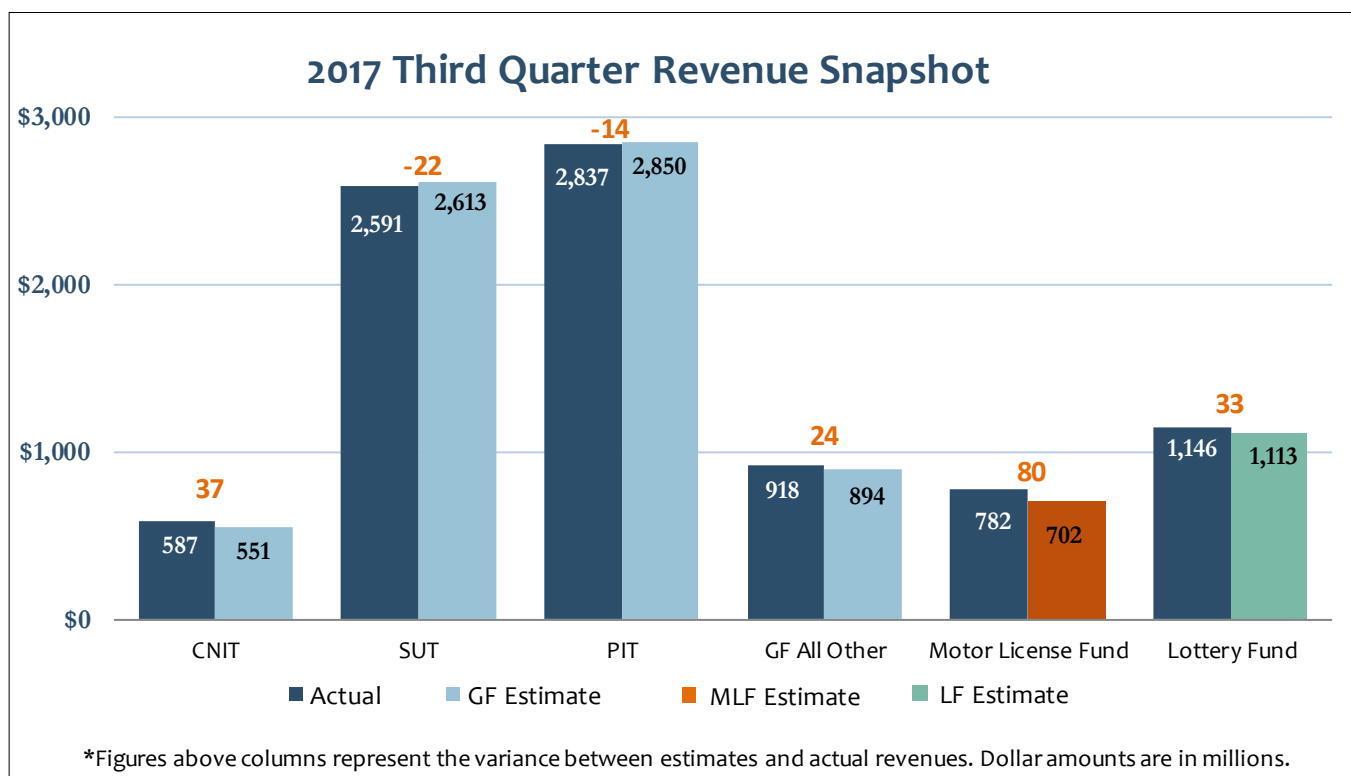


QUARTERLY REVENUE REVIEW

Fiscal Year 2017-18



JULY TO SEPTEMBER



INTRODUCTION

Each fiscal year, the Independent Fiscal Office (IFO) publishes monthly breakdowns of its annual estimates for the General Fund (page 2), and quarterly breakdowns for the Motor License Fund and Lottery Fund (page 4). The most recent publication detailing these estimates is available at www.ifo.state.pa.us.

The IFO produces this report to facilitate comparison of its 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 *Monthly and Quarterly Revenue Estimates* on the same website.

GENERAL FUND revenues were above estimate by \$25.4 million for the third quarter of 2017. (See page 2.) Corporate net income, sales and use and personal income tax revenues were above estimate by a combined \$1.1 million for the third quarter. General Fund revenues from all other sources were above estimate by \$24.3 million for the quarter.

