights Act. The suit outlines the history of litigation in Pennsylvania state and federal courts on this issue. Plaintiffs assert one count that such refusal is a violation of the materiality provision of the Civil Rights Act and seek a declaration and injunctive relief. On November 21, 2023, the District Court held that excluding undated ballots violates the materiality provisions of the Civil Rights Act. A notice of appeal was filed with the Third Circuit and a three-

judge panel of Circuit judges reversed the District Court decision concluding that the materiality provision applies only with respect to the voter qualification process during registration. The Third Circuit rejected the argument that the right to vote encompasses the right to have an undated or wrongly dated ballot count. Judge Shwartz issued a dissent arguing against this narrow reading of the materiality provision. The case was remanded back to District Court for the remaining claims. Plaintiffs then obtained leave to file an amended complaint adding a claim that the refusal to count timely-received ballots violates the First Amendment by imposing an undue burden on the right to vote. The RNC and York, Lancaster and Berks counties filed motions for summary judgment. While briefing is now complete, the parties have asked for a stay in the proceeding pending the outcome of *Black Political Empowerment Project v. Schmidt*, No. 283 MD 2024 (Pa. Commonwealth Ct.).

***Voter Reference Foundation, LLC v. Schmidt*, No. 24-cv-00294 (U.S.D.C., M.D. Pa)**

On February 19, 2024, Voter Reference sued Pennsylvania Secretary of State Schmidt under the National Voter Registration Act (NVRA) in connection with the Secretary's enforcement of a regulation that conditions the provision of the full voter export to a requestor on the requirement that the requester will not publish the list (containing personal information of every registered PA voter) on the internet. Voter Reference has asserted a six-count Complaint claiming: (1) the internet ban is preempted by the NVRA; (2) violation of the NVRA based on March 2022 denial; (3) violation of the NVRA based on November 2023 denial, (4) violation of Section 1983 claiming the Secretary's action results in a ban on core political speech; (5) violation of Section 1983 claiming the ban is overbroad; and (6) action for declaratory judgment. The Secretary filed a motion to dismiss which is pending before the federal district court. Although the motion is pending, the parties are continuing with discovery.

***United Sovereign Americans, Inc., et al. v. Commonwealth of Pennsylvania, et al.*, No. 24-cv-1003 (U.S.D.C., M.D. Pa.)**

On June 18, 2024, United Sovereign Americans and three individuals filed a petition for relief in the form of a writ of *mandamus* against Pennsylvania Secretary of State Schmidt, the Pennsylvania Department of State, the Pennsylvania Office of Attorney General, and the U.S. Attorney General. The petition alleges that Commonwealth officials failed to ensure that safeguards were in place to ensure election integrity in 2022, citing error rates that exceeded the maximum error rate allowed by § 21083 of the Help America Vote Act (HAVA) and the voting system standards issued by the Federal Election Commission (FEC). Petitioners request the court issue a writ of *mandamus* requiring compliance with state and federal election law, ensuring reliable results within the margin of error allowed for subsequent elections. The Secretary filed a motion to dismiss which is pending with the federal district court.

***Omar Almusa, M.D. v. State Board of Medicine*, No. 25 MAP 2024 (Pa. Supreme Ct.)**

On April 3, 2024, the Pennsylvania Supreme Court granted the petition for allowance of appeal filed by Dr. Omar Almusa of the order of the Commonwealth Court issued on July 13, 2023 that affirmed an order of the State Board of Medicine which denied reinstatement of Dr. Almusa's license to practice medicine and surgery. Dr. Almusa's license was automatically suspended in 2019 for 10 years following his felony conviction under the Pennsylvania Drug Act. The Commonwealth Court held that the plain language of sections 40(b) and 43(b) of the Medical Practice Act required the Board to impose a 10-year automatic suspension of his license in 2019, and that the enactment of Act 53 in 2020 does not change the Court's interpretation of the relationship between sections 40(b) and 43(b) of the Act. The Court also held that Section 3113(f) of Act 53 may not be applied retroactively to Dr. Almusa's suspension in the absence of the Legislature's expression of its clear and manifest intent to do so. This matter has been briefed and oral argument is scheduled for October 2024.

***Clymer v. Schmidt*, No. 376 M.D. 2024 (Pa. Commonwealth Ct.) and No. 67 MAP 2024 (Pa. Supreme Ct.)**

This case arises because the Constitution Party submitted nomination papers for the 2024 general election that purported to nominate candidates for President, Vice President, and presidential electors, but failed to submit an affidavit from each presidential elector being nominated. The Department of State therefore rejected the Constitution Party's nominations as to the offices of President, Vice President, and presidential elector. The Constitution Party filed a mandamus action against Pennsylvania Secretary of State Schmidt in Commonwealth Court. The parties filed cross-applications for summary relief. Commonwealth Court granted Respondent's application and Petitioner filed a notice of appeal to the Supreme Court of Pennsylvania. The matter has been submitted on briefs.

***Williams v. Pennsylvania Department of State*, No. 394 M.D. 2024 (Pa. Commonwealth Ct.) and No. 25 WAP 2024 (Pa. Supreme Ct.)**

This case arises because a political body known as Justice for All submitted nomination papers for the 2024 general election that purported to nominate candidates for President, Vice President, and presidential electors, but failed to submit an affidavit from each presidential elector being nominated. The Department of State therefore rejected Justice for All's nomination papers. Petitioners — one of the individuals identified as a presidential elector in Justice for All's paperwork, along with two others who wish to serve as replacement electors — filed an action in Commonwealth Court seeking to compel the Department to accept Justice for All's nomination papers. The parties filed cross-applications for summary relief. Commonwealth Court granted Respondent's application and Petitioner filed a notice of appeal to the Supreme Court of Pennsylvania. The matter has been submitted on briefs.

***Black Political Empowerment Project, et al. v. Schmidt, et al.*, No. 283 MD 2024 (Pa. Commonwealth Ct.) and No. 68 MAP 2024 (Pa. Supreme Ct.)**

On May 28, 2024, a group of voting rights organizations, including the Black Political Empowerment Project, POWER Interfaith, and the League of Women Voters of Pennsylvania filed suit in the Commonwealth Court of Pennsylvania against the Secretary of the Commonwealth and the Philadelphia and Allegheny County Board of Elections claiming the refusal to count mail-in or absentee ballots with an incorrect or missing date on the return envelope violates the Free and Equal Elections Clause of the Pennsylvania Constitution. The suit refers to previous litigation demonstrating that the handwritten date on the return envelope does not serve a purpose in determining whether a ballot was received in a timely manner. Petitioners assert two claims that the refusal to count these ballots violates the Free and Equal Elections Clause by disenfranchising eligible voters and seek a declaration and injunctive relief. Cross-applications for summary relief were filed on July 8, 2024, and oral argument took place on August 1, 2024. Commonwealth Court granted Petitioners' application and the Intervener (RNC) filed a notice of appeal to the Supreme Court of Pennsylvania. The matter has been submitted on briefs.

***Astou Diop, Tanyita Henry and Awa Gaye v. State Board of Cosmetology*, No. 363 MD 2020 (Pa. Commonwealth Ct.)**

Petitioners challenge licensure requirements for natural hair braiders as a violation of their right to pursue their chosen occupation under Article 1, Section 1 of the Pennsylvania Constitution. They also claim a violation of equal protection as cosmetologists are authorized to perform natural hair braiding but are not required to undergo natural hair braiding training. They seek a declaratory judgment that the regulatory scheme for natural hair braiding licensure violates substantive due process. They also seek an order enjoining the Board from enforcing the hair braiding licensure provisions against the petitioners or anyone else. On March 3, 2022, the Commonwealth Court ruled that the requirement in the Cosmetology Law requiring a natural hair braider license is not facially unconstitutional and does not violate the Equal Protection clause because licensed cosmetologists and unlicensed natural hair braiders are not similarly situated. However, the Court determined that the "as applied" substantive due process claims of Diop and Gaye as experienced natural hair braiders



operating their businesses for profit would go forward. On June 7, 2024, the Court issued an order denying the Motion for Summary Judgment and the Cross-Application for Summary Relief, holding that there are disputed material facts precluding such relief. Trial is scheduled for November 2024 but the matter may be moot if the General Assembly passes House Bill 1820 which would eliminate the natural hair braider license.

***Heath Gray v. Pennsylvania Dept. of State, No. 442 MD 2023 (Pa. Commonwealth Ct.)***

On September 25, 2023, Petitioner filed a Petition for Review claiming that he, as an incarcerated felon, is being unconstitutionally deprived of his right to vote. He requested a voter registration form from prison staff at SCI-Greene and prison staff denied that request based on DOS guidance regarding prisoners with felony convictions. Petitioner seeks an order that DOS be required to facilitate the right of suffrage for confined felons. The Department filed preliminary objections on October 27, 2023, which are pending before the Court.

***County of Fulton, et al. v. Secretary of the Commonwealth, Nos. 277 MD 2021 (Pa. Commonwealth Ct.) and 56 MAP 2024 (Pa. Supreme Ct.)***

On August 18, 2021, Fulton County sued the Secretary of the Commonwealth over the decision to decertify certain of Fulton County's voting system components which were turned over to third parties as part of an "audit." Both parties filed applications for summary relief which are currently pending before Commonwealth Court. There was also an interlocutory appeal of an order before the Pennsylvania Supreme Court, No. 3 MAP 2022, on the Secretary's emergency application related to spoilation of evidence. The Pennsylvania Supreme Court issued an opinion holding Fulton County in contempt and granting nearly all relief sought in the sanctions application. The Pennsylvania Supreme Court ordered Fulton County to pay all of the Secretary's costs and fees from December 17, 2021, and ordered the voting systems to be impounded and kept by a third party at the county's expense. On June 11, 2024, the Commonwealth Court granted Intervenor Dominion Voting Systems, Inc.'s Application for Renewal of the Special Master's Injunction Order and enjoined the Petitioners and their counsel from disseminating or allowing third parties to access certain evidence and information. On July 19, 2024, Petitioners filed an appeal with the Pennsylvania Supreme Court, which remains pending.

