

# MONTHLY TRENDS

Report

February 2018 - INDEPENDENT FISCAL OFFICE -

In December, the Independent Fiscal Office (IFO) released an update of the fiscal year (FY) 2017-18 official revenue estimate (originally published in June 2017) and corresponding revised monthly projections.<sup>1</sup> Through February, total General Fund revenues are \$619 million, or 3.0 percent, above the IFO's updated official estimate.

February General Fund collections were \$158 million (4.6 percent) above estimate. The three largest sources of tax revenue (personal income tax, sales and use tax and corporate net income tax) were all above estimate.

Personal income tax (PIT) withholding payments exceeded estimate by \$19 million (2.4 percent) in February. Quarterly payments came in as expected, but year-to-date quarterly payments remain strong and exceed estimate by \$128 million (11.0 percent). Annual payments and employer withholding are largely meeting expectations for the year. However, non-withholding payments are expected to be weak in March through June due to the acceleration of payments into December and January in response to federal tax law changes.

Non-motor sales and use tax (SUT) collections were strong in February after a flat January. Non-motor collections were \$26 million above estimate (4.2 percent) in February, and fiscal-year-to-date collections are \$45 million (0.8 percent) above estimate. Motor vehicle SUT collections came in as expected, but are \$17 million (-1.8 percent) below estimate for the fiscal year.

GENERAL FUND SNAPSHOT			
	General Fund	Tax Revenue	Non-Tax Revenue
<b>Feb-18</b>	\$3,581	\$1,905	\$1,677
<b>Growth</b>	91.0%	5.6%	2,218.3%
<b>FYTD</b>	\$20,949	\$18,728	\$2,221
<b>Growth</b>	16.6%	5.9%	658.6%

Dollar amounts in millions. See final page for detail.

Corporate net income tax (CNIT) payments for the month outpaced the estimate by \$16 million (38.0 percent). Final payments were strong, exceeding estimate by \$16 million (75.8 percent). Estimated payments came in as expected for February. Year-to-date CNIT payments are \$8 million (0.6 percent) above estimate.

Non-tax revenue also exceeded estimate by \$123 million due to earlier-than-expected transfers from the state store fund (\$85.1 million) and various special funds (\$48 million). Additionally, Act 43 of 2017 authorized the securitization of Tobacco Settlement Fund payments to be deposited in the General Fund. In February, these one-time revenues were received as expected (\$1.5 billion).

## FY 2017-18 Revenue Performance Through February

	February Collections			FYTD Collections		
	Actual	Estimate	\$ Diff	Actual	Estimate	\$ Diff
<b>General Fund</b>	\$3,581	\$3,424	\$158	\$20,949	\$20,330	\$619
<b>Corp. Net Income</b>	60	43	16	1,383	1,375	8
<b>Sales and Use</b>	734	709	25	6,860	6,831	29
<b>Personal Income</b>	857	839	19	8,161	7,997	164
<b>Other Taxes</b>	254	279	(25)	2,324	2,279	46
<b>Non-Tax</b>	1,677	1,554	123	2,221	1,848	373

Dollar amounts in millions. Estimate refers to IFO official revised estimate published in December 2017.

<sup>1</sup>The update incorporated estimates of various tax law changes and authorized transfers and borrowing. The original baseline estimates did not change from June 2017. See *Official Monthly & Quarterly Revenue Estimates* for more information: [http://www.ifo.state.pa.us/download.cfm?file=/Resources/Documents/MQRE\\_FY17-18\\_Update.pdf](http://www.ifo.state.pa.us/download.cfm?file=/Resources/Documents/MQRE_FY17-18_Update.pdf).

# MONTHLY ECONOMIC INDICATORS

	United States				Pennsylvania			
	Nov-17	Dec-17	Jan-18	Feb-18	Nov-17	Dec-17	Jan-18	Feb-18
Unemployment Rate <sup>1</sup>	4.1%	4.1%	4.1%	n.a.	4.6%	4.7%	n.a.	n.a.
Net Job Gains (000s) <sup>2</sup>	216.0	160.0	200.0	n.a.	68.9	70.3	n.a.	n.a.
Average Gasoline Price <sup>3</sup>	\$2.56	\$2.48	\$2.55	\$2.59	\$2.64	\$2.58	\$2.66	\$2.71
Consumer Price Index <sup>4</sup>	2.2%	2.1%	2.1%	n.a.	0.8%	0.8%	n.a.	n.a.
Retail Sales <sup>5</sup>	5.3%	5.4%	4.9%	n.a.	3.7%	4.7%	4.5%	3.6%
Consumer Sentiment Index <sup>6</sup>	98.5	95.9	94.4	99.9	n.a.	n.a.	n.a.	n.a.
New Building Permits <sup>7</sup>	10.4%	9.5%	9.2%	n.a.	3.9%	-3.9%	-1.2%	n.a.

