

Quarterly Revenue Review

Fiscal Year 2015-16

January to March 2016

Introduction

Each fiscal year, the IFO publishes a quarterly breakdown of its annual estimates for the General Fund, Motor License Fund and Lottery Fund. The most recent publication detailing the quarterly revenue estimates is available at www.ifo.state.pa.us.

The Independent Fiscal Office (IFO) produces this report to facilitate comparison of its quarterly revenue estimates with actual revenue collections. The report also provides context for the variances between estimates and actual collections.

General Fund Overview

General Fund revenues for the first quarter of 2016 were \$195 million above estimate.¹ Table 1 shows that corporate net income tax collections were \$28 million above estimate, sales and use tax deposits were \$25 million above estimate and personal income tax revenues were \$26 million above estimate. All other General Fund revenues were \$116 million above estimate.²

For the fiscal year-to-date, General Fund revenues exceeded estimate by \$362 million. Corporate net income was below estimate by \$20 million. Sales and use tax, personal income tax and all other General Fund revenues exceeded estimate by \$14 million, \$72 million and \$295 million, respectively.

Table 1
General Fund Snapshot
(\$ millions)

Revenue Source	First Quarter - 2016			Fiscal Year-to-Date		
	Actual ¹	Estimate ²	Variance ³	Actual ¹	Estimate ²	Variance ³
Total General Fund	\$8,840	\$8,645	\$195	\$22,240	\$21,878	\$362
Corporate Net Income	632	605	28	1,867	1,887	-20
Sales and Use	2,304	2,279	25	7,243	7,229	14
Personal Income	3,130	3,104	26	8,595	8,523	72
All Other	2,773	2,657	116	4,534	4,239	295

¹ The Commonwealth's revenue accounting system.

² *Fiscal Year 2015-16 Quarterly Revenue Estimates*, Independent Fiscal Office, September 17, 2015.

³ Computations are based on the unrounded values. Detail may not sum to the total due to rounding.

¹ For consistency, references to quarters in this report are based on the calendar quarter. The first quarter of calendar year 2016 is the third quarter of FY 2015-16.

² See the [Monthly Trends Report](#) published by the Independent Fiscal Office for more detail on revenue growth rates by month and fiscal year.

Table 2 contains detail on actual and projected growth rates of major revenue sources for the quarter and the fiscal year-to-date. Table 5 contains additional detail on specific General Fund revenue sources.

The following bullets briefly discuss some of the highlights for the quarter and fiscal year-to-date.

- Corporate net income tax revenues were \$28 million above estimate for the quarter. Estimated payments in March, which represent the first payments for 2016 calendar year filers, increased by 8.6% over the prior year. For the fiscal year, revenues were \$20 million below estimate.
- Non-motor sales tax collections exceeded estimate by \$29 million for the quarter and \$9 million for the fiscal year.
- Personal income tax withholding revenues were \$28 million below estimate for the quarter and \$69 million for the fiscal year.
- Personal income tax quarterly payments exceeded estimate by \$53 million. Collections for January, the final due date for 2015 quarterly payments, increased by \$62 million (16.7%) from the prior year. For the fiscal year, receipts were \$117 million above estimate.
- Realty transfer and inheritance tax collections continued to show strength as quarterly revenues exceeded estimate by \$21 million and \$31 million, respectively. For the fiscal year, collections exceeded estimate by \$41 million and \$50 million, respectively.
- Non-tax revenues exceeded estimate by \$50 million for the quarter and \$87 million for the fiscal year. Most of the overage was attributable to stronger-than-expected escheat collections; however, some of it was due to special fund transfers that were contained in the General Appropriations Act of 2015 (enacted in December).

Table 2
General Fund Year-Over-Year Growth Rates

Revenue Source	Quarterly		Fiscal YTD		Fiscal Yr.
	Actual	Estimate	Actual	Estimate	Estimate
<u>General Fund Total</u>	<u>5.1%</u>	<u>2.8%</u>	<u>2.4%</u>	<u>0.8%</u>	<u>0.4%</u>
<u>Corporate Net Income</u>	<u>-5.8</u>	<u>-9.9</u>	<u>-1.6</u>	<u>-0.6</u>	<u>-0.8</u>
Final Payments	-11.3	-20.7	7.5	-5.5	-7.0
Estimated Payments	0.1	1.7	-6.3	1.9	3.2
<u>Sales and Use Tax</u>	<u>5.3</u>	<u>4.1</u>	<u>3.6</u>	<u>3.4</u>	<u>3.7</u>
Non-motor	5.6	4.0	3.8	3.7	3.8
Motor	3.3	4.7	2.5	1.9	2.8
<u>Personal Income Tax</u>	<u>7.9</u>	<u>7.0</u>	<u>5.9</u>	<u>5.0</u>	<u>4.6</u>
Withholding	6.8	8.0	4.2	5.2	4.9
Quarterly	15.7	3.4	16.1	4.5	3.0
Annual	2.6	1.7	11.8	2.9	4.4
<u>Other Revenues</u>	<u>4.6</u>	<u>0.2</u>	<u>-3.7</u>	<u>-10.0</u>	<u>-12.1</u>
Cigarette	-2.1	-2.9	-1.5	-3.9	-3.8
Realty Transfer	25.1	1.3	17.9	4.3	4.5
Inheritance	16.0	2.0	-5.0	-11.8	-9.6
All Other Tax	2.9	2.2	1.6	-2.5	-2.9
Non-tax	6.9	-20.2	-39.3	-54.8	-50.6

