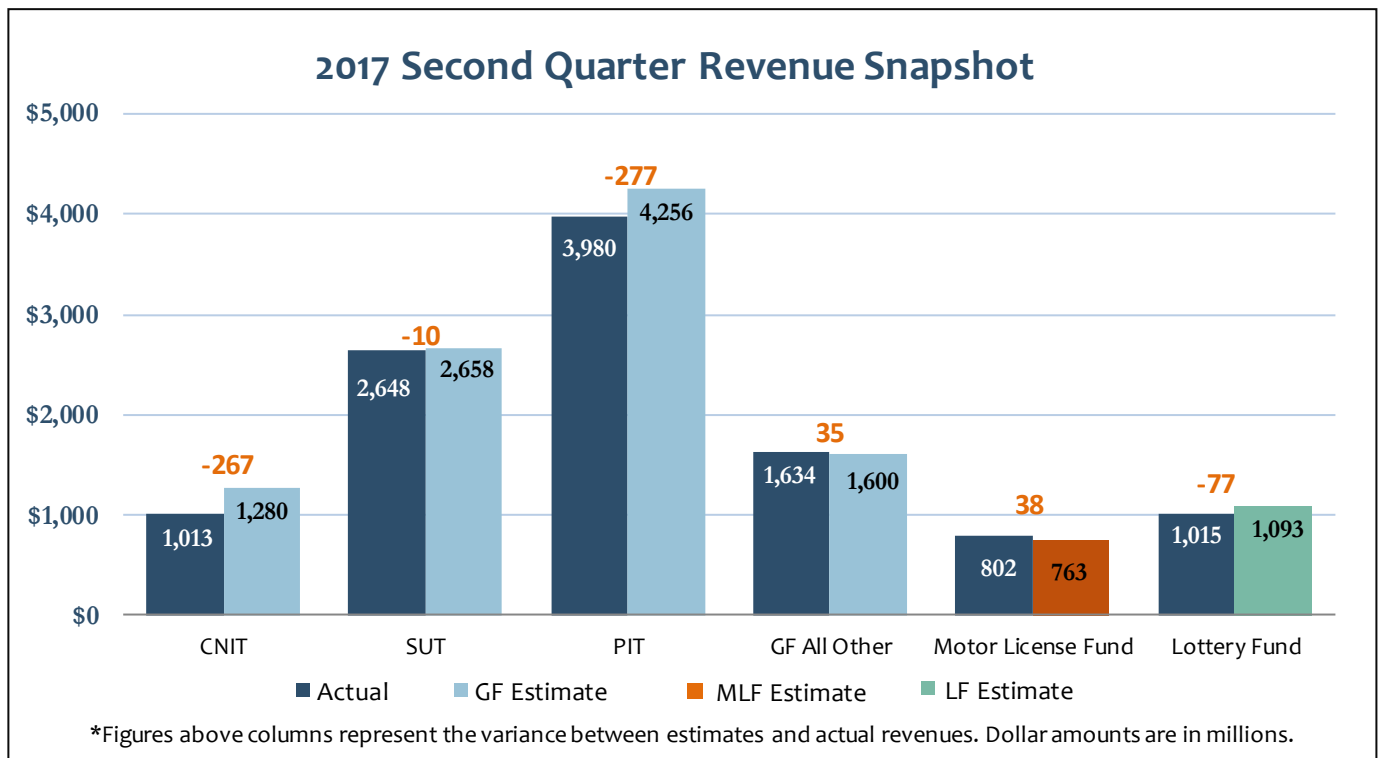


QUARTERLY REVENUE REVIEW

Fiscal Year 2016-17



APRIL TO JUNE



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. For more detail on the quarterly revenue estimates, see the IFO's *Quarterly Revenue Estimates* on the same website.

GENERAL FUND revenues were below estimate (\$518.4 million) for the second quarter of 2017 and below estimate by \$840.7 million for the fiscal year-to-date (See page 2.). Corporate net income, sales and use and personal income tax revenues were below estimate by a combined \$553.1 million for the second quarter and below estimate by \$820.2 million for the

fiscal year-to-date. General Fund revenues from all other sources were above estimate by \$34.7 million for the quarter and below estimate by \$20.4 million for the fiscal year-to-date.

MOTOR LICENSE FUND received \$801.5 million in revenue deposits for the second quarter of 2017 and \$2,758.5 million for the fiscal year-to-date, which were above estimate by \$38.1 million and \$5.4 million, respectively.

LOTTERY FUND gross ticket sales and miscellaneous revenues were \$1,1015.5 million for the second quarter of 2017 and \$4,148.5 million for the fiscal year-to-date. Those revenues were below estimate by \$77.2 million and \$276.9 million, respectively.