***P.G.S. v. Hendricks, et al., No. 390 M.D. 2024 (Pa. Commonwealth Ct.)***

On March 18, 2019, three members of the State Board of Nursing's Probable Cause Screening Committee, Suzanne Hendricks, Linda Kerns, and Sherri Luchs, were served with a Praecipe for Writ of Summons. On June 28, 2021, the complaint was finally filed, alleging a violation of procedural due process under the United States Constitution and under the Pennsylvania Constitution, a violation of substantive due process under the United States Constitution and under the Pennsylvania Constitution, a violation of Pamela Stauffer's right to privacy under the Pennsylvania Constitution and a violation of Pamela Stauffer's right to privacy under the United States Constitution. Stauffer is challenging the Mental/Physical Evaluation process of the State Board of Nursing arguing that the process violates the Court's holding in a decision known as *Lencovich*, because she was compelled to attend the mental/physical examination without an opportunity to challenge the order compelling prior to attending, and she was not provided adequate notice that she would be afforded a hearing prior to suspending her license. On March 1, 2024, the Dauphin County Court of Common Pleas (Judge Andrew H. Dowling Jr.) issued a memorandum opinion granting PGS's motion for summary judgment and denied the Defendants' cross motion for summary judgment. The Court held that the board failed to provide PGS with due process before requiring her to submit to a mental and physical examination. The Court also held that the members of the Probable Cause Screening Committee are not entitled to quasi-judicial immunity because of the lack of procedural safeguards before the Order to Compel was entered. The Court also held that they are not entitled to qualified immunity because they are presumed to know the dictates of the statute under which they derived their authority to issue orders compelling licensees to undergo mental and physical examinations, and they violated PGS' rights under that statute. The Office of Attorney General filed a notice of appeal with Commonwealth Court on behalf of the members of the Probable Cause Screening

Committee arguing that an order denying qualified immunity or quasi-judicial immunity is immediately appealable under the collateral order doctrine. The opening brief is due October 30, 2024.

***Zimmerman, et al. v. Schmidt, et al*, No. 33 M.D. 2024 (Pa. Commonwealth Ct.) and No. 63 MAP 2024 (Pa. Supreme Ct.)**

On January 30, 2024, Petitioners David Zimmerman and Kathy Rapp, members of the Pennsylvania House of Representatives, filed a Petition for Review in the Commonwealth Court against the Pennsylvania Secretary of State and all 67 county boards of election claiming that the statutory revision within Act 77 of 2019 that requires absentee ballots to be delivered and canvassed centrally at county boards of elections (previously they were distributed to local election districts) violates Article VII, Section 14 of the Pa. Constitution which requires the General Assembly to provide a means by which voters can cast absentee ballots and for the “return and canvass of their votes in the election district in which they respectively reside.” Cross-applications for summary relief have been filed. Commonwealth Court granted Respondent’s application and Petitioner filed a notice of appeal to the Supreme Court of Pennsylvania. The matter has been submitted on briefs.

***PNAP v. Pennsylvania Department of State*, No. 1450 CD 2023 (Pa. Commonwealth Ct.)**

On December 12, 2023, PNAP filed a petition for review of a final order issued by the Pennsylvania Secretary of State on November 28, 2023 that denied the bid protest filed by PNAP on October 26, 2023. PNAP is the former vendor for peer assistance monitoring for the State Board of Nursing, and it challenged the award of the new contract for these services to the Foundation of the PA Medical Society (PHP) after completion of the RFP process. The matter has been fully briefed to the Court.

***Batuhan Dogrusoz v. PA Department of Labor and Industry, Unemployment Compensation Board of Review*, No. 230 MD 2023 (Pa. Commonwealth Ct.)**

Dogrusoz filed a complaint in mandamus to the Commonwealth Court requesting, among other things, an award for Pandemic Unemployment Assistance (PUA) benefits for a period of time not previously requested and an award of those benefits without an offset for any earnings. Though the Commonwealth Court lacks original jurisdiction in this matter, and it is unlikely Dogrusoz will be successful, if the Court entertains petitioner’s arguments, it would significantly alter the method by which individuals submit claims for unemployment benefits. The Department of Labor and Industry filed preliminary objections on October 3, 2023 and filed its brief in April 2024. The parties are awaiting the court’s ruling. On September 9, 2024, Commonwealth Court held that Dogrusoz didn’t exhaust his administrative remedies and, thus, dismissed the action.

***Ursinus College v. International Brotherhood of Electrical Workers, Local Union No. 98*, 18 MAP 2023 (Pa. Supreme Court)**

The primary issue in this matter is whether the Pennsylvania Prevailing Wage Act, 43 P.S. §§ 165-1-165-17 (PWA), applies to a construction project at Ursinus College funded by issuance of municipal bonds to a private trustee. The Commonwealth Court held that because the project funding never touched “public coffers” the PWA did not apply. This decision could have significant implications on the application of the PWA as it could narrow the interpretation of “public work.” The Department of Labor & Industry intervened in the Commonwealth Court proceeding but did not file a brief in the Supreme Court proceeding. The briefing was completed on May 22, 2023, and the case was subsequently argued on September 14, 2023. On February 21, 2024, our Supreme Court affirmed Commonwealth Court and held that the PWA doesn’t apply to this project because the “economic realities” of the transaction revealed that the project was paid for out of private funds, which were generated by the Authority’s exercise of its statutory ability to issue bonds. The Authority didn’t hold or disburse those funds or the bond debt service payments at any point nor did the Authority bear any risk or liability with respect to repayment of the bonds. This case is now closed.

***PSP NE, LLC v. Prevailing Wage Appeal Board, 38 MAP 2024 (Pa. Supreme Court)***

The primary issue in this matter is whether the Pennsylvania Prevailing Wage Act, 43 P.S. §§ 165-1-165-17 (PWA), applies to the construction of a new Pennsylvania State Police barracks in which a public entity bears the financial risk of construction pursuant to a long-term pre-development lease. The Commonwealth Court held that, because the construction costs were not provided by a public body, the risk of repayment was not borne by a public body, and the developer retained a reversionary interest in the property, a bona fide lease existed, rather than construction contract. Accordingly, the PWA did not apply. This decision could also have significant implications on the application of the PWA. On October 30, 2023, the Supreme Court issued an Order holding the Petition for Review filed by Bureau of Labor Law Compliance pending the outcome the Ursinus College case described above. On May 22, 2024, our Supreme Court granted the Department of Labor and Industry’s (L&I) petition for allowance of appeal as to the following issues: (1) is risk allocation the only consideration in determining whether a pre-construction lease is covered by the PWA; (2) how much risk must a developer bear to ensure that public funds do not in part pay for construction under Pennsylvania State Supreme Court (SCOPA) precedent such that a pre-construction lease does not implicate the PWA; and (3) under SCOPA precedent, what is the distinction between a grievant’s burden to prove a “facially legitimate lease” and the Bureau’s burden to prove “that the economic reality of the transaction is different from its appearance.” L&I filed its initial brief on July 31, 2024 and is awaiting the briefing from the appellee.

***Federated Insurance Company v. Summit Pharmacy (Bureau of Workers’ Compensation Fee Review Hearing Office), No. 61 MAL 2024 (Pa. Commonwealth Ct.)***

Section 306(f.1)(3)(vi)(A) of the Pennsylvania Workers’ Compensation Act, 77 P.S. § 531(3)(vi)(A), provides: “The reimbursement for drugs and professional pharmaceutical services shall be limited to one hundred ten per centum of the average wholesale price (AWP) of the product, calculated on a per unit basis, as of the date of dispensing.” Further, the Medical Cost Containment Regulations at 34 Pa. Code § 127.131 provide: “Pharmacists and insurers may reach agreements on which Nationally recognized schedule shall be used to define the AWP of prescription drugs. The Bureau [of Workers’ Compensation] in resolving payment disputes, may use any of the Nationally recognized schedules to determine the AWP of prescription drugs. The Bureau will provide information by an annual notice in the Pennsylvania Bulletin as to which of the Nationally recognized schedules it is using to determine the AWP of prescription drugs.” To this end, the Bureau’s Fee Review Section had been utilizing the “Red Book,” a privately published, electronic compendium of pharmaceutical and over-the-counter drug AWP’s. However, in analyzing an appeal from a decision of a fee review hearing officer in which competing AWP schedules were presented for consideration, the Commonwealth Court determined that use of the Red Book was legally inconsistent with Section 306(f.1)(3)(vi)(A). The Court indicated that (1) AWP must be based on a schedule that reflects actual acquisition costs and (2) Red Book pricing is based on inflated manufacturer suggested retail pricing and therefore cannot be used to determine AWP. The Court directed the Bureau to designate another Nationally recognized schedule promptly that is based on actual acquisition costs. A Petition for Allowance of Appeal was filed by the pharmacy with the PA Supreme Court. The Commonwealth Court’s Order may have significant impact on the calculation of prescription drug reimbursement under the Workers’ Compensation Act. On August 27, 2024, the PA Supreme Court granted the Petition for Allowance of Appeal; however, it denied the request for a stay of Commonwealth Court’s order. Briefing will be scheduled and the matter decided by the Supreme Court.