Motor License Fund Overview

The \$664 million in revenues deposited into the Motor License Fund during the first quarter of 2016 were \$39 million below estimate. Fiscal year-to-date revenues of \$1.94 billion were \$112 million below estimate. Table 3 provides additional detail.

The Liquid Fuels Taxes category generated \$392 million for the quarter and \$1.23 billion for the fiscal year-to-date. These revenues were below estimate by \$37 million and \$84 million, respectively. The quarterly details are as follows:

- Oil company franchise tax collections totaled \$209 million, \$15 million above estimate. Fiscal year-to-date revenues of \$648 million were below estimate by \$9 million.
- Act 89 OCF – Liquid Fuels revenues of \$121 million were \$60 million below estimate. Fiscal year-to-date revenues of \$389 million were below estimate by \$80 million.

- Act 89 OCF – Fuels deposits of \$35 million were \$3 million below estimate. Fiscal year-to-date revenues of \$115 million were below estimate by \$7 million.
- Other Liquid Fuel Taxes collections of \$28 million were \$11 million above estimate. Fiscal year-to-date revenues of \$78 million were above estimate by \$12 million.

Quarterly receipts for the Motor Licenses and Fees category totaled \$252 million and were \$7 million above estimate. Fiscal year-to-date receipts of \$676 million were \$18 million below estimate.

Other Motor Receipts of \$20 million for the quarter were \$9 million below estimate. Fiscal year-to-date revenues of \$32 million were \$10 million below estimate.

Table 3
Motor License Fund Snapshot
(\$ millions)

	First Quarter - 2016			Fiscal Year-to-Date		
	Actual ¹	Estimate ²	Variance ³	Actual ¹	Estimate ²	Variance ³
<u>Total Motor License Fund</u>	<u>\$664</u>	<u>\$703</u>	<u>-\$39</u>	<u>\$1,938</u>	<u>\$2,050</u>	<u>-\$112</u>
<u>Liquid Fuels Taxes</u>	<u>392</u>	<u>429</u>	<u>-37</u>	<u>1,230</u>	<u>1,314</u>	<u>-84</u>
Oil Company Franchise	209	193	15	648	658	-9
Act 89 OCF - Liquid Fuels	121	181	-60	389	468	-80
Act 89 OCF - Fuels	35	39	-3	115	122	-7
Other Liquid Fuels Taxes ⁴	28	16	11	78	66	12
<u>Motor Licenses and Fees</u>	<u>252</u>	<u>245</u>	<u>7</u>	<u>676</u>	<u>694</u>	<u>-18</u>
<u>Other Motor Receipts</u>	<u>20</u>	<u>29</u>	<u>-9</u>	<u>32</u>	<u>42</u>	<u>-10</u>

¹ The Commonwealth’s revenue accounting system.

² *Fiscal Year 2015-16 Quarterly Revenue Estimates*, Independent Fiscal Office, September 17, 2015.

³ Computations are based on the unrounded values. Detail may not sum to the total due to rounding.

⁴ Includes residual collections of the liquid fuels and fuels taxes levied prior to Act 89.

Lottery Fund Overview

Lottery Fund gross ticket sales and miscellaneous revenues were \$1.14 billion for the first quarter of 2016. Those revenues were \$163 million (16.8%) higher than the prior year and above estimate by \$141 million. Fiscal year-to-date revenues of \$3.28 billion were \$247 million (8.2%) higher than the prior year and above estimate by \$137 million. Table 4 provides additional detail.

Quarterly sales of instant games totaled \$714 million, \$70 million (10.9%) above the prior year and \$31 million above estimate. For the fiscal year-to-date, instant game sales of \$2.08 billion were \$149 million (7.7%) above the prior year and \$65 million above estimate.

Sales of jackpot games (Powerball, Powerplay, Mega Millions and Megaplier) were \$212 million in the first quarter, about \$88 million (71.0%) above the prior year and \$106 million above estimate. For the fiscal year-to-date, jackpot game sales of \$382 million were \$84 million (28.2%) above the prior year and \$63 million above estimate.

Sales of all other games totaled \$209 million, about \$5 million (2.4%) above the prior year and \$5 million above estimate. For the fiscal year-to-date, all other game sales of \$640 million were \$1 million (0.2%) above the prior year and \$2 million below estimate.

Table 4
Lottery Fund Snapshot
(\$ millions)

	First Quarter - 2016			Fiscal Year-to-Date		
	Actual ¹	Estimate ²	Variance ³	Actual ¹	Estimate ²	Variance ³
<u>Total Lottery Fund Revenue</u> ⁴	<u>\$1,136</u>	<u>\$995</u>	<u>\$141</u>	<u>\$3,276</u>	<u>\$3,139</u>	<u>\$137</u>
<u>Gross Ticket Sales</u>	<u>1,135</u>	<u>994</u>	<u>141</u>	<u>3,099</u>	<u>2,971</u>	<u>127</u>
Instant Games	714	683	31	2,076	2,011	65
Jackpot Games	212	106	106	382	319	63
All Others	209	205	5	640	641	-2
<u>Miscellaneous Revenues</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>177</u>	<u>168</u>	<u>10</u>

¹ Pennsylvania Lottery.

² *Fiscal Year 2015-16 Quarterly Revenue Estimates*, Independent Fiscal Office, September 17, 2015.

³ Computations are based on the unrounded values. Detail may not sum to the total due to rounding.

⁴ Quarterly and fiscal year-to-date amounts are not adjusted for field paid prizes and commissions.

Table 5
General Fund Detail
Comparison of Estimates and Reported Collections
(\$ millions)

	First Quarter - 2016			Fiscal Year-to-Date		
	Actual	Estimate	Variance	Actual	Estimate	Variance
<u>Total General Fund</u>	<u>\$8,839.6</u>	<u>\$8,644.9</u>	<u>\$194.7</u>	<u>\$22,240.2</u>	<u>\$21,877.8</u>	<u>\$362.4</u>
<u>Total Tax Revenue</u>	<u>8,644.0</u>	<u>8,498.9</u>	<u>145.1</u>	<u>21,900.5</u>	<u>21,624.7</u>	<u>275.8</u>
<u>Total Corporation Taxes</u>	<u>2,612.3</u>	<u>2,547.8</u>	<u>64.5</u>	<u>4,014.0</u>	<u>3,941.1</u>	<u>72.9</u>
Corporate Net Income	632.3	604.5	27.8	1,867.2	1,886.7	-19.5
Capital Stock & Franchise	24.8	16.8	8.0	112.0	75.5	36.5
Gross Receipts	1,256.1	1,219.2	36.9	1,287.0	1,251.2	35.8
Utility Property	0.1	0.5	-0.4	2.8	3.1	-0.3
Insurance Premiums	409.5	407.8	1.7	415.3	409.9	5.4
Financial Institutions	290.1	297.3	-7.2	324.8	311.5	13.3
Other Selective Business ¹	-0.6	1.7	-2.3	5.0	3.2	1.8
<u>Total Consumption Taxes</u>	<u>2,574.3</u>	<u>2,547.7</u>	<u>26.6</u>	<u>8,194.7</u>	<u>8,163.7</u>	<u>31.0</u>
<u>Sales and Use</u>	<u>2,303.9</u>	<u>2,279.1</u>	<u>24.8</u>	<u>7,243.5</u>	<u>7,229.3</u>	<u>14.2</u>
Non-motor	2,006.5	1,977.7	28.8	6,254.7	6,245.9	8.8
Motor Vehicle	297.3	301.4	-4.1	988.8	983.4	5.4
Cigarette	186.0	184.4	1.6	668.9	652.3	16.6
Malt Beverage	5.4	5.4	0.0	18.5	18.3	0.2
Liquor	79.0	78.8	0.2	263.8	263.8	0.0
<u>Total Other Taxes</u>	<u>3,457.5</u>	<u>3,403.4</u>	<u>54.1</u>	<u>9,691.8</u>	<u>9,519.9</u>	<u>171.9</u>
<u>Personal Income</u>	<u>3,130.0</u>	<u>3,104.0</u>	<u>26.0</u>	<u>8,595.1</u>	<u>8,522.7</u>	<u>72.4</u>
Withholding	2,488.3	2,516.2	-27.9	7,118.1	7,187.4	-69.3
Quarterly	494.8	442.2	52.6	1,159.9	1,043.3	116.6
Annuals	147.0	145.6	1.4	317.2	292.0	25.2
Realty Transfer	108.1	87.5	20.6	356.5	315.5	41.0
Inheritance	252.7	222.2	30.5	702.4	652.5	49.9
Table Games	26.2	25.3	0.9	74.8	72.7	2.1
Minor and Repealed ²	-59.5	-35.6	-23.9	-36.9	-43.5	6.6
<u>Total Non-tax Revenue</u>	<u>195.6</u>	<u>146.0</u>	<u>49.6</u>	<u>339.7</u>	<u>253.1</u>	<u>86.6</u>
Liquor Store Profits	75.0	80.0	-5.0	75.0	80.0	-5.0
Licenses, Fees and Misc.	99.1	45.7	53.4	198.9	107.1	91.8
Fines, Penalties and Interest	21.5	20.3	1.2	65.8	66.0	-0.2

¹ Includes undistributed clearing account.

² Includes tavern games.