GENERAL FUND

Revenue Source	Second Quarter - 2017			Fiscal Year-to-Date		
	Actual ¹	Estimate ²	Variance ³	Actual ¹	Estimate ²	Variance ³
Total General Fund	\$9,275.6	\$9,794.0	-\$518.4	\$31,669.7	\$32,510.4	-\$840.7
Total Tax Revenue	8,697.5	9,256.3	-558.8	30,753.0	31,674.9	-921.9
Total Corporation Taxes	1,114.5	1,404.8	-290.3	4,781.0	5,035.9	-254.9
Accelerated Deposits	-0.1	0.0	-0.1	2.8	0.0	2.8
Corporate Net Income	1,013.3	1,280.1	-266.8	2,751.5	2,945.1	-193.6
Gross Receipts	24.1	27.1	-3.0	1,230.5	1,259.7	-29.2
Utility Property	37.3	38.1	-0.8	40.2	41.1	-0.9
Insurance Premiums	28.0	47.8	-19.8	433.4	430.9	2.5
Financial Institutions	11.9	11.7	0.2	322.5	359.1	-36.6
Total Consumption Taxes	3,111.4	3,122.7	-11.3	11,736.9	11,968.8	-231.9
Sales and Use	2,648.4	2,658.0	-9.6	10,005.2	10,240.4	-235.2
Non-Motor	2,286.9	2,285.3	1.6	8,638.4	8,858.7	-220.3
Motor Vehicle	361.5	372.7	-11.2	1,366.8	1,381.7	-14.9
Cigarette	338.1	348.7	-10.6	1,261.6	1,286.4	-24.8
Other Tobacco Products	30.7	15.8	14.9	83.9	45.2	38.7
Malt Beverage	6.4	6.6	-0.2	24.4	25.0	-0.6
Liquor	87.9	93.6	-5.7	361.9	371.8	-9.9
Total Other Taxes	4,471.7	4,728.8	-257.1	14,235.1	14,670.2	-435.1
Personal Income	3,979.5	4,256.2	-276.7	12,664.4	13,055.8	-391.4
Withholding	2,356.3	2,382.0	-25.7	9,614.5	9,679.6	-65.1
Quarterly	601.0	697.5	-96.5	1,735.7	1,883.4	-147.7
Annuals	1,022.2	1,176.7	-154.5	1,314.3	1,492.8	-178.5
Realty Transfer	134.8	135.0	-0.2	478.0	506.2	-28.2
Inheritance	286.6	301.3	-14.7	977.9	1,012.5	-34.6
Table Games	31.1	30.9	0.2	120.6	123.4	-2.8
Minor and Repealed ⁴	39.7	5.4	34.3	-5.8	-27.7	21.9
Total Non-Tax Revenue	578.1	537.7	40.4	916.7	835.5	81.2
Liquor Store Profits	71.5	34.6	36.9	216.4	141.8	74.6
Licenses, Fees and Misc.	491.6	476.4	15.2	621.0	599.2	21.8
Licenses and Fees	16.5	29.2	-12.7	119.1	131.8	-12.7
Miscellaneous	475.1	447.2	27.9	501.9	467.4	34.5
Treasury	5.3	2.7	2.6	20.1	13.5	6.6
Escheats	251.2	204.6	46.6	191.7	128.0	63.7
Other Miscellaneous	218.6	239.9	-21.3	290.0	325.9	-35.9
F.P.&I. - Other	14.9	26.7	-11.8	79.3	94.5	-15.2

Note: Dollar amounts in millions.

¹ As reported in the Commonwealth's revenue accounting system.

² Fiscal Year 2016-17 Quarterly Revenue Estimates, Independent Fiscal Office.

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

⁴ Includes the Capital Stock and Franchise Tax.

GENERAL FUND

- ⇒ Total General Fund collections were below estimate by \$518.4 million for the quarter and below estimate by \$840.7 million for the fiscal year-to-date. The variance in collections was motivated by the following trends:
- ⇒ Corporate net income tax revenues were below estimate by \$266.8 million for the quarter and \$193.6 million for the fiscal year-to-date. Most of the variance for the quarter is 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). The fiscal year-to-date variance is due to weaker-than-anticipated collections for estimated and final payments, which declined 1.7% and 5.3% from the prior year, respectively.
- ⇒ Personal income tax revenues were below estimate by \$276.7 million for the quarter. Both withholding (-\$25.7 million) and non-withholding (-\$251.0 million) payments were below estimate. The large non-withholding payments miss is attributed to very weak final payments for 2016 as well as lower than expected estimated payments for tax year 2017. For the fiscal year-to-date, revenues were below estimate by \$391.4 million; withholding and non-withholding collections were below estimate by \$65.1 million and \$326.3 million, respectively.
- ⇒ Sales and use tax collections were below estimate by \$9.6 million for the quarter and \$235.2 million for the fiscal year-to-date. Non-motor revenues were slightly above estimate by \$1.6 million for the quarter and below estimate by \$220.3 million for the fiscal year-to-date. Motor vehicle revenues were below estimate by \$11.2 million for the quarter and \$14.9 million for the fiscal year-to-date.
- ⇒ All other tax revenue sources were below estimate by \$5.7 million for the quarter and \$101.6 million for the fiscal year-to-date. Gross receipts tax collections were below estimate by \$3.0 million for the quarter and \$29.2 million for the fiscal year-to-date. Cigarette tax collections were below estimate by \$10.6 million for the quarter and \$24.8 million for the fiscal year-to-date. Realty transfer tax collections were below estimate by \$0.2 million for the quarter and \$28.2 million for the fiscal year-to-date. Other tobacco products collections were above estimate by \$14.9 million for the quarter and \$38.7 million for the fiscal-year-to-date.

YEAR-OVER-YEAR GROWTH RATES

Revenue Source	Second Quarter - 2017		Fiscal Year-to-Date	
	Actual	Estimate	Actual	Estimate
General Fund Total	7.1%	18.2%	2.5%	6.7%
Corporate Net Income	3.9%	31.3%	-3.2%	3.6%
Sales and Use Tax	3.8%	4.2%	2.1%	4.5%
Non-Motor	4.3%	4.2%	2.3%	4.9%
Motor	0.8%	4.0%	1.5%	2.6%
Personal Income Tax	1.8%	8.8%	1.3%	4.4%
Withholding	3.7%	4.8%	2.4%	3.1%
Non-Withholding	-0.9%	14.4%	-2.1%	8.4%
All Other Tax	14.9%	15.5%	4.3%	6.2%
Non-Tax	90.1%	223.9%	42.4%	102.4%

MOTOR LICENSE & LOTTERY FUNDS

Revenue Source	Second Quarter - 2017			Fiscal Year-to-Date		
	Actual ¹	Estimate ²	Variance ³	Actual ¹	Estimate ²	Variance ³
MOTOR LICENSE FUND						
Total Motor License Fund	\$801.5	\$763.4	\$38.1	\$2,758.5	\$2,753.1	\$5.4
Liquid Fuels Taxes	471.3	446.3	25.0	1,732.7	1,713.1	19.6
Oil Company Franchise	188.9	242.2	-53.3	836.8	880.3	-43.5
Act 89 OCF - Liquid Fuels	259.9	141.6	118.3	694.0	569.1	124.9
Act 89 OCF - Fuels	-8.8	37.2	-46.0	90.9	153.4	-62.5
Other Liquid Fuels Taxes ⁴	31.3	25.3	6.0	111.0	110.3	0.7
Motor Licenses and Fees	323.5	309.7	13.8	1,000.5	998.9	1.6
Other Motor Receipts	6.7	7.4	-0.7	25.3	41.1	-15.8
Total Growth Rate	11.4%	6.1%	n.a.	3.8%	3.6%	n.a.
LOTTERY FUND						
Total Lottery Fund⁵	\$1,015.5	\$1,092.7	-\$77.2	\$4,148.5	\$4,425.4	-\$276.9
Gross Ticket Sales	1,015.1	1,092.3	-77.2	3,999.3	4,258.7	-259.4
Instant Games	674.8	766.7	-91.9	2,726.6	2,956.7	-230.1
Multi-state Games	84.7	116.5	-31.8	369.5	463.7	-94.2
All Others	255.6	209.1	46.5	903.2	838.3	64.9
Miscellaneous Revenues	0.4	0.4	0.0	149.3	166.7	-17.4
Total Growth Rate	-2.1%	5.4%	n.a.	-3.8%	2.6%	n.a.

Note: Dollar amounts in millions.
¹ The Commonwealth's revenue accounting system.
² Fiscal Year 2016-17 Quarterly Revenue Estimates, Independent Fiscal Office.
³ Computations are based on the unrounded values. Detail may not sum to total due to rounding.
⁴ Includes residual collections of liquid fuels and fuels taxes.
⁵ Quarterly and fiscal year-to-date amounts are not adjusted for field paid prizes and commissions.

The \$38.1 million variance in Motor License Fund collections for the quarter can be decomposed as follows:

- ⇒ Liquid fuels taxes were above estimate by \$25.0 million (5.6% growth from Q2 last year).
- ⇒ Motor licenses and fees were above estimate by \$13.8 million (4.5%).
- ⇒ Other motor receipts were below estimate by \$0.7 million (-10.0%).

The -\$77.2 million variance in Lottery Fund collections for the quarter can be decomposed as follows:

- ⇒ Instant ticket sales were below estimate by \$91.9 million (-12.0% decline from Q2 last year).
- ⇒ Multi-state sales were below estimate by \$31.8 million (-27.3%).
- ⇒ All other lotto games were above estimate by \$46.5 million (22.3%).