

# Revenue and Economic Update

Independent Fiscal Office | November 2019

On August 8th, the Independent Fiscal Office (IFO) released monthly revenue projections for fiscal year (FY) 2019-20. General Fund revenues for the month of November were above estimate by \$42.1 million (1.8 percent) and by \$272.0 million (2.2 percent) for the fiscal year-to-date (FYTD). The monthly overage was driven by stronger than expected corporate net income tax (CNIT), sales and use tax (SUT) non-motor and personal income tax (PIT) withholding collections, which were partially offset by weak SUT motor vehicle tax collections.

November CNIT collections were \$10.0 million over estimate (7.8 percent) due to higher than anticipated estimated payments (\$8.6 million, 29.5 percent). FYTD CNIT collections are \$83.8 million (8.7 percent) above estimate, primarily due to strength in final payments.

PIT collections for the month surpassed the forecast by \$18.2 million (2.1 percent), primarily driven by an overage in withholding payments (\$16.2 million, 2.0 percent). Estimated payments for the month were below estimate (-\$1.0 million, -4.8 percent), while annual payments exceeded estimate by \$3.1 million (16.3 percent). FYTD PIT collections continue to outpace projections by \$117.9 million (2.3 percent),

led by strength in estimated (\$50.4 million, 8.9 percent) and annual payments (\$44.9 million, 23.1 percent).

Monthly SUT collections were under estimate (-\$2.2 million), with the \$11.4 million (1.4 percent) overage in non-motor collections more than offset by the \$13.6 million (-11.2 percent) shortfall in motor vehicle collections. FYTD SUT collections are \$38.5 million below estimate, due to an unanticipated transfer in July.

November non-tax revenues exceeded projections by \$9.6 million (9.2 percent). Collections for the month included the expected transfer of \$100 million in liquor store profits. FYTD non-tax revenues are surpassing estimate by \$63.9 million (36.9 percent), predominantly due to escheats collections, which are \$85.9 million above projections. The strength in escheats is related to both higher than expected collections and lower than anticipated claim payments. A portion of this gain is offset by licenses and fees collections, which are \$22.1 million below estimate for the fiscal year. The current shortfall in licenses and fees is a timing issue related to the payment of fees for gaming licenses.

## FY 2019-20 Revenue Performance Through November

	November Collections			FY Collections		
	Actual	Estimate	\$ Diff	Actual	Estimate	\$ Diff
<b>General Fund</b>	<b>\$2,356.5</b>	<b>\$2,314.4</b>	<b>\$42.1</b>	<b>\$12,733.6</b>	<b>\$12,461.6</b>	<b>\$272.0</b>
Corporate Net Income	137.7	127.7	10.0	1,045.8	962.0	83.8
SUT - Non-Motor	817.5	806.1	11.4	4,137.3	4,174.7	-37.4
SUT - Motor Vehicle	108.0	121.6	-13.6	658.4	659.5	-1.1
PIT - Withholding	827.5	811.3	16.2	4,299.2	4,276.6	22.6
PIT - Non-Withholding	42.1	40.1	2.0	856.5	761.2	95.3
Cigarette	94.3	98.0	-3.7	447.7	454.5	-6.8
Inheritance	87.8	87.3	0.6	461.0	434.7	26.3
Other Taxes	128.3	118.5	9.8	590.5	565.1	25.4
Non-Tax	113.4	103.9	9.6	237.3	173.4	63.9

Note: Dollar amounts in millions. Estimate refers to IFO official estimate published in June 2019.

## MONTHLY ECONOMIC INDICATORS

	United States				Pennsylvania			
	Aug-19	Sept-19	Oct-19	Nov-19	Aug-19	Sept-19	Oct-19	Nov-19
Unemployment Rate <sup>1</sup>	3.7%	3.5%	3.6%	3.5%	3.9%	4.0%	4.2%	n.a.
Net Job Gains (000s) <sup>2</sup>	219.0	180.0	128.0	266.0	32.2	33.3	34.0	n.a.
Average Gasoline Price <sup>3</sup>	\$2.62	\$2.59	\$2.63	\$2.60	\$2.71	\$2.63	\$2.60	\$2.62
CPI-U All Items <sup>4</sup>	1.7%	1.7%	1.8%	n.a.	2.3%	2.1%	1.9%	n.a.
Retail Sales <sup>5</sup>	3.7%	4.0%	3.8%	n.a.	4.4%	5.2%	6.4%	5.1%
Consumer Sentiment Index <sup>6</sup>	89.8	93.2	95.5	96.8	n.a.	n.a.	n.a.	n.a.

