

MONTHLY TRENDS REPORT

Independent Fiscal Office | December 2018

On July 30th, the Independent Fiscal Office (IFO) released monthly revenue projections for fiscal year (FY) 2018-19.¹ General Fund collections were \$80.8 million (2.9%) above estimate for December and \$419.7 million (2.8%) above estimate for the fiscal year-to-date (FYTD). Corporate net income tax (CNIT) and sales and use tax (SUT) both came in above estimate for the month. Non-tax revenues and other tax revenues also came in higher than expected, while personal income tax (PIT) fell below estimate.

December CNIT collections surpassed projections by \$38.9 million. The overage was driven entirely by strong estimated payments. CNIT collections for the year exceed estimate by \$207.3 million. Both final and estimated FYTD payments are higher than anticipated.

Monthly SUT revenues were \$19.5 million over estimate. Non-motor and motor vehicle collections both topped the forecast for the month by 1.8% and 4.5%, respectively. FYTD SUT revenues exceed the estimate by \$174.3 million with higher than anticipated collections in both non-motor and motor vehicle collections.

PIT collections fell below expectations (-\$44.2 million) for the month due a shortfall in estimated payments (-\$64.0 million). Withholding collections for the fiscal year are meeting estimate (-\$5.5 million). FYTD PIT collections are also below estimate (-\$68.7 million) due to a shortage in estimated payments (-\$74.0 million).

GENERAL FUND SNAPSHOT			
	General Fund	Tax Revenue	Non-Tax Revenue
Dec-18	\$2,905	\$2,811	\$94
Growth	3.1%	0.8%	254.8%
FYTD	\$15,270	\$14,915	\$356
Growth	7.3%	6.7%	41.8%

Dollar amounts in millions. See final page for detail.

Other tax collections for December were above estimate (\$19.8 million) primarily due to higher than projected collections from the gross receipts tax and minor and repealed taxes. FYTD other tax collections are higher than expected (\$64.4 million) and are driven mainly by gross receipts and insurance premiums taxes.

Non-tax revenues were \$46.8 million above estimate in December. Escheats collections surpassed projections by \$21.4 million. FYTD non-tax collections are \$42.4 million above estimate due to greater than anticipated licenses and fees and treasury collections. From July to December, the Commonwealth has received \$137 million in one-time fees related to online gaming and sports wagering.

FY 2018-19 Revenue Performance Through December

	December Collections			FYTD Collections		
	Actual	Estimate	\$ Diff	Actual	Estimate	\$ Diff
General Fund	\$2,905	\$2,824	\$81	\$15,270	\$14,850	\$420
Corp. Net Income	558	519	39	1,555	1,348	207
Sales and Use	935	916	20	5,628	5,453	174
Personal Income	972	1,017	(44)	5,884	5,953	(69)
Other Taxes	346	326	20	1,848	1,783	64
Non-Tax	94	47	47	356	313	42

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			
	Sep-18	Oct-18	Nov-18	Dec-18	Sep-18	Oct-18	Nov-18	Dec-18
Unemployment Rate ¹	3.7%	3.8%	3.7%	3.9%	4.1%	4.1%	4.2%	n.a.
Net Job Gains (000s) ²	119.0	274.0	176.0	312.0	79.2	84.2	85.5	n.a.
Average Gasoline Price ³	\$2.84	\$2.86	\$2.65	\$2.37	\$2.92	\$2.90	\$2.72	\$2.51
CPI-U All Items ⁴	2.3%	2.5%	2.2%	n.a.	1.8%	1.6%	n.a.	n.a.
CPI-U Excludes Energy ⁴	2.1%	2.0%	2.1%	n.a.	1.0%	1.0%	n.a.	n.a.
Retail Sales ⁵	5.7%	5.0%	4.3%	n.a.	8.2%	7.8%	7.4%	6.3%
Consumer Sentiment Index ⁶	100.1	98.6	97.5	98.3	n.a.	n.a.	n.a.	n.a.