***Schmidt v. Schmidt, Kirifides and Rassias, PC, 32 MAP 2024 (Pa. Supreme Court)***

Section 306(f.1) of the Pennsylvania Workers’ Compensation Act, 77 P.S. § 531, requires an employer “provide payment in accordance with this section for reasonable surgical and medical services... medicines and supplies.” In addition, Section 306(f.1) requires a “provider” to file periodic reports with an employer as a prerequisite for payment of medical expenses. The claimant in this case filed a Penalty Petition alleging that his employer failed to reimburse him for cannabinoid oil (CBD oil) he had purchased out-of-pocket from a specialty foods store. Following a WCJ’s granting of reimbursement and the Workers’ Compensation Appeal

Board’s reversal, the Commonwealth Court determined, inter alia, that CBD oil is both a “medicine[.]” and a “suppl[y]” under Section 306(f.1), and that the claimant is not a “provider” under Section 306(f.1) and is not subject to reporting requirements in seeking reimbursement for out-of-pocket payments for CBD oil. The case has been accepted for review by the Supreme Court on a threefold issue: (1) whether the terms “medical services” and “medicines and supplies” as used in Section 306(f.1) include CBD oil, specifically, as well as dietary supplements, generally, and products that may be purchased without a prescription from a healthcare provider; (2) do the Medical Cost Containment Regulations of the Act apply to CBD oil; and (3) does Section 306(f.1) require employers to reimburse claimants for out-of-pocket expenses for “medical services” and “medicines and supplies,” and if so, are claimants obligated to submit supporting documentation before they may receive such reimbursement? Expanding the definition of “medicines” and “supplies” under the Workers’ Compensation Act to encompass unprescribed dietary supplements and excluding claimants from reporting requirements for reimbursement of those purchases may have significant cost implications.

***Reading Anthracite Company v. State Workers’ Insurance Fund, Board of Claims, No. 4247 (Pa. Department of Labor & Industry Workers’ Compensation Appeal Board)***

On August 30, 2022, Reading Anthracite Company (RAC), a State Workers’ Insurance Fund (SWIF) insured, filed a Statement of Claim with the Board of Claims (BOC) seeking damages from SWIF totaling \$1,379,244.60 plus attorney’s fees and interest based upon its assertion that SWIF is obligated under the terms of the policy of insurance that SWIF issued to RAC to reimburse it for the costs of defending and settling a civil suit filed in which it had been named as a defendant. SWIF refused to assume the defense or indemnification of RAC since SWIF’s Employers Liability Insurance only applies to injuries that arise out of and in the course of employment, and the Complaint in the third-party suit arising out of a fatal accident was devoid of any allegation that RAC employed the decedent. The issue of whether decedent was RAC’s employee when he was killed was separately litigated, and in June of 2024 Commonwealth Court affirmed the determination of the Workers’ Compensation Judge who held that decedent was not a RAC employee. The BOC litigation had been stayed pending that final determination, and the Commonwealth now expects the stay to be lifted.

***Warren, et al v. Commonwealth, et al, No. 309 MD 2024 (Pa. Commonwealth Ct.)***

In this original jurisdiction action, individuals who have been criminally charged and who rely on public defenders to provide them with legal representation have brought a putative class action against the Commonwealth, Governor Shapiro, Speaker of the Pennsylvania General Assembly McClinton, and Pennsylvania Senate President Pro Tempore Ward. The petitioners assert various state and federal constitutional claims based on the theory that Pennsylvania is not appropriating sufficient monies for indigent defense. The petitioners seek to compel Pennsylvania to spend as much as \$100 million more on indigent defense. The Office of General Counsel is defending Governor Shapiro and filed his response to the petition for review on August 30, 2024. The Office of Attorney General is separately representing the Commonwealth and filed its response to the petition on July 15, 2024.

***Allegrini v. Sobeck, et al., No. 24-cv-1139 (U.S.D.C. E.D. Pa.)***

The Pennsylvania State Police responded to a report that civilian vehicles were blocking highway I-95 and racing on the highway. State troopers arrived at the scene and found more than 50 vehicles blocking the highway and racing. One of the troopers stopped Allegrini’s vehicle and removed three individuals from the vehicle. Allegrini was able to re-enter his vehicle. He drove it towards the state troopers and struck one of the troopers with the vehicle. Trooper Sobeck then fired his weapon, striking and killing Allegrini. The Commonwealth’s total exposure to this civil rights lawsuit could exceed \$1 million.

***Peoples v. Hooven, No. 23-cv-297, (U.S.D.C. W.D. Pa.)***

This case was brought by the Estate of Matthew Chelgren who died after he crashed his vehicle into a tree while being pursued by two Pennsylvania State Police troopers. The parties reached a settlement agreement for \$750,000 on September 9, 2024.

***Phillips v. Powell, et al., No. 23-cv-00103, (U.S.D.C. W.D. Pa.)***

The Pennsylvania State Police's Special Emergency Response Team (SERT) responded to a mental health warrant issued in connection with a reportedly suicidal individual. SERT attempted to contact the individual to have him exit the residence. When the individual refused to leave the residence, SERT used a Rook vehicle to remove the residence's main door. The individual then approached the open doorway and pointed a weapon at the operator of the Rook. Another trooper at the scene discharged his weapon, striking and killing the individual. The Commonwealth's total exposure to this lawsuit could exceed \$1 million.

***Oleksandr Washington, Admin. of the Estate of Max Burakho v. Brown, et al., No. 23-cv-01632, (U.S.D.C. M.D. Pa.)***

The Pennsylvania State Police were asked by a family member of an individual who had stopped taking his mental health medications to perform a welfare check on the individual. The individual was alleged to have been sending threatening or suicidal text messages. The family member advised the State Police that the individual had firearms in his residence. When the state troopers arrived at the individual's residence to perform the welfare check, the individual exited the rear door of the residence carrying a firearm. Two state troopers discharged their weapons which resulted in the death of the individual. The Commonwealth's exposure to this lawsuit could exceed \$1 million.

***Nathan Whisler, as Admin. of the Estate of Alicia Whisler v. Timothy O'Connor, et al. No. 24-cv-1368 (U.S.D.C., E.D. Pa.)***

Alicia Whisler was killed when her vehicle was struck by another vehicle being pursued by PSP. Ms. Whisler's 5-year old daughter was also in the vehicle when the incident occurred. The original complaint was filed in April 2024 and following an initial review it was determined that the risk of liability could exceed \$1 million so attempts at early settlement were made. The parties came to an agreement in July 2024 to resolve these claims for \$2.5 million. Because the settlement involves a minor the court has scheduled a hearing for September 24, 2024 to review and approve the final terms of the settlement.

***Louis Gallo, as Admin. of the Estate of Anthony Gallo v. Weaver, et al., No. 19-cv-1260 (U.S.D.C., W.D. Pa.)***

Trooper Weaver responded to a 911 call of an individual running around a trailer park threatening to stab people. After failing to respond to verbal commands to drop a knife, Anthony Gallo was fatally shot. A jury trial was held the week of May 20, 2024 resulting in a Plaintiff's verdict. The jury awarded \$3 million in damages to the decedent; \$7 million in damages to the survivor; and \$11 million in punitive damages against Weaver – for a total of \$21 million. An award for attorney's fees and costs is still pending. A post-trial motion is currently pending before the district court with the potential for an appeal to be filed following the disposition of the post-trial motion.

***Jeffrey Krug v. Bloomsburg University, et al., No. 18-cv-1669 (U.S.D.C., M.D. Pa.)***

Jeffrey Krug was a former professor at Bloomsburg University who claimed he was terminated in retaliation for, among other things, assisting the former President's assistant with the filing of a discrimination complaint. A jury trial was held the week of August 12, 2024 resulting in a Plaintiff's verdict. The jury awarded \$1,008,549 in back pay; \$775,589 in front pay, \$1.5 million in compensatory damages, and \$650,000 in punitive damages – for a total of \$3,934,138. An award for attorney's fees and costs is still pending. Post-trial

motions are being drafted with the potential for an appeal to be filed following the disposition of the post-trial motion.

***Citizens of Lehigh County, et al. v. Commonwealth of Pa., (Pa. Board of Claims No. 4267)***

Lehigh County has presented a claim before the Board of Claims concerning its potential award of over \$5.5 million dollars from the opioid settlement fund, claiming that a verbal agreement was reached between Governor Shapiro and the Lehigh County District Attorney to provide the county additional funds (i.e., \$5.7 million) without the constraints of the settlement fund (meaning the monetary award can only be utilized to fund opioid-related matters and not go to legal fees as now demanded by Lehigh County). Preliminary objections have been filed by the Commonwealth and are currently pending.

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APPENDIX C

SELECTED DATA ON THE COMMONWEALTH

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## SELECTED DATA ON THE COMMONWEALTH OF PENNSYLVANIA

### General

The Commonwealth of Pennsylvania (the “Commonwealth” or “Pennsylvania”) is one of the nation’s most populous states, ranking fifth behind California, Texas, Florida, and New York. Boasting a diverse economy, Pennsylvania has been a key player in various industries throughout its history, including shipbuilding, iron, chemicals, lumber, oil, textiles, glass, coal, and steel. Historically recognized as a heavy industrial state, this identity has evolved in recent decades with the decline of coal, steel, and railroad industries. Consequently, Pennsylvania’s business landscape has adapted, fostering a more diversified economic base. Presently, the state experiences significant growth in the service sector, particularly in health care and leisure-hospitality.

