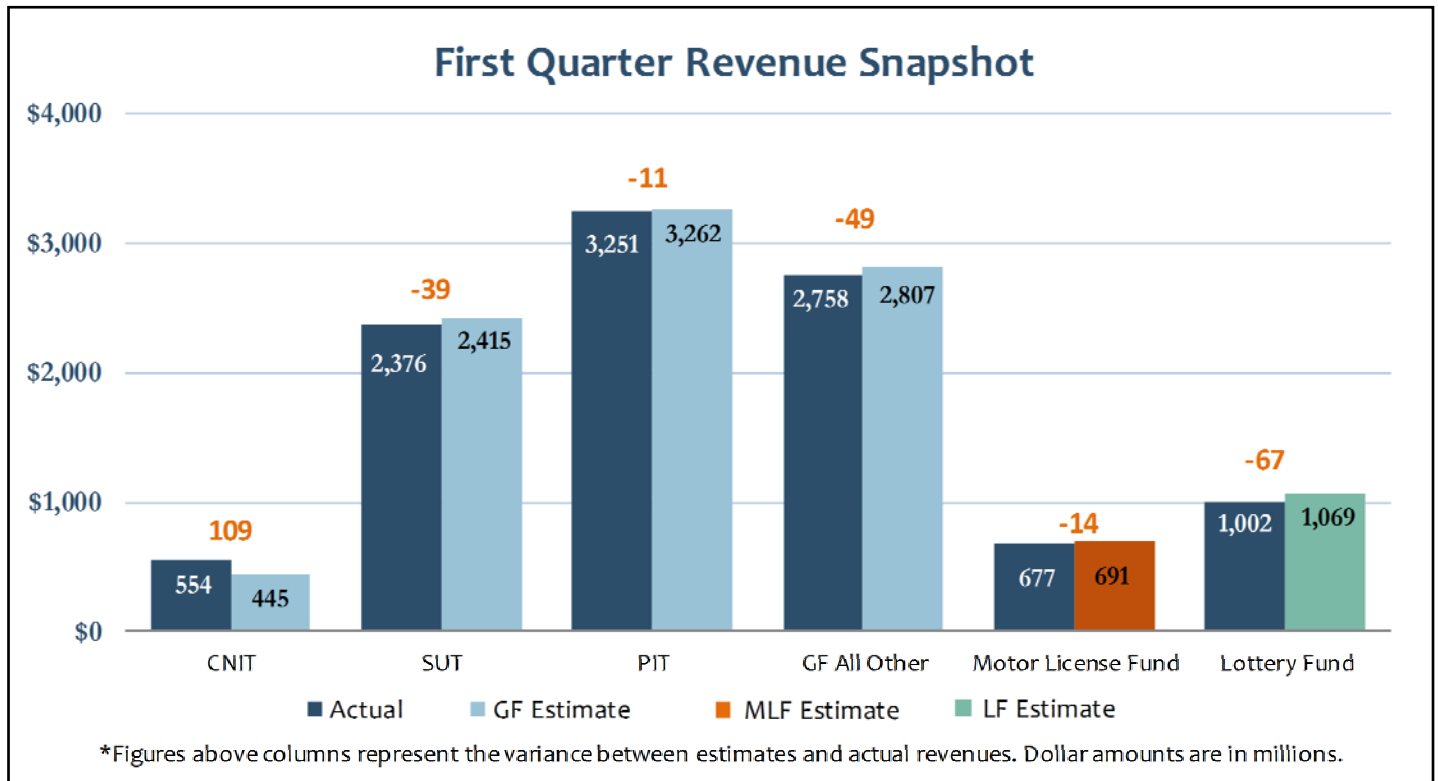


# QUARTERLY REVENUE REVIEW

Fiscal Year 2016-17



## JANUARY TO MARCH



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. For more detail on revenue growth rates by month and fiscal year, see the IFO's *Monthly Trends Reports* at [www.ifo.state.pa.us](http://www.ifo.state.pa.us). For more detail on the quarterly revenue estimates, see the IFO's *Quarterly Revenue Estimates* on the same website.

**GENERAL FUND** revenues were slightly above estimate (\$10.2 million) for the first quarter of 2017 and below estimate by \$322.3 million for the fiscal year-to-date (See page 2.). Corporate net income, sales and use and personal income tax revenues were above estimate by a combined \$59.0 million for the first quarter and below estimate by \$267.2 million for the

fiscal year-to-date. General Fund revenues from all other sources were below estimate by \$48.8 million for the quarter and \$55.1 million for the fiscal year-to-date.

**MOTOR LICENSE FUND** received \$676.9 million in revenue deposits for the first quarter of 2017 and \$1,957.0 million for the fiscal year-to-date, which were below estimate by \$14.2 million and \$32.7 million, respectively.

**LOTTERY FUND** gross ticket sales and miscellaneous revenues were \$1,002.2 million for the first quarter of 2017 and \$3,133.1 million for the fiscal year-to-date. Those revenues were below estimate by \$66.5 million and \$199.6 million, respectively.