# QUARTERLY ECONOMIC INDICATORS

	United States				Pennsylvania			
	2017.1	2017.2	2017.3	2017.4	2017.1	2017.2	2017.3	2017.4
Gross Domestic Product <sup>8</sup>	1.2%	3.1%	3.2%	2.5%	0.3%	2.5%	3.2%	n.a.
Personal Income <sup>9</sup>	3.1%	2.7%	2.8%	3.9%	3.0%	2.5%	2.0%	n.a.
Wages and Salaries <sup>10</sup>	3.4%	2.5%	2.6%	4.6%	2.8%	1.9%	1.3%	n.a.
FHFA House Price Index <sup>11</sup>	6.5%	6.8%	6.7%	6.7%	4.3%	4.6%	4.5%	4.9%
Student Loan Debt <sup>12</sup>	\$5,030	\$5,020	\$5,060	\$5,150	\$5,840	\$5,810	\$5,870	\$5,880
Industrial Electricity Sales <sup>13</sup>	-4.1%	-2.4%	-3.6%	-2.6%	-0.4%	2.0%	-0.6%	2.0%

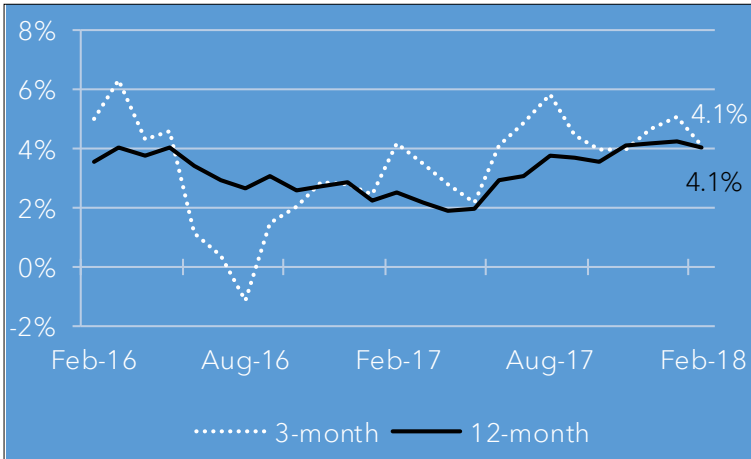
## Notes:

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. Year-over-year growth rate of wages and salaries paid to all payroll employees. Source: U.S. Bureau of Economic Analysis.
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.

