

MONTHLY TRENDS REPORT

Independent Fiscal Office | January 2019

On July 30th, the Independent Fiscal Office (IFO) released monthly revenue projections for fiscal year (FY) 2018-19.¹ General Fund collections were \$99.1 million (-3.3%) below estimate for January and \$320.6 million (1.8%) above estimate for the fiscal year-to-date (FYTD). Sales and use tax (SUT) came in above estimate for the month while corporate net income tax (CNIT) and personal income tax (PIT) came in below estimate. Other tax and non-tax revenues came in above projections (\$14.2 million) in January. The monthly shortfall was attributable to a significant decline in PIT estimated payments.

Monthly SUT revenues were \$31.0 million over estimate. Non-motor and motor vehicle collections came in 2.8% and 6.3% over estimate, respectively. FYTD SUT revenues exceed estimate (\$205.3 million) with higher than anticipated collections in both non-motor and motor vehicle collections.

January CNIT collections were below estimate (-\$15.9 million). The shortage was driven by both estimated and regular payments. CNIT collections for the year exceed estimate (\$191.3 million). Both final and estimated FYTD payments are higher than anticipated.

PIT collections fell below estimate (-\$128.3 million) for the month due to a shortfall in estimated payments (-\$117.1 million). December/January estimated PIT collections declined 33.2% compared to the prior year. Withholding collections for the fiscal year are less than projected (-\$18.2 million). FYTD PIT collections are below estimate (-\$197.0 million) due to a shortage in estimated payments (-\$191.1 million).

GENERAL FUND SNAPSHOT			
	General Fund	Tax Revenue	Non-Tax Revenue
Jan-19	\$2,885	\$2,866	\$19
Growth	-8.0%	0.8%	-93.6%
FYTD	\$18,155	\$17,781	\$374
Growth	4.5%	5.7%	-31.2%

Dollar amounts in millions. See final page for detail.

Other tax collections for January were above estimate (\$7.4 million) primarily due to higher than projected collections from bank shares tax. Other tax collections are higher than expected (\$71.8 million) FYTD, driven mainly by gross receipts and insurance premiums taxes.

Non-tax revenues were \$6.8 million above estimate in January, despite a shortfall in escheats collections (-\$12.0 million). FYTD non-tax collections are \$49.2 million above estimate due to greater than anticipated licenses and fees and treasury collections. From July to January, the Commonwealth has received \$148 million in one-time fees related to gaming expansion, \$64 million more than expected.

FY 2018-19 Revenue Performance Through January

	January Collections			FYTD Collections		
	Actual	Estimate	\$ Diff	Actual	Estimate	\$ Diff
General Fund	\$2,885	\$2,984	(\$99)	\$18,155	\$17,834	\$321
Corp. Net Income	96	112	(16)	1,651	1,459	191
Sales and Use	1,002	971	31	6,630	6,425	205
Personal Income	1,483	1,612	(128)	7,368	7,565	(197)
Other Taxes	285	278	7	2,133	2,061	72
Non-Tax	19	12	7	374	325	49

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			
	Oct-18	Nov-18	Dec-18	Jan-19	Oct-18	Nov-18	Dec-18	Jan-19
Unemployment Rate ¹	3.8%	3.7%	3.9%	4.0%	4.1%	4.2%	4.2%	n.a.
Net Job Gains (000s) ²	277.0	196.0	222.0	304.0	84.2	85.4	81.0	n.a.
Average Gasoline Price ³	\$2.86	\$2.65	\$2.37	\$2.25	\$2.90	\$2.72	\$2.51	\$2.39
CPI-U All Items ⁴	2.5%	2.2%	1.9%	n.a.	1.6%	1.3%	1.0%	n.a.
CPI-U Excludes Energy ⁴	2.0%	2.1%	2.1%	n.a.	1.0%	1.1%	1.3%	n.a.
Retail Sales ⁵	5.0%	4.3%	n.a.	n.a.	7.8%	7.4%	6.3%	5.9%
Consumer Sentiment Index ⁶	98.6	97.5	98.3	91.2	n.a.	n.a.	n.a.	n.a.