QUARTERLY ECONOMIC INDICATORS

	United States				Pennsylvania			
	2017.4	2018.1	2018.2	2018.3	2017.4	2018.1	2018.2	2018.3
Gross Domestic Product ⁷	2.3%	2.2%	4.2%	3.4%	0.1%	0.6%	3.6%	n.a.
Personal Income ⁸	4.6%	4.3%	4.5%	4.4%	3.7%	3.7%	3.6%	3.5%
Wages and Salaries ⁹	4.6%	4.6%	4.5%	4.2%	3.8%	4.1%	4.0%	3.3%
CPI-U All Items ⁴	2.1%	2.2%	2.7%	2.6%	0.8%	0.7%	1.6%	1.7%
CPI-U Excludes Energy ⁴	1.7%	1.9%	2.1%	2.1%	0.4%	0.1%	0.9%	1.0%
FHFA House Price Index ¹⁰	6.7%	7.4%	6.8%	6.3%	5.4%	6.0%	5.3%	4.3%

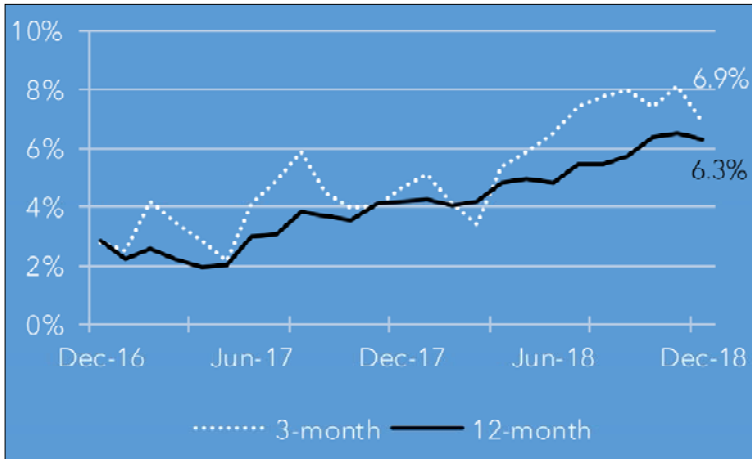
Notes:

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. 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.

