

# MONTHLY TRENDS

Report

June 2018

- INDEPENDENT FISCAL OFFICE -

In December, the Independent Fiscal Office (IFO) released an update of the fiscal year (FY) 2017-18 official revenue estimate (originally published in June 2017) and corresponding revised monthly projections.<sup>1</sup> For June, General Fund collections were \$154 million (-4.7 percent) below estimate due to the lack of a funds transfer (\$200 million) from the Pennsylvania Professional Liability Joint Underwriting Association (JUA). The transfer was included in the updated official estimate per Act 44, but was blocked as a result of a federal court ruling. Revenue collections for the year were \$178 million (-0.5 percent) short of the IFO's official revenue estimate. Excluding the JUA transfer, collections for the year were generally consistent with the IFO official estimate.

June corporate net income tax (CNIT) payments were \$26 million (-4.4 percent) below estimate. Final payments came in above estimate (8.3 percent), while estimated payment fell below (-7.5 percent). Fiscal year CNIT payments fell \$193 million short of estimate mainly due to final payments, which were \$176 million below estimate for the year.

Sales and use tax (SUT) collections exceeded estimate by \$37 million in June. Non-motor collections drove the surplus (5.2 percent), while motor vehicle revenues were below estimate (-3.8 percent). Fiscal year SUT collections followed the same pattern, with non-motor exceeding estimate by \$152 million and motor vehicle falling short by \$11 million.

June personal income tax (PIT) collections were below estimate by \$9 million, due to slightly weaker than anticipated withholding and quarterly payments. Fiscal year PIT collections

GENERAL FUND SNAPSHOT			
	General Fund	Tax Revenue	Non-Tax Revenue
Jun-18	\$3,084	\$2,988	\$96
Growth	-5.5%	-7.4%	152.8%
FYTD	\$34,567	\$32,003	\$2,564
Growth	9.2%	4.1%	179.7%
Dollar amounts in millions. See final page for detail.			

exceeded estimate (0.9 percent), driven by an overage for quarterly payments (7.8 percent).

Non-tax revenues for June were \$127 million below estimate. The lack of the JUA transfer was partially offset by a \$24.8 million table games certificate fee and \$65 million in special fund transfers. Escheats collections were also weak, falling \$22 million below estimate. For the fiscal year, non-tax collections were \$256 million below estimate, driven by shortfalls in other miscellaneous revenue (largely transfers, -\$178 million) and escheats (-\$150 million). Licenses and fees revenues exceeded estimate by \$61 million, due to the table games fee and higher than expected revenues from the mini-casino auctions.

## FY 2017-18 Revenue Performance Through June

	June Collections			FYTD Collections		
	Actual	Estimate	\$ Diff	Actual	Estimate	\$ Diff
General Fund	\$3,084	\$3,238	(\$154)	\$34,567	\$34,745	(\$178)
Corp. Net Income	561	587	(26)	2,879	3,072	(193)
Sales and Use	964	927	37	10,381	10,241	141
Personal Income	1,140	1,149	(9)	13,399	13,281	118
Other Taxes	323	353	(29)	5,344	5,332	12
Non-Tax	96	222	(127)	2,564	2,819	(256)

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

<sup>1</sup>The update incorporated estimates of various tax law changes, authorized transfers and borrowing. The original baseline estimates did not change from June 2017. See *Official Monthly & Quarterly Revenue Estimates* for more information: [http://www.ifo.state.pa.us/download.cfm?file=/Resources/Documents/MQRE\\_FY17-18\\_Update.pdf](http://www.ifo.state.pa.us/download.cfm?file=/Resources/Documents/MQRE_FY17-18_Update.pdf).

