

MONTHLY TRENDS

Report

SEPTEMBER 2017 - INDEPENDENT FISCAL OFFICE -

Revenue Update for FY 2017-18 Q1

In August, the Independent Fiscal Office (IFO) released monthly projections for the fiscal year (FY) 2017-18 revenue estimate published in June 2017.¹ Through the first three months of FY 2017-18, total General Fund revenues were \$25.3 million (0.4 percent) above the IFO's official estimate. Total tax revenues were \$9.4 million (0.1 percent) above estimate and non-tax revenues were \$15.8 million (34.5 percent) above estimate.

As shown in the table below, two of the three largest sources of General Fund tax revenue, personal income tax (PIT) and sales and use tax (SUT), were below estimate through September. PIT revenues were \$13.6 million (-0.5 percent) below estimate, driven by quarterly payments that were \$32.4 million (-7.3 percent) below estimate. SUT revenues were \$21.8 million (-0.8 percent) below estimate, due to a motor vehicle tax shortfall of \$25.0 million (-6.6 percent). Other notable tax revenue sources that were below estimate include realty transfer (\$2.5 million, -1.9 percent), cigarette (\$6.1 million, -1.9 percent) and gross receipts (\$9.2 million, -73.3 percent).

These underperformances were more than offset by strong corporate net income tax (CNIT) revenues and non-tax revenues. CNIT revenues were \$36.5 million (6.6 percent) above estimate through the first three months of FY 2017-18. Non-tax revenues were \$15.8 million (34.5 percent) above estimate, largely driven

GENERAL FUND SNAPSHOT			
	General Fund	Tax Revenue	Non-Tax Revenue
Sep-17	\$2,719	\$2,722	(\$3)
Growth	3.5%	3.7%	-432.1%
FYTD	\$6,933	\$6,871	\$62
Growth	4.8%	4.8%	4.5%

Dollar amounts are in millions.

by escheat revenues, which were \$10.2 million (79.8 percent) above estimate. Other notable tax revenues that exceeded estimates include inheritance (\$9.0 million, 4.0 percent), insurance premiums (\$7.1 million, 253.0 percent) and bank shares (\$9.6 million, 342.7 percent).

For FY 2017-18, the IFO projected a 2.8 percent year-over-year growth rate for the General Fund, after accounting for certain technical factors that reduce revenue.¹ Through September, the actual year-over-year growth rate for the General Fund was 4.8 percent, with CNIT revenues showing robust growth.

FY 2017-18 Q1 REVENUE PERFORMANCE

	Actual	Estimate	Diff. w/ IFO Estimate		Diff. w/ Last Year	
			Dollar	Percent	Dollar	Percent
General Fund	\$6,933	\$6,908	\$25	0.4%	\$319	4.8%
CNIT	587	551	37	6.6	58	11.0
SUT	2,591	2,613	(22)	-0.8	97	3.9
PIT	2,837	2,850	(14)	-0.5	105	3.8
Other Taxes	857	848	8	1.0	59	6.9
Non-Tax	62	46	16	34.5	3	4.5

Dollar amounts are in millions.

¹See *Official Monthly & Quarterly Revenue Estimates* for more information: http://www.ifo.state.pa.us/download.cfm?file=/Resources/Documents/MQRE_FY17-18.pdf.

MONTHLY ECONOMIC INDICATORS

	United States				Pennsylvania			
	Jun-17	Jul-17	Aug-17	Sep-17	Jun-17	Jul-17	Aug-17	Sep-17
Unemployment Rate ¹	4.4%	4.3%	4.4%	4.2%	5.0%	5.0%	4.9%	n.a.
Net Job Gains (000s) ²	210.0	138.0	169.0	-33.0	57.2	64.8	63.8	n.a.
Average Gasoline Price ³	\$2.35	\$2.30	\$2.38	\$2.65	\$2.41	\$2.37	\$2.45	\$2.77
Consumer Price Index ⁴	1.6%	1.7%	1.9%	n.a.	0.7%	1.1%	1.4%	n.a.
Retail Sales ⁵	3.9%	3.6%	3.2%	n.a.	3.7%	4.7%	4.9%	3.7%
Consumer Sentiment Index ⁶	95.1	93.4	96.8	95.1	n.a.	n.a.	n.a.	n.a.
New Building Permits ⁷	7.8%	11.4%	10.0%	n.a.	2.3%	16.6%	13.5%	n.a.

