

MONTHLY TRENDS

Report

August 2018 - INDEPENDENT FISCAL OFFICE -

On July 30th, the Independent Fiscal Office (IFO) released monthly revenue projections for fiscal year (FY) 2018-19.¹ General Fund collections were \$54.4 million (2.5 percent) above estimate for August and \$66.5 million (1.5 percent) above estimate for the fiscal year-to-date (FYTD).

August General Fund collections were above estimate primarily due to higher than anticipated sales and use tax (SUT, \$31.6 million) and corporate net income tax (CNIT, \$27.2 million) collections that were partially offset by lower than anticipated escheats collections (-\$28.4 million). FYTD SUT and CNIT collections are above estimate by \$54.8 million and \$25.5 million, respectively, while escheats are \$50.5 million lower than anticipated.

Personal income tax (PIT) collections for August came in slightly below estimate, mainly due to withholding collections (-\$8.1 million) that were partially offset by higher than expected non-withholding collections (\$3.6 million). Total FYTD PIT collections are hitting estimate (-\$2.6 million, -0.1 percent), although withholding collections (-\$12.7 million, -0.7 percent) are somewhat below estimate.

Non-tax revenues for August were \$22.3 million below estimate. Nearly all of the non-tax shortfall was associated with lower than anticipated escheats collections (-\$28.4 million, due to higher than expected claims) and fines, penalties and interest (-\$1.4 million). Gains in treasury

GENERAL FUND SNAPSHOT			
	General Fund	Tax Revenue	Non-Tax Revenue
Aug-18	\$2,274	\$2,266	\$8
Growth	6.8%	8.7%	-81.9%
FYTD	\$4,513	\$4,474	\$39
Growth	7.1%	7.8%	-40.2%
Dollar amounts in millions. See final page for detail.			

collections (\$5.1 million), other miscellaneous collections (\$1.1 million) and licenses and fees (\$1.2 million) partly offset weak escheats and fines, penalties and interest revenues.

Overall, August collections were consistent with the underlying strength of the state economy. SUT collections continue to exceed expectations as collections for the last three months were up 8.1 percent from last year. Going forward, a potential downside that should be monitored is the slight weakness (relative to forecast) in PIT withholding, which is the single largest source of General Fund revenue.

FY 2018-19 Revenue Performance Through August

	August Collections			FYTD Collections		
	Actual	Estimate	\$ Diff	Actual	Estimate	\$ Diff
General Fund	\$2,274	\$2,220	\$54	\$4,513	\$4,446	\$67
Corp. Net Income	74	47	27	149	124	25
Sales and Use	911	879	32	1,922	1,867	55
Personal Income	950	954	(5)	1,808	1,810	(3)
Other Taxes	332	310	22	595	560	35
Non-Tax	8	30	(22)	39	85	(46)
Dollar amounts in millions. Estimate refers to IFO official estimate published on July 30, 2018.						

¹ See *Official Monthly & Quarterly Revenue Estimates* for more information: <http://www.ifo.state.pa.us/download.cfm?file=/Resources/Documents/MQRE-FY18-19-July.pdf>.

MONTHLY ECONOMIC INDICATORS

	United States				Pennsylvania			
	May-18	Jun-18	Jul-18	Aug-18	May-18	Jun-18	Jul-18	Aug-18
Unemployment Rate ¹	3.8%	4.0%	3.9%	3.9%	4.5%	4.3%	4.2%	n.a.
Net Job Gains (000s) ²	268.0	208.0	147.0	201.0	80.9	78.7	75.9	n.a.
Average Gasoline Price ³	\$2.90	\$2.89	\$2.85	\$2.84	\$2.97	\$2.96	\$2.92	\$2.92
CPI-U All Items ⁴	2.8%	2.9%	2.9%	n.a.	1.6%	1.9%	n.a.	n.a.
CPI-U Excludes Energy ⁴	2.1%	2.1%	2.2%	n.a.	0.9%	1.0%	n.a.	n.a.
Retail Sales ⁵	5.4%	5.7%	6.3%	n.a.	5.6%	6.5%	7.5%	8.1%
Consumer Sentiment Index ⁶	98.0	98.2	97.9	95.3	n.a.	n.a.	n.a.	n.a.

QUARTERLY ECONOMIC INDICATORS

	United States				Pennsylvania			
	2017.3	2017.4	2018.1	2018.2	2017.3	2017.4	2018.1	2018.2
Gross Domestic Product ⁷	2.8%	2.3%	2.2%	4.2%	4.5%	2.5%	2.0%	n.a.
Personal Income ⁸	4.5%	4.6%	4.3%	4.6%	2.4%	3.3%	3.7%	n.a.
Wages and Salaries ⁹	4.9%	4.6%	4.6%	4.9%	1.9%	4.0%	4.8%	n.a.
CPI-U All Items ⁴	2.0%	2.1%	2.2%	2.7%	1.2%	0.8%	0.7%	1.6%
CPI-U Excludes Energy ⁴	1.6%	1.7%	1.9%	2.1%	0.8%	0.4%	0.1%	0.9%
FHFA House Price Index ¹⁰	6.7%	6.9%	7.3%	6.5%	4.5%	5.4%	6.1%	4.9%

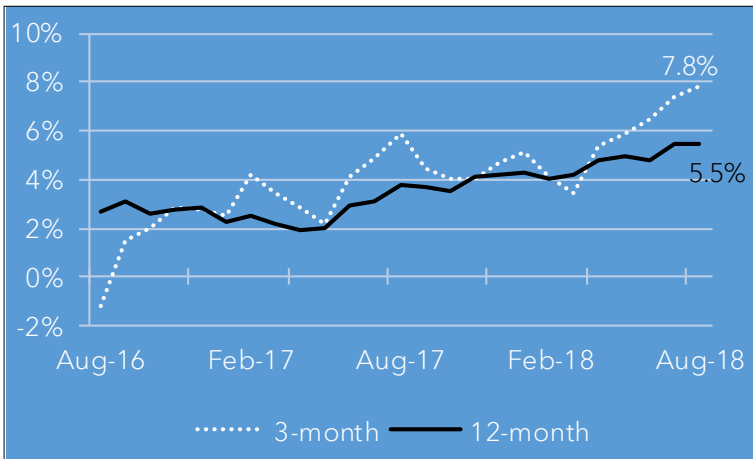
Notes:

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.

