

MONTHLY TRENDS

Report

NOVEMBER 2017 - INDEPENDENT FISCAL OFFICE -

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 five months of FY 2017-18, total General Fund revenues were \$203.1 million (1.8 percent) above the IFO's official estimate. Tax revenues were \$58.5 million (0.5 percent) above estimate and non-tax revenues were \$144.5 million (181.1 percent) above estimate.

The outperformance of General Fund revenues compared to the IFO's official estimate is due to earlier-than-anticipated revenues from (1) a state stores fund transfer (\$100.0 million), (2) a slots license fee (\$50.0 million) and (3) a transfer from a delinquent collections holding account (\$26.8 million). These amounts were anticipated to be remitted to the General Fund later in the fiscal year and therefore do not represent permanent revenue gains. Excluding such temporary gains, total General Fund revenues were \$26.3 million (0.2 percent) above the IFO's official estimate through November. Tax revenues were \$31.7 million (0.3 percent) above estimate and non-tax revenues were \$5.5 million (-6.8 percent) below estimate.

Adjusted for temporary gains, collections from the three largest tax revenue sources, personal income tax (PIT), sales and use tax (SUT) and corporate net income tax (CNIT), were roughly at estimate through November. PIT revenues were \$7.1 million (-0.2 percent) below estimate, driven by quarterly payments that were \$32.6 million (-6.3 percent) below estimate. SUT revenues were \$8.6 million (-0.2 percent) below estimate, while CNIT revenues were \$8.9 million (1.2 percent) above estimate.

GENERAL FUND SNAPSHOT			
	General Fund	Tax Revenue	Non-Tax Revenue
Nov-17	\$2,306	\$2,159	\$147
Growth	16.0%	11.2%	215.7%
FYTD	\$11,414	\$11,190	\$224
Growth	5.3%	4.3%	104.4%

Dollar amounts in millions. See final page for detail.

Fourth-quarter estimated payments for PIT (non-withholding) and CNIT liabilities are remitted each December and January. These payments represent significant contributions to the General Fund, but can fluctuate from year to year. The potential outperformance or underperformance of the General Fund revenue estimate for the remainder of FY 2017-18 should become more clear once those payments have been remitted.

In December, the IFO will release updated monthly projections for FY 2017-18 that reflect the impact of recently enacted legislation.² The legislation was enacted as part of the FY 2017-18 state budget.

FY 2017-18 REVENUE PERFORMANCE THROUGH NOVEMBER

	Actual	Estimate	Diff. w/ Estimate		Diff. w/ Last Year	
			Dollar	Percent	Dollar	Percent
General Fund	\$11,414	\$11,211	\$203	1.8%	\$578	5.3%
Corp. Net Income	\$769	\$751	\$18	2.5%	\$38	5.2%
Sales and Use	\$4,310	\$4,311	(\$1)	0.0%	\$170	4.1%
Personal Income	\$4,661	\$4,661	\$0	0.0%	\$190	4.2%
Other Taxes	\$1,449	\$1,409	\$41	2.9%	\$65	4.7%
Non-Tax	\$224	\$80	\$145	181.1%	\$115	104.4%

Dollar amounts in millions. Estimate refers to IFO official estimate published in June 2017.

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

²The release will include the incremental impact on General Fund revenues of (1) Acts 42, 43, 44 and 55 of 2017 and (2) a recent Supreme Court decision on net operating loss deductions.

MONTHLY ECONOMIC INDICATORS

	United States				Pennsylvania			
	Aug-17	Sep-17	Oct-17	Nov-17	Aug-17	Sep-17	Oct-17	Nov-17
Unemployment Rate ¹	4.4%	4.2%	4.1%	4.1%	4.9%	4.8%	4.7%	n.a.
Net Job Gains (000s) ²	208.0	18.0	264.0	228.0	65.9	69.9	68.6	n.a.
Average Gasoline Price ³	\$2.38	\$2.65	\$2.51	\$2.56	\$2.45	\$2.77	\$2.58	\$2.64
Consumer Price Index ⁴	1.9%	2.2%	2.0%	n.a.	1.4%	1.1%	0.8%	n.a.
Retail Sales ⁵	3.4%	4.0%	4.2%	n.a.	4.9%	3.7%	3.3%	3.7%
Consumer Sentiment Index ⁶	96.8	95.1	100.7	98.5	n.a.	n.a.	n.a.	n.a.
New Building Permits ⁷	10.0%	8.6%	9.2%	n.a.	13.5%	25.7%	10.7%	n.a.