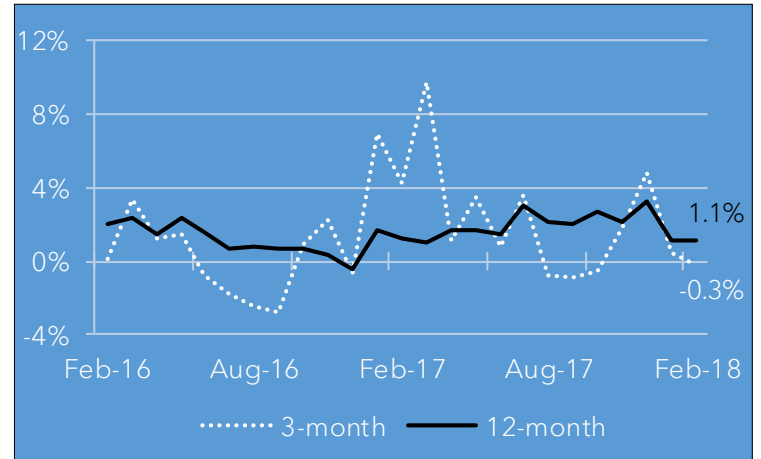
# SELECT GENERAL FUND TAX REVENUES

## ANNUAL GROWTH RATES

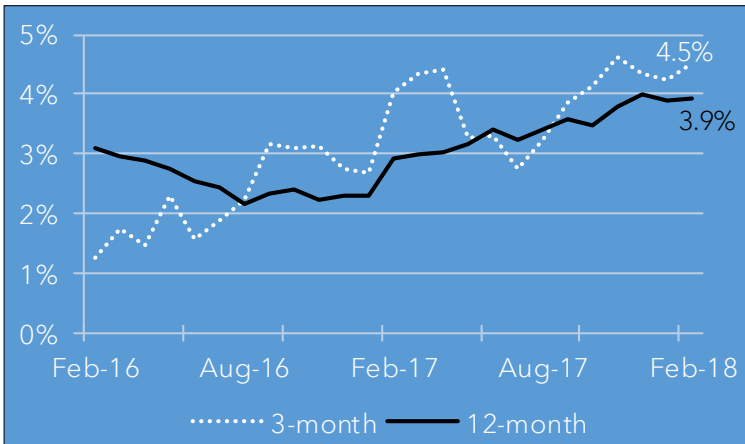
### Sales and Use Tax – Non-Motor



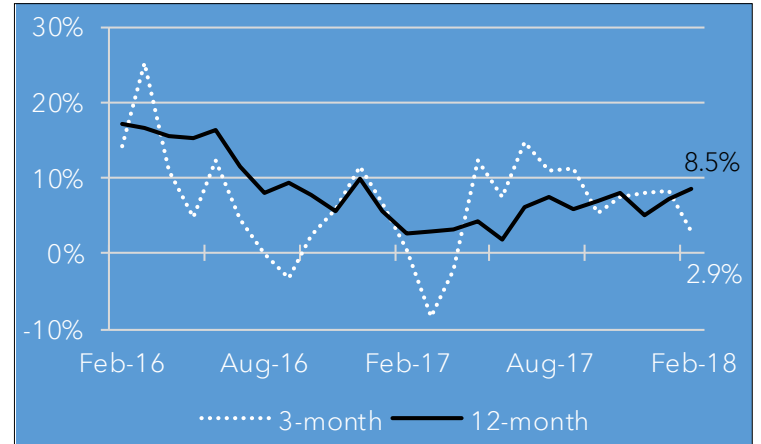
### Sales and Use Tax – Motor



### 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

- The graphs above correct for (1) transfers to the Commonwealth Financing Authority, Enhanced Revenue Collection Account and Housing Affordability and Rehabilitation Enhancement Fund and (2) issues related to fluctuating payment due dates.
- The non-tax revenue year-over-year growth rate (next page) was impacted by (1) a new \$50 million slots license fee, (2) \$90.2 million from the auction of new casino licenses, (3) \$1.5 billion from the securitization of Tobacco Settlement Fund payments and (4) \$248 million related to the leasing of the Pennsylvania Farm Show Complex and other miscellaneous transfers.

# GENERAL FUND REVENUES SUMMARY

Revenue Source	Feb 2018	Feb 2017	FYTD 2017-18	FYTD 2016-17	Monthly Growth	FYTD Growth
Total General Fund	\$3,581.4	\$1,875.2	\$20,949.2	\$17,972.6	91.0%	16.6%
Total Tax Revenue	1,904.6	1,802.8	18,728.3	17,679.8	5.6	5.9
Total Corporation Taxes	77.0	72.6	1,517.7	1,417.9	6.1	7.0
Accelerated Deposits	2.1	(0.1)	4.5	1.7	n.a.	162.3
Corporate Net Income	59.5	37.2	1,383.2	1,280.7	59.9	8.0
Gross Receipts	3.5	4.3	43.3	47.3	-17.1	-8.5
Utility Property	0.0	0.0	1.5	2.3	-98.5	-35.9
Insurance Premium	8.9	30.0	57.1	62.9	-70.4	-9.2
Financial Institution	2.9	1.2	28.0	22.9	144.5	22.3
Total Consumption Taxes	860.6	825.8	7,995.8	7,716.4	4.2	3.6
Sales and Use - Total	734.2	701.9	6,859.6	6,596.2	4.6	4.0
Non-Motor	643.2	610.7	5,968.9	5,712.5	5.3	4.5
Motor Vehicle	91.0	91.2	890.7	883.7	-0.2	0.8
Cigarette	88.7	87.1	792.7	814.9	1.8	-2.7
Other Tobacco Products	9.7	9.1	78.5	44.6	6.8	76.1
Malt Beverage	1.4	1.8	15.9	16.5	-22.4	-3.7
Liquor	26.7	26.0	249.2	244.2	2.7	2.0
Total Other Taxes	967.0	904.4	9,214.8	8,545.5	6.9	7.8
Personal Income - Total	857.2	799.4	8,161.2	7,522.8	7.2	8.5
Withholding	806.7	757.6	6,654.5	6,253.3	6.5	6.4
Quarterly	19.5	18.8	1,292.8	1,086.9	3.7	18.9
Annual	30.9	23.0	214.0	182.6	34.3	17.2
Realty Transfer	27.8	27.8	334.5	309.7	0.0	8.0
Inheritance	71.2	68.4	629.3	598.5	4.1	5.1
Gaming	9.6	8.9	79.4	77.3	7.3	2.7
Minor and Repealed	1.2	(0.1)	10.4	37.2	n.a.	-72.0
Total Non-Tax Revenue	1,676.8	72.3	2,220.9	292.8	n.a.	658.6
State Store Fund Transfers	85.1	71.6	185.1	144.9	18.9	27.7
Lic., Fees & Miscellaneous	1,585.5	(5.9)	1,976.8	89.5	n.a.	n.a.
Licenses and Fees	44.6	6.7	248.5	69.1	565.2	259.9
Miscellaneous	1,540.9	(12.6)	1,728.3	20.4	n.a.	n.a.
Treasury	(0.5)	0.8	11.6	11.4	-157.5	1.6
Escheats	(14.8)	(13.5)	(82.5)	(59.5)	-10.0	-38.8
Other Miscellaneous	1,556.2	0.1	1,799.2	68.5	n.a.	n.a.
Fines, Pen. & Int. - Total	6.2	6.6	59.0	58.4	-6.2	1.0

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