The “eds and meds” sector, combining education and health care, is integral to Pennsylvania’s economy. Education institutions contribute to job creation and the cultivation of new businesses. The Pittsburgh region has witnessed rapid growth in high-tech fields like software development and robotics, while Philadelphia’s universities support regional health systems and foster startups in the life sciences – a major economic driver in the region.

Although the manufacturing sector has shifted from its peak during Pittsburgh’s steel dominance and Philadelphia’s claim as the “workshop of the world,” Pennsylvania still maintains a manufacturing employment share above the national average. The production of pharmaceuticals remains a significant growth engine and the state’s increased production of natural gas liquids forms the basis for growth in chemicals and plastics. While employment in the manufacturing sector has grown in the last three years, employment is expected to remain below pre-pandemic levels and gradually fall for the next several years.

Professional, scientific, and technical services will stand out as a bright spot for the state in terms of job growth and economic output gains. High-tech fields such as artificial intelligence, industrial automation, and bio sciences are anticipated to experience the most growth, with more traditional fields like legal services seeing more moderate gains. The state’s health care and social service sector will continue to be a reliable source of job gains, albeit with slower overall growth compared to previous years. Burnout among health care workers is often cited as a factor in hospital staffing shortages, while nursing homes and day care centers have faced challenges competing for workers.

Lastly, Pennsylvania’s geographic location positions it as a prime corridor for the transportation of goods. With extensive rail service, ports, and a grid of interstate highways, the state remains an integral part of the Northeast region’s economic activity.

### Population

The Commonwealth is highly urbanized. Its largest metropolitan statistical areas include the cities of Philadelphia and Pittsburgh, which together contain most of the state’s total population. According to the U.S. Bureau of the Census, the population of Pennsylvania was just under 13.0 million people in 2022. Unlike the nation as a whole, Pennsylvania’s population is declining, and it has a higher percentage of individuals aged 45 or over compared to the nation or the Middle Atlantic Region. The following tables (on the next page) present the population trend from 2019 to 2023 and the age distribution of the population for 2022.

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**Table A**  
**Population Trends**  
**Pennsylvania, Middle Atlantic Region, and the United States**  
**2019-2023**

As of July 1	Total Population (In Thousands)			Total Population as a % of 2019 base		
	PA	Middle Atlantic Region <sup>a</sup>	United States	PA	Middle Atlantic Region <sup>a</sup>	United States
2019	12,802	41,138	328,240	100.0%	100.0%	100.0%
2020	12,995	42,373	331,527	101.5%	103.0%	101.0%
2021	13,014	42,137	332,049	101.7%	102.4%	101.2%
2022	12,972	41,906	333,271	101.3%	101.9%	101.5%
2023 <sup>b</sup>	12,962	41,824	334,915	101.2%	101.7%	102.0%

<sup>a</sup> Middle Atlantic Region: Pennsylvania, New York, and New Jersey.

<sup>b</sup> 2023 population figures are projections.

Source: U.S. Department of Commerce, Bureau of the Census

**Table B**  
**Population by Age Group – 2022**  
**Pennsylvania, Middle Atlantic Region, and the United States**

Age	PA	Middle Atlantic Region <sup>a</sup>	United States
Under 5 Years	5.2%	5.3%	5.5%
5-24 Years	24.3%	24.2%	25.8%
25-44 Years	25.4%	28.3%	28.3%
45-64 years	25.5%	25.8%	24.8%
65 years and over	19.6%	18.4%	17.3%

<sup>a</sup> Middle Atlantic Region: Pennsylvania, New York, and New Jersey.

Source: U.S. Department of Commerce, Bureau of the Census

## Employment

Preliminary figures for 2024 show that non-agricultural employment experienced growth over the prior year not only in Pennsylvania but also across the Middle Atlantic Region and the entire United States. The following table shows employment trends in those areas from 2020 to 2024.

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**Table C**  
**Non-Agricultural Establishment Employment Trends**  
**Pennsylvania, Middle Atlantic Region and the United States**  
**2020-2024**

Calendar Year	Total Establishment Employment (thousands)			Total Establishment Employment as a % of 2020 base		
	PA	Middle Atlantic Region <sup>a</sup>	U.S.	PA	Middle Atlantic Region <sup>a</sup>	U.S.
2020.....	5,605	18,266	142,165	100.0%	100.0%	100.0%
2021.....	5,761	18,853	146,276	102.8%	103.2%	102.9%
2022.....	5,984	19,733	152,531	106.8%	108.0%	107.3%
2023.....	6,087	20,124	156,066	108.6%	110.2%	109.8%
2024 <sup>b</sup> .....	6,151	20,364	158,205	109.7%	111.5%	111.3%

<sup>a</sup> Middle Atlantic Region: Pennsylvania, New York and New Jersey.

<sup>b</sup> 2024 figures are preliminary and subject to change.

As shown below, non-manufacturing employment in Pennsylvania increased in 2024 to 90.8 percent of total non-agricultural employment from 90.7 percent during the previous year. Manufacturing, contributing 9.2 percent of 2024 non-agricultural employment, has fallen behind the services sector, the trade sector, and the government sector as the 4th largest single source of employment within the Commonwealth. In 2024, the service sector accounted for 50.8 percent of all non-agricultural employment while the trade sector accounted for 13.1 percent. The following table shows trends in employment by sector for Pennsylvania from 2020 through 2024.

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**Table D**  
Non-Agricultural Establishment Employment by Sector  
Pennsylvania  
2020-2024  
(In Thousands)

	Calendar Year									
	2020		2021		2022		2023		2024 <sup>a</sup>	
	Employees	%	Employees	%	Employees	%	Employees	%	Employees	%
<b>Manufacturing:</b>										
Durable .....	318.9	5.7%	321.5	5.6%	332.3	5.6%	334.0	5.5%	334.3	5.4%
Non-Durable .....	219.0	3.9%	222.9	3.9%	231.5	3.9%	232.1	3.8%	232.3	3.8%
<b>Total Manufacturing.</b>	<b>537.9</b>	<b>9.6%</b>	<b>544.4</b>	<b>9.5%</b>	<b>563.8</b>	<b>9.4%</b>	<b>566.1</b>	<b>9.3%</b>	<b>566.6</b>	<b>9.2%</b>
<b>Non-Manufacturing:</b>										
Trade <sup>b</sup> .....				13.7		13.5		13.3		13.1
	763.3	13.6%	791.4	%	810.6	%	812.4	%	807.8	%
Finance <sup>c</sup> .....	327.1	5.8%	328.8	5.7%	335.1	5.6%	339.7	5.6%	342.8	5.6%
Services <sup>d</sup> .....				49.2		49.9		50.4		50.8
	2,731.3	48.7%	2,832.2	%	2,984.2	%	3,068.1	%	3,126.5	%
Government .....				11.7		11.3		11.3		11.3
	684.6	12.2%	676.6	%	677.8	%	687.4	%	695.9	%
Utilities .....	295.9	5.3%	310.6	5.4%	331.3	5.5%	330.2	5.4%	331.0	5.4%
Construction.....	241.7	4.3%	254.9	4.4%	259.1	4.3%	259.8	4.3%	257.3	4.2%
Mining .....	23.3	0.4%	21.7	0.4%	22.3	0.4%	22.9	0.4%	23.3	0.4%
<b>Total Non-Manufacturing..</b>				90.5		90.6		90.7		90.8
	5,067.2	90.4%	5,216.2	%	5,420.3	%	5,520.4	%	5,584.5	%
<b>Total Employees<sup>ef</sup>.....</b>		100.0		100.0		100.0		100.0		100.0
	5,605.2	%	5,760.6	%	5,984.1	%	6,086.5	%	6,151.1	%

<sup>a</sup> 2024 figures are preliminary and subject to change.

<sup>b</sup> Wholesale and Retail Trade.

<sup>c</sup> Finance, insurance and real estate.

<sup>d</sup> Includes transportation, communications, electric, gas and sanitary services.

<sup>e</sup> Discrepancies due to rounding.

<sup>f</sup> Does not include workers involved in labor-management disputes.

Source: US Bureau of Labor and Statistics.

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The following table presents the percentages of non-agricultural employment in various sectors in Pennsylvania and the United States in 2024.

**Table E**  
**Non-Agricultural Establishment Employment by Sector**  
**Pennsylvania and the United States 2024**

	<b>2024 Calendar Year<sup>a</sup></b>	
	<b>Pennsylvania</b>	<b>United States</b>
Manufacturing	9.2%	8.2%
Trade <sup>b</sup>	13.1	13.8
Finance <sup>c</sup>	5.6	5.8
Services	50.8	47.4
Government	11.3	14.7
Utilities <sup>d</sup>	5.4	4.5
Construction	4.2	5.2
Mining	0.4	0.4
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

<sup>a</sup> 2024 figures are preliminary and subject to change.

<sup>b</sup> Wholesale and retail trade.

<sup>c</sup> Finance, insurance and real estate.

<sup>d</sup> Includes transportation, communications, electric, gas and sanitary services.

Source: U.S. Department of Labor, Bureau of Labor Statistics.

Fabricated metals industries are the largest employer within Pennsylvania’s manufacturing sector. In 2024, employment in the fabricated metals industries makes up 14 percent of Pennsylvania manufacturing employment while accounting for just 1.3 percent of total non-agricultural employment in the state. The following table shows trends in manufacturing employment by industry for Pennsylvania from 2020 through 2024.