QUARTERLY ECONOMIC INDICATORS

	United States				Pennsylvania			
	2018.1	2018.2	2018.3	2018.4	2018.1	2018.2	2018.3	2018.4
Gross Domestic Product ⁷	2.2%	4.2%	3.4%	n.a.	0.6%	3.6%	n.a.	n.a.
Personal Income ⁸	4.3%	4.5%	4.4%	n.a.	3.7%	3.6%	3.5%	n.a.
Wages and Salaries ⁹	4.6%	4.5%	4.2%	n.a.	4.1%	4.0%	3.3%	n.a.
CPI-U All Items ⁴	2.2%	2.7%	2.6%	2.2%	0.7%	1.6%	1.7%	1.3%
CPI-U Excludes Energy ⁴	1.9%	2.1%	2.1%	2.1%	0.1%	0.9%	1.0%	1.1%
FHFA House Price Index ¹⁰	7.4%	6.8%	6.3%	n.a.	6.0%	5.3%	4.3%	n.a.

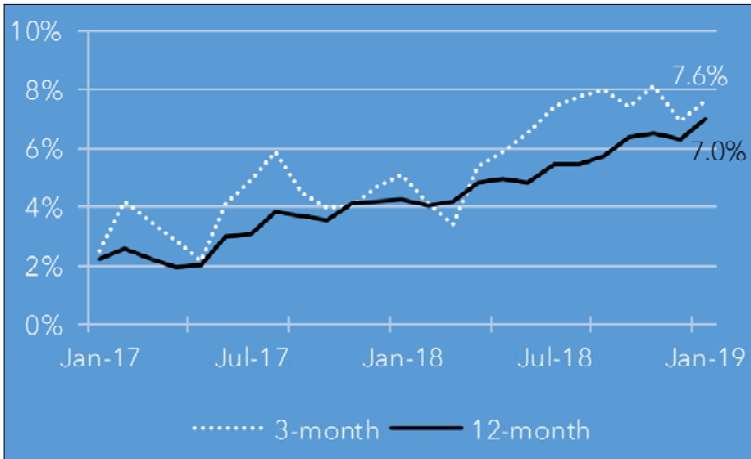
Notes:

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. 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.

