

# Revenue and Economic Update

Independent Fiscal Office | August 2019

On August 8th, the Independent Fiscal Office (IFO) released monthly revenue projections for fiscal year (FY) 2019-20. Compared to those estimates, General Fund collections of \$2,192.9 million in August were \$67.1 million (3.2 percent) above estimate. The overage was largely attributable to sales and use tax (SUT) and personal income tax (PIT). Fiscal-year-to-date (FYTD) collections are short of estimate by \$24.8 million (-0.5 percent).

August SUT collections were \$28.9 million (3.1 percent) over estimate, due entirely to higher than expected non-motor collections, which exceeded estimate by \$29.7 million (3.7 percent). Motor vehicle collections for the month were short by \$0.9 million (-0.6 percent). FYTD SUT collections are \$83.7 million (-4.2 percent) under estimate due to an unexpected, one-time transfer that occurred in July.

Monthly PIT revenues were \$20.8 million (2.6 percent) higher than anticipated. The differential was in part due to withholding payments, which were \$10.5 million (1.4 percent) above estimate. FYTD PIT

collections are \$35.7 million (2.0 percent) above estimate, due largely to higher than expected annual payments, which are exceeding estimate by \$17.4 million (43.8 percent.)

August corporate net income tax (CNIT) collections came in \$4.8 million (8.2 percent) over estimate. FYTD CNIT revenues are exceeding expectations by \$5.0 million (3.3 percent).

All remaining tax revenues were above estimate by \$4.7 million (1.5 percent) for the month. An overage in inheritance tax collections (\$7.4 million, 8.2 percent) was partially offset by a shortfall in realty transfer tax of \$2.8 million (-5.0 percent).

August non-tax collections were \$7.9 million (78.1 percent) above estimate. The overage was driven by Treasury (\$3.7 million) and escheats (\$4.5 million) collections. FYTD non-tax collections are \$5.5 million (-9.6 percent) below estimate. The shortfall is from lower than anticipated licenses and fees collections (-\$12.9 million) and is related to a gaming license fee that was anticipated in July 2019 but received in June.

## FY 2019-20 Revenue Performance Through August

	August Collections			FY Collections		
	Actual	Estimate	\$ Diff	Actual	Estimate	\$ Diff
<b>General Fund</b>	<b>\$2,192.9</b>	<b>\$2,125.8</b>	<b>\$67.1</b>	<b>\$4,522.1</b>	<b>\$4,546.9</b>	<b>-\$24.8</b>
Corporate Net Income	63.3	58.5	4.8	156.4	151.4	5.0
SUT - Non-Motor	830.6	800.9	29.7	1,613.6	1,704.3	-90.7
SUT - Motor Vehicle	137.2	138.1	-0.9	279.6	272.7	6.9
PIT - Withholding	760.1	749.6	10.5	1,705.4	1,697.3	8.1
PIT - Non-Withholding	64.0	53.6	10.4	141.5	113.9	27.6
Cigarette	102.6	101.7	0.9	153.3	159.2	-5.9
Inheritance	97.0	89.7	7.4	195.5	181.2	14.3
Other Taxes	120.2	123.7	-3.5	224.8	209.5	15.3
Non-Tax	17.9	10.1	7.9	51.9	57.4	-5.5

Dollar amounts in millions. Estimate refers to IFO official estimate published in June 2019.

## MONTHLY ECONOMIC INDICATORS

	United States				Pennsylvania			
	May-19	Jun-19	Jul-19	Aug-19	May-19	Jun-19	Jul-19	Aug-19
Unemployment Rate <sup>1</sup>	3.6%	3.7%	3.7%	n.a.	3.8%	3.8%	3.9%	n.a.
Net Job Gains (000s) <sup>2</sup>	62.0	193.0	164.0	n.a.	51.9	45.4	37.7	n.a.
Average Gasoline Price <sup>3</sup>	\$2.86	\$2.72	\$2.74	\$2.62	\$2.90	\$2.77	\$2.80	\$2.71
CPI-U All Items <sup>4</sup>	1.8%	1.6%	1.8%	n.a.	2.0%	2.1%	n.a.	n.a.
Retail Sales <sup>5</sup>	3.5%	3.4%	3.3%	n.a.	7.2%	6.6%	4.9%	4.4%
Consumer Sentiment Index <sup>6</sup>	100.0	98.2	98.4	89.3	n.a.	n.a.	n.a.	n.a.