## QUARTERLY ECONOMIC INDICATORS

	United States				Pennsylvania			
	2018.4	2019.1	2019.2	2019.3	2018.4	2019.1	2019.2	2019.3
Gross Domestic Product <sup>7</sup>	1.1%	3.1%	2.0%	2.1%	0.4%	3.3%	1.7%	n.a.
Net Job Gains (000s) <sup>2</sup>	233.3	173.7	152.0	188.3	60.5	50.8	45.4	33.3
Personal Income <sup>8</sup>	4.9%	4.6%	4.7%	4.4%	5.7%	5.0%	5.3%	n.a.
Wages and Salaries <sup>9</sup>	4.0%	5.0%	4.8%	4.6%	3.2%	4.5%	5.0%	n.a.
CPI-U All Items <sup>4</sup>	2.2%	1.6%	1.8%	1.8%	1.3%	1.5%	2.0%	2.2%
FHFA House Price Index <sup>10</sup>	6.0%	5.2%	5.0%	4.7%	5.5%	5.3%	4.9%	5.0%

### Economic Trends

- The Pennsylvania unemployment rate ticked upward again in October, but wage growth remains strong.
- After posting declines in June, July and August, Pennsylvania monthly net job gains (annualized) have held steady in the most recent three-month period. On a year-over-year basis, net jobs gains have continued to decelerate since 2018Q1.
- The U.S. CPI-U held steady for 2019Q3, while the Philadelphia metro CPI-U rate has increased gradually since 2018Q4.

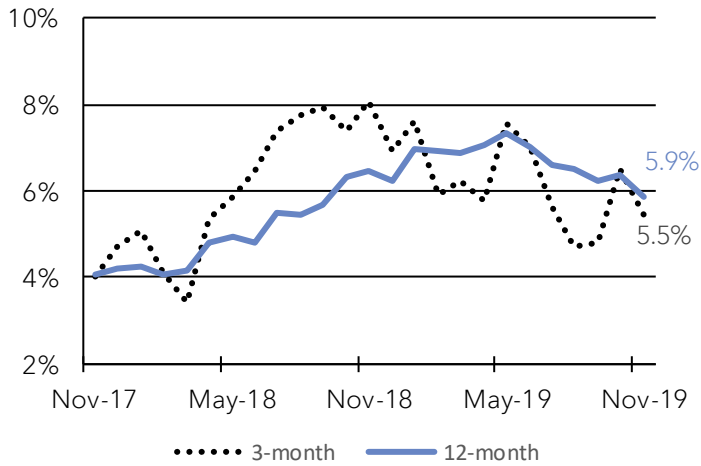
#### Sources and notes:

1. Source: U.S. Bureau of Labor Statistics—Survey of Households.
2. U.S.: Increase in payroll employment compared to the previous month or quarter. PA: Average year-over-year increase in payroll employment based on latest three months of data. Source: U.S. Bureau of Labor Statistics—Survey of Establishments.
3. Average price for one gallon of regular gasoline. Source: U.S. Energy Information Administration.
4. Annual change in average price level for U.S. and PA-NJ-DE-MD. Source: U.S. Bureau of Labor Statistics.
5. U.S.: Annual growth rate of advance retail sales based on latest three months of data. Excludes services. Source: U.S. Department of Commerce. PA: Annual growth rate of sales tax revenues based on latest three months of data. Source: PA Department of Revenue.
6. Source: UM—Survey of Consumers.
7. The quarterly, annualized real growth rate of the economy. Excludes inflation. Source: U.S. Bureau of Economic Analysis.
8. The year-over-year growth rate of personal income. Source: U.S. Bureau of Economic Analysis.
9. Year-over-year growth rate of wages and salaries paid to all payroll employees. Source: U.S. Bureau of Economic Analysis.
10. Source: Federal Housing Finance Agency.