QUARTERLY ECONOMIC INDICATORS

	United States				Pennsylvania			
	2016.3	2016.4	2017.1	2017.2	2016.3	2016.4	2017.1	2017.2
Gross Domestic Product ⁸	2.8%	1.8%	1.2%	3.1%	6.0%	1.7%	1.2%	n.a.
Personal Income ⁹	2.6%	1.6%	3.1%	2.9%	2.5%	1.2%	3.1%	2.7%
Completed Home Sales ¹⁰	0.8%	5.6%	5.0%	1.6%	2.8%	5.2%	n.a.	n.a.
FHFA House Price Index ¹¹	6.3%	6.3%	6.4%	6.6%	4.3%	4.2%	4.2%	4.4%
Student Loan Debt ¹²	\$4,830	\$4,920	\$5,030	\$5,020	\$5,590	\$5,690	\$5,840	\$5,810
Industrial Electricity Sales ¹³	-4.9%	-4.9%	-0.6%	1.4%	-0.6%	0.8%	-0.5%	2.3%

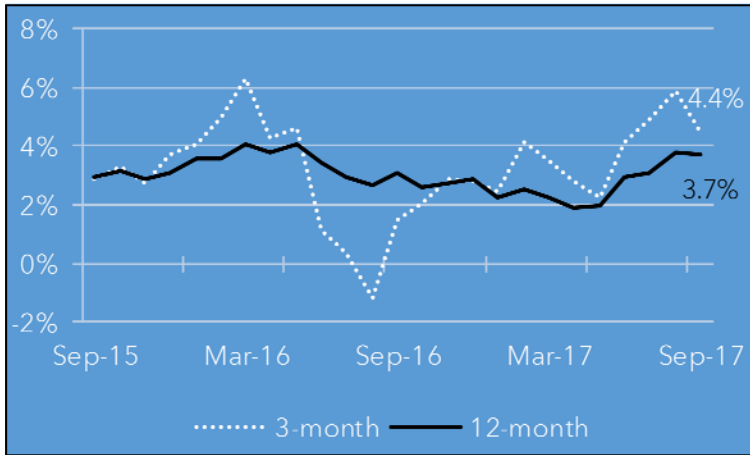
Notes:

1. Source: U.S. Bureau of Labor Statistics–Survey of Households.
2. U.S.: Increase in payroll employment compared to the previous month. PA: Average year-over-year increase in payroll employment based on latest three months of data. Source: U.S. Bureau of Labor Statistics–Survey of Establishments.
3. Average price for one gallon of regular gasoline. Source: U.S. Energy Information Administration.
4. Annual change in average price level for U.S. and PA-NJ-DE-MD. Data for PA-NJ-DE-MD only published on a bi-monthly basis. For non-release months, values are an interpolation. Source: U.S. Bureau of Labor Statistics.
5. U.S.: Annual growth rate of advance retail sales based on latest three months of data. Includes purchases of gas and motor vehicles. Excludes services. Source: U.S. Dept. of Commerce. PA: Annual growth rate of sales tax revenues based on latest three months of data. Excludes transfers to or from the Enhanced Revenue Collection Account. Source: PA Dept. of Revenue.
6. A diffusion index that reflects consumer optimism. Source: UM–Survey of Consumers.
7. Annual growth of new, privately owned single-housing units authorized for construction based on latest three months of data. Source: U.S. Census Bureau.
8. The quarterly, annualized real growth rate of the economy. Excludes inflation. Source: U.S. Bureau of Economic Analysis.
9. The annual growth rate of personal income. Includes any inflationary gains. Source: U.S. Bureau of Economic Analysis.
10. The annual growth rate of sales of existing single-family properties, townhomes and condominiums. (PA data contain some new properties.) Sources: National Association of Realtors and PA Association of Realtors.
11. The annual growth rate of an index that measures the average price change of residential homes with mortgages purchased or securitized by Fannie Mae or Freddie Mac. Source: Federal Housing Finance Agency.
12. Per capita levels. Levels represent total student loan debt divided by number of consumers with a credit report. For Q4 2016, Pennsylvania has 10.9 million consumers (includes children). Source: Federal Reserve Bank of New York.
13. The annual growth rate in megawatt-hours of electricity sold to industrial customers. Source: U.S. EIA.

