

MONTHLY TRENDS

Report

September 2018 - INDEPENDENT FISCAL OFFICE -

On July 30th, the Independent Fiscal Office (IFO) released monthly revenue projections for fiscal year (FY) 2018-19.¹ General Fund collections were \$137.8 million (4.7 percent) above estimate for September and \$204.3 million (2.8 percent) above estimate for the fiscal year-to-date (FYTD). General Fund collections for September were above estimate primarily due to overages in corporate net income tax (CNIT), sales and use tax (SUT) and non-tax collections.

September CNIT collections were above estimate (\$96.3 million) due to higher than anticipated estimated (\$49.8 million) and final payments (\$46.5 million). Total FYTD CNIT collections are significantly above estimate (\$121.7 million) due to broad strength in estimated payments (tax year 2018) and unusually large settlement payments from older tax years.

Monthly SUT collections were above estimate (\$25.5 million). The overage was due to non-motor vehicle collections (\$31.5 million), while motor vehicle collections were below estimate (-\$6.0 million). Fiscal-year-to-date SUT collections are over estimate (\$80.3 million), largely due to strong non-motor vehicle collections (\$66.1 million).

Personal income tax (PIT) collections for September came in below estimate (-\$9.6 million), attributable to lower than anticipated quarterly collections (-\$14.4 million). Total FYTD PIT collections are below estimate (-\$12.2 million) due to quarterly (-\$7.3 million) and withholding (-\$7.7 million) payments that were partially offset by annual payments (\$2.8 million).

GENERAL FUND SNAPSHOT			
	General Fund	Tax Revenue	Non-Tax Revenue
Sept-18	\$3,041	\$3,006	\$35
Growth	11.9%	10.4%	n.a.
FYTD	\$7,554	\$7,479	\$74
Growth	9.0%	8.8%	20.4%
Dollar amounts in millions. See final page for detail.			

Non-tax collections were above estimate (\$34.1 million) for September, primarily due to lower than expected escheat payments to property owners. These payments were impacted by delayed processing and lower overall claims for property. To the extent that payments to holders were delayed, they are expected to rebound in October.

Although FYTD General Fund collections are above estimate, it is too early to extrapolate those gains forward to the rest of the fiscal year. The IFO does not anticipate that the first quarter growth in CNIT (31.6%) and SUT (8.9%) revenues can be sustained for the remainder of the fiscal year.

FY 2018-19 Revenue Performance Through September

	September Collections			FYTD Collections		
	Actual	Estimate	\$ Diff	Actual	Estimate	\$ Diff
General Fund	\$3,041	\$2,903	\$138	\$7,554	\$7,349	\$204
Corp. Net Income	623	527	96	773	651	122
Sales and Use	901	875	26	2,823	2,743	80
Personal Income	1,181	1,191	(10)	2,989	3,001	(12)
Other Taxes	300	309	(9)	895	869	26
Non-Tax	35	1	34	74	86	(12)

Dollar amounts in millions. Estimate refers to IFO official estimate published on July 30, 2018.

¹ See *Official Monthly & Quarterly Revenue Estimates* for more information: <http://www.ifo.state.pa.us/download.cfm?file=/Resources/Documents/MQRE-FY18-19-July.pdf>.

MONTHLY ECONOMIC INDICATORS

	United States				Pennsylvania			
	Jun-18	Jul-18	Aug-18	Sep-18	Jun-18	Jul-18	Aug-18	Sep-18
Unemployment Rate ¹	4.0%	3.9%	3.9%	3.7%	4.3%	4.2%	4.1%	n.a.
Net Job Gains (000s) ²	208.0	165.0	270.0	134.0	78.7	76.8	73.1	n.a.
Average Gasoline Price ³	\$2.89	\$2.85	\$2.84	\$2.84	\$2.96	\$2.92	\$2.92	\$2.92
CPI-U All Items ⁴	2.9%	2.9%	2.7%	n.a.	1.9%	1.8%	1.7%	n.a.
CPI-U Excludes Energy ⁴	2.1%	2.2%	2.1%	n.a.	1.0%	1.0%	1.0%	n.a.
Retail Sales ⁵	5.7%	6.4%	6.5%	n.a.	6.5%	7.5%	8.1%	8.2%
Consumer Sentiment Index ⁶	98.2	97.9	96.2	100.8	n.a.	n.a.	n.a.	n.a.