# MONTHLY ECONOMIC INDICATORS

	United States				Pennsylvania			
	Mar-18	Apr-18	May-18	Jun-18	Mar-18	Apr-18	May-18	Jun-18
Unemployment Rate <sup>1</sup>	4.1%	3.9%	3.8%	4.0%	4.8%	4.7%	4.5%	n.a.
Net Job Gains (000s) <sup>2</sup>	155.0	175.0	244.0	213.0	78.5	81.1	81.4	n.a.
Average Gasoline Price <sup>3</sup>	\$2.59	\$2.76	\$2.90	\$2.89	\$2.65	\$2.81	\$2.97	\$2.96
CPI-U All Items <sup>4</sup>	2.4%	2.5%	2.8%	n.a.	0.9%	1.4%	n.a.	n.a.
CPI-U Excludes Energy <sup>4</sup>	2.0%	2.0%	2.1%	n.a.	0.3%	0.8%	n.a.	n.a.
Retail Sales <sup>5</sup>	4.3%	4.6%	5.2%	n.a.	2.5%	5.0%	5.6%	6.5%
Consumer Sentiment Index <sup>6</sup>	101.4	98.8	98.0	99.3	n.a.	n.a.	n.a.	n.a.

# QUARTERLY ECONOMIC INDICATORS

	United States				Pennsylvania			
	2017.2	2017.3	2017.4	2018.1	2017.2	2017.3	2017.4	2018.1
Gross Domestic Product <sup>7</sup>	3.1%	3.2%	2.9%	2.0%	3.2%	4.5%	2.5%	n.a.
Personal Income <sup>8</sup>	2.7%	2.8%	4.0%	3.7%	2.5%	2.4%	3.3%	3.7%
Wages and Salaries <sup>9</sup>	2.5%	2.6%	4.8%	4.6%	1.9%	1.9%	4.0%	4.8%
CPI-U All Items <sup>4</sup>	1.9%	2.0%	2.1%	2.2%	1.0%	1.2%	0.8%	0.7%
CPI-U Excludes Energy <sup>4</sup>	1.6%	1.6%	1.7%	1.9%	0.7%	0.8%	0.4%	0.1%
FHFA House Price Index <sup>10</sup>	6.8%	6.7%	6.8%	6.9%	4.6%	4.5%	5.4%	5.2%

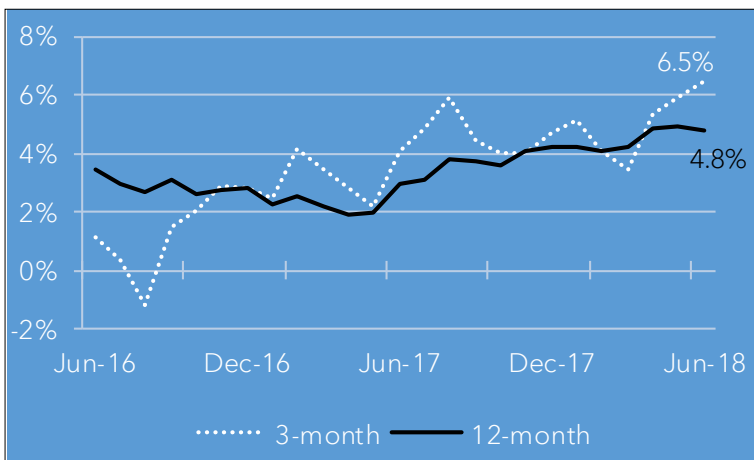
Notes:

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. Department 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 Department of Revenue.
6. A diffusion index that reflects consumer optimism. Source: UM–Survey of Consumers.
7. The quarterly, annualized real growth rate of the economy. Excludes inflation. Source: U.S. Bureau of Economic Analysis.
8. The annual growth rate of personal income. Includes any inflationary gains. Source: U.S. Bureau of Economic Analysis.
9. Year-over-year growth rate of wages and salaries paid to all payroll employees. Source: U.S. Bureau of Economic Analysis.
10. The House Price Index is a broad measure of the movement of single-family house prices. The HPI is a weighted, repeat-sales index; it measures average price changes in repeat sales or refinancing on the same properties. These data are obtained by reviewing repeat mortgage transactions on single-family properties whose mortgages have been purchased or securitized by Fannie Mae or Freddie Mac. Source: Federal Housing Finance Agency.