# GENERAL FUND

Revenue Source	First Quarter - 2017			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>Total General Fund</b>	<b>\$8,939.3</b>	<b>\$8,929.1</b>	<b>\$10.2</b>	<b>\$22,394.1</b>	<b>\$22,716.4</b>	<b>-\$322.3</b>
Total Tax Revenue	8,747.7	8,749.7	-2.0	22,055.5	22,418.6	-363.1
Total Corporation Taxes	2,422.4	2,359.9	62.5	3,696.3	3,636.6	59.7
Accelerated Deposits	1.5	0.0	1.5	2.9	0.0	2.9
Corporate Net Income	554.4	445.2	109.2	1,738.2	1,665.0	73.2
Capital Stock & Franchise	0.4	-1.9	2.3	29.8	5.5	24.3
Gross Receipts	1,173.9	1,204.3	-30.4	1,206.4	1,232.6	-26.2
Utility Property	0.6	0.4	0.2	2.9	3.0	-0.1
Insurance Premiums	401.1	380.4	20.7	405.4	383.1	22.3
Financial Institutions	290.5	331.5	-41.0	310.7	347.4	-36.7
<b>Total Consumption Taxes</b>	<b>2,780.0</b>	<b>2,807.2</b>	<b>-27.2</b>	<b>8,625.5</b>	<b>8,846.1</b>	<b>-220.6</b>
Sales and Use	2,376.1	2,414.9	-38.8	7,356.8	7,582.4	-225.6
Non-Motor	2,049.8	2,112.5	-62.7	6,351.5	6,573.4	-221.9
Motor Vehicle	326.2	302.4	23.8	1,005.3	1,009.0	-3.7
Cigarette	270.2	281.0	-10.8	923.5	937.7	-14.2
Other Tobacco Products	47.9	19.8	28.1	53.2	29.4	23.8
Malt Beverage	5.2	5.4	-0.2	18.0	18.4	-0.4
Liquor	80.7	86.1	-5.4	274.0	278.2	-4.2
<b>Total Other Taxes</b>	<b>3,545.3</b>	<b>3,582.6</b>	<b>-37.3</b>	<b>9,733.7</b>	<b>9,935.9</b>	<b>-202.2</b>
Personal Income	3,250.9	3,262.3	-11.4	8,684.8	8,799.6	-114.8
Withholding	2,597.2	2,594.4	2.8	7,258.1	7,297.6	-39.5
Quarterly	506.4	512.4	-6.0	1,134.6	1,185.9	-51.3
Annuals	147.3	155.5	-8.2	292.0	316.1	-24.1
Realty Transfer	99.0	102.6	-3.7	343.2	371.2	-28.0
Inheritance	238.4	246.8	-8.4	691.4	711.2	-19.8
Table Games	30.9	31.5	-0.6	89.5	92.5	-3.0
Minor and Repealed	-73.9	-60.6	-13.3	-75.2	-38.6	-36.6
<b>Total Non-Tax Revenue</b>	<b>191.6</b>	<b>179.4</b>	<b>12.2</b>	<b>338.6</b>	<b>297.8</b>	<b>40.8</b>
Liquor Store Profits	144.9	107.2	37.7	144.9	107.2	37.7
Licenses, Fees and Misc.	28.5	50.7	-22.2	129.4	122.8	6.6
Licenses and Fees	48.2	43.5	4.7	102.6	102.6	0.0
Miscellaneous	-19.7	7.2	-26.9	26.8	20.2	6.6
Treasury	5.1	2.7	2.4	14.8	10.8	4.0
Escheats	-32.1	-12.1	-20.0	-59.4	-76.6	17.2
Other Miscellaneous	7.3	16.6	-9.3	71.4	86.0	-14.6
F.P.&I. - Other	18.2	21.5	-3.3	64.3	67.8	-3.5

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 above estimate by \$10.2 million for the quarter and below estimate by \$322.3 million for the fiscal year-to-date. The variance in collections was motivated by the following trends:
- ⇒ Corporate net income tax revenues were above estimate by \$109.2 million for the quarter and \$73.2 million for the fiscal year-to-date. The variances are due to earlier-than-expected final payments for tax year 2016 (the filing deadline for final payments was extended 30 days beginning with tax year 2016). Disregarding those payments, corporate net income tax revenues were below estimate by roughly \$85 million for the quarter and \$120 million for the fiscal year-to-date. Most of the quarter and fiscal year-to-date decline is due to a drop off in remittances of final payments, which declined 29.6% and 14.7% from the prior year, respectively.
- ⇒ Personal income tax revenues were below estimate by \$11.4 million for the quarter. Withholding was slightly higher (\$2.8 million) than expected. Non-withholding payments were below estimate by \$14.2 million, which can primarily be attributed to weak early final payments for 2016. For the fiscal year-to-date, revenues were below estimate by \$114.8 million; withholding and non-withholding collections were below estimate by \$39.5 million and \$75.3 million, respectively.
- ⇒ Sales and use tax collections were below estimate by \$38.8 million for the quarter and \$225.6 million for the fiscal year-to-date. Non-motor revenues were below estimate by \$62.7 million for the quarter and \$221.9 million for the fiscal year-to-date. About \$54.3 million of the fiscal year-to-date variance is due to the timing of transfers to the Commonwealth Financing Authority. Motor vehicle revenues were above estimate by \$23.8 million for the quarter and below estimate by \$3.8 million for the fiscal year-to-date. The quarterly growth rate in motor vehicle collections was particularly strong (9.7%) due to unusually high collections in January, which yielded growth of 25.5% over January 2016.
- ⇒ All other tax revenue sources were below estimate by \$61.1 million for the quarter and \$95.9 million for the fiscal year-to-date. Gross receipts tax collections were below estimate by \$30.4 million for the quarter and \$26.2 million for the fiscal year-to-date. Historically, March collections comprise over 90 percent of Gross Receipts Tax revenues for the fiscal year. Preliminary data suggest that this weakness in collections was likely influenced by reduced electricity demand and declining prices, as well as continued erosion of the telecommunications tax base.