QUARTERLY ECONOMIC INDICATORS

	United States				Pennsylvania			
	2017.3	2017.4	2018.1	2018.2	2017.3	2017.4	2018.1	2018.2
Gross Domestic Product ⁷	2.8%	2.3%	2.2%	4.2%	4.5%	2.5%	2.0%	n.a.
Personal Income ⁸	4.5%	4.6%	4.3%	4.7%	3.9%	3.7%	3.8%	3.9%
Wages and Salaries ⁹	4.9%	4.6%	4.6%	4.9%	4.3%	3.8%	4.1%	4.4%
CPI-U All Items ⁴	2.0%	2.1%	2.2%	2.7%	1.2%	0.8%	0.7%	1.6%
CPI-U Excludes Energy ⁴	1.6%	1.7%	1.9%	2.1%	0.8%	0.4%	0.1%	0.9%
FHFA House Price Index ¹⁰	6.7%	6.9%	7.3%	6.5%	4.5%	5.4%	6.1%	4.9%

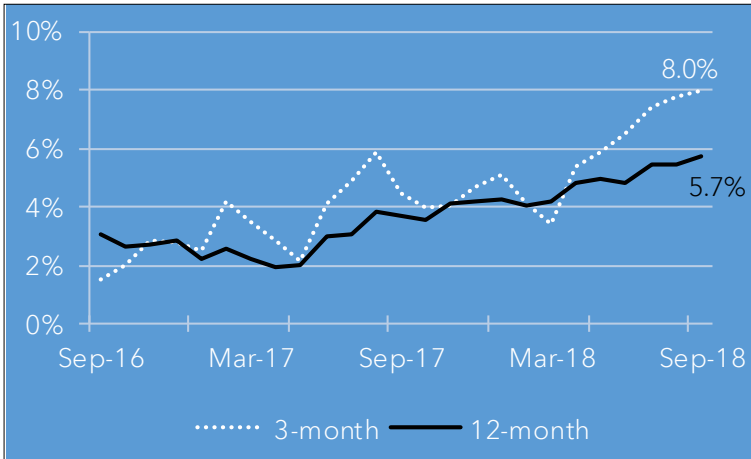
Notes:

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.