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**Table F**  
**Manufacturing Establishment Employment by Industry**  
**Pennsylvania**  
**2020-2024**  
**(In Thousands)**

	<b>Calendar Year</b>									
	<b>2020</b>	<b>%</b>	<b>2021</b>	<b>%</b>	<b>2022</b>	<b>%</b>	<b>2023</b>	<b>%</b>	<b>2024<sup>a</sup></b>	<b>%</b>
<b>Durable Goods:</b>										
Primary Metals .....	32.1	6	31.0	5.9	33.2	6	34.0	6	34.0	6
Fabricated Metals .....	76.4	14	76.9	14.3	79.2	14	79.6	14	79.4	14
Machinery (excluding electrical) .....	42.7	8	42.5	8.0	44.5	8	45.1	8	45.1	8
Electrical Equipment .....	25.6	5	25.4	4.8	25.3	5	25.5	5	25.4	4
Transportation Equipment .....	34.7	6	35.5	6.4	36.7	7	37.7	7	38.7	7
Furniture Related Products .....	14.2	3	15.1	2.6	15.6	3	15.2	3	15.2	3
Other Durable Goods .....	93.4	17	95.1	17.3	97.9	17	96.9	17	96.5	17
<b>Total Durable Goods .....</b>	<b>318.9</b>	<b>59</b>	<b>321.5</b>	<b>59</b>	<b>332.3</b>	<b>59</b>	<b>334.0</b>	<b>59</b>	<b>334.3</b>	<b>59</b>
<b>Non-Durable Goods:</b>										
Pharmaceutical/ Medicine .....	19.6	4	20.5	4	20.9	4	20.6	4	20.0	4
Food Products .....	71.7	13	73.2	13	77.8	13	80.1	14	81.2	14
Chemical Products .....	42.2	8	43.6	8	44.4	8	44.3	8	43.6	8
Printing and Publishing .....	19.8	4	18.7	4	18.6	3	17.8	3	17.4	3
Plastics/Rubber Products .....	38.7	7	39.7	7	41.3	7	40.0	7	40.0	7
Other Non-Durable Goods .....	26.9	5	27.1	5	28.4	5	29.3	5	30.4	5
<b>Total Non-Durable Goods .....</b>	<b>219.0</b>	<b>41</b>	<b>222.9</b>	<b>41</b>	<b>231.5</b>	<b>41</b>	<b>232.1</b>	<b>41</b>	<b>232.3</b>	<b>41</b>
<b>Total Manufacturing Employees<sup>b</sup> .....</b>	<b>537.9</b>	<b>100</b>	<b>544.4</b>	<b>100</b>	<b>563.8</b>	<b>100</b>	<b>566.1</b>	<b>100</b>	<b>566.6</b>	<b>100</b>

<sup>a</sup> 2024 figures are preliminary and subject to change.

<sup>b</sup> Discrepancies due to rounding.

Source: U.S. Department of Labor, Bureau of Labor Statistics.

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The following table presents the thirty largest non-governmental employers in Pennsylvania:

**Table G**  
**Commonwealth of Pennsylvania**  
**Thirty Largest Non-Governmental Employers**  
**4th Quarter, 2023**

Company	Rank	Company	Rank
Wal-Mart Associates Inc.....	1	Home Depot USA Inc .....	16
Trustees of the University of PA.....	2	Vanguard Group Inc.....	17
Amazon.com Services Inc.....	3	Comcast Cablevision Corp (PA).....	18
Giant Food Stores LLC .....	4	Lehigh Valley Hospital Center.....	19
United Parcel Service Inc.....	5	Universal Protection Service LLC .....	20
Pennsylvania State University .....	6	Wawa Inc .....	21
UPMC Presbyterian Shadyside .....	7	Merck Sharp & Dohme Corporation.....	22
The Children's Hospital of Philadelphia .....	8	Sheetz Inc .....	23
University of Pittsburgh.....	9	Western Penn Allegheny Health .....	24
Target Corporation.....	10	Milton S Hershey Medical Center.....	25
PNC Bank NA.....	11	FedEx Ground Package System Inc .....	26
Weis Markets Inc .....	12	Excel Companion Care LLC .....	27
Lowe's Home Centers LLC.....	13	Bayada Home Health Care Inc.....	28
Giant Eagle Inc .....	14	Wegmans Food Markets Inc .....	29
Saint Luke's Hospital .....	15	GMRI Inc .....	30

Source: Pennsylvania Department of Labor and Industry.

### Unemployment

In 2023, Pennsylvania had an annual unemployment rate of 3.4 percent, which was lower than the United States unemployment rate of 3.6 percent. Pennsylvania maintains an unemployment rate of 3.4 percent through the first half of 2024. The following table represents the annual unemployment rate in Pennsylvania, the Middle Atlantic Region, and the United States from 2020 through 2024.

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**Title H**  
**Annual Average Unemployment Rate**  
**Pennsylvania, Middle Atlantic Region and the United States**  
**2020-2024**

<b>Calendar Year</b>	<b>PA<sup>a</sup></b>	<b>Middle Atlantic Region<sup>b</sup></b>	<b>United States</b>
2020	8.9	9.4	8.1
2021	5.9	6.6	5.3
2022	4.1	4.2	3.6
2023	3.4	4.0	3.6
2024 <sup>a</sup>	3.4	4.1	4.0

<sup>a</sup> 2024 figures are preliminary and subject to change.

<sup>b</sup> Middle Atlantic Region: Pennsylvania, New York, New Jersey.

Source: U.S. Department of Labor, Bureau of Labor Statistics (BLS).

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## Personal Income

In 2022, total personal income in the Commonwealth reached \$836.8 billion, a 0.4 percent increase over the previous year. Meanwhile, national personal income saw a higher growth of 2.0 percent during the same period. Per capita income in the Commonwealth stood at \$64,506, slightly below the national figure of \$65,470. The following tables represent annual personal income data and per capita income from 2018 through 2022.

**Table I**  
**Personal Income**  
**Pennsylvania, Mideast Region and the United States**  
**2018-2022**

Year	Total Personal Income Dollars in Millions			Total Personal Income As a % of 2018 Base		
	PA	Mideast Region <sup>a</sup>	U.S. <sup>b</sup>	PA	Mideast Region <sup>a</sup>	U.S. <sup>b</sup>
2018	707,043	3,073,000	17,514,402	100%	100%	100%
2019	729,142	3,187,604	18,343,601	103%	104%	105%
2020	783,826	3,362,442	19,609,985	111%	109%	112%
2021	833,322	3,597,298	21,392,812	118%	117%	122%
2022	836,778	3,597,384	21,820,248	118%	117%	125%

<sup>a</sup> Mideast Region: Pennsylvania, New York, New Jersey, Maryland, District of Columbia, and Delaware.

<sup>b</sup> Sum of States.

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

**Table J**  
**Per Capita Income**  
**Pennsylvania, Mideast Region and the United States**  
**2018-2022**

Calendar Year	Per Capita Income			As a % of U.S.	
	PA	Mideast Region <sup>a</sup>	U.S.	PA	Mideast Region <sup>a</sup>
2018	54,468.0	62,957	53,309	102%	118%
2019	56,125.0	64,852	55,547	101%	117%
2020	60,320.0	68,576	59,153	102%	116%
2021	64,042.0	73,585	64,430	99%	114%
2022	64,506.0	74,426	65,470	99%	114%

The Commonwealth's average hourly wage rate of \$32.99 for manufacturing and production workers is below the national average of \$33.72 for 2024. The following table presents the average hourly wage rates for 2020 through 2024.

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**Table K**  
**Average Hourly Wages**  
**Production Workers on Manufacturing Payrolls**  
**Pennsylvania and the United States**  
**2020-2024**

<b>Calendar Year</b>	<b>PA</b>	<b>U.S.</b>
2020	\$ 27.65	\$ 28.77
2021	\$ 28.82	\$ 29.69
2022	\$ 30.55	\$ 30.98
2023	\$ 31.95	\$ 32.44
2024 <sup>a</sup>	\$ 32.99	\$ 33.72

<sup>a</sup> 2024 figures are preliminary and subject to change.

Source: U.S. Department of Labor, Bureau of Labor and Statistics.

**Market and Assessed Valuation of Real Property**

Annually, the State Tax Equalization Board, Tax Equalization Division (the “STEB”) calculates an aggregate market value of all taxable real property in the Commonwealth. This determination involves applying assessment to sales ratio studies to assessment valuations provided by local assessing officials. The market values certified by the STEB include taxable properties, exclude tax-exempt ones, and include adjustments for preferential assessments granted to specific farm and forestlands.

The table below shows the assessed valuation certified by the counties, along with the market value and the assessed to market value ratio determined by the STEB for real property from 2019 to 2023. When computing the market values for odd-numbered years, the STEB is legally constrained to certify changes resulting from properties added to or removed from the assessment rolls. In even-numbered years, the STEB can adjust the market valuation to reflect changes in real estate values or other economic factors.

**Table L**  
**Valuations of Taxable Real Property**  
**2019-2023**

<b>Year</b>	<b>Market Value<sup>a</sup></b>	<b>Assessed Valuation</b>	<b>Rate of Assessed Valuation to Market Value<sup>a</sup></b>
2019	\$921,740,258,352	\$677,135,861,022	73.5%
2020	965,836,433,494	696,790,394,130	72.1%
2021	975,443,133,973	729,487,795,164	74.8%
2022	1,057,970,532,347	735,677,350,066	69.5%
2023	1,069,761,081,286	773,981,821,412	72.4%

<sup>a</sup> Market Value difference between Regular Assessment and Preferential Assessment under Act 319 of 1974.