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

YEAR-OVER-YEAR GROWTH RATES						
Revenue Source	First Quarter - 2017		Fiscal Year-to-Date		Fiscal Year	
	Actual	Estimate	Actual	Estimate	Estimate	
<b>General Fund Total</b>	<b>1.1%</b>	<b>1.1%</b>	<b>0.7%</b>	<b>2.2%</b>	<b>6.7%</b>	
Corporate Net Income	-12.3%	-29.6%	-6.9%	-10.8%	3.6%	
Sales and Use Tax	3.1%	4.8%	1.6%	4.7%	4.5%	
Non-Motor	2.2%	5.3%	1.5%	5.1%	4.9%	
Motor	9.7%	1.7%	1.7%	2.0%	2.6%	
Personal Income Tax	3.9%	4.2%	1.0%	2.4%	4.4%	
Withholding	4.4%	4.3%	2.0%	2.5%	3.1%	
Non-Withholding	1.9%	4.1%	-3.4%	1.7%	8.4%	
All Other Tax	-0.4%	1.9%	1.9%	4.2%	6.2%	
Non-Tax	-2.1%	-4.6%	-0.3%	-6.4%	102.4%	

## MOTOR LICENSE & LOTTERY FUNDS

Revenue Source	First Quarter - 2017			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>						
<b>Total Motor License Fund</b>	<b>\$676.9</b>	<b>\$691.1</b>	<b>-\$14.2</b>	<b>\$1,957.0</b>	<b>\$1,989.7</b>	<b>-\$32.7</b>
Liquid Fuels Taxes	416.2	430.3	-14.1	1,261.3	1,266.8	-5.5
Oil Company Franchise	217.0	209.9	7.1	652.9	638.1	14.8
Act 89 OCF - Liquid Fuels	137.2	158.2	-21.0	417.3	427.5	-10.2
Act 89 OCF - Fuels	35.3	37.0	-1.7	111.5	116.2	-4.7
Other Liquid Fuels Taxes <sup>4</sup>	26.6	25.2	1.4	79.7	85.0	-5.3
Motor Licenses and Fees	252.2	246.9	5.3	677.0	689.2	-12.2
Other Motor Receipts	8.5	13.9	-5.4	18.7	33.7	-15.0
<b>Total Growth Rate</b>	<b>1.9%</b>	<b>4.1%</b>	<b>n.a.</b>	<b>1.0%</b>	<b>2.7%</b>	<b>n.a.</b>
<b>LOTTERY FUND</b>						
<b>Total Lottery Fund<sup>5</sup></b>	<b>\$1,002.2</b>	<b>\$1,068.7</b>	<b>-\$66.5</b>	<b>\$3,133.1</b>	<b>\$3,332.7</b>	<b>-\$199.6</b>
Gross Ticket Sales	1,001.8	1,068.4	-66.6	2,984.2	3,166.4	-182.2
Instant Games	691.3	749.6	-58.3	2,051.8	2,190.0	-138.2
Multi-state Games	90.6	116.5	-25.9	284.8	347.2	-62.4
All Others	219.9	202.3	17.6	647.5	629.2	18.3
Miscellaneous Revenues	0.3	0.3	0.0	148.9	166.3	-17.4
<b>Total Growth Rate</b>	<b>-11.7%</b>	<b>-5.9%</b>	<b>n.a.</b>	<b>-4.4%</b>	<b>1.7%</b>	<b>n.a.</b>

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.  
<sup>5</sup> Quarterly and fiscal year-to-date amounts are not adjusted for field paid prizes and commissions.

The -\$14.2 million variance in Motor License Fund collections for the quarter can be decomposed as follows:

- ⇒ Liquid fuels taxes were below estimate by \$14.1 million (6.1% growth from Q1 last year).
- ⇒ Motor licenses and fees were above estimate by \$5.3 million (0.2%).
- ⇒ Other motor receipts were below estimate by \$5.4 million (26.6%).

The -\$66.5 million variance in Lottery Fund collections for the quarter can be decomposed as follows:

- ⇒ Instant ticket sales were below estimate by \$58.3 million (-3.2% decline from Q1 last year).
- ⇒ Multi-state sales were below estimate \$25.9 million (-57.3%).
- ⇒ All other lotto games were above estimate by \$17.6 million (5.9%).