QUARTERLY ECONOMIC INDICATORS

	United States				Pennsylvania			
	2016.4	2017.1	2017.2	2017.3	2016.4	2017.1	2017.2	2017.3
Gross Domestic Product ⁸	1.8%	1.2%	3.1%	3.3%	-0.5%	0.3%	2.5%	n.a.
Personal Income ⁹	1.6%	3.1%	2.7%	2.6%	1.2%	3.1%	2.7%	n.a.
Wages and Salaries ¹⁰	1.0%	3.4%	2.5%	2.4%	-0.4%	2.8%	2.3%	n.a.
FHFA House Price Index ¹¹	6.4%	6.5%	6.9%	6.5%	4.5%	4.3%	4.6%	4.3%
Student Loan Debt ¹²	\$4,920	\$5,030	\$5,020	\$5,060	\$5,690	\$5,840	\$5,810	\$5,870
Industrial Electricity Sales ¹³	-4.9%	-0.6%	1.4%	n.a.	0.8%	-0.5%	2.3%	n.a.

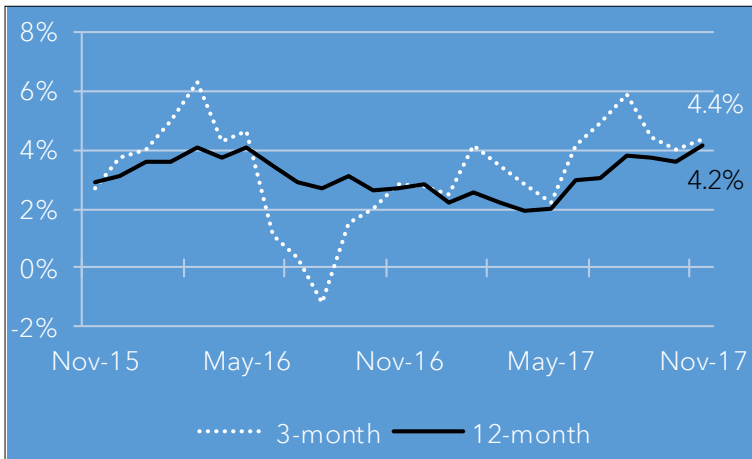
Notes:

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. Year-over-year growth rate of wages and salaries paid to all payroll employees. Source: U.S. Bureau of Economic Analysis.
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.