Source: Annual Certifications by the State Tax Equalization Board.

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## APPENDIX D

### INFORMATION REGARDING THE DEPOSITORY TRUST COMPANY

DTC will act as securities depository for the Bonds. The Bonds will be initially issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount thereof, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has an S&P rating of "AA+." The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all the Bonds of a series within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Commonwealth or the Loan and Transfer Agent, on payable dates in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Loan and Transfer Agent, or the Commonwealth, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Commonwealth or the Loan and Transfer Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Commonwealth or the Loan and Transfer Agent. Under such circumstances, in the event that a successor depository is not obtained, bond certificates are required to be printed and delivered.

The Commonwealth may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, bond certificates will be printed and delivered.

**THE COMMONWEALTH AND THE LOAN AND TRANSFER AGENT WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE ACCURACY OF THE RECORDS OF DTC, ITS NOMINEE OR ANY DTC PARTICIPANT WITH RESPECT TO ANY OWNERSHIP INTEREST IN THE BONDS, OR PAYMENTS TO, OR THE PROVIDING OF NOTICE FOR, DTC PARTICIPANTS OR THE INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS.**

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Commonwealth believes to be reliable, but the Commonwealth takes no responsibility for the completeness or accuracy thereof, or the absence of materially adverse changes in such information subsequent to the date hereof. For further information, Beneficial Owners should contact DTC in New York, New York.

APPENDIX E

SELECTED CONSTITUTIONAL PROVISIONS  
RELATING TO THE FINANCES OF THE COMMONWEALTH

**SELECTED CONSTITUTIONAL PROVISIONS  
RELATING TO THE FINANCES OF THE COMMONWEALTH**

**Article VIII — TAXATION AND FINANCE**

**Commonwealth Indebtedness**

Section 7. (a) No debt shall be incurred by or on behalf of the Commonwealth except by law and in accordance with the provisions of this section.

- (1) Debt may be incurred without limit to suppress insurrection, rehabilitate areas affected by man-made or natural disaster, or to implement unissued authority approved by the electors prior to the adoption of this article.
- (2) The Governor, State Treasurer and Auditor General, acting jointly, may (i) issue tax anticipation notes having a maturity within the fiscal year of issue and payable exclusively from revenues received in the same fiscal year, and (ii) incur debt for the purpose of refunding other debt, if such refunding debt matures within the term of the original debt.
- (3) Debt may be incurred without limit for purposes specifically itemized in the law authorizing such debt, if the question whether the debt shall be incurred has been submitted to the electors and approved by a majority of those voting on the question.
- (4) Debt may be incurred without the approval of the electors for capital projects specifically itemized in a capital budget, if such debt will not cause the amount of all net debt outstanding to exceed one and three-quarters times the average of the annual tax revenues deposited in the previous five fiscal years as certified by the Auditor General. For the purposes of this subsection, debt outstanding shall not include debt incurred under clauses (1) and (2)(i), or debt incurred under clause (2)(ii) if the original debt would not be so considered, or debt incurred under subsection (3) unless the General Assembly shall so provide in the law authorizing such debt.

(b) All debt incurred for capital projects shall mature within a period not to exceed the estimated useful life of the projects as stated in the authorizing law, and when so stated shall be conclusive. All debt, except indebtedness permitted by clause (2)(i), shall be amortized in substantial and regular amounts, the first of which shall be due prior to the expiration of a period equal to one-tenth the term of the debt.

(c) As used in this section, debt shall mean the issued and outstanding obligations of the Commonwealth and shall include obligations of its agencies or authorities to the extent they are to be repaid from lease rentals or other charges payable directly or indirectly from revenues of the Commonwealth. Debt shall not include either (1) that portion of obligations to be repaid from charges made to the public for the use of the capital projects financed, as determined by the Auditor General, or (2) obligations to be repaid from lease rentals or other charges payable by a school district or other local taxing authority, or (3) obligations to be repaid by agencies or authorities created for the joint benefit of the Commonwealth and one or more other state governments.

(d) If sufficient funds are not appropriated for the timely payment of the interest upon and installments of principal of all debt, the State Treasurer shall set apart from the first revenues thereafter received applicable to the appropriate fund a sum sufficient to pay such interest and installments of principal, and shall so apply the money so set apart. The State Treasurer may be required to set aside and apply such revenues at the suit of any holder of Commonwealth obligations.

## **Commonwealth Credit Not to be Pledged**

Section 8. The credit of the Commonwealth shall not be pledged or loaned to any individual, company, corporation or association nor shall the Commonwealth become a joint owner or stockholder in any company, corporation or association.

## **Municipal Debt Not to be Assumed by Commonwealth**

Section 9. The Commonwealth shall not assume the debt, or any part thereof, of any county, city, borough, incorporated town, township or any similar general purpose unit of government unless such debt shall have been incurred to enable the Commonwealth to suppress insurrection or to assist the Commonwealth in the discharge of any portion of its present indebtedness.

## **Audit**

Section 10. The financial affairs of any entity funded or financially aided by the Commonwealth, and all departments, boards, commissions, agencies, instrumentalities, authorities and institutions of the Commonwealth, shall be subject to audits made in accordance with generally accepted auditing standards.

Any Commonwealth officer whose approval is necessary for any transaction relative to the financial affairs of the Commonwealth shall not be charged with the function of auditing that transaction after its occurrence.

## **Gasoline Taxes and Motor License Fees Restricted**

Section 11. (a) All proceeds from gasoline and other motor fuel excise taxes, motor vehicle registration fees and license taxes, operators' license fees and other excise taxes imposed on products used in motor transportation after providing therefrom for (a) cost of administration and collection, (b) payment of obligations incurred in the construction and reconstruction of public highways and bridges shall be appropriated by the General Assembly to agencies of the State or political subdivisions thereof; and used solely for construction, reconstruction, maintenance and repair of and safety on public highways and bridges and costs and expenses incident thereto, and for the payment of obligations incurred for such purposes, and shall not be diverted by transfer or otherwise to any other purpose, except that loans may be made by the State from the proceeds of such taxes and fees for a single period not exceeding eight months, but no such loan shall be made within the period of one year from any preceding loan, and every loan made in any fiscal year shall be repayable within one month after the beginning of the next fiscal year.

(b) All proceeds from aviation fuel excise taxes, after providing therefrom for the cost of administration and collection, shall be appropriated by the General Assembly to agencies of the State or political subdivisions thereof and used solely for: the purchase, construction, reconstruction, operation, and maintenance of airports and other air navigation facilities; aircraft accident investigation; the operation, maintenance and other costs of aircraft owned or leased by the Commonwealth; any other purpose reasonably related to air navigation including but not limited to the reimbursement of airport property owners for property tax expenditures; and costs and expenses incident thereto and for the payment of obligations incurred for such purposes, and shall not be diverted by transfer or otherwise to any other purpose.

## **Governor's Budgets and Financial Plan**

Section 12. Annually, at the times set by law, the Governor shall submit to the General Assembly:

(a) A balanced operating budget for the ensuing fiscal year setting forth in detail (i) proposed expenditures classified by department or agency and by program and (ii) estimated revenues from all sources. If estimated revenues and available surplus are less than proposed expenditures, the Governor shall recommend specific additional sources of revenue sufficient to pay the deficiency and the estimated revenue to be derived from each source;

(b) A capital budget for the ensuing fiscal year setting forth in detail proposed expenditures to be financed from the proceeds of obligations of the Commonwealth or of its agencies or authorities or from operating funds; and

(c) A financial plan for not less than the next succeeding five fiscal years, which plan shall include for each such fiscal year:

- (i) Projected operating expenditures classified by department or agency and by program, in reasonable detail, and estimated revenues, by major categories, from existing and additional sources; and
- (ii) Projected expenditures for capital projects specifically itemized by purpose, and the proposed sources of financing each.

## **Appropriations**

Section 13. (a) Operating budget appropriations made by the General Assembly shall not exceed the actual and estimated revenues and surplus available in the same fiscal year.

(b) The General Assembly shall adopt a capital budget for the ensuing fiscal year.

## **Surplus**

Section 14. All surplus of operating funds at the end of the fiscal year shall be appropriated during the ensuing fiscal year by the General Assembly.

## **Project "70"**

Section 15. In addition to the purposes stated in article eight, section seven of this Constitution, the Commonwealth may be authorized by law to create debt and to issue bonds to the amount of seventy million dollars (\$70,000,000) for the acquisition of land for State parks, reservoirs and other conservation and recreation and historical preservation purposes and for participation by the Commonwealth with political subdivisions in the acquisition of land for parks, reservoirs and other conservation and recreation and historical preservation purposes, subject to such conditions and limitations as the General Assembly may prescribe.

## **Land and Water Conservation and Reclamation Fund**

Section 16. In addition to the purposes stated in article eight, section seven of this Constitution, the Commonwealth may be authorized by law to create debt and issue bonds in the amount of five hundred million dollars (\$500,000,000) for a Land and Water Conservation and Reclamation Fund to be used for the conservation and reclamation of land and water resources of the Commonwealth, including the elimination of acid mine drainage, sewage, and other pollution from the streams of the Commonwealth, the provision of State financial assistance to political subdivisions and municipal authorities of the Commonwealth of Pennsylvania for the construction of sewage treatment plants, the restoration of



abandoned strip-mined areas, the control and extinguishment of surface and underground mine fires, the alleviation and prevention of subsidence resulting from mining operations, and the acquisition of additional lands and the reclamation and development of park and recreational lands acquired pursuant to the authority of Article VIII, section 15 of this Constitution, subject to such conditions and liabilities as the General Assembly may prescribe.