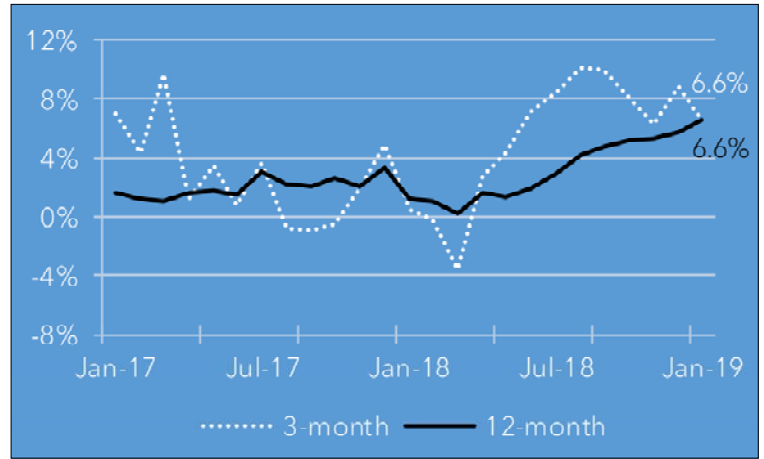
SELECT GENERAL FUND TAX REVENUES

ANNUAL GROWTH RATES

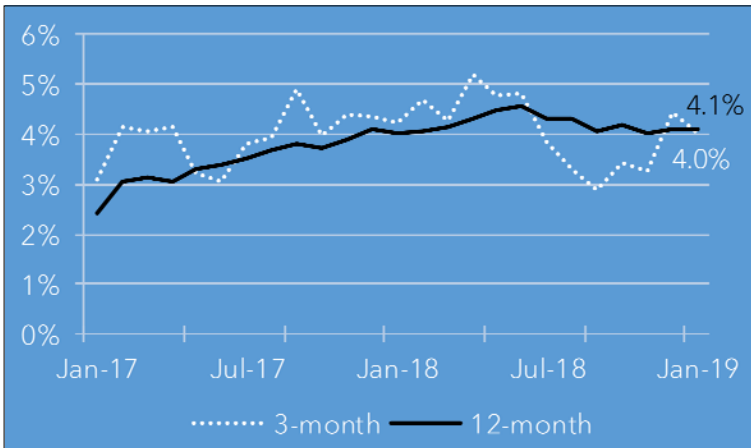
Sales and Use Tax – Non-Motor



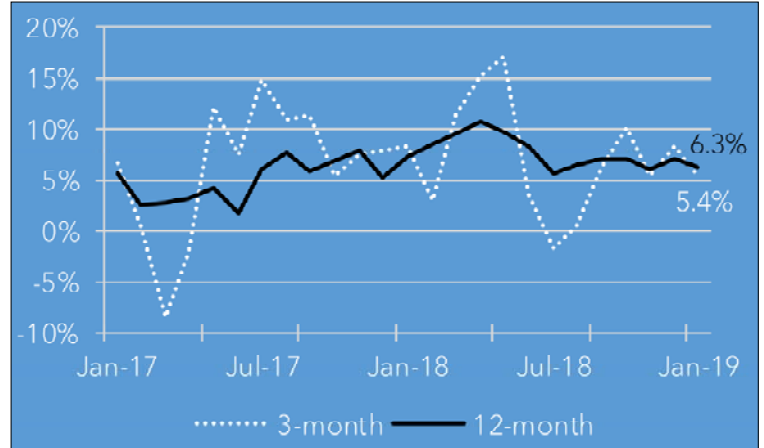
Sales and Use Tax – Motor



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	Jan 2019	Jan 2018	FYTD 2018-19	FYTD 2017-18	Monthly Growth	FYTD Growth
Total General Fund	\$2,885.0	\$3,137.2	\$18,155.1	\$17,367.8	-8.0%	4.5%
Total Tax Revenue	2,866.2	2,843.8	17,780.8	16,823.7	0.8	5.7
Total Corporation Taxes	143.1	139.9	1,800.5	1,440.7	2.3	25.0
Accelerated Deposits	0.5	1.9	0.9	2.4	-72.8	-61.8
Corporate Net Income	95.8	103.6	1,650.7	1,323.7	-7.6	24.7
Gross Receipts	1.4	2.5	56.7	39.8	-42.3	42.4
Utility Property	0.0	0.0	1.4	1.5	760.8	-5.0
Insurance Premiums	30.3	31.2	53.8	48.2	-2.9	11.6
Financial Institution	15.1	0.6	36.9	25.1	n.a.	46.9
Total Consumption Taxes	1,103.4	1,019.1	7,610.7	7,135.2	8.3	6.7
Sales and Use - Total	1,002.1	920.4	6,629.8	6,125.4	8.9	8.2
Non-Motor	886.7	811.9	5,758.4	5,325.7	9.2	8.1
Motor Vehicle	115.3	108.5	871.4	799.7	6.3	9.0
Cigarette	62.2	62.6	661.0	704.0	-0.5	-6.1
Other Tobacco Products	10.1	9.0	75.8	68.8	12.6	10.2
Malt Beverage	1.8	1.7	13.9	14.5	0.1	-3.7
Liquor	27.3	25.4	230.2	222.5	7.5	3.4
Total Other Taxes	1,619.7	1,684.8	8,369.5	8,247.8	-3.9	1.5
Personal Income - Total	1,483.4	1,548.6	7,367.7	7,304.0	-4.2	0.9
Withholding	1,010.8	981.5	6,057.8	5,847.8	3.0	3.6
Quarterly	449.6	546.3	1,079.1	1,273.2	-17.7	-15.2
Annual	23.0	20.8	230.8	183.0	10.8	26.1
Realty Transfer	42.9	42.2	319.8	306.7	1.8	4.3
Inheritance	80.2	80.9	597.9	558.1	-0.9	7.1
Gaming	11.6	9.4	71.6	69.8	22.3	2.5
Minor and Repealed	1.7	3.8	12.6	9.2	-56.0	36.9
Total Non-Tax Revenue	18.8	293.3	374.3	544.1	-93.6	-31.2
State Store Fund Transfers	0.0	0.0	100.0	100.0	n.a.	0.0
Lic., Fees & Miscellaneous	11.9	286.6	222.9	391.3	-95.8	-43.0
Licenses and Fees	22.3	95.7	224.1	203.9	-76.7	9.9
Miscellaneous	(10.4)	190.9	(1.2)	187.4	-105.4	-100.6
Treasury	1.4	0.7	54.6	12.0	93.8	353.9
Escheats	(26.8)	(16.6)	(107.9)	(67.7)	-61.4	-59.3
Other Miscellaneous	15.1	206.8	52.0	243.0	-92.7	-78.6
Fines, Pen. & Int. - Total	6.8	6.7	51.4	52.8	1.5	-2.7

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