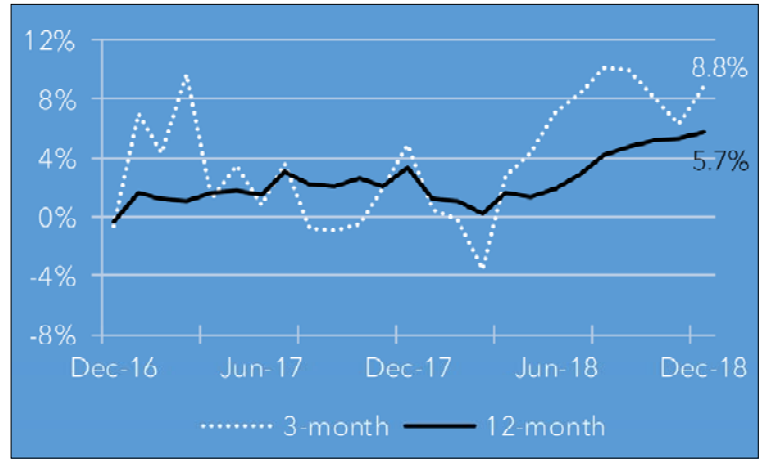
SELECT GENERAL FUND TAX REVENUES

ANNUAL GROWTH RATES

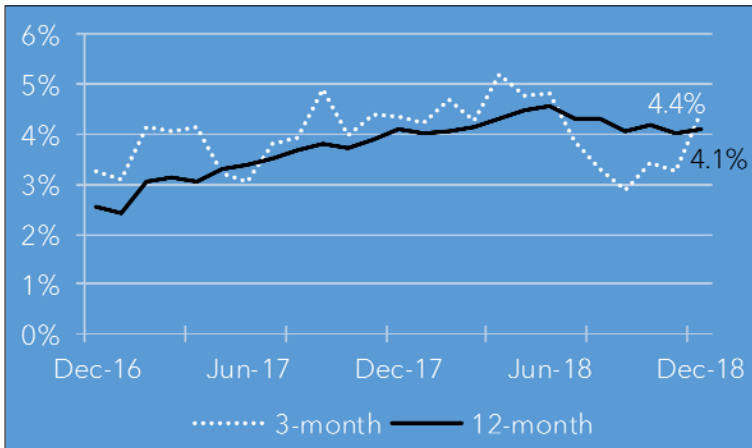
Sales and Use Tax – Non-Motor



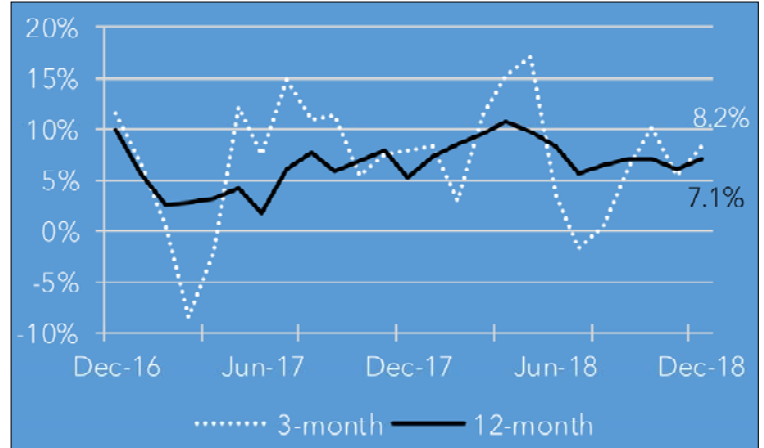
Sales and Use Tax – Motor



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	Dec 2018	Dec 2017	FYTD 2018-19	FYTD 2017-18	Monthly Growth	FYTD Growth
Total General Fund	\$2,905.1	\$2,816.5	\$15,270.1	\$14,230.6	3.1%	7.3%
Total Tax Revenue	2,811.5	2,790.1	14,914.6	13,979.9	0.8	6.7
Total Corporation Taxes	577.9	487.9	1,657.4	1,300.8	18.4	27.4
Accelerated Deposits	0.1	0.3	0.4	0.5	-52.8	-14.3
Corporate Net Income	557.9	450.9	1,555.0	1,220.0	23.7	27.5
Gross Receipts	12.3	25.4	55.2	37.3	-51.7	48.0
Utility Property	0.2	0.2	1.4	1.5	-5.0	-5.6
Insurance Premiums	1.1	6.1	23.5	17.0	-81.7	38.2
Financial Institution	6.3	5.0	21.9	24.5	25.5	-10.8
Total Consumption Taxes	1,110.7	1,073.5	6,507.3	6,116.2	3.5	6.4
Sales and Use - Total	935.2	894.9	5,627.7	5,205.0	4.5	8.1
Non-Motor	818.8	789.0	4,871.7	4,513.8	3.8	7.9
Motor Vehicle	116.4	105.8	756.0	691.2	10.0	9.4
Cigarette	114.6	119.5	598.8	641.5	-4.2	-6.7
Other Tobacco Products	11.5	10.2	65.7	59.8	12.9	9.8
Malt Beverage	1.7	1.9	12.2	12.7	-10.3	-4.2
Liquor	47.7	47.0	202.9	197.2	1.4	2.9
Total Other Taxes	1,122.9	1,228.6	6,749.9	6,562.9	-8.6	2.8
Personal Income - Total	972.4	1,094.0	5,884.3	5,755.4	-11.1	2.2
Withholding	876.9	835.6	5,047.0	4,866.2	4.9	3.7
Quarterly	76.0	240.6	629.5	726.9	-68.4	-13.4
Annual	19.4	17.8	207.8	162.3	9.0	28.1
Realty Transfer	48.1	43.7	276.9	264.5	10.1	4.7
Inheritance	87.0	72.7	517.8	477.2	19.6	8.5
Gaming	9.1	11.0	60.0	60.4	-17.0	-0.6
Minor and Repealed	6.3	7.3	10.9	5.4	-13.7	101.4
Total Non-Tax Revenue	93.6	26.4	355.5	250.7	254.8	41.8
State Store Fund Transfers	0.0	0.0	100.0	100.0	0.0	0.0
Lic., Fees & Miscellaneous	86.6	17.4	211.0	104.7	398.3	101.5
Licenses and Fees	79.2	27.1	201.8	108.3	191.9	86.4
Miscellaneous	7.4	(9.8)	9.2	(3.6)	175.7	357.1
Treasury	1.8	2.1	53.2	11.3	-14.7	370.6
Escheats	1.3	(24.6)	(81.0)	(51.1)	105.4	-58.6
Other Miscellaneous	4.3	12.7	37.0	36.2	-66.5	2.2
Fines, Pen. & Int. - Total	7.0	9.0	44.5	46.0	-22.0	-3.3

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