

MONTHLY TRENDS

Report

April 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.¹ Through April, total General Fund revenues are \$173 million, or 0.6 percent, above the IFO's updated official estimate.

For the month of April, General Fund collections were \$325 million (-8.0 percent) below estimate. Overall sales and use tax revenues exceeded estimate by \$9 million. Collections from motor vehicle (\$6 million) and non-motor vehicle (\$3 million) sales were slightly over estimate.

Corporate net income tax (CNIT) payments were below estimate by \$31 million (-11.2 percent) in April. The shortfall was entirely attributable to final payments, which were below estimate by \$43 million (-18.7 percent). It is unclear how much of this shortfall is a temporary timing issue related to a change in due dates for final payments beginning in 2017. For the fiscal year, CNIT revenues are \$103 million below estimate, driven by final payments, which are \$119 million below estimate for the year.

Personal income tax (PIT) April collections were \$47 million below estimate. Monthly withholding (\$6 million) and quarterly (\$19 million) payment gains partially offset annual payments, which were \$73 million below estimate. The weak April annual payment is due to the acceleration of payments into December and January (quarterly payments for tax year 2017) as taxpayers attempted to maximize the benefits of federal tax law changes. For the fiscal year-to-date, PIT collections are

GENERAL FUND SNAPSHOT			
	General Fund	Tax Revenue	Non-Tax Revenue
Apr-18	\$3,754	\$3,554	\$199
Growth	9.5%	10.6%	-7.3%
FYTD	\$29,027	\$26,572	\$2,456
Growth	12.4%	5.2%	343.5%

Dollar amounts in millions. See final page for detail.

\$117 million above estimate. An overage in quarterly (\$152 million) and withholding (\$46 million) payments for the fiscal year are partially offset by a shortfall in annual payments (-\$80 million).

Non-tax revenues were \$255 million below estimate in April, mainly due to timing issues. The official estimate assumed (1) special fund transfers (\$150 million) and (2) liquor store profits (\$85 million) would be received in April. However, those transfers were received earlier in the year, and the revenues are incorporated into fiscal year-to-date receipts. Escheat collections were \$27 million below estimate for the month, accounting for the remainder of the shortfall. Fiscal year-to-date escheats collections are down \$97 million.

FY 2017-18 Revenue Performance Through April

	April Collections			FYTD Collections		
	Actual	Estimate	\$ Diff	Actual	Estimate	\$ Diff
General Fund	\$3,754	\$4,079	(\$325)	\$29,027	\$28,854	\$173
Corp. Net Income	243	274	(31)	2,053	2,156	(103)
Sales and Use	894	885	9	8,540	8,486	54
Personal Income	2,057	2,104	(47)	11,308	11,190	117
Other Taxes	360	363	(3)	4,671	4,632	38
Non-Tax	199	454	(255)	2,456	2,390	65

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

¹The update incorporated estimates of various tax law changes, 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.

MONTHLY ECONOMIC INDICATORS

	United States				Pennsylvania			
	Jan-18	Feb-18	Mar-18	Apr-18	Jan-18	Feb-18	Mar-18	Apr-18
Unemployment Rate ¹	4.1%	4.1%	4.1%	n.a.	4.8%	4.8%	4.8%	n.a.
Net Job Gains (000s) ²	176.0	326.0	103.0	n.a.	78.1	78.7	77.9	n.a.
Average Gasoline Price ³	\$2.55	\$2.59	\$2.59	\$2.73	\$2.66	\$2.71	\$2.65	\$2.79
Consumer Price Index ⁴	2.1%	2.2%	2.4%	n.a.	0.7%	0.5%	n.a.	n.a.
Retail Sales ⁵	4.9%	4.3%	4.1%	n.a.	4.5%	3.6%	2.5%	5.0%
Consumer Sentiment Index ⁶	94.4	99.7	101.4	98.8	n.a.	n.a.	n.a.	n.a.
New Building Permits ⁷	9.2%	8.1%	5.9%	n.a.	-1.2%	8.9%	6.5%	n.a.