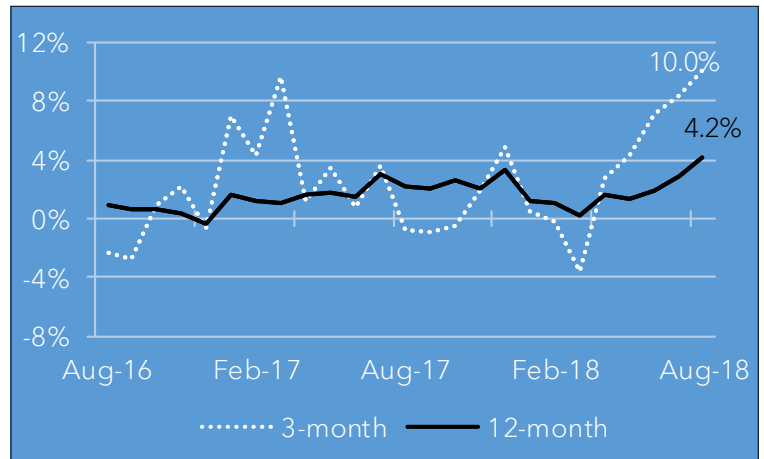
SELECT GENERAL FUND TAX REVENUES

ANNUAL GROWTH RATES

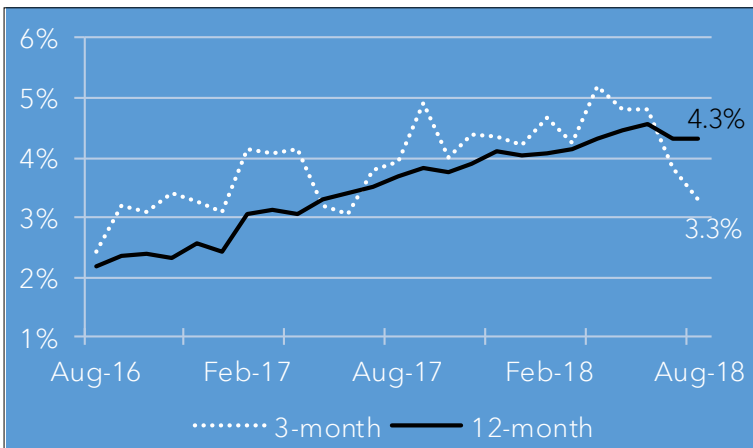
Sales and Use Tax – Non-Motor



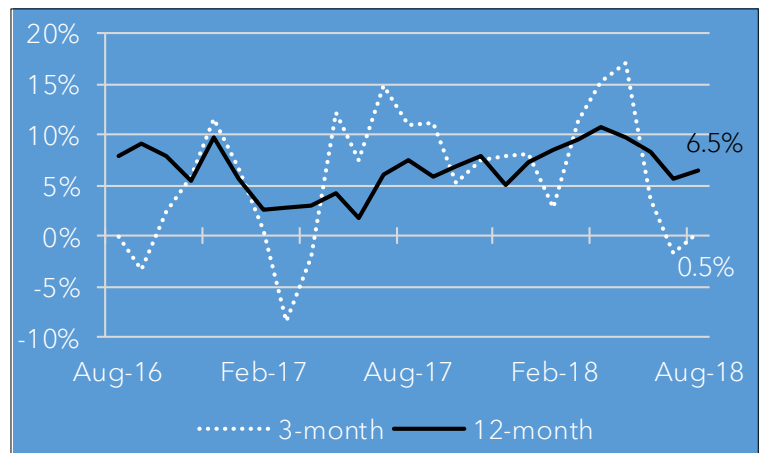
Sales and Use Tax – Motor



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.
- Treasury collections (next page) for the fiscal year include \$30.4 million for a settlement under the Air Pollution Control Act that was deposited into the General Fund in July 2018.

GENERAL FUND REVENUES SUMMARY

Revenue Source	Aug 2018	Aug 2017	FYTD 2018-19	FYTD 2017-18	Monthly Growth	FYTD Growth
Total General Fund	\$2,274.2	\$2,128.8	\$4,512.6	\$4,214.2	6.8%	7.1%
Total Tax Revenue	2,266.5	2,085.8	4,473.7	4,149.1	8.7	7.8
Total Corporation Taxes	83.7	59.0	183.2	120.8	41.8	51.7
Accelerated Deposits	0.1	(0.6)	(0.7)	(0.2)	n.a.	n.a.
Corporate Net Income	74.3	47.5	149.1	107.0	56.5	39.3
Gross Receipts	6.9	2.0	11.4	3.1	246.4	272.3
Utility Property	0.1	0.2	0.1	0.2	-52.7	-54.1
Insurance Premiums	1.0	9.2	21.7	9.7	-89.1	122.8
Financial Institution	1.3	0.7	1.7	1.0	81.0	68.3
Total Consumption Taxes	1,064.7	987.5	2,182.8	2,020.9	7.8	8.0
Sales and Use - Total	910.6	838.7	1,922.0	1,751.4	8.6	9.7
Non-Motor	778.8	718.1	1,653.1	1,514.9	8.5	9.1
Motor Vehicle	131.8	120.6	268.9	236.5	9.3	13.7
Cigarette	110.2	108.1	175.5	187.5	2.0	-6.4
Other Tobacco Products	10.4	9.4	20.8	19.4	11.4	6.9
Malt Beverage	2.2	2.2	4.6	4.6	2.3	0.5
Liquor	31.3	29.2	59.9	57.9	7.3	3.3
Total Other Taxes	1,118.0	1,039.3	2,107.7	2,007.5	7.6	5.0
Personal Income - Total	949.6	899.5	1,807.8	1,726.5	5.6	4.7
Withholding	894.5	852.1	1,689.7	1,628.6	5.0	3.8
Quarterly	32.6	29.8	74.1	66.4	9.4	11.6
Annual	22.4	17.6	43.9	31.5	27.4	39.6
Realty Transfer	58.2	49.8	90.9	90.2	17.0	0.9
Inheritance	90.9	83.3	176.1	166.3	9.2	5.9
Gaming	11.7	9.8	21.3	19.4	18.8	9.5
Minor and Repealed	7.6	(3.1)	11.6	5.0	347.7	130.4
Total Non-Tax Revenue	7.8	42.9	38.9	65.1	-81.9	-40.2
State Store Fund Transfers	0.0	0.0	0.0	0.0	n.a.	n.a.
Lic., Fees & Miscellaneous	(0.1)	34.6	22.6	49.1	-100.2	-53.9
Licenses and Fees	7.8	6.2	15.3	13.3	26.7	15.1
Miscellaneous	(7.9)	28.5	7.3	35.8	-127.8	-79.6
Treasury	6.0	3.6	43.1	5.0	65.9	755.1
Escheats	(22.4)	18.6	(50.1)	19.7	-220.2	-355.0
Other Miscellaneous	8.5	6.2	14.3	11.1	37.5	29.4
Fines, Pen. & Int. - Total	7.8	8.3	16.3	16.0	-5.5	1.8

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