MOTOR LICENSE FUND received \$781.8 million in revenue deposits for the third quarter of 2017, which was above estimate by \$79.6 million.

LOTTERY FUND gross ticket sales and miscellaneous revenues were \$1,145.7 million for the third quarter of 2017. Total revenues were above estimate by \$32.6 million.

GENERAL FUND

Revenue Source	Third Quarter - 2017			Fiscal Year-to-Date		
	Actual ¹	Estimate ²	Variance ³	Actual ¹	Estimate ²	Variance ³
Total General Fund	\$6,933.1	\$6,907.7	\$25.4	\$6,933.1	\$6,907.7	\$25.4
Total Tax Revenue	6,871.3	6,861.9	9.4	6,871.3	6,861.9	9.4
Total Corporation Taxes	617.2	573.4	43.8	617.2	573.4	43.8
Accelerated Deposits	0.0	0.0	0.0	0.0	0.0	0.0
Corporate Net Income	587.1	550.6	36.5	587.1	550.6	36.5
Gross Receipts	3.4	12.6	-9.2	3.4	12.6	-9.2
Utility Property	1.1	2.2	-1.1	1.1	2.2	-1.1
Insurance Premiums	9.9	2.8	7.1	9.9	2.8	7.1
Financial Institutions	15.7	5.2	10.5	15.7	5.2	10.5
Total Consumption Taxes	3,024.8	3,050.1	-25.3	3,024.8	3,050.1	-25.3
Sales and Use	2,591.2	2,613.0	-21.8	2,591.2	2,613.0	-21.8
Non-Motor	2,236.5	2,233.3	3.2	2,236.5	2,233.3	3.2
Motor Vehicle	354.7	379.7	-25.0	354.7	379.7	-25.0
Cigarette	309.4	315.5	-6.1	309.4	315.5	-6.1
Other Tobacco Products	29.8	29.0	0.8	29.8	29.0	0.8
Malt Beverage	6.9	6.7	0.2	6.9	6.7	0.2
Liquor	87.5	85.9	1.6	87.5	85.9	1.6
Total Other Taxes	3,229.4	3,238.4	-9.0	3,229.4	3,238.4	-9.0
Personal Income	2,836.6	2,850.2	-13.6	2,836.6	2,850.2	-13.6
Withholding	2,379.1	2,356.5	22.6	2,379.1	2,356.5	22.6
Quarterly	411.4	443.8	-32.4	411.4	443.8	-32.4
Annuals	46.1	49.9	-3.8	46.1	49.9	-3.8
Realty Transfer	130.1	132.6	-2.5	130.1	132.6	-2.5
Inheritance	233.7	224.7	9.0	233.7	224.7	9.0
Table Games	30.8	29.8	1.0	30.8	29.8	1.0
Minor and Repealed ⁴	-1.8	1.1	-2.9	-1.8	1.1	-2.9
Total Non-Tax Revenue	61.7	45.8	15.9	61.7	45.8	15.9
Liquor Store Profits	0.0	0.0	0.0	0.0	0.0	0.0
Licenses, Fees and Misc.	38.7	21.8	16.9	38.7	21.8	16.9
Licenses and Fees	19.1	19.9	-0.8	19.1	19.9	-0.8
Miscellaneous	19.5	1.9	17.6	19.5	1.9	17.6
Treasury	6.9	4.8	2.1	6.9	4.8	2.1
Escheats	-2.6	-12.8	10.2	-2.6	-12.8	10.2
Other Miscellaneous	15.2	9.9	5.3	15.2	9.9	5.3
F.P.&I. - Other	23.1	24.0	-0.9	23.1	24.0	-0.9

Note: Dollar amounts in millions.

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

² Fiscal Year 2017-18 Monthly and 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 above estimate by \$25.4 million for the third quarter of 2017 and fiscal year-to-date. The variance in collections was motivated by the following trends:

- ⇒ Corporate net income tax revenues were above estimate by \$36.5 million (6.2%) for the quarter due to higher-than-expected estimated payments, which increased 16.4% from the prior year.
- ⇒ Personal income tax revenues for the quarter were below estimate by \$13.6 million (-0.5%). While withholding was slightly above estimate (\$22.6 million, 1.0%), non-withholding was below estimate by \$36.2 million (-7.3%), primarily due to weaker than anticipated estimated payments for tax year 2017.
- ⇒ Sales and use tax collections were below estimate by \$21.8 million (-0.8%) for the quarter. Non-motor revenues were slightly above estimate by \$3.2 million (0.1%) for the quarter. Motor vehicle revenues were below estimate by \$25.0 million (-6.6%) for the quarter.
- ⇒ All other tax revenue sources were above estimate by \$8.4 million for the quarter and fiscal year-to-date. Insurance premiums, financial institution and inheritance taxes were above estimate by \$10.5 million, \$7.1 million and \$9.0 million, respectively. Gross receipts, cigarette and realty transfer taxes were below estimate by \$9.2 million, \$6.1 million and \$2.5 million, respectively.

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	Third Quarter - 2017		Fiscal Year-to-Date		Fiscal Year
	Actual	Estimate	Actual	Estimate	Estimate
General Fund Total	4.8%	4.4%	4.8%	4.4%	2.6%
Corporate Net Income	11.0%	4.0%	11.0%	4.0%	3.8%
Sales and Use Tax	3.9%	4.7%	3.9%	4.7%	2.3%
Non-Motor	4.7%	4.5%	4.7%	4.5%	2.2%
Motor	-0.9%	6.1%	-0.9%	6.1%	2.7%
Personal Income Tax	3.8%	4.3%	3.8%	4.3%	5.2%
Withholding	4.4%	3.4%	4.4%	3.4%	3.8%
Non-Withholding	0.9%	8.9%	0.9%	8.9%	9.7%
All Other Tax	7.0%	6.0%	7.0%	6.0%	0.5%
Non-Tax	4.5%	-22.4%	4.5%	-22.4%	-21.7%

MOTOR LICENSE & LOTTERY FUNDS

Revenue Source	Third 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	\$781.8	\$702.2	\$79.6	\$781.8	\$702.2	\$79.6
Liquid Fuels Taxes	496.6	464.0	32.6	496.6	464.0	32.6
Oil Company Franchise	262.5	249.1	13.4	262.5	249.1	13.4
Act 89 OCF - Liquid Fuels	160.7	149.4	11.3	160.7	149.4	11.3
Act 89 OCF - Fuels	38.7	37.9	0.8	38.7	37.9	0.8
Other Liquid Fuels Taxes ⁴	34.7	27.6	7.1	34.7	27.6	7.1
Motor Licenses and Fees	244.7	233.6	11.1	244.7	233.6	11.1
Other Motor Receipts	40.5	4.6	35.9	40.5	4.6	35.9
Total Growth Rate	17.8%	5.8%	n.a.	17.8%	5.8%	n.a.
LOTTERY FUND						
Total Lottery Fund⁵	\$1,145.7	\$1,113.1	\$32.6	\$1,145.7	\$1,113.1	\$32.6
Gross Ticket Sales	999.6	966.9	32.6	999.6	966.9	32.6
Instant Games	656.5	661.1	-4.5	656.5	661.1	-4.5
Multi-state Games	138.3	160.0	-21.7	138.3	160.0	-21.7
All Others	204.7	145.8	58.9	204.7	145.8	58.9
Miscellaneous Revenues	146.2	146.2	0.0	146.2	146.2	0.0
Total Growth Rate	-2.6%	-1.6%	n.a.	-2.6%	-1.6%	n.a.
Note: Dollar amounts in millions.						
¹ The Commonwealth's revenue accounting system.						
² Fiscal Year 2017-18 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 \$79.6 million variance in Motor License Fund collections for the quarter can be decomposed as follows:

- ⇒ Liquid fuels taxes were above estimate by \$32.6 million (7.0%).
- ⇒ Motor licenses and fees were above estimate by \$11.1 million (4.8%).
- ⇒ Other motor receipts were above estimate by \$35.9 million (780.3%).

The \$32.6 million variance in Lottery Fund collections for the quarter can be decomposed as follows:

- ⇒ Instant ticket sales were below estimate by \$4.5 million (-0.7%).
- ⇒ Multi-state sales were below estimate by \$21.7 million (-13.6%).
- ⇒ All other lotto games were above estimate by \$58.9 million (40.4%).