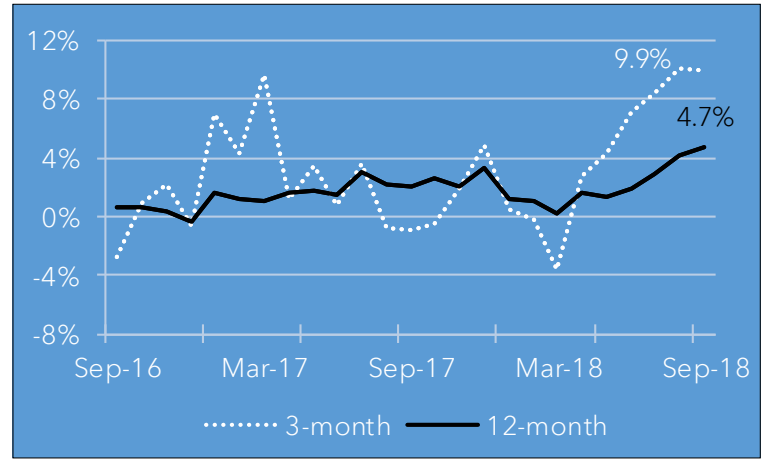
SELECT GENERAL FUND TAX REVENUES

ANNUAL GROWTH RATES

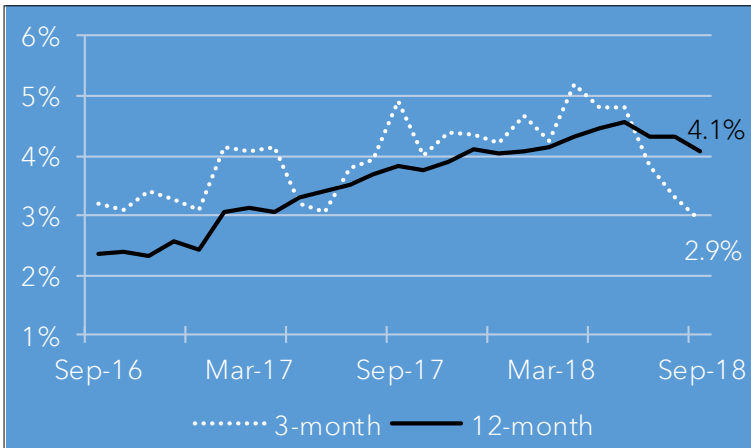
Sales and Use Tax – Non-Motor



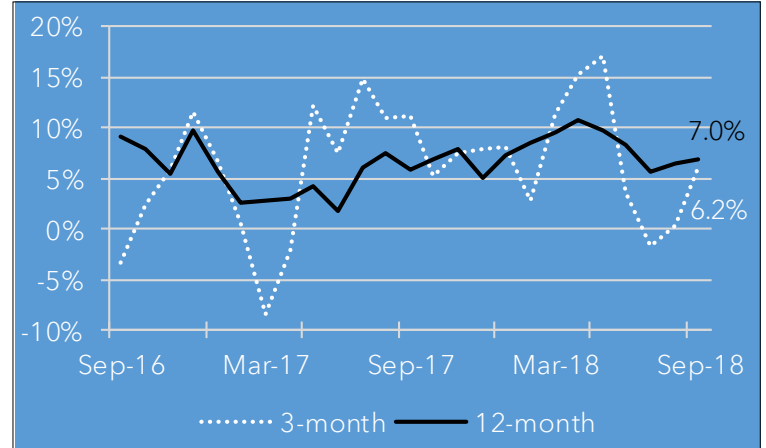
Sales and Use Tax – Motor



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.
- Treasury collections (next page) for the fiscal year include \$30.4 million for a settlement under the Air Pollution Control Act that was deposited into the General Fund in July 2018.

GENERAL FUND REVENUES SUMMARY

Revenue Source	Sept 2018	Sept 2017	FYTD 2018-19	FYTD 2017-18	Monthly Growth	FYTD Growth
Total General Fund	\$3,041.2	\$2,718.9	\$7,553.8	\$6,933.1	11.9%	9.0%
Total Tax Revenue	3,005.8	2,722.2	7,479.4	6,871.3	10.4	8.8
Total Corporation Taxes	647.0	496.4	830.3	617.2	30.3	34.5
Accelerated Deposits	0.1	0.2	(0.6)	(0.0)	-60.9	n.a.
Corporate Net Income	623.5	480.1	772.5	587.1	29.9	31.6
Gross Receipts	12.5	0.3	23.9	3.4	n.a.	611.4
Utility Property	1.1	0.9	1.2	1.1	18.9	7.6
Insurance Premiums	0.2	0.2	21.9	9.9	32.8	121.3
Financial Institution	9.7	14.7	11.4	15.7	-34.3	-27.5
Total Consumption Taxes	1,049.8	1,003.9	3,232.5	3,024.8	4.6	6.9
Sales and Use - Total	900.8	839.8	2,822.8	2,591.2	7.3	8.9
Non-Motor	779.7	721.6	2,432.8	2,236.5	8.1	8.8
Motor Vehicle	121.1	118.2	390.0	354.7	2.4	9.9
Cigarette	106.5	121.9	282.0	309.4	-12.6	-8.8
Other Tobacco Products	11.1	10.4	31.9	29.8	7.2	7.0
Malt Beverage	2.2	2.4	6.8	6.9	-6.7	-1.9
Liquor	29.1	29.5	89.0	87.5	-1.4	1.7
Total Other Taxes	1,309.0	1,221.9	3,416.6	3,229.4	7.1	5.8
Personal Income - Total	1,181.0	1,110.0	2,988.8	2,836.6	6.4	5.4
Withholding	759.6	750.5	2,449.4	2,379.1	1.2	3.0
Quarterly	396.1	345.0	470.2	411.4	14.8	14.3
Annual	25.3	14.6	69.2	46.1	73.1	50.2
Realty Transfer	40.5	39.9	131.4	130.1	1.4	1.0
Inheritance	82.5	67.4	258.6	233.7	22.5	10.6
Gaming	8.7	11.4	30.0	30.8	-23.7	-2.8
Minor and Repealed	(3.7)	(6.8)	7.9	(1.8)	45.4	542.1
Total Non-Tax Revenue	35.4	(3.4)	74.3	61.7	n.a.	20.4
State Store Fund Transfers	0.0	0.0	0.0	0.0	n.a.	n.a.
Lic., Fees & Miscellaneous	27.8	(10.4)	50.5	38.7	367.5	30.6
Licenses and Fees	17.1	5.8	32.4	19.1	193.7	69.5
Miscellaneous	10.7	(16.2)	18.0	19.5	166.1	-7.6
Treasury	4.3	1.9	47.4	6.9	128.5	586.1
Escheats	(1.7)	(22.3)	(51.8)	(2.6)	92.4	n.a.
Other Miscellaneous	8.2	4.2	22.5	15.2	96.7	47.8
Fines, Pen. & Int. - Total	7.5	7.1	23.9	23.1	7.1	3.4

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