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Independent Fiscal Office Releases Revenue Estimates

(Harrisburg) - - The Independent Fiscal Office (IFO) today released new revenue estimates for FY 2016-17 and FY 2017-18, according to director Matthew Knittel. By statute, the office issues an initial revenue estimate at the beginning of May and an updated revenue estimate by mid-June.

FY 2016-17 unrestricted General Fund revenues are estimated to be \$31.82 billion, \$695 million below the estimate issued by the IFO at the beginning of the fiscal year. Receipts for the current year are expected to increase by \$914 million (3.0 percent) from the prior year.

“The three largest General Fund revenue sources, corporate net income, sales and use and personal income taxes, are underperforming in FY 2016-17,” Knittel noted. “The downward revision in the estimate is largely attributable to a decline in corporate profits and weak consumer spending. Income shifting from 2016 to 2017 in anticipation of lower federal tax rates may have contributed to the weak collections.”

FY 2017-18 unrestricted General Fund revenues are projected to be \$32.45 billion, an increase of \$632 million (2.0 percent) over FY 2016-17. The projection is made on a current law basis, and it does not include the impact of proposed changes to statute.

“The Pennsylvania economy is expected to grow moderately in FY 2017-18,” Knittel said. “Revenue growth will be constrained by non-recurring revenues received in FY 2016-17 and various technical factors.”

Relative to the Executive Budget presented in February, these projections are \$487 million lower for FY 2016-17 and \$172 million lower for FY 2017-18, for a two-year difference of -\$658 million. These amounts exclude the proposed statutory changes identified in the Executive Budget.

A copy of the revenue estimate, which includes a discussion of the economic outlook, is posted on the IFO’s website at www.ifo.state.pa.us.

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Contact: Matthew Knittel, 717-230-8293