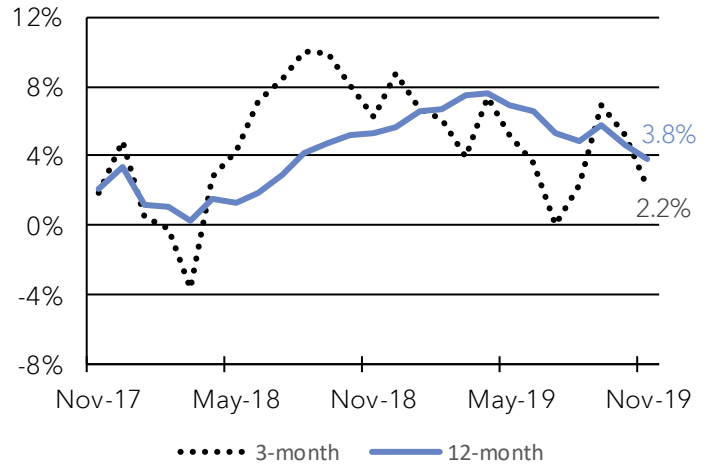
# SELECT GENERAL FUND TAX REVENUES

## ANNUAL GROWTH RATES

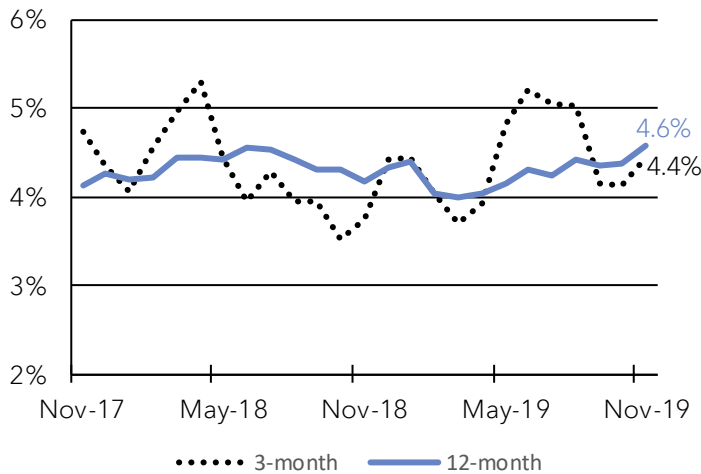
### Sales and Use Tax – Non-Motor



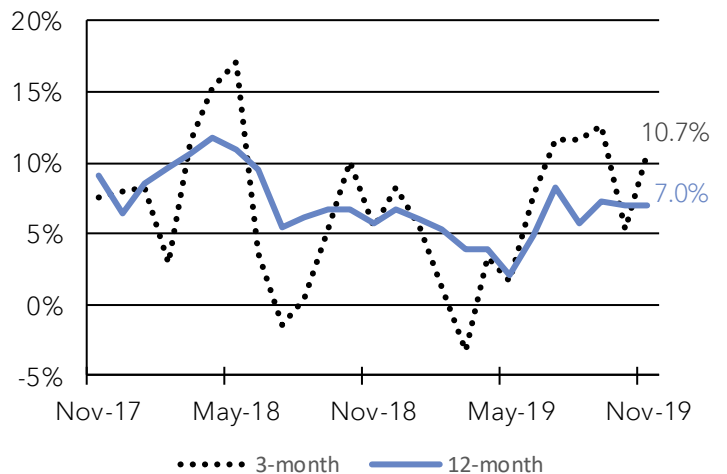
### Sales and Use Tax – Motor



### Personal Income Tax – Withholding



### Realty Transfer Tax



### Revenue Trends

- The non-motor SUT growth rate excludes a \$115.3 million one-time transfer that occurred in July 2019. The 3-month and the 12-month growth rates continue to exhibit unusual strength.
- The 3-month and 12-month motor vehicle SUT growth rates fell this month due to weak collections for November compared to prior months. Rates will likely continue to decelerate as consumers purchase fewer cars and trucks. This is consistent with analysts' expectations for the remainder of the year.
- The 3-month PIT withholding growth rate reflects a slight uptick for November, as monthly collections achieved 5.9 percent growth.
- The 12-month realty transfer growth rate did not change appreciably, while the 3-month growth rate reflects strength due to an unusually robust September.

# GENERAL FUND REVENUES SUMMARY

Revenue Source	November 2019	November 2018	FYTD 2019-20	FYTD 2018-19	Monthly Growth	FYTD Growth
<b>Total General Fund</b>	<b>\$2,356.5</b>	<b>\$2,336.7</b>	<b>\$12,733.6</b>	<b>\$12,365.0</b>	<b>0.8%</b>	<b>3.0%</b>
<b>Total Tax Revenue</b>	<b>2,243.1</b>	<b>2,178.9</b>	<b>12,496.3</b>	<b>12,103.1</b>	<b>2.9</b>	<b>3.2</b>
<b>Total Corporation Taxes</b>	<b>150.8</b>	<b>138.0</b>	<b>1,109.0</b>	<b>1,079.5</b>	<b>9.3</b>	<b>2.7</b>
Accelerated Deposits	(0.1)	0.4	0.8	0.3	-117.3	193.2
Corporate Net Income	137.7	125.9	1,045.8	997.1	9.3	4.9
Gross Receipts	11.7	9.8	28.1	43.0	19.7	-34.5
Utility Property	0.0	0.0	1.9	1.2	5.9	51.9
Insurance Premiums	0.2	0.4	18.8	22.4	-56.5	-15.9
Financial Institution	1.3	1.5	13.7	15.6	-13.6	-12.4
<b>Total Consumption Taxes</b>	<b>1,069.7</b>	<b>1,064.4</b>	<b>5,470.7</b>	<b>5,396.6</b>	<b>0.5</b>	<b>1.4</b>
Sales and Use - Total	925.5	910.2	4,795.7	4,692.5	1.7	2.2
Non-Motor	817.5	795.5	4,137.3	4,052.8	2.8	2.1
Motor Vehicle	108.0	114.8	658.4	639.6	-5.9	2.9
Cigarette	94.3	103.9	447.7	484.2	-9.2	-7.6
Other Tobacco Products	11.2	12.5	56.2	54.1	-10.7	3.9
Malt Beverage	2.0	1.9	10.0	10.5	3.2	-4.2
Liquor	36.8	35.8	161.0	155.3	2.8	3.7
<b>Total Other Taxes</b>	<b>1,022.6</b>	<b>976.5</b>	<b>5,916.6</b>	<b>5,627.0</b>	<b>4.7</b>	<b>5.1</b>
Personal Income - Total	869.6	834.8	5,155.7	4,911.9	4.2	5.0
Withholding	827.5	793.6	4,299.2	4,170.0	4.3	3.1
Quarterly	20.4	20.6	617.7	553.4	-1.3	11.6
Annual	21.8	20.6	238.8	188.4	5.7	26.7
Realty Transfer	48.8	46.4	227.5	228.8	5.3	-0.5
Inheritance	87.8	81.8	461.0	430.7	7.3	7.0
Gaming	13.5	11.8	68.2	50.9	14.4	33.9
Minor and Repealed	2.9	1.7	4.3	4.6	68.1	-8.2
<b>Total Non-Tax Revenue</b>	<b>113.4</b>	<b>157.8</b>	<b>237.3</b>	<b>261.9</b>	<b>-28.1</b>	<b>-9.4</b>
State Store Fund Transfers	100.0	100.0	100.0	100.0	0.0	0.0
Lic., Fees & Miscellaneous	6.3	51.6	99.7	124.4	-87.8	-19.8
Licenses and Fees	3.9	54.1	43.1	122.6	-92.7	-64.8
Miscellaneous	2.4	(2.6)	56.6	1.8	192.5	n.a.
Treasury	3.1	2.1	20.8	51.4	47.4	-59.5
Escheats	(4.2)	(5.7)	18.4	(82.4)	26.4	122.3
Other Miscellaneous	3.4	1.0	17.3	32.7	239.4	-47.0
Fines, Penalties & Interest	7.1	6.3	37.6	37.5	13.7	0.2

Note: Dollar amounts in millions. Growth rates computed from same time period in previous year and use the unrounded amounts.