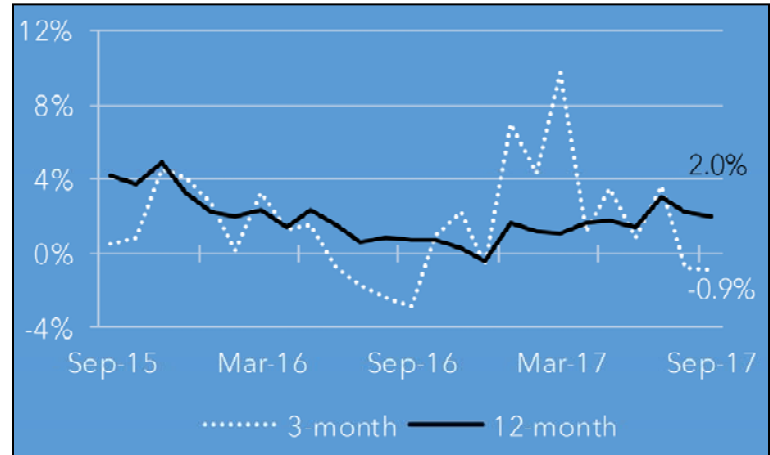
SELECT GENERAL FUND TAX REVENUES

ANNUAL GROWTH RATES

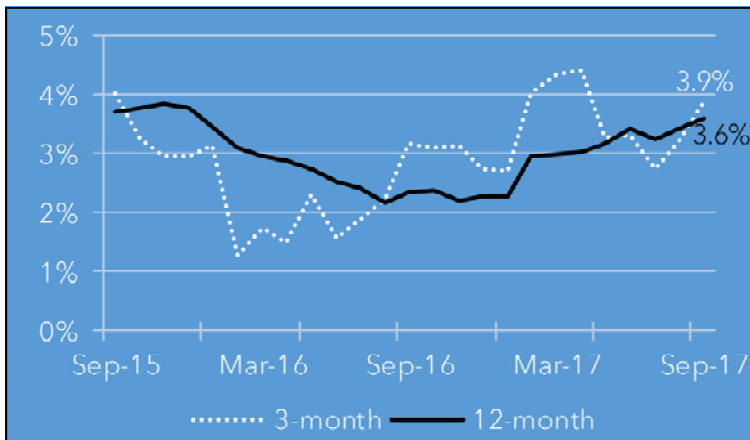
Sales and Use Tax – Non-Motor



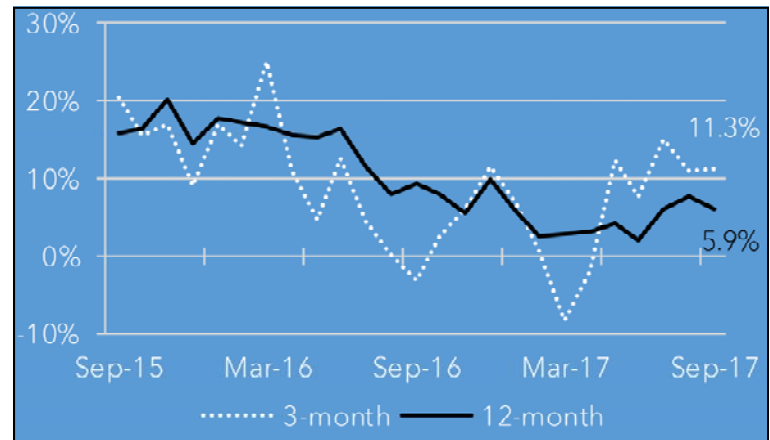
Sales and Use Tax – Motor



Personal Income Tax – Withholding



Realty Transfer Tax



Technical Notes

- Transfers from the General Fund to the Enhanced Revenue Collection Account were \$26.4 million including: \$7.8 million from personal income tax; \$6.6 million from sales and use tax; and \$5.6 million from corporate net income tax.
- The graphs above correct for all transfers and issues related to fluctuating payment due dates.

Note: Three- and twelve-month annual growth rates are rolling averages relative to the previous fiscal year.

GENERAL FUND REVENUES SUMMARY

Revenue Source	SEP 2017	SEP 2016	SEP 2015	FYTD 2017-18	FYTD 2016-17	FYTD 2015-16	Monthly Growth	FYTD Growth
Total General Fund	\$2,719	\$2,627	\$2,733	\$6,933	\$6,614	\$6,736	3.5%	4.8%
Total Tax Revenue	2,722	2,625	2,710	6,871	6,555	6,655	3.7	4.8
Total Corporation Taxes	496	469	488	617	566	610	5.8	9.1
Accelerated Deposits	0	1	1	0	1	1	-76.7	-101.5
Corporate Net Income	480	448	466	587	529	573	7.2	11.0
Gross Receipts	0	10	5	3	18	17	-97.0	-81.0
Utility Property	1	1	3	1	2	3	-28.1	-50.1
Insurance Premiums	0	1	1	10	3	2	-85.0	200.4
Financial Institutions	15	8	14	16	12	14	80.1	27.0
