

# MONTHLY TRENDS

Report

OCTOBER 2017 - INDEPENDENT FISCAL OFFICE -

## Revenue Update for FY 2017-18

In August, the Independent Fiscal Office (IFO) released monthly projections for the fiscal year (FY) 2017-18 revenue estimate published in June 2017.<sup>1</sup> Through the first four months of FY 2017-18, total General Fund revenues were \$9.6 million (-0.1 percent) below the IFO's official estimate. Tax revenues were \$27.4 million (-0.3 percent) below estimate and non-tax revenues were \$17.8 million (29.8 percent) above estimate.

As shown in the table below, two of the three largest sources of General Fund tax revenue, personal income tax (PIT) and sales and use tax (SUT), were below estimate through October. PIT revenues were \$16.8 million (-0.4 percent) below estimate, driven by quarterly payments that were \$34.9 million (-7.0 percent) below estimate. SUT revenues were \$35.9 million (-1.0 percent) below estimate, largely due to a motor vehicle tax shortfall of \$21.0 million (-4.2 percent). However, fiscal year-to-date SUT revenues were \$106.3 million (3.2 percent) higher than the first four months of last fiscal year. October non-motor vehicle sales tax collections did not increase from the prior year, and that revenue source remains a concern.

Corporate net income tax (CNIT) revenues and non-tax revenues have been relatively strong through October compared to estimate. CNIT revenues were \$16.5 million (2.5 percent) above estimate through the first four months of FY 2017-18. Non-tax revenues were \$17.8 million (29.8 percent) above estimate,

GENERAL FUND SNAPSHOT			
	General Fund	Tax Revenue	Non-Tax Revenue
<b>Oct-17</b>	\$2,175	\$2,160	\$16
<b>Growth</b>	-2.7%	-3.2%	277.6%
<b>FYTD</b>	\$9,108	\$9,031	\$77
<b>Growth</b>	2.9%	2.8%	22.6%

Dollar amounts are in millions.

largely driven by escheat revenues, which were \$11.5 million (66.1 percent) above estimate.

Various national and state data suggest that taxpayers shifted income out of calendar year 2016 in anticipation of a significant federal income tax rate cut. The IFO's official estimate assumed that most of that income would be reported in 2017, and would have a positive impact on FY 2017-18 revenues. Currently, it is unclear if federal income tax cuts will be enacted. If they are not or uncertainty remains, then General Fund revenue projections for this year will likely be revised downward in future estimates.

## FY 2017-18 REVENUE PERFORMANCE THROUGH OCTOBER

	Actual	Estimate	Diff. w/ Estimate		Diff. w/ Last Year	
			Dollar	Percent	Dollar	Percent
<b>General Fund</b>	\$9,108	\$9,118	(\$10)	-0.1%	\$259	2.9%
<b>Corp. Net Income</b>	\$673	\$657	\$16	2.5%	(\$22)	-3.2%
<b>Sales and Use</b>	\$3,473	\$3,509	(\$36)	-1.0%	\$106	3.2%
<b>Personal Income</b>	\$3,743	\$3,760	(\$17)	-0.4%	\$138	3.8%
<b>Other Taxes</b>	\$1,142	\$1,133	\$9	0.8%	\$23	2.1%
<b>Non-Tax</b>	\$77	\$60	\$18	29.8%	\$14	22.6%

Dollar amounts are in millions. Estimate refers to IFO official estimate published in June 2017.

<sup>1</sup>See *Official Monthly & Quarterly Revenue Estimates* for more information: [http://www.ifo.state.pa.us/download.cfm?file=/Resources/Documents/MQRE\\_FY17-18.pdf](http://www.ifo.state.pa.us/download.cfm?file=/Resources/Documents/MQRE_FY17-18.pdf).

