

MONTHLY TRENDS

Report

May 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 For the month of May, General Fund collections were \$197 million (-7.4 percent) below estimate but are roughly meeting estimate for the fiscal year.

Overall sales and use tax revenues exceeded estimate by \$50 million. Collections from motor vehicle and non-motor vehicle sales tax were over estimate by \$10 million and \$39 million, respectively.

Personal income tax (PIT) May collections were \$10 million above estimate. Monthly withholding (\$10 million) and annual (\$2 million) payments more than offset quarterly payments (-\$2 million), which were below estimate. For the fiscal year, PIT collections are \$127 million above estimate. Overages in quarterly (\$149 million) and withholding (\$56 million) payments for the fiscal year are partially offset by a shortfall in annual payments (-\$78 million).

Corporate net income tax (CNIT) payments were below estimate by \$65 million (-19.6 percent) in May. The entire shortfall was attributable to final payments, which were under estimate by \$67 million. Overall, CNIT final payments received in April through May have been weak. A material part of that shortfall is likely due to profit shifting out of tax year 2017 in response to the significant federal corporate rate reduction in December 2017. For the fiscal year, CNIT revenues are \$167 million below estimate, driven by final payments, which are \$186 million below estimate for the year.

GENERAL FUND SNAPSHOT			
	General Fund	Tax Revenue	Non-Tax Revenue
May-18	\$2,456	\$2,444	\$12
Growth	-4.9%	8.3%	-96.2%
FYTD	\$31,483	\$29,015	\$2,468
Growth	10.8%	5.4%	180.8%
Dollar amounts in millions. See final page for detail.			

Non-tax revenues were \$195 million below estimate in May, primarily due to timing of transfer payments. The official estimate assumed special fund transfers (\$150 million) would be received in May. However, those transfers were received earlier in the year, and are incorporated into fiscal year-to-date (FYTD) receipts. Escheat collections were \$32 million below estimate for the month and are \$128 million below estimate for the fiscal year-to-date.

Although the FYTD IFO estimate is within \$25 million of actual revenues, the June monthly estimate includes a \$200 million transfer from the JUA (per Act 44) that will not be received. This will cause a significant non-tax shortfall in the last month of the fiscal year.

FY 2017-18 Revenue Performance Through May

	May Collections			FYTD Collections		
	Actual	Estimate	\$ Diff	Actual	Estimate	\$ Diff
General Fund	\$2,456	\$2,653	(\$197)	\$31,483	\$31,508	(\$25)
Corp. Net Income	265	329	(65)	2,318	2,485	(167)
Sales and Use	877	828	50	9,418	9,314	104
Personal Income	952	942	10	12,259	12,132	127
Other Taxes	350	347	3	5,021	4,980	41
Non-Tax	12	207	(195)	2,468	2,597	(129)

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			
	Feb-18	Mar-18	Apr-18	May-18	Feb-18	Mar-18	Apr-18	May-18
Unemployment Rate ¹	4.1%	4.1%	3.9%	3.8%	4.8%	4.8%	4.7%	n.a.
Net Job Gains (000s) ²	324.0	155.0	159.0	223.0	78.7	78.5	82.2	n.a.
Average Gasoline Price ³	\$2.59	\$2.59	\$2.76	\$2.90	\$2.71	\$2.65	\$2.81	\$2.97
CPI-U All Items ⁴	2.2%	2.4%	2.5%	n.a.	0.5%	0.9%	1.4%	n.a.
CPI-U Excludes Energy ⁴	1.8%	2.0%	2.0%	n.a.	-0.1%	0.3%	0.8%	n.a.
Retail Sales ⁵	4.4%	4.3%	4.6%	n.a.	3.6%	2.5%	5.0%	5.6%
Consumer Sentiment Index ⁶	99.7	101.4	98.8	98.0	n.a.	n.a.	n.a.	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 ⁷	3.1%	3.2%	2.9%	2.2%	3.2%	4.5%	2.5%	n.a.
Personal Income ⁸	2.7%	2.8%	4.0%	3.7%	2.5%	2.4%	3.5%	n.a.
Wages and Salaries ⁹	2.5%	2.6%	4.8%	4.6%	1.9%	1.9%	4.2%	n.a.
CPI-U All Items ⁴	1.9%	2.0%	2.1%	2.2%	1.0%	1.2%	0.8%	0.7%
CPI-U Excludes Energy ⁴	1.6%	1.6%	1.7%	1.9%	0.7%	0.8%	0.4%	0.1%
FHFA House Price Index ¹⁰	6.8%	6.7%	6.8%	6.9%	4.6%	4.5%	5.4%	5.2%