Total Consumption Taxes	1,004	958	898	3,025	2,866	2,814	4.8	5.5
Sales and Use - Total	840	811	783	2,591	2,495	2,490	3.5	3.9
Non-Motor	722	689	658	2,236	2,137	2,121	4.8	4.7
Motor Vehicle	118	123	125	355	358	368	-3.8	-0.9
Cigarette	122	116	87	309	280	236	5.1	10.6
Other Tobacco Products	10	0	0	30	0	0	n.a.	n.a.
Malt Beverage	2	3	2	7	7	7	-7.3	-0.9
Liquor	30	28	26	87	84	81	4.6	3.6
Total Other Taxes	1,222	1,198	1,324	3,229	3,124	3,232	2.0	3.4
Personal Income - Total	1,110	1,077	1,180	2,837	2,732	2,799	3.0	3.8
Withholding	750	711	790	2,379	2,278	2,311	5.5	4.4
Quarterly	345	344	363	411	407	430	0.2	1.0
Annual	15	22	27	46	46	59	-32.7	0.0
Realty Transfer	40	42	36	130	120	137	-4.7	8.7
Inheritance	67	65	72	234	224	228	4.0	4.5
Table Games	11	11	7	31	30	25	3.2	4.1
Minor and Repealed	(7)	3	29	(2)	19	43	-314.5	-109.2
Total Non-Tax Revenue	(3)	1	23	62	59	80	-432.1	4.5
State Store Fund Transfers	0	0	0	0	0	0	n.a.	n.a.
Lic., Fees & Misc.	(10)	(6)	16	39	35	58	-61.6	11.0
Licenses and Fees	6	6	7	19	18	20	5.2	3.6
Miscellaneous	(16)	(12)	9	20	16	37	-35.5	19.4
Treasury	2	1	0	7	6	1	130.1	7.0
Escheats	(22)	(15)	3	(3)	(26)	11	-43.9	90.0
Other Miscellaneous	4	3	5	15	36	25	55.5	-57.6
Fines, Pen. & Int. - Total	7	7	7	23	24	23	-5.4	-4.8

Note: Dollar amounts in millions. Growth rates computed from same time period in previous year and use the unrounded amounts.