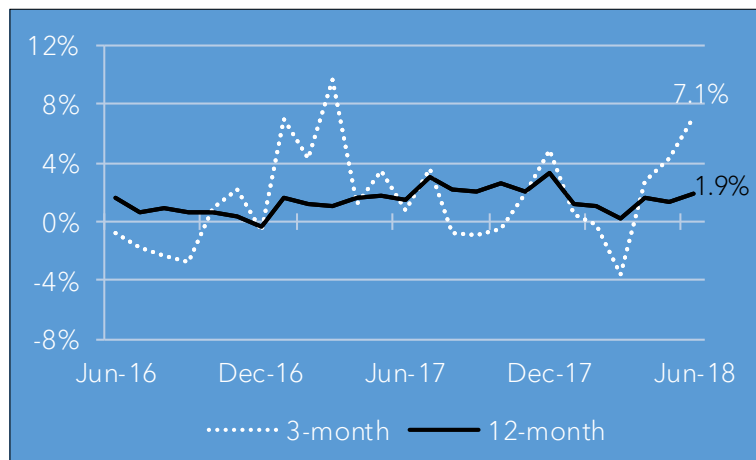
# SELECT GENERAL FUND TAX REVENUES

## ANNUAL GROWTH RATES

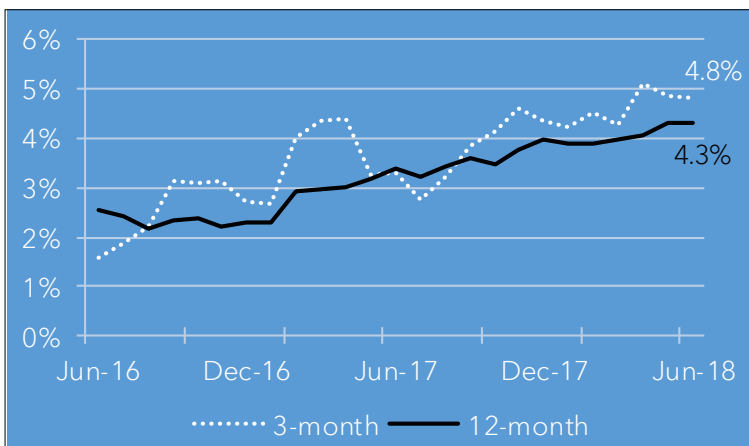
### Sales and Use Tax – Non-Motor



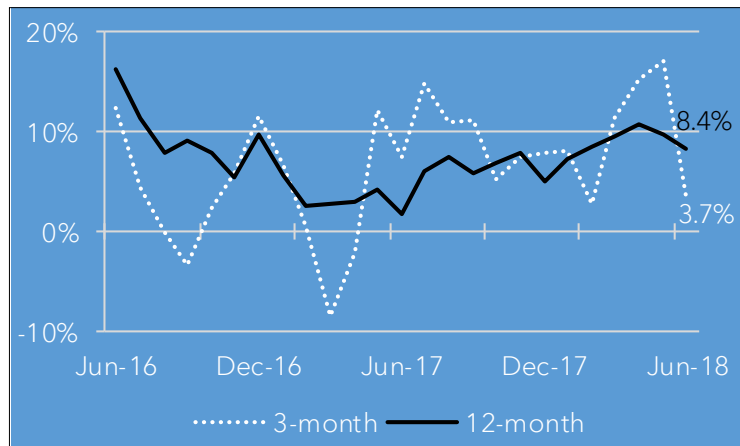
### Sales and Use Tax – Motor



### 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 non-tax revenue year-over-year growth rate (next page) was impacted by (1) a \$50 million slots license fee, (2) a \$24.8 million table games certification fee, (3) \$127 million from the auction of new casino licenses, (4) \$1.5 billion in Tobacco Settlement Fund revenue bond proceeds and (5) \$324 million from the leasing of the Pennsylvania Farm Show Complex and other miscellaneous transfers.
- The monthly and year-over-year growth rates were impacted by tax amnesty collections in June 2017, including: CNIT (\$25.1 million), gross receipts tax (\$3.8 million), insurance premiums tax (\$2.7 million), bank shares (\$2.4 million), non-motor SUT (\$33.9 million), PIT withholding (\$6.1 million), PIT annual (\$26.8 million) and minor and repealed (\$4.8 million).