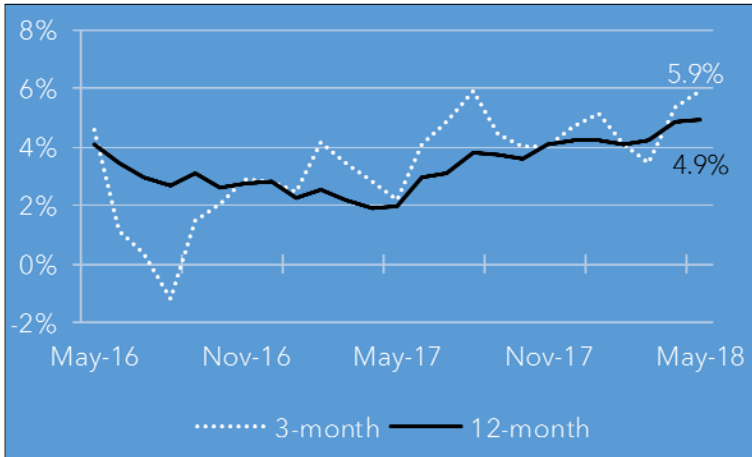
Notes:

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. Department 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 Department of Revenue.
6. A diffusion index that reflects consumer optimism. 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 annual growth rate of personal income. Includes any inflationary gains. 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. The House Price Index is a broad measure of the movement of single-family house prices. The HPI is a weighted, repeat-sales index; it measures average price changes in repeat sales or refinancing on the same properties. These data are obtained by reviewing repeat mortgage transactions on single-family properties whose mortgages have been purchased or securitized by Fannie Mae or Freddie Mac. Source: Federal Housing Finance Agency.