QUARTERLY ECONOMIC INDICATORS

	United States				Pennsylvania			
	2017.2	2017.3	2017.4	2018.1	2017.2	2017.3	2017.4	2018.1
Gross Domestic Product ⁸	3.1%	3.2%	2.9%	2.3%	2.5%	3.2%	n.a.	n.a.
Personal Income ⁹	2.7%	2.8%	3.9%	3.6%	2.5%	2.4%	3.5%	n.a.
Wages and Salaries ¹⁰	2.5%	2.6%	4.7%	4.5%	1.9%	1.9%	4.2%	n.a.
FHFA House Price Index ¹¹	6.8%	6.7%	6.7%	n.a.	4.6%	4.5%	4.9%	n.a.
Student Loan Debt ¹²	\$5,020	\$5,060	\$5,140	n.a.	\$5,810	\$5,870	\$5,940	n.a.
Industrial Electricity Sales ¹³	-2.3%	-3.5%	-2.6%	n.a.	2.0%	-0.6%	2.0%	n.a.

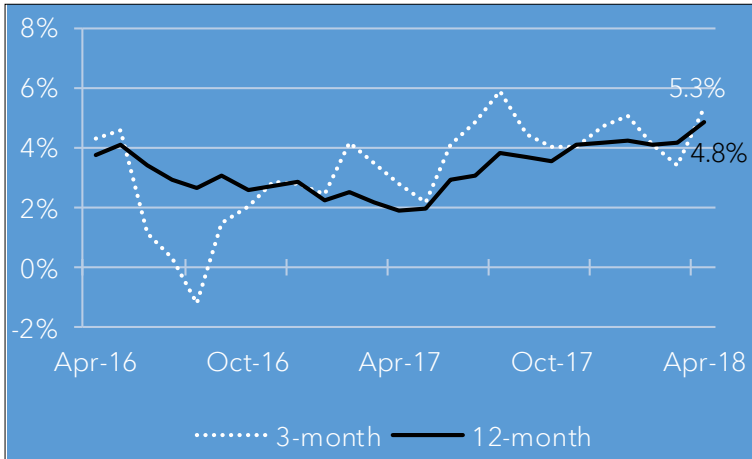
Notes:

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.