## QUARTERLY ECONOMIC INDICATORS

	United States				Pennsylvania			
	2018.3	2018.4	2019.1	2019.2	2018.3	2018.4	2019.1	2019.2
Gross Domestic Product <sup>7</sup>	2.9%	1.1%	3.1%	2.0%	3.2%	2.5%	2.9%	n.a.
Net Job Gains (000s) <sup>2</sup>	189.3	233.3	173.7	157.0	64.1	60.5	50.8	45.4
Personal Income <sup>8</sup>	5.9%	4.9%	4.6%	4.9%	3.7%	3.9%	3.6%	n.a.
Wages and Salaries <sup>9</sup>	5.2%	4.0%	5.0%	5.4%	3.5%	3.1%	3.0%	n.a.
CPI-U All Items <sup>4</sup>	2.6%	2.2%	1.6%	1.8%	1.7%	1.3%	1.5%	2.0%
FHFA House Price Index <sup>10</sup>	6.4%	6.0%	5.4%	5.0%	4.8%	5.5%	5.5%	4.9%

### Economic Trends

- National net job gains decelerated in July, after a solid gain in June.
- Pennsylvania net job gains were weak in July. The net gain for July was 30,300 above the prior year, the weakest year-over-year gain since spring 2014. However, the data are preliminary and will be revised. (The figure in the table is a three-month average gain.)
- Retail sales remains a bright spot for the Pennsylvania economy. Year-over-year growth in retail sales was strong in August (6.4%), but slower growth in June and July pulled down the three-month moving average.

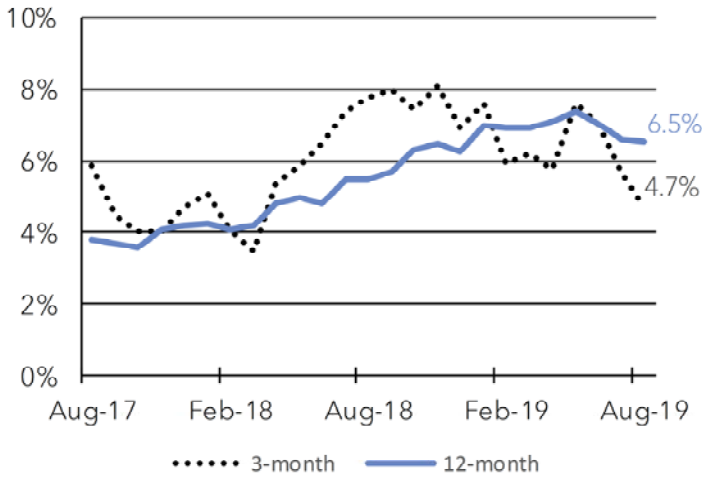
#### Sources and notes:

1. Source: U.S. Bureau of Labor Statistics—Survey of Households.
2. U.S.: Increase in payroll employment compared to the previous month or quarter. 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. Source: U.S. Bureau of Labor Statistics.
5. U.S.: Annual growth rate of advance retail sales based on latest three months of data. Excludes services. Source: U.S. Department of Commerce. PA: Annual growth rate of sales tax revenues based on latest three months of data. Source: PA Department of Revenue.
6. 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 year-over-year growth rate of personal income. 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. Source: Federal Housing Finance Agency.

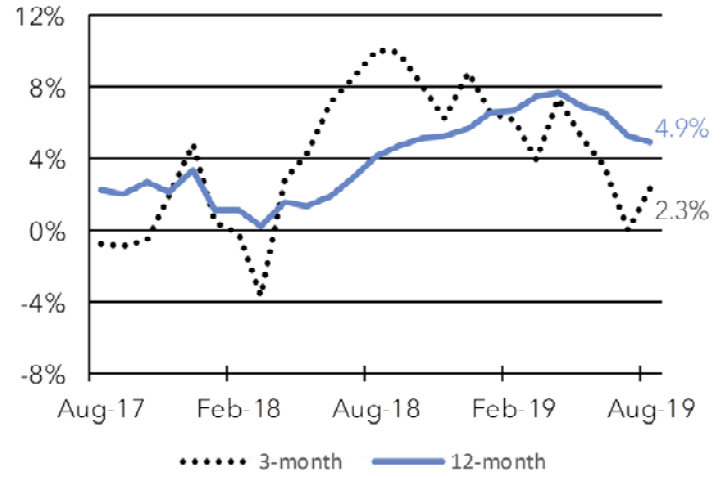
# SELECT GENERAL FUND TAX REVENUES

## ANNUAL GROWTH RATES

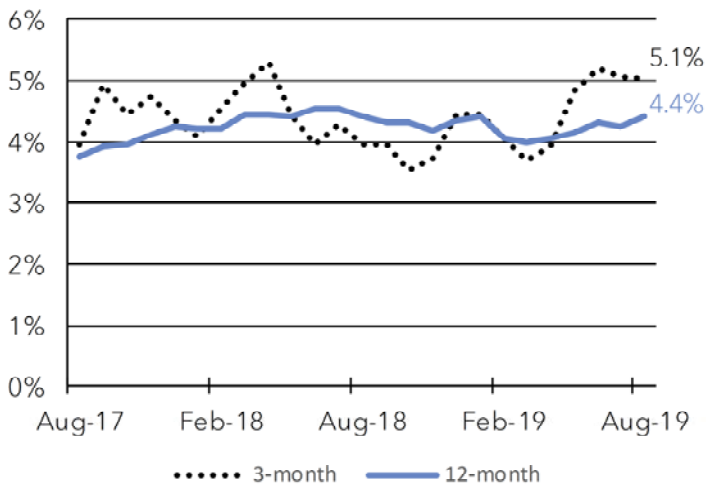
### Sales and Use Tax – Non-Motor



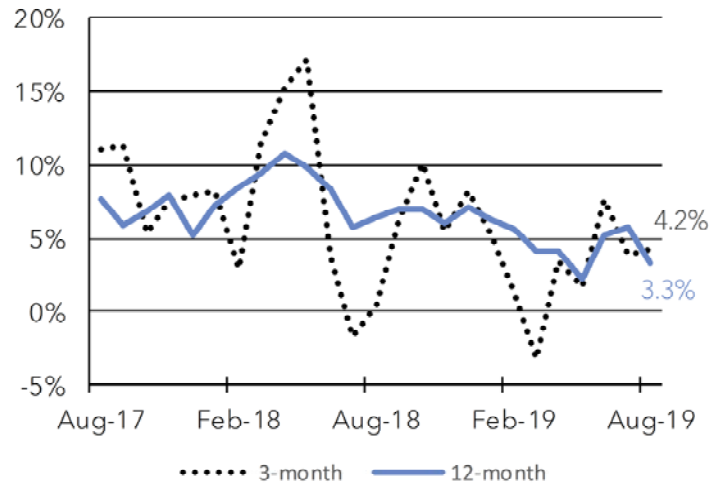
### Sales and Use Tax – Motor



### Personal Income Tax – Withholding



### Realty Transfer Tax



### Revenue Trends

- The non-motor SUT growth rate excludes a \$115 million one-time transfer that occurred in July 2019.
- The 3-month non-motor SUT growth rate continues to decelerate as revenue gains from the taxation of internet sales are fully incorporated into the year-over-year comparisons.
- The 3-month motor vehicle SUT growth rate shows moderate gains, far below the 12-month trend. Many analysts expect minimal growth in car and truck sales for the rest of the year.
- The 3-month PIT withholding growth rate continues to exhibit strength despite the weak July jobs report.
- The 3-month realty transfer tax growth rate continues to recover from a sharp decline in March 2019. Unexpectedly low mortgage rates are likely providing support to the state and national housing markets.

# GENERAL FUND REVENUES SUMMARY

Revenue Source	August 2019	August 2018	FYTD 2019-20	FYTD 2018-19	Monthly Growth	FYTD Growth
<b>Total General Fund</b>	<b>\$2,192.9</b>	<b>\$2,274.2</b>	<b>\$4,522.1</b>	<b>\$4,512.6</b>	<b>-3.6%</b>	<b>0.2%</b>
<b>Total Tax Revenue</b>	<b>2,175.0</b>	<b>2,266.5</b>	<b>4,470.2</b>	<b>4,473.7</b>	<b>-4.0</b>	<b>-0.1</b>
<b>Total Corporation Taxes</b>	<b>69.0</b>	<b>83.7</b>	<b>185.9</b>	<b>183.2</b>	<b>-17.6</b>	<b>1.5</b>
Accelerated Deposits	(0.8)	0.1	0.3	(0.7)	n.a.	144.0
Corporate Net Income	63.3	74.3	156.4	149.1	-14.8	4.9
Gross Receipts	4.4	6.9	8.7	11.4	-37.1	-24.3
Utility Property	0.2	0.1	0.6	0.1	138.7	663.5
Insurance Premiums	0.5	1.0	18.1	21.7	-48.2	-16.7
Financial Institution	1.4	1.3	1.9	1.7	9.5	7.7
<b>Total Consumption Taxes</b>	<b>1,116.4</b>	<b>1,064.7</b>	<b>2,136.2</b>	<b>2,182.8</b>	<b>4.9</b>	<b>-2.1</b>
Sales and Use - Total	967.9	910.6	1,893.3	1,922.0	6.3	-1.5
Non-Motor	830.6	778.8	1,613.6	1,653.1	6.7	-2.4
Motor Vehicle	137.2	131.8	279.6	268.9	4.1	4.0
Cigarette	102.6	110.2	153.3	175.5	-7.0	-12.6
Other Tobacco Products	11.9	10.4	22.8	20.8	14.0	9.9
Malt Beverage	2.0	2.2	4.2	4.6	-10.9	-9.3
Liquor	32.2	31.3	62.6	59.9	2.7	4.6
<b>Total Other Taxes</b>	<b>989.6</b>	<b>1,118.0</b>	<b>2,148.1</b>	<b>2,107.7</b>	<b>-11.5</b>	<b>1.9</b>
Personal Income - Total	824.0	949.6	1,846.9	1,807.8	-13.2	2.2
Withholding	760.1	894.5	1,705.4	1,689.7	-15.0	0.9
Quarterly	36.4	32.6	84.4	74.1	11.6	13.9
Annual	27.6	22.4	57.1	43.9	22.8	30.0
Realty Transfer	53.9	58.2	74.9	90.9	-7.5	-17.6
Inheritance	97.0	90.9	195.5	176.1	6.7	11.1
Gaming	13.9	11.7	24.8	21.3	19.1	16.7
Minor and Repealed	0.8	7.6	5.9	11.6	-89.7	-49.0
<b>Total Non-Tax Revenue</b>	<b>17.9</b>	<b>7.8</b>	<b>51.9</b>	<b>38.9</b>	<b>130.2</b>	<b>33.3</b>
State Store Fund Transfers	0.0	0.0	0.0	0.0	0.0	0.0
Lic., Fees & Miscellaneous	10.6	(0.1)	37.0	22.6	n.a.	63.5
Licenses and Fees	5.9	7.8	26.6	15.3	-24.7	73.5
Miscellaneous	4.7	(7.9)	10.4	7.3	159.9	42.6
Treasury	5.7	6.0	11.5	43.1	-5.5	-73.4
Escheats	(6.2)	(22.4)	(10.6)	(50.1)	72.3	78.8
Other Miscellaneous	5.3	8.5	9.6	14.3	-38.0	-33.2
Fines, Penalties & Interest	7.3	7.8	14.9	16.3	-7.2	-8.8

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