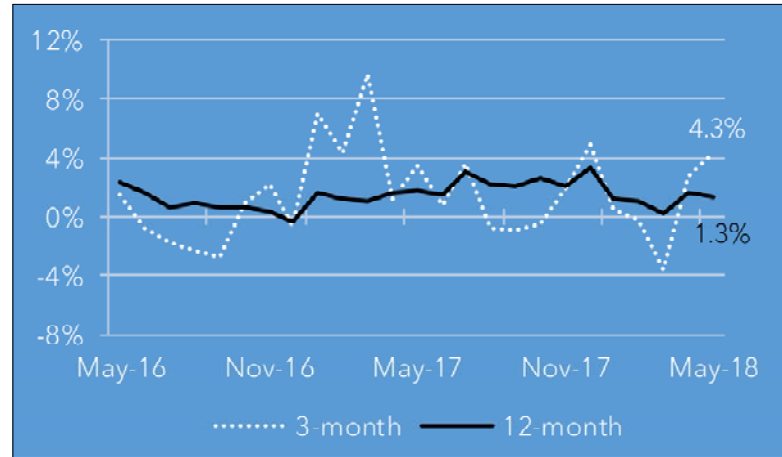
SELECT GENERAL FUND TAX REVENUES

ANNUAL GROWTH RATES

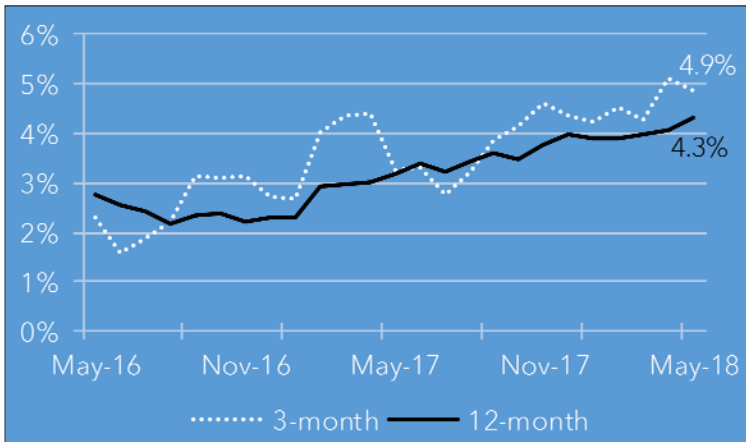
Sales and Use Tax – Non-Motor



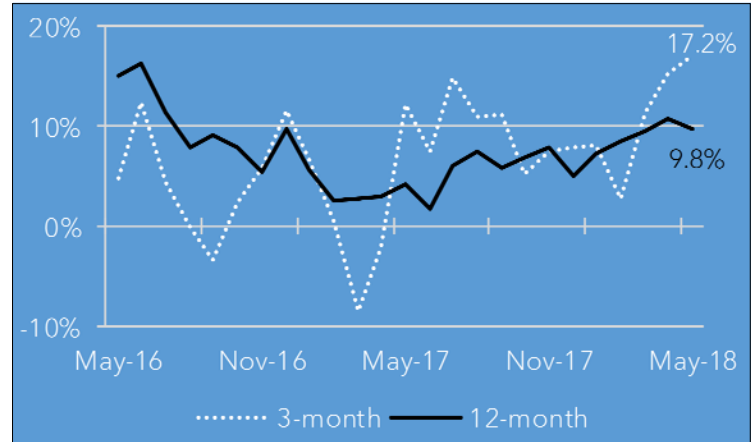
Sales and Use Tax – Motor



Personal Income Tax – Withholding



Realty Transfer Tax



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.

GENERAL FUND REVENUES SUMMARY

Revenue Source	May 2018	May 2017	FYTD 2017-18	FYTD 2016-17	Monthly Growth	FYTD Growth
Total General Fund	\$2,455.9	\$2,581.2	\$31,483.0	\$28,404.7	-4.9%	10.8%
Total Tax Revenue	2,443.5	2,256.1	29,015.2	27,525.8	8.3	5.4
Total Corporation Taxes	277.2	229.2	4,320.6	4,131.4	21.0	4.6
Accelerated Deposits	(9.0)	(5.8)	3.0	2.3	-56.0	30.1
Corporate Net Income	264.7	200.7	2,317.6	2,129.7	31.9	8.8
Gross Receipts	2.1	(2.5)	1,142.9	1,207.6	185.0	-5.4
Utility Property	15.6	34.5	33.7	40.2	-54.8	-16.1
Insurance Premium	2.8	1.5	466.0	435.1	87.8	7.1
Financial Institution	0.9	0.8	357.5	316.6	24.1	12.9
Total Consumption Taxes	1,023.9	971.9	10,969.8	10,580.7	5.3	3.7
Sales and Use - Total	877.4	823.0	9,417.9	9,010.8	6.6	4.5
Non-Motor	740.6	692.5	8,148.5	7,763.9	7.0	5.0
Motor Vehicle	136.8	130.5	1,269.4	1,246.9	4.8	1.8
Cigarette	103.0	107.8	1,081.8	1,142.2	-4.5	-5.3
Other Tobacco Products	10.1	9.3	107.8	73.5	8.7	46.7
Malt Beverage	2.0	2.0	22.0	22.1	0.0	-0.5
Liquor	31.4	29.8	340.3	332.2	5.2	2.5
Total Other Taxes	1,142.4	1,055.0	13,724.7	12,813.7	8.3	7.1
Personal Income - Total	951.6	911.8	12,259.1	11,443.7	4.4	7.1
Withholding	880.4	860.7	9,267.5	8,862.1	2.3	4.6
Quarterly	21.8	22.1	1,695.7	1,440.1	-1.5	17.8
Annual	49.4	29.0	1,295.8	1,141.5	70.4	13.5
Realty Transfer	52.0	46.8	468.5	424.2	10.9	10.5
Inheritance	108.7	83.7	927.6	855.3	29.8	8.5
Gaming	9.5	9.8	111.3	109.7	-3.3	1.4
Minor and Repealed	20.7	2.7	(41.8)	(19.2)	653.9	-117.6
Total Non-Tax Revenue	12.4	325.1	2,467.9	878.8	-96.2	180.8
State Store Fund Transfers	0.0	23.2	185.1	191.4	-100.0	-3.3
Lic., Fees & Miscellaneous	5.1	290.1	2,202.0	602.3	-98.2	265.6
Licenses and Fees	0.2	(1.2)	295.5	114.0	118.7	159.1
Miscellaneous	4.9	291.3	1,906.6	488.2	-98.3	290.5
Treasury	4.1	1.3	18.8	17.4	214.8	7.9
Escheats	3.7	102.9	75.0	180.2	-96.4	-58.4
Other Miscellaneous	(2.9)	187.1	1,812.8	290.7	-101.6	523.7
Fines, Pen. & Int. - Total	7.3	11.9	80.7	85.2	-38.7	-5.2

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