# MONTHLY ECONOMIC INDICATORS

	United States				Pennsylvania			
	Jul-17	Aug-17	Sep-17	Oct-17	Jul-17	Aug-17	Sep-17	Oct-17
Unemployment Rate <sup>1</sup>	4.3%	4.4%	4.2%	4.1%	5.0%	4.9%	4.8%	n.a.
Net Job Gains (000s) <sup>2</sup>	138.0	208.0	18.0	261.0	64.8	65.9	67.3	n.a.
Average Gasoline Price <sup>3</sup>	\$2.30	\$2.38	\$2.65	\$2.51	\$2.37	\$2.45	\$2.77	\$2.58
Consumer Price Index <sup>4</sup>	1.7%	1.9%	2.2%	n.a.	1.1%	1.4%	n.a.	n.a.
Retail Sales <sup>5</sup>	3.6%	3.4%	3.9%	n.a.	4.7%	4.9%	3.7%	3.3%
Consumer Sentiment Index <sup>6</sup>	93.4	96.8	95.1	100.7	n.a.	n.a.	n.a.	n.a.
New Building Permits <sup>7</sup>	11.4%	10.0%	8.6%	n.a.	16.6%	13.5%	25.7%	n.a.

# QUARTERLY ECONOMIC INDICATORS

	United States				Pennsylvania			
	2016.3	2016.4	2017.1	2017.2	2016.3	2016.4	2017.1	2017.2
Gross Domestic Product <sup>8</sup>	2.8%	1.8%	1.2%	3.1%	6.0%	1.7%	1.2%	n.a.
Personal Income <sup>9</sup>	2.6%	1.6%	3.1%	2.9%	2.5%	1.2%	3.1%	2.7%
Completed Home Sales <sup>10</sup>	0.8%	5.6%	5.0%	1.6%	2.8%	5.2%	n.a.	n.a.
FHFA House Price Index <sup>11</sup>	6.3%	6.3%	6.4%	6.6%	4.3%	4.2%	4.2%	4.4%
Student Loan Debt <sup>12</sup>	\$4,830	\$4,920	\$5,030	\$5,020	\$5,590	\$5,690	\$5,840	\$5,810
Industrial Electricity Sales <sup>13</sup>	-4.9%	-4.9%	-0.6%	1.4%	-0.6%	0.8%	-0.5%	2.3%

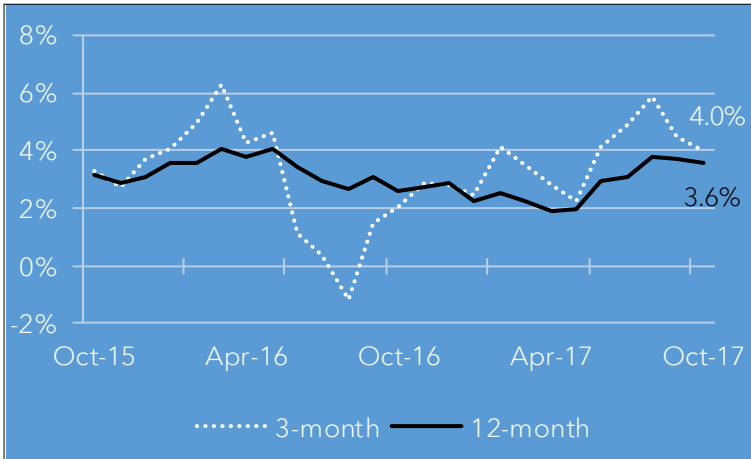
Notes:

1. Source: U.S. Bureau of Labor Statistics–Survey of Households.
2. U.S.: Increase in payroll employment compared to the previous month. 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. Data for PA-NJ-DE-MD only published on a bi-monthly basis. For non-release months, values are an interpolation. Source: U.S. Bureau of Labor Statistics.
5. U.S.: Annual growth rate of advance retail sales based on latest three months of data. Includes purchases of gas and motor vehicles. Excludes services. Source: U.S. Dept. of Commerce. PA: Annual growth rate of sales tax revenues based on latest three months of data. Excludes transfers to or from the Enhanced Revenue Collection Account. Source: PA Dept. of Revenue.
6. A diffusion index that reflects consumer optimism. Source: UM–Survey of Consumers.
7. Annual growth of new, privately owned single-housing units authorized for construction based on latest three months of data. Source: U.S. Census Bureau.
8. The quarterly, annualized real growth rate of the economy. Excludes inflation. Source: U.S. Bureau of Economic Analysis.
9. The annual growth rate of personal income. Includes any inflationary gains. Source: U.S. Bureau of Economic Analysis.
10. The annual growth rate of sales of existing single-family properties, townhomes and condominiums. (PA data contain some new properties.) Sources: National Association of Realtors and PA Association of Realtors.
11. The annual growth rate of an index that measures the average price change of residential homes with mortgages purchased or securitized by Fannie Mae or Freddie Mac. Source: Federal Housing Finance Agency.
12. Per capita levels. Levels represent total student loan debt divided by number of consumers with a credit report. For Q4 2016, Pennsylvania has 10.9 million consumers (includes children). Source: Federal Reserve Bank of New York.
13. The annual growth rate in megawatt-hours of electricity sold to industrial customers. Source: U.S. EIA.