# GENERAL FUND REVENUES SUMMARY

Revenue Source	June 2018	June 2017	FYTD 2017-18	FYTD 2016-17	Monthly Growth	FYTD Growth
Total General Fund	\$3,083.9	\$3,264.3	\$34,566.9	\$31,669.0	-5.5%	9.2%
Total Tax Revenue	2,988.2	3,226.5	32,003.4	30,752.3	-7.4	4.1
Total Corporation Taxes	568.1	649.6	4,888.7	4,781.0	-12.5	2.3
Accelerated Deposits	0.8	0.5	3.8	2.8	49.5	33.5
Corporate Net Income	561.4	621.8	2,879.0	2,751.5	-9.7	4.6
Gross Receipts	7.1	23.0	1,149.9	1,230.5	-69.3	-6.6
Utility Property	0.1	0.0	33.8	40.2	n.a.	-15.8
Insurance Premium	(15.1)	(1.7)	450.9	433.4	-814.1	4.0
Financial Institution	13.9	5.9	371.3	322.5	134.5	15.1
Total Consumption Taxes	1,124.5	1,155.5	12,094.4	11,736.2	-2.7	3.1
Sales and Use - Total	963.5	993.7	10,381.4	10,004.5	-3.0	3.8
Non-Motor	840.2	873.8	8,988.7	8,637.7	-3.8	4.1
Motor Vehicle	123.3	119.9	1,392.7	1,366.8	2.8	1.9
Cigarette	116.4	119.3	1,198.3	1,261.6	-2.4	-5.0
Other Tobacco Products	11.3	10.4	119.1	83.9	8.3	42.0
Malt Beverage	2.1	2.3	24.1	24.4	-7.3	-1.1
Liquor	31.2	29.7	371.5	361.9	5.1	2.7
Total Other Taxes	1,295.6	1,421.5	15,020.3	14,235.1	-8.9	5.5
Personal Income - Total	1,139.9	1,220.7	13,399.0	12,664.4	-6.6	5.8
Withholding	769.0	752.4	10,036.5	9,614.5	2.2	4.4
Quarterly	324.2	295.6	2,019.9	1,735.7	9.7	16.4
Annual	46.8	172.7	1,342.6	1,314.3	-72.9	2.2
Realty Transfer	45.9	53.8	514.4	478.0	-14.7	7.6
Inheritance	91.8	122.7	1,019.3	977.9	-25.2	4.2
Gaming	11.7	10.9	123.1	120.6	8.0	2.0
Minor and Repealed	6.3	13.4	(35.4)	(5.8)	-52.8	-513.4
Total Non-Tax Revenue	95.7	37.8	2,563.5	916.7	152.8	179.7
State Store Fund Transfers	0.0	25.0	185.1	216.4	-100.0	-14.5
Lic., Fees & Miscellaneous	101.0	18.7	2,303.1	621.0	439.4	270.9
Licenses and Fees	27.5	5.1	323.0	119.1	440.2	171.1
Miscellaneous	73.5	13.6	1,980.1	501.9	439.1	294.6
Treasury	12.6	2.7	31.3	20.1	359.4	55.6
Escheats	(4.3)	11.6	70.7	191.7	-137.3	-63.1
Other Miscellaneous	65.3	(0.7)	1,878.1	290.0	n.a.	547.6
Fines, Pen. & Int. - Total	(5.4)	(5.9)	75.4	79.3	8.8	-4.9

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