APPENDIX F

PROPOSED FORM OF OPINION  
OF THE OFFICE OF ATTORNEY GENERAL OF THE COMMONWEALTH

\_\_\_\_\_, 2024

TO THE GOVERNOR, THE STATE TREASURER AND THE AUDITOR GENERAL AS THE ISSUING OFFICIALS OF THE COMMONWEALTH:

Re: Commonwealth of Pennsylvania General Obligation Bonds,  
First Series of 2024 and First Refunding Series of 2024

This opinion is furnished to you in connection with the issuance and sale by the Commonwealth of Pennsylvania (the “Commonwealth”) on the date hereof of \$1,395,000,000\* aggregate principal amount of Commonwealth of Pennsylvania General Obligation Bonds, First Series of 2024 (the “First Series Bonds”), and the \$235,160,000\* aggregate principal amount of the Commonwealth of Pennsylvania General Obligation Bonds, First Refunding Series of 2024 (the “First Refunding Series Bonds” and together with the First Series Bonds, the “Bonds”). The Bonds are dated the date of issuance and delivery. The Bonds are issued as fully registered bonds without coupons in the denomination of \$5,000 or any integral multiple thereof within a maturity and will bear interest from the date of issuance and delivery, payable semi-annually on August 15 and February 15 of each year commencing August 15, 2025 with respect to the First Series Bonds, and payable semi-annually February 15 and August 15 of each year commencing February 15, 2025 with respect to the First Refunding Series Bonds, until the obligation with respect to the payment of such principal shall have been discharged.

The Bonds are authorized and issued pursuant to and in full compliance with the provisions, restrictions and limitations of Section 7 of Article VIII of the Constitution of the Commonwealth of Pennsylvania (the “Constitution”); the laws of the Commonwealth, including the Capital Facilities Debt Enabling Act, Act No. 1999-1, approved February 9, 1999, as amended, annual capital budget bills and various bond authorization bills enacted by the General Assembly. The Bonds are also authorized and issued pursuant to resolutions adopted by the Governor, the State Treasurer and the Auditor General (the “Issuing Officials”) on October 3, 2024 and October 16, 2024 (collectively, the “Resolutions”).

The Resolutions, among other things, authorize the issuance and sale of the Bonds, and prescribe the forms thereof, the manner of bidding therefor and the forms of the bidding documents used in connection with the issuance and sale of the Bonds.

I have examined Article VIII, Section 7 of the Constitution and the statutes referred to above, specimens of the Bonds, the Resolutions, and the other certificates delivered today at the Closing and such other matters and documents as I deemed necessary or appropriate.

I am of the opinion that:

1. Section 7 of Article VIII of the Constitution has been duly approved and adopted and has become part of the Constitution, and the statutes referred to above have been duly and properly enacted.
2. Pursuant to full and adequate legal power conferred upon them by the Constitution and the statutes referred to above, the Governor, the State Treasurer and the Auditor General have duly adopted the Resolutions and have validly taken all other necessary and proper

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\* Preliminary, subject to change.

action to issue and sell the Bonds, and the Bonds have been validly authorized, issued and sold pursuant to proper and appropriate action of such officials.

3. The Bonds are lawful, valid, direct and general obligations of the Commonwealth, and the full faith and credit of the Commonwealth is pledged for the payment of interest thereon as the same shall become due and for the payment of the principal thereof at maturity.

4. Under the provisions of Section 2901 of the Tax Reform Code of 1971, as amended, the Bonds and the interest thereon are exempt from taxation for state and local purposes within the Commonwealth, but this exemption does not extend to (a) gift, estate, succession or inheritance taxes or (b) any other taxes not levied or assessed directly on the Bonds or the interest thereon.

5. The Commonwealth has the power to provide for the payment of the principal of and interest on the Bonds (as defined above) by levying unlimited ad valorem taxes upon all taxable property within the Commonwealth and excise taxes upon all taxable transactions within the Commonwealth, uniform on the same class of subjects, except gasoline and other motor fuel excise taxes, motor vehicle registration fees and license taxes, and operators' license fees and other excise taxes imposed on products used in motor transportation, and aviation fuel excise taxes, the proceeds of which are limited to certain special purposes by Section 11 of Article VIII of the Constitution.

6. If sufficient funds are not appropriated for timely payment of interest on and installments of principal of the Bonds, the Constitution requires the State Treasurer to set apart from the first revenues thereafter received applicable to the appropriate fund, a sum sufficient to pay such interest and installments of principal and to apply said sum to such purposes, and the State Treasurer may be required to set aside and apply such revenues at the suit of the holder of any of the Bonds.

Very truly yours,

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Michelle Henry  
Attorney General  
Office of Attorney General of the  
Commonwealth of Pennsylvania

APPENDIX G

PROPOSED FORM OF OPINION OF CO-BOND COUNSEL

APPENDIX G  
PROPOSED FORM OF OPINION OF CO-BOND COUNSEL

October \_\_, 2024

Re: Commonwealth of Pennsylvania, General Obligation Bonds  
\$1,395,000,000 First Series of 2024 and  
\$237,100,000 First Refunding Series of 2024

To The Purchasers of the Within-Described Bonds:

We have served as co-bond counsel to the Commonwealth of Pennsylvania (“Commonwealth”), in connection with the issuance of its \$1,395,000,000 aggregate principal amount General Obligation Bonds, First Series of 2024 (the “First Series Bonds”) and \$237,100,000 aggregate principal amount General Obligation Bonds, First Refunding Series of 2024 (the “First Refunding Series Bonds”, and together with the First Series Bonds, the “Bonds”). The Bonds are issued under and pursuant to (i) Section 7 of Article VIII of the Constitution of the Commonwealth (the “Constitution”), (ii) the laws of the Commonwealth, including the Capital Facilities Debt Enabling Act, Act No. 1991-1, approved February 9, 1999, as amended (the “Act”), and annual capital budget bills and various bond authorization bills enacted by the General Assembly of the Commonwealth, as amended, and (iii) bond resolutions adopted by the Governor, State Treasurer and Auditor General of the Commonwealth on October 3, 2024 and October 16, 2024, respectively (collectively, the “Resolutions”). Capitalized terms used but not otherwise defined herein have the meanings set forth in the Resolutions.

The First Series Bonds are being issued for the purpose of providing funds which will be used to: (i) finance various capital projects as detailed in the Resolutions; and (ii) pay the costs and expenses of issuing the First Series Bonds. The First Refunding Series Bonds are being issued for the purpose of providing funds which will be used to: (i) currently refund all or a portion of the Commonwealth’s outstanding General Obligation Bonds, First Series of 2014 (the “Refunded Bonds”); and (ii) pay the costs and expenses of issuing the First Refunding Series Bonds.

As Co-Bond Counsel for the Commonwealth, we have examined and relied on the proceedings relating to the authorization and issuance of the Bonds, including, among other things: (i) the Constitution, the Act and certain of the annual capital budget bills and bond authorization bills referenced above; (ii) certified copies of the Resolutions; (iii) an opinion of the Office of the Attorney General of the Commonwealth dated October \_\_, 2024; (iv) certificates executed by the Commonwealth and its Loan and Transfer Agent for the Bonds as to the execution and authentication of the Bonds; (v) a certificate of the Auditor General of the Commonwealth regarding the Commonwealth’s compliance with the debt limitation contained in Section 7(a)(4) of Article VIII of the Constitution; (vi) various other certificates executed by the Commonwealth, including a Tax Compliance Certificate dated the date of issuance of the Bonds (the “Tax Certificate”), pursuant to which the Commonwealth has, among other things, covenanted that it will make no use of the proceeds of the Bonds that would cause the Bonds to be “arbitrage bonds” or “private activity bonds,” as those terms are defined in the Internal Revenue Code of 1986, as amended (the “Code”), and the applicable regulations thereunder, and that it will comply with the applicable requirements of Sections 103 and 141 through 150 of the Code and the applicable regulations thereunder throughout the term of the Bonds; and (vii) a completed and executed Form 8038-G of the Commonwealth with respect to the Bonds to be filed with the Internal Revenue Service. We have also examined one fully executed and

authenticated Bond of each series, or a true copy thereof, and assume all other Bonds are in such forms and are similarly executed and authenticated.

In rendering the opinion set forth below, we have assumed the accuracy of, and not undertaken to verify, the factual matters set forth in such certificates and other documents by independent investigation, and we have relied on the covenants, warranties and representations made by the Commonwealth in such certificates and in the Resolutions and other financing documents. In addition, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals, the conformity with originals of all documents submitted to us as copies and the accuracy of certificates of public officials.

Except with respect to paragraph 5 below, our opinion is given only with respect to the internal laws of the Commonwealth as enacted and construed on the date hereof.

Based on the foregoing, we are of the opinion that:

1. The Commonwealth is authorized under the provisions of the Constitution to issue the Bonds.

2. The full faith, credit and taxing power of the Commonwealth is pledged for the payment of debt service on the Bonds. If sufficient funds are not appropriated for the timely payment of debt service on the Bonds, the Constitution requires the State Treasurer to set apart from the first revenues thereafter received applicable to the appropriate fund a sum sufficient to pay such debt service and to apply said sum to such purposes, and the State Treasurer may be required to set aside and apply such revenues at the suit of the holder of any of the Bonds.