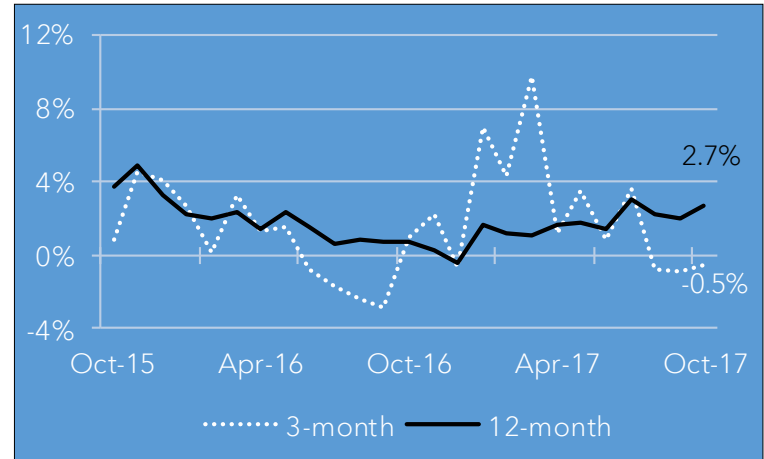
# SELECT GENERAL FUND TAX REVENUES

## ANNUAL GROWTH RATES

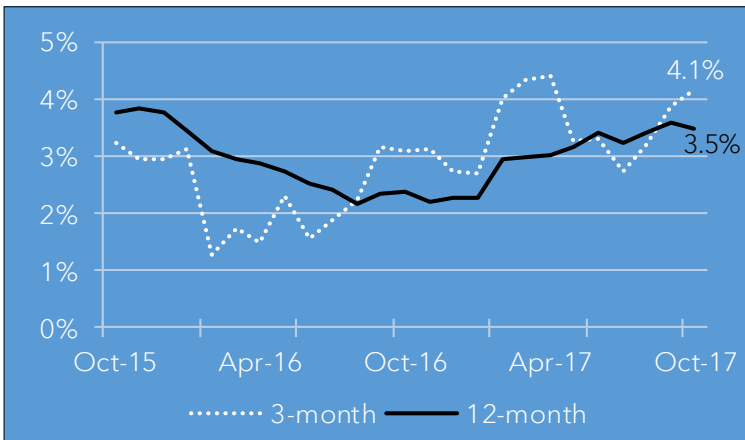
### Sales and Use Tax – Non-Motor



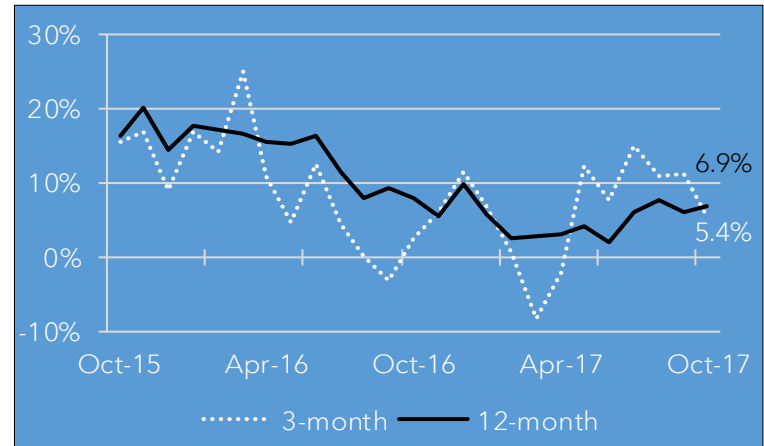
### Sales and Use Tax – Motor



### Personal Income Tax – Withholding



### Realty Transfer Tax



Note: Three- and twelve-month annual growth rates are rolling averages relative to the previous fiscal year.

#### Technical Notes

- Transfers from the General Fund to the Enhanced Revenue Collection Account were \$20.9 million including: \$6.4 million from personal income tax; \$7.5 million from sales and use tax; and \$5.7 million from corporate net income tax.
- The graphs above correct for all transfers and issues related to fluctuating payment due dates.

# GENERAL FUND REVENUES SUMMARY

Revenue Source	OCT 2017	OCT 2016	OCT 2015	FYTD 2017-18	FYTD 2016-17	FYTD 2015-16	Monthly Growth	FYTD Growth
Total General Fund	\$2,175	\$2,235	\$2,132	\$9,108	\$8,849	\$8,868	-2.7%	2.9%
Total Tax Revenue	2,160	2,231	2,109	9,031	8,786	8,764	-3.2	2.8
Total Corporation Taxes	92	182	155	710	748	765	-49.3	-5.2
Accelerated Deposits	(0)	(0)	12	(0)	1	13	93.7	-104.7
Corporate Net Income	86	166	138	673	695	711	-48.2	-3.2
Gross Receipts	6	17	5	9	35	22	-66.9	-74.1
Utility Property	0	0	0	1	2	3	-45.2	-49.9
Insurance Premiums	0	(0)	0	10	3	2	191.1	261.0
Financial Institutions	0	0	0	16	13	14	188.9	29.0
Total Consumption Taxes	1,026	1,036	976	4,051	3,902	3,790	-1.0	3.8
Sales and Use - Total	882	872	864	3,473	3,366	3,354	1.1	3.2
Non-Motor	761	761	753	2,998	2,897	2,875	0.1	3.5
Motor Vehicle	120	111	111	475	469	480	8.0	1.2
Cigarette	103	135	80	413	415	316	-23.4	-0.5
Other Tobacco Products	10	0	0	39	0	0	n.a.	n.a.
Malt Beverage	2	2	2	9	9	9	-10.2	-3.1
Liquor	29	27	30	117	111	110	9.5	5.0
Total Other Taxes	1,041	1,012	978	4,271	4,136	4,210	2.9	3.3
Personal Income - Total	907	874	834	3,743	3,606	3,633	3.7	3.8
Withholding	773	751	701	3,152	3,029	3,012	3.0	4.1
Quarterly	53	52	52	464	459	481	2.7	1.2
Annual	80	72	81	126	118	139	11.7	7.1
Realty Transfer	46	42	42	176	162	179	10.5	9.2
Inheritance	83	76	72	317	300	300	8.7	5.6
Table Games	9	9	9	40	38	34	3.8	4.0
Minor and Repealed	(4)	11	21	(5)	30	64	-133.5	-117.9
Total Non-Tax Revenue	16	4	23	77	63	103	277.6	22.6
State Store Fund Transfers	0	0	0	0	0	0	0.0	0.0
Licenses, Fees & Misc.	9	(3)	16	47	32	73	432.2	46.8
Licenses and Fees	5	7	5	24	25	25	-27.2	-4.5
Miscellaneous	4	(9)	11	23	7	48	141.6	226.3
Treasury	2	1	12	8	7	13	99.7	17.1
Escheats	(3)	(17)	(5)	(6)	(43)	7	80.6	86.3
Other Miscellaneous	6	7	4	21	43	29	-20.6	-51.5
Fines, Pen. & Int. - Total	7	7	7	30	31	30	5.3	-2.6

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