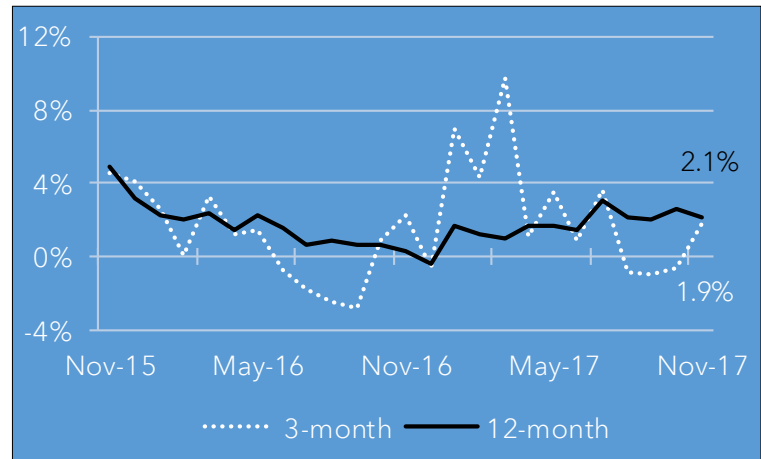
SELECT GENERAL FUND TAX REVENUES

ANNUAL GROWTH RATES

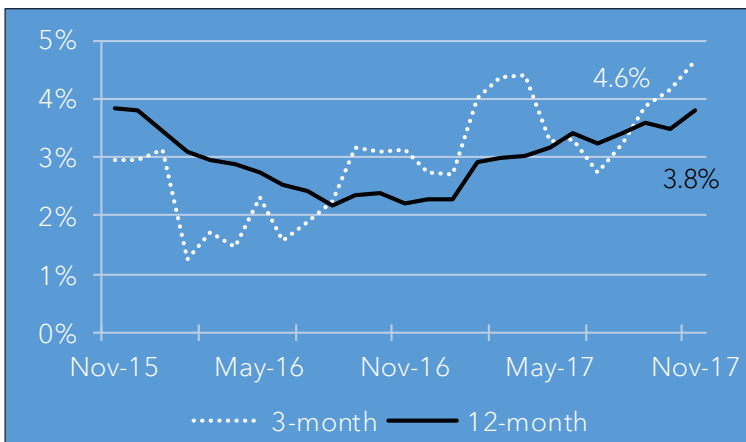
Sales and Use Tax – Non-Motor



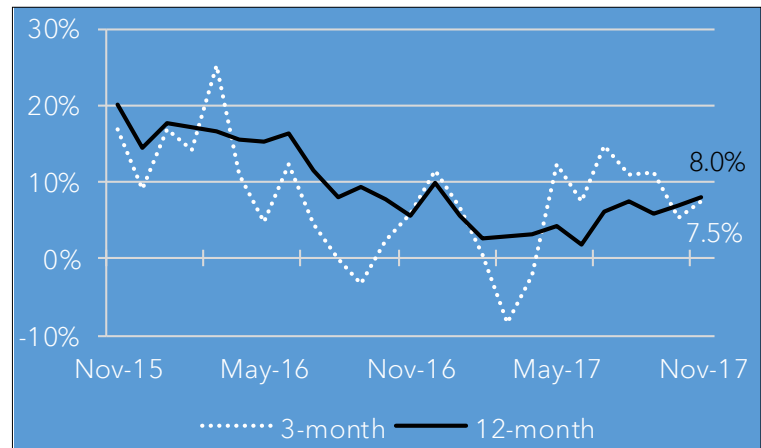
Sales and Use Tax – Motor



Personal Income Tax – Withholding



Realty Transfer Tax



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

Technical Notes

- The graphs above correct for (1) transfers to the Commonwealth Financing Authority, Enhanced Revenue Collection Account and Housing Affordability and Rehabilitation Enhancement Fund and (2) issues related to fluctuating payment due dates.
- The corporate net income tax collections year-over-year growth rate (next page) was impacted by a change to the filing deadline, which was extended 30 days beginning in tax year 2016.
- The non-tax revenue year-over-year growth rate (next page) was impacted by (1) a \$100.0 million state stores fund transfer that occurred at a later date in the prior fiscal year and (2) a new \$50.0 million slots license fee.

GENERAL FUND REVENUES SUMMARY

Revenue Source	NOV 2017	NOV 2016	FYTD 2017-18	FYTD 2016-17	Monthly Growth	FYTD Growth
Total General Fund	\$2,305.7	\$1,987.1	\$11,414.2	\$10,836.4	16.0%	5.3%
Total Tax Revenue	2,158.8	1,940.6	11,189.8	10,726.6	11.2	4.3
Total Corporation Taxes	103.3	27.3	812.9	775.6	278.0	4.8
Accelerated Deposits	0.2	(0.2)	0.2	0.6	193.3	-69.8
Corporate Net Income	96.0	36.1	769.1	731.3	166.1	5.2
Gross Receipts	3.0	(9.7)	11.9	24.8	130.5	-52.1
Utility Property	0.2	0.0	1.3	2.3	1376.7	-42.5
Insurance Premiums	0.6	0.1	10.9	3.0	374.6	265.9
Financial Institutions	3.3	1.0	19.5	13.6	219.7	43.7
Total Consumption Taxes	991.9	931.4	5,042.6	4,833.3	6.5	4.3
Sales and Use	837.4	773.5	4,310.1	4,139.9	8.3	4.1
Non-Motor	726.8	665.1	3,724.7	3,562.4	9.3	4.6
Motor Vehicle	110.7	108.5	585.4	577.6	2.0	1.4
Cigarette	109.1	120.2	521.9	534.9	-9.2	-2.4
Other Tobacco Products	10.1	0.5	49.6	0.9	n.a.	n.a.
Malt Beverage	2.0	1.9	10.8	11.0	3.5	-1.9
Liquor	33.2	35.3	150.2	146.6	-5.8	2.4
Total Other Taxes	1,063.6	981.8	5,334.3	5,117.8	8.3	4.2
Personal Income	918.2	865.9	4,661.5	4,471.6	6.0	4.2
Withholding	878.1	833.3	4,030.6	3,862.2	5.4	4.4
Quarterly	22.0	19.2	486.4	478.1	14.4	1.7
Annual	18.1	13.4	144.5	131.3	35.4	10.0
Realty Transfer	44.5	37.8	220.8	199.3	17.7	10.8
Inheritance	87.8	68.5	404.5	368.4	28.2	9.8
Gaming	9.4	9.3	49.4	47.7	1.8	3.6
Minor and Repealed	3.6	0.4	(1.8)	30.8	816.3	-106.0
Total Non-Tax Revenue	146.9	46.5	224.3	109.7	215.7	104.4
State Stores Fund Transfers	100.0	0.0	100.0	0.0	n.a.	n.a.
Licenses, Fees & Miscellaneous	40.0	38.7	87.3	70.9	3.5	23.1
Licenses and Fees	57.2	6.4	81.1	31.5	790.6	157.7
Miscellaneous	(17.2)	32.3	6.2	39.4	-153.1	-84.3
Treasury	0.7	1.5	9.2	8.7	-50.4	5.6
Escheats	(20.6)	28.4	(26.5)	(14.5)	-172.5	-82.7
Other Miscellaneous	2.7	2.4	23.5	45.2	13.4	-48.1
Fines, Penalties & Interest	6.8	7.8	37.0	38.8	-12.7	-4.6

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