3. The Bonds have been duly authorized, executed, authenticated, issued and delivered, and are the legal, valid and binding general obligations of the Commonwealth, enforceable in accordance with the terms thereof, except to the extent that enforcement thereof may be affected by bankruptcy, insolvency, reorganization, moratorium or other similar laws or legal or equitable principles affecting the enforcement of creditors' rights.

4. Under the laws of the Commonwealth as enacted and construed on the date hereof, interest on the Bonds is exempt from Pennsylvania personal income tax and Pennsylvania corporate net income tax; however, under the laws of the Commonwealth as enacted and construed on the date hereof, any profits, gains or income derived from the sale, exchange or other disposition of the Bonds will be subject to Commonwealth taxes and local taxes within the Commonwealth.

5. Under existing statutes, regulations, rulings and court decisions, interest on the Bonds will not be includible in the gross income of the holders thereof for federal income tax purposes, assuming continuing compliance by the Commonwealth with the requirements of the Code. Interest on the Bonds will not be a specific preference item for purposes of computing the federal alternative minimum tax on individuals.

In rendering this opinion, we have assumed compliance by the Commonwealth with the covenants contained in the Resolution and the representations in the Tax Compliance Certificate relating to actions to be taken by the Commonwealth after the issuance of the Bonds necessary to effect or maintain the exclusion from gross income of the interest on the Bonds for federal income tax purposes. These covenants and representations relate to, inter alia, the use and investment of proceeds of the Bonds, and the rebate to the United States Department of Treasury of specified arbitrage earnings, if any. Failure to comply with such covenants could result in the interest on the Bonds becoming includible in gross income for federal income tax purposes from the date of issuance of the Bonds.

We express no opinion as to any matter not set forth in the numbered paragraphs herein. This opinion is rendered on the basis of federal law and the laws of the Commonwealth of Pennsylvania as enacted and construed on the date hereof. This opinion is given as of the date hereof and we assume no obligation to supplement this opinion to reflect changes in law that may hereafter occur or changes in facts or circumstances that may hereafter come to our attention. Without limiting the generality of the foregoing, we express no opinion with respect to, and assume no responsibility for, the accuracy, adequacy or completeness of the preliminary official statement, the official statement, or the supplement to the official statement prepared in respect of the Bonds, and make no representation that we have independently reviewed or verified the contents thereof.

Very truly yours,



APPENDIX H

FORM OF CONTINUING DISCLOSURE AGREEMENT

## CONTINUING DISCLOSURE AGREEMENT

This CONTINUING DISCLOSURE AGREEMENT dated October 30, 2024 (the “Agreement”), executed and delivered by the Commonwealth of Pennsylvania (“Commonwealth”) in connection with the issuance and delivery of Commonwealth of Pennsylvania General Obligation Bonds, \$1,395,000,000 First Series of 2024 (the “First Series Bonds”) and \$237,100,000 First Refunding Series of 2024 (the “First Refunding Series Bonds” and together with the First Series Bonds, the “Bonds”).

The Bonds are being issued pursuant to the initial and final resolutions of the Commonwealth adopted by the Governor, State Treasurer and Auditor General to provide funds to finance certain capital projects and refund certain prior issues or portions of prior issues of bonds of the Commonwealth.

The Commonwealth hereby covenants and agrees as follows:

Section 1. Purpose. This Agreement is being executed and delivered by the Commonwealth for the benefit of the holders and the beneficial owners of the Bonds and in order to assist the underwriters purchasing the Bonds in complying with the provisions of Section (b)(5)(i) of Rule 15c2-12 (the “Rule”) promulgated by the Securities and Exchange Commission (the “SEC”) by undertaking to provide certain annual financial information and event notices required by the Rule (collectively, “Continuing Disclosure”).

Section 2. Annual Disclosure.

(a) So long as any Bonds are outstanding, the Commonwealth annually shall provide financial information and operating data in accordance with the provisions of Section (b)(5)(i) of the Rule as follows:

(i) Audited financial statements of the Commonwealth, prepared in accordance with generally accepted accounting principles; and

(ii) Unless included in such financial statements, operating data with respect to the Commonwealth and its operations of the type found in the following tables in APPENDIX B to the Official Statement for the Bonds dated October 16, 2024: (a) Tables 5 through 10 under the heading “COMMONWEALTH FINANCIAL PERFORMANCE”; (b) Tables 11 and 12 under the heading “COMMONWEALTH REVENUES AND EXPENDITURES”; (c) Tables 15 through 18 under the heading “OUTSTANDING INDEBTEDNESS OF THE COMMONWEALTH”; and (d) Tables 20 through 24 under the heading “OTHER STATE RELATED OBLIGATIONS”. If any of the tables listed above reflect information that is no longer calculated and available or relevant because of changes in operations, the Commonwealth will provide notice of such change in the first annual filing of annual operating data after such changes are undertaken. The format of such information may be altered from that set forth in the Official Statement.

If the audited financial statements to be filed pursuant to Section 2(a)(i) are not available by the date of the required filing, the Commonwealth may instead file unaudited statements by such date and file audited statements when available.

(b) The Commonwealth shall provide annually the financial information and operating data described in subsection (a) above (collectively, the “Annual Disclosure”) within 240 days after the end of the Commonwealth’s fiscal year, commencing with the Commonwealth’s fiscal year ending June 30, 2024, to the Municipal Securities Rulemaking Board (the “MSRB”) via the Electronic Municipal Market Access system, or any successor thereto (“EMMA”).

(c) The Annual Disclosure may be included by specific reference to other documents available to the public on the MSRB internet website (presently [www.msrb.org](http://www.msrb.org)) or filed with the SEC.

(d) The Commonwealth shall provide in a timely manner to the MSRB via EMMA notice specifying any failure of the Commonwealth to provide the Annual Disclosure by the date specified.

Section 3. Event Disclosure. So long as any Bonds are outstanding, the Commonwealth shall provide in a timely manner, not in excess of ten business days after the occurrence of the event, to the MSRB notice of the occurrence of any of the following events with respect to the Bonds:

- (a) Principal and interest payment delinquencies;
- (b) Non-payment related defaults, if material;
- (c) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (d) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (e) Substitution of credit or liquidity providers, or their failure to perform;
- (f) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (g) Modifications to rights of holders of the Bonds, if material;
- (h) Bond calls, if material, and tender offers;
- (i) Defeasances;
- (j) Release, substitution, or sale of property securing repayment of the Bonds, if material;
- (k) Rating changes;
- (l) Bankruptcy, insolvency, receivership or similar event of the Commonwealth;
- (m) The consummation of a merger, consolidation, or acquisition involving the Commonwealth or the sale of all or substantially all of the assets of the Commonwealth, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (n) Appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (o) Incurrence of a financial obligation of the Commonwealth, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Commonwealth, any of which affect security holders, if material; and

(p) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the Commonwealth, any of which reflect financial difficulties.

For the purposes of the event identified in paragraph (l) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Commonwealth in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Commonwealth, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Commonwealth.

Section 4. Termination. The obligations of the Commonwealth hereunder will terminate upon the redemption, defeasance (within the meaning of the Rule) or payment in full of all the Bonds.

Section 5. Amendment. The Commonwealth may modify their respective obligations hereunder without the consent of Owners of the Bonds, provided that this Agreement as so modified complies with the Rule as it exists at the time of modification. The Commonwealth, as applicable, shall within a reasonable time thereafter send to the MSRB a description of such modification(s).

Section 6. Defaults.

(a) If the Commonwealth fails to comply with any covenant or obligation regarding Continuing Disclosure specified in this Agreement, any holder (within the meaning of the Rule) of Bonds then outstanding may, by notice to the Commonwealth, proceed to protect and enforce its rights and the rights of the holders by an action for specific performance of such covenant to provide the Continuing Disclosure; provided that any holder seeking to require compliance of the Commonwealth with this Agreement shall first provide the Commonwealth's Office of the Budget at least 30 days prior written notice of the Commonwealth's failure, giving reasonable details of the Commonwealth's failure, following which notice, the Commonwealth shall have 30 days to comply.

(b) Notwithstanding anything herein to the contrary, any failure of the Commonwealth to comply with any obligation regarding Continuing Disclosure specified in this Agreement (i) shall not be deemed to be an event of default under the Bonds or the Resolutions or other documents providing for by the issuance of these Bonds; and (ii) shall not give rise to any right or remedy other than described in Section 6(a) above.

Section 7. Additional Disclosure. The Commonwealth may from time to time disclose certain information and data in addition to the Continuing Disclosure. Notwithstanding anything herein to the contrary, the Commonwealth shall not incur any obligation to continue to provide, or to update, such additional information or data.

Section 8. Filing Format. Any information, document, data and/or notice submitted to the MSRB via EMMA hereunder shall be submitted in electronic format and shall be accompanied by identifying information, all as prescribed by the MSRB.

Section 9. Governing Law. This Agreement shall be construed and enforced in accordance with the laws of the Commonwealth of Pennsylvania.

Section 10. Successors and Assigns. All of the covenants, promises and agreements contained in this Continuing Disclosure Agreement by or on behalf of the Commonwealth shall bind and inure to the benefit of its successors and assigns, whether so expressed or not.

Section 11. Headings for Convenience Only. The descriptive headings in this Continuing Disclosure Agreement are inserted for convenience of reference only and shall not control or affect the meaning or construction of any of the provisions hereof.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, this Agreement is executed as of the date and year first above written.

COMMONWEALTH OF PENNSYLVANIA

By: \_\_\_\_\_  
Name:  
Title: