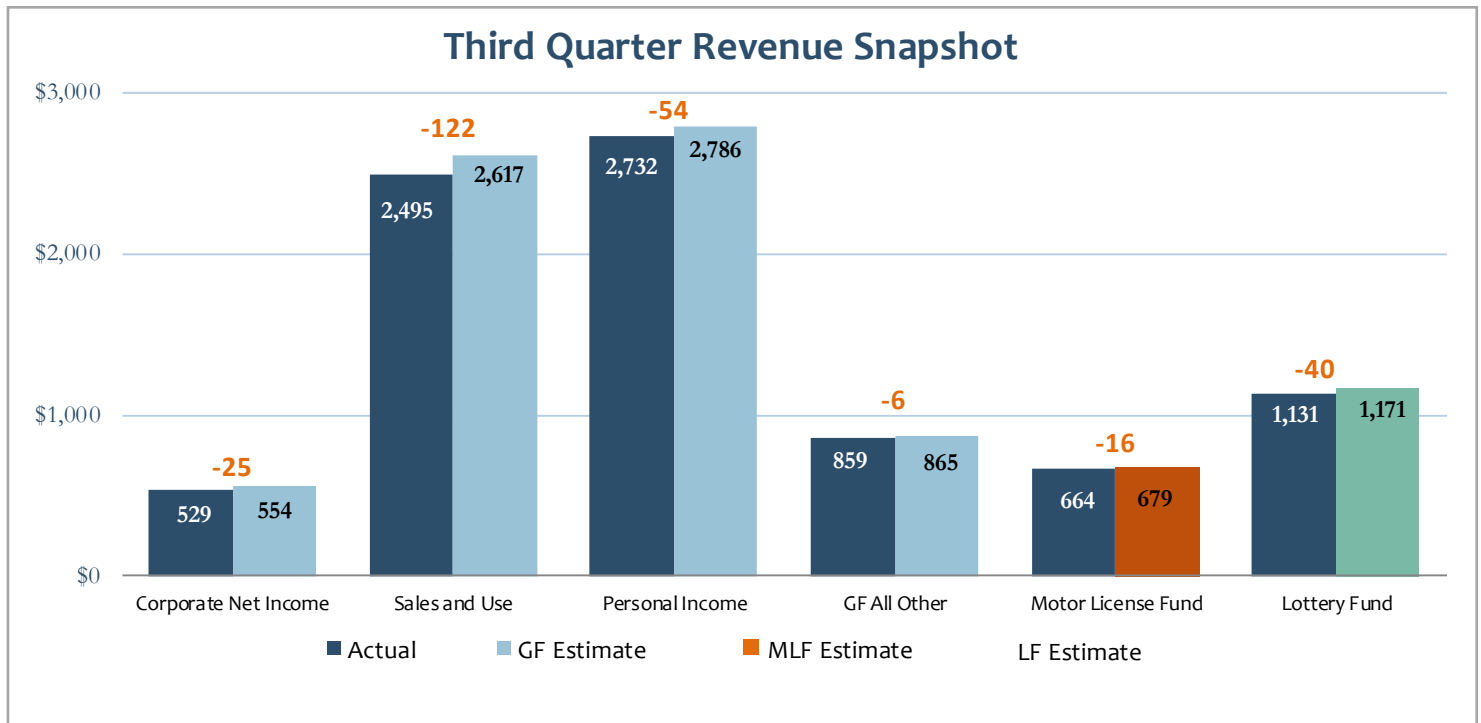


# QUARTERLY REVENUE REVIEW

Fiscal Year 2016-17



## JULY TO SEPTEMBER



## INTRODUCTION

Each fiscal year, the Independent Fiscal Office (IFO) publishes a quarterly breakdown of its annual estimates for the General Fund (page 2), Motor License Fund and Lottery Fund (page 4). The most recent publication detailing the quarterly revenue estimates is available at [www.ifo.state.pa.us](http://www.ifo.state.pa.us).

The 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 (page 3). For more detail on revenue growth rates by month and fiscal year, see the IFO's *Monthly Trends Report*.

**GENERAL FUND** revenues for the third quarter of 2016 were \$206.7 million below estimate. Corporate net income, sales and use and personal income tax revenues were below estimate (-\$201.0 million). Total General Fund revenues from all other sources were below estimate (-\$5.7 million).

**MOTOR LICENSE FUND** received \$663.6 million in revenue deposits during the third quarter of 2016, which were below estimate by \$15.7 million.

**LOTTERY FUND** gross ticket sales and miscellaneous revenues were \$1.13 billion for the third quarter of 2016. Those revenues were below estimate by \$40.0 million (-2.2%), largely due to a lower-than-expected transfer from gaming revenues and weakness in instant ticket sales.

# GENERAL FUND

Revenue Source	Third Quarter - 2016			Fiscal Year-to-Date		
	Actual <sup>1</sup>	Estimate <sup>2</sup>	Variance <sup>3</sup>	Actual <sup>1</sup>	Estimate <sup>2</sup>	Variance <sup>3</sup>
Total General Fund	\$6,614.5	\$6,821.2	-\$206.7	\$6,614.5	\$6,821.2	-\$206.7
Total Tax Revenue	6,555.5	6,751.1	-195.6	6,555.5	6,751.1	-195.6
Total Corporation Taxes	583.9	583.2	0.7	583.9	583.2	0.7
Accelerated Deposits	1.2	0.0	1.2	1.2	0.0	1.2
Corporate Net Income	529.2	554.0	-24.8	529.2	554.0	-24.8
Capital Stock & Franchise	18.1	5.4	12.7	18.1	5.4	12.7
Gross Receipts	17.7	14.6	3.1	17.7	14.6	3.1
Utility Property	2.2	2.4	-0.2	2.2	2.4	-0.2
Insurance Premiums	3.3	1.2	2.1	3.3	1.2	2.1
Financial Institutions	12.4	5.6	6.8	12.4	5.6	6.8
Total Consumption Taxes	2,865.8	2,971.2	-105.4	2,865.8	2,971.2	-105.4
Sales and Use	2,494.6	2,616.5	-121.9	2,494.6	2,616.5	-121.9
Non-motor	2,136.6	2,237.4	-100.8	2,136.6	2,237.4	-100.8
Motor Vehicle	358.0	379.1	-21.1	358.0	379.1	-21.1
Cigarette	279.8	263.8	16.0	279.8	263.8	16.0
Other Tobacco Products	0.0	0.0	0.0	0.0	0.0	0.0
Malt Beverage	7.0	7.1	-0.1	7.0	7.1	-0.1
Liquor	84.4	83.8	0.6	84.4	83.8	0.6
Total Other Taxes	3,105.8	3,196.7	-90.9	3,105.8	3,196.7	-90.9
Personal Income	2,731.6	2,785.8	-54.2	2,731.6	2,785.8	-54.2
Withholding	2,278.2	2,285.1	-6.9	2,278.2	2,285.1	-6.9
Quarterly	407.2	446.6	-39.4	407.2	446.6	-39.4
Annuals	46.1	54.1	-8.0	46.1	54.1	-8.0
Realty Transfer	119.7	141.5	-21.8	119.7	141.5	-21.8
Inheritance	223.6	234.6	-11.0	223.6	234.6	-11.0
Table Games	29.6	32.1	-2.5	29.6	32.1	-2.5
Minor and Repealed	1.4	2.7	-1.3	1.4	2.7	-1.3
Total Non-tax Revenue	59.0	70.1	-11.1	59.0	70.1	-11.1
Liquor Store Profits	0.0	0.0	0.0	0.0	0.0	0.0
Licenses, Fees and Misc.	34.8	46.1	-11.3	34.8	46.1	-11.3
Licenses and Fees	18.5	19.2	-0.7	18.5	19.2	-0.7
Miscellaneous	16.3	26.9	-10.6	16.3	26.9	-10.6
Treasury	6.5	5.7	0.8	6.5	5.7	0.8
Escheats	-25.9	-35.1	9.2	-25.9	-35.1	9.2
Other Miscellaneous	35.8	56.3	-20.5	35.8	56.3	-20.5
F.P.&I. - Other	24.2	24.0	0.2	24.2	24.0	0.2

Note: Dollar amounts in millions.

<sup>1</sup> As reported in the Commonwealth's revenue accounting system.

<sup>2</sup> Fiscal Year 2016-17 Quarterly Revenue Estimates, Independent Fiscal Office.

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

## GENERAL FUND

Total General Fund collections were below estimate by \$206.7 million (-3.0%). The variance in collections was motivated by the following trends:

- ⇒ Corporate net income tax revenues were \$24.8 million (-4.5%) below estimate for the quarter due to lower-than-expected final payments, which declined 25.4% from the prior year.
- ⇒ Personal income tax revenues for the quarter were below estimate by \$54.2 million (-1.9%). While withholding was close to estimate (-\$6.9 million, -0.3%), non-withholding was below estimate by \$47.4 million (-9.5%), primarily due to weaker than anticipated estimated payments for tax year 2016.
- ⇒ Sales and use tax collections were below estimate by \$121.9 (-4.7%) million for the quarter. The differential was primarily driven by unexpected weakness in non-motor revenues (\$100.8 million, -4.5%), which exhibited flat growth (0.7%) for the quarter compared to estimated growth (5.5%). In addition, the transfer from non-motor receipts to the Commonwealth Financing Authority was -\$19 million, which was expected to occur in November 2016 (-\$21.7 million) and May 2017 (-\$73.6 million). Excluding that transfer, the growth rate was 1.6%. Motor vehicle revenues were below estimate by \$21.1 million (-5.6%), and declined at a rate of 2.8% compared to estimated growth of 2.9%.
- ⇒ All other tax revenue sources were above estimate by \$5.4 million (0.7%). In particular, inheritance tax collections for the quarter were under estimate by \$11.0 million (-4.7%), cigarette tax collections were above estimate by \$16.0 million (5.7%) and realty transfer tax collections were below estimate by \$21.8 million (-18.2%), mostly due to weak July collections.

The table below provides General Fund year-over-year third-quarter and fiscal year-to-date revenue growth rates.

YEAR-OVER-YEAR GROWTH RATES					
Revenue Source	Quarterly		Fiscal YTD		Fiscal Year
	Actual	Estimate	Actual	Estimate	Estimate
General Fund Total	-1.8%	1.7%	-1.8%	1.7%	6.7%
Corporate Net Income	-7.6%	-3.2%	-7.6%	-3.2%	3.6%
Sales and Use Tax	0.2%	5.1%	0.2%	5.1%	4.5%
Non-motor	0.7%	5.5%	0.7%	5.5%	4.9%
Motor	-2.8%	2.9%	-2.8%	2.9%	2.6%
Personal Income Tax	-2.4%	-0.5%	-2.4%	-0.5%	4.4%
Withholding	-1.4%	-1.1%	-1.4%	-1.1%	3.1%
Quarterly	-7.2%	2.5%	-7.2%	2.5%	8.4%
All Other Tax	0.8%	0.1%	0.8%	0.1%	6.2%
Non-tax	-26.6%	20.6%	-26.6%	20.6%	102.4%

## OTHER FUNDS SNAPSHOT

Revenue Source	Third Quarter - 2016			Fiscal Year-to-Date		
	Actual <sup>1</sup>	Estimate <sup>2</sup>	Variance <sup>3</sup>	Actual <sup>1</sup>	Estimate <sup>2</sup>	Variance <sup>3</sup>
<b>MOTOR LICENSE FUND</b>						
Total Motor License Fund	\$663.6	\$679.3	-\$15.7	\$663.6	\$679.3	-\$15.7
Liquid Fuels Taxes	441.0	430.4	10.6	441.0	430.4	10.6
Oil Company Franchise	217.7	218.2	-0.5	217.7	218.2	-0.5
Act 89 OCF—Liquid Fuels	159.7	143.8	15.9	159.7	143.8	15.9
Act 89 OCF—Fuels	37.6	39.3	-1.7	37.6	39.3	-1.7
Other Liquid Fuels Taxes <sup>4</sup>	26.0	29.1	-3.1	26.0	29.1	-3.1
Motor Licenses and Fees	220.8	239.6	-18.8	220.8	239.6	-18.8
Other Motor Receipts	1.8	9.3	-7.5	1.8	9.3	-7.5
Total Growth Rate	-1.9%	0.4%	n.a.	-1.9%	0.4%	n.a.
<b>LOTTERY FUND</b>						
Total Lottery Fund	\$1,131.3	\$1,171.3	-\$40.0	\$1,131.3	\$1,171.3	-\$40.0
Gross Ticket Sales	983.0	1,005.6	-22.6	983.0	1,005.6	-22.6
Instant Games	659.6	680.3	-20.7	659.6	680.3	-20.7
Multi-State Games	114.7	114.4	0.3	114.7	114.4	0.3
All Others	208.6	210.9	-2.3	208.6	210.9	-2.3
Miscellaneous Revenues	148.3	165.7	-17.4	148.3	165.7	-17.4
Total Growth Rate	1.1%	4.7%	n.a.	1.1%	4.7%	n.a.
Note: Dollar amounts in millions.						
<sup>1</sup> The Commonwealth's revenue accounting system.						
<sup>2</sup> Fiscal Year 2016-17 Quarterly Revenue Estimates, Independent Fiscal Office.						
<sup>3</sup> Computations are based on the unrounded values. Detail may not sum to total due to rounding.						
<sup>4</sup> Includes residual collections of liquid fuels and fuels taxes.						

The variance in Motor License Fund collections (-\$15.7 million, -2.3%) can be decomposed as followed:

- ⇒ Liquid fuels taxes were above estimate by \$10.6 million (2.5%).
- ⇒ Motor licenses and fees were below estimate by \$18.8 million (-7.9%).
- ⇒ Total motor receipts were below estimate by \$7.5 million (-80.7%).

The variance in Lottery Fund collections (-\$40.0 million, -3.4%) can be decomposed as followed:

- ⇒ Instant ticket sales were below estimate by \$20.7 million (-3.0%).
- ⇒ Multi-state sales were slightly above estimate (\$0.3 million, 0.3%).
- ⇒ All other lotto games were below estimate by \$2.3 million (-1.1%).