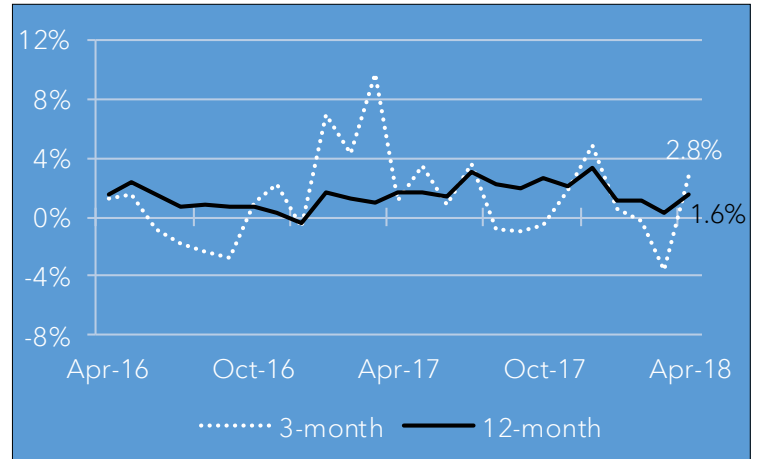
SELECT GENERAL FUND TAX REVENUES

ANNUAL GROWTH RATES

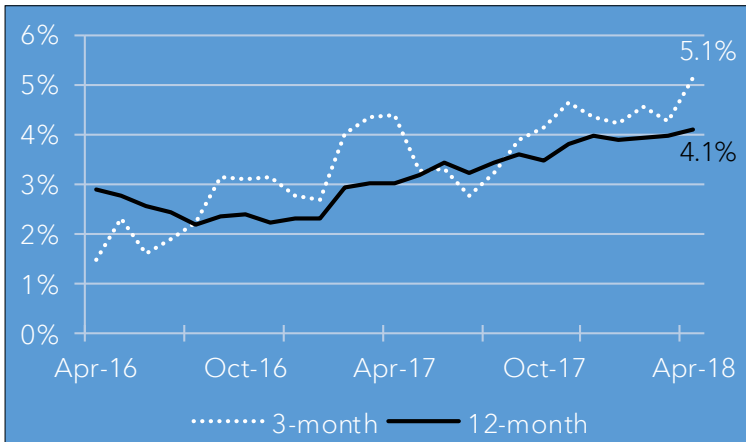
Sales and Use Tax – Non-Motor



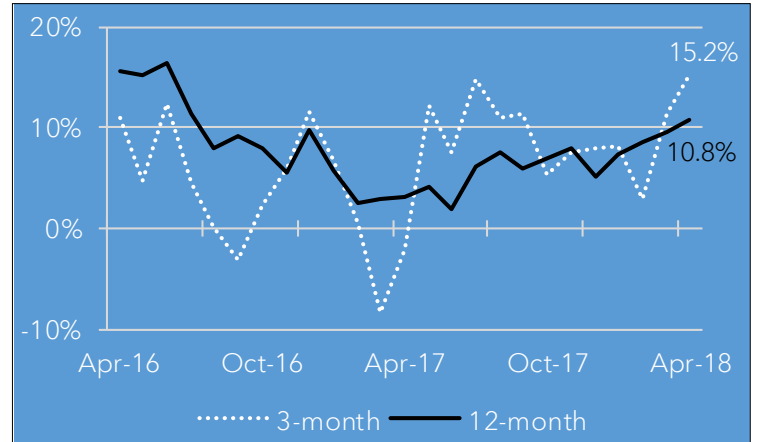
Sales and Use Tax – Motor



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) \$127 million from the auction of new casino licenses, (3) \$1.5 billion from the Tobacco Settlement Fund revenue bond proceeds and (4) \$259 million related to the leasing of the Pennsylvania Farm Show Complex and other miscellaneous transfers.
- The PIT withholding revenue monthly growth rate (next page) was impacted by a quarterly payment that occurred in May last year and April this year.

GENERAL FUND REVENUES SUMMARY

Revenue Source	April 2018	April 2017	FYTD 2017-18	FYTD 2016-17	Monthly Growth	FYTD Growth
Total General Fund	\$3,753.9	\$3,429.4	\$29,027.1	\$25,823.5	9.5%	12.4%
Total Tax Revenue	3,554.4	3,214.3	26,571.6	25,269.8	10.6	5.2
Total Corporation Taxes	313.2	235.7	4,043.4	3,902.2	32.9	3.6
Accelerated Deposits	8.9	5.2	12.1	8.1	72.2	48.6
Corporate Net Income	243.3	190.8	2,052.9	1,928.9	27.5	6.4
Gross Receipts	4.2	3.7	1,140.7	1,210.1	13.8	-5.7
Utility Property	16.6	2.8	18.1	5.7	498.4	218.6
Insurance Premium	38.2	28.2	463.2	433.6	35.4	6.8
Financial Institution	2.1	5.2	356.5	315.9	-60.0	12.9
Total Consumption Taxes	1,026.2	983.3	9,945.9	9,608.8	4.4	3.5
Sales and Use - Total	893.8	831.0	8,540.4	8,187.8	7.6	4.3
Non-Motor	766.7	719.9	7,407.8	7,071.4	6.5	4.8
Motor Vehicle	127.1	111.1	1,132.6	1,116.4	14.4	1.5
Cigarette	92.7	111.0	978.9	1,034.5	-16.5	-5.4
Other Tobacco Products	10.2	11.0	97.8	64.2	-7.4	52.2
Malt Beverage	1.9	2.0	19.9	20.0	-6.9	-0.6
Liquor	27.7	28.3	308.9	302.3	-2.3	2.2
Total Other Taxes	2,215.0	1,995.3	12,582.3	11,758.7	11.0	7.0
Personal Income - Total	2,056.9	1,847.0	11,307.5	10,531.9	11.4	7.4
Withholding	811.8	743.2	8,387.1	8,001.3	9.2	4.8
Quarterly	329.7	283.3	1,673.9	1,418.0	16.4	18.1
Annual	915.4	820.5	1,246.4	1,112.6	11.6	12.0
Realty Transfer	41.8	34.1	416.6	377.3	22.4	10.4
Inheritance	100.1	80.2	818.9	771.6	24.8	6.1
Gaming	9.9	10.4	101.8	99.9	-5.0	1.9
Minor and Repealed	6.3	23.5	(62.5)	(21.9)	-73.2	-184.7
Total Non-Tax Revenue	199.5	215.1	2,455.5	553.7	-7.3	343.5
State Store Fund Transfers	0.0	23.3	185.1	168.2	-100.0	10.0
Lic., Fees & Miscellaneous	192.2	182.9	2,196.9	312.2	5.1	603.7
Licenses and Fees	27.1	12.7	295.2	115.3	113.1	156.1
Miscellaneous	165.1	170.2	1,901.7	196.9	-2.9	865.7
Treasury	2.3	1.3	14.7	16.1	74.8	-8.8
Escheats	152.0	136.7	71.3	77.2	11.2	-7.7
Other Miscellaneous	10.9	32.2	1,815.7	103.6	-66.2	n.a.
Fines, Pen. & Int. - Total	7.3	9.0	73.5	73.3	-19.2	0.2

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