

Quarterly Revenue Review

Fiscal Year 2015-16

July to September 2015

Introduction

Each fiscal year, the IFO publishes a quarterly breakdown of its annual estimates for the General Fund, Motor License Fund and Lottery Fund. The most recent publications detailing the annual and quarterly revenue estimates are available at www.ifo.state.pa.us.

The Independent Fiscal Office (IFO) produces this report to facilitate comparison of its quarterly revenue estimates with actual revenue collections. The report also provides context for the variances between estimates and actual collections.

General Fund Overview

General Fund revenues for the third quarter of 2015 were \$74 million above estimate.¹ Table 1 shows that corporate net income tax collections were \$27 million below estimate, sales and use tax deposits were \$17 million below estimate and personal income tax revenues were \$31 million above estimate. All other General Fund revenues were \$87 million above estimate.²

Table 2 contains detail on actual and projected growth rates of major revenue sources for the quarter and the fiscal year-to-date. Table 5 contains additional detail on specific General Fund revenue sources.

Table 1
General Fund Snapshot
(\$ millions)

Revenue Source	Third Quarter - 2015			Fiscal Year-to-Date		
	Actual ¹	Estimate ²	Variance ³	Actual ¹	Estimate ²	Variance ³
Total General Fund	\$6,736	\$6,662	\$74	\$6,736	\$6,662	\$74
Corporate Net Income	573	600	-27	573	600	-27
Sales and Use	2,490	2,507	-17	2,490	2,507	-17
Personal Income	2,799	2,768	31	2,799	2,768	31
All Other	874	788	87	874	788	87

¹ The Commonwealth's revenue accounting system.

² *Fiscal Year 2015-16 Quarterly Revenue Estimates*, Independent Fiscal Office, September 17, 2015.

³ Computations are based on the unrounded values. Detail may not sum to the total due to rounding.

¹ For consistency, references to quarters in this report are based on the calendar quarter. The third quarter of calendar year 2015 is the first quarter of FY 2015-16.

² See the [Monthly Trends Report](#) published by the Independent Fiscal Office for more detail on revenue growth rates by month and fiscal year.

For the first quarter of FY 2015-16, General Fund revenues were \$74 million above estimate. The following bullets briefly discuss some of the highlights for the quarter.

- Corporate net income tax revenues were \$27 million below estimate due to lower-than-expected estimated payments.
- Sales tax collections were \$17 million below estimate. After a strong July, this revenue source displayed only modest growth in August and September.
- Personal income tax withholding collections, which were higher than normal due to an extra weekly due date this quarter, met estimate.
- Personal income tax quarterly payments exceeded estimate by \$25 million. September payments were much stronger than the prior year following a similar occurrence in June.
- Cigarette tax collections declined by 1.5 percent, which was better than the forecasted decline of 4.5 percent.
- Realty transfer tax revenues exceeded estimate by \$16 million due to robust collections in July and August.
- Inheritance tax remittances exceeded estimate by \$6 million due to strong collections throughout the quarter.
- Other tax revenues exceeded estimate by \$19 million, but declined from the prior year due to lower collections for capital stock and franchise and financial institution taxes.
- Non-tax revenues exceeded estimate by \$38 million, primarily due to larger-than-expected remittances for unclaimed property. Quarterly receipts were lower than the prior year due to the absence of the one-time transfers that occurred in July 2014.

**Table 2
General Fund Year-Over-Year Growth Rates**

Revenue Source	Quarterly		Fiscal YTD		Fiscal Yr.
	Actual	Estimate	Actual	Estimate	Estimate
<u>General Fund Total</u>	<u>1.8%</u>	<u>0.7%</u>	<u>1.8%</u>	<u>0.7%</u>	<u>0.4%</u>
<u>Corporate Net Income</u>	<u>0.4%</u>	<u>5.2%</u>	<u>0.4%</u>	<u>5.2%</u>	<u>-0.8%</u>
Final Payments	38.9%	20.0%	38.9%	20.0%	-7.0%
Estimated Payments	-9.0%	1.6%	-9.0%	1.6%	3.2%
<u>Sales and Use Tax</u>	<u>2.5%</u>	<u>3.2%</u>	<u>2.5%</u>	<u>3.2%</u>	<u>3.7%</u>
Non-motor	2.9%	3.8%	2.9%	3.8%	3.8%
Motor	0.4%	-0.4%	0.4%	-0.4%	2.8%
<u>Personal Income Tax</u>	<u>9.2%</u>	<u>7.9%</u>	<u>9.2%</u>	<u>7.9%</u>	<u>4.6%</u>
Withholding	8.3%	8.5%	8.3%	8.5%	4.9%
Quarterly	12.2%	5.5%	12.2%	5.5%	3.0%
Annual	24.5%	4.3%	24.5%	4.3%	4.4%
<u>Other Revenues</u>	<u>-16.8%</u>	<u>-25.1%</u>	<u>-16.8%</u>	<u>-25.1%</u>	<u>-12.1%</u>
Cigarette	-1.5%	-4.5%	-1.5%	-4.5%	-3.8%
Realty Transfer	20.4%	6.3%	20.4%	6.3%	4.5%
Inheritance	7.3%	4.4%	7.3%	4.4%	-9.6%
All Other Tax	-6.1%	-15.3%	-6.1%	-15.3%	-2.9%
Non-tax	-71.2%	-85.0%	-71.2%	-85.0%	-50.6%

Motor License Fund Overview

The \$677 million in revenues deposited into the Motor License Fund during the third quarter of 2015 were \$29 million below estimate. Table 3 provides additional detail on quarterly and fiscal year-to-date revenues.

The Liquid Fuels Taxes category generated \$441 million for the quarter. These revenues were below estimate by \$10 million. The quarterly results for the category are broken down as follows:

- Oil company franchise tax collections totaled \$230 million, \$4 million below estimate.
- Act 89 OCF – Liquid Fuels revenues of \$150 million were \$1 million below estimate.

- Act 89 OCF – Fuels deposits of \$40 million were \$2 million below estimate.
- Other Liquid Fuel Taxes collections of \$21 million were \$4 million below estimate.

Quarterly receipts for the Motor Licenses and Fees category totaled \$231 million and were \$17 million below estimate.

Other Motor Receipts of \$5 million for the quarter were \$1 million below estimate.

Table 3
Motor License Fund Snapshot
(\$ millions)

	Third Quarter - 2015			Fiscal Year-to-Date		
	Actual ¹	Estimate ²	Variance ³	Actual ¹	Estimate ²	Variance ³
<u>Total Motor License Fund</u>	<u>\$677</u>	<u>\$705</u>	<u>-\$29</u>	<u>\$676</u>	<u>\$705</u>	<u>-\$29</u>
<u>Liquid Fuels Taxes</u>	<u>441</u>	<u>450</u>	<u>-10</u>	<u>441</u>	<u>450</u>	<u>-10</u>
Oil Company Franchise	230	234	-4	230	234	-4
Act 89 OCF - Liquid Fuels	150	150	-1	150	150	-1
Act 89 OCF - Fuels	40	41	-2	40	41	-2
Other Liquid Fuels Taxes ⁴	21	25	-4	21	25	-4
<u>Motor Licenses and Fees</u>	<u>231</u>	<u>248</u>	<u>-17</u>	<u>231</u>	<u>248</u>	<u>-17</u>
<u>Other Motor Receipts</u>	<u>5</u>	<u>7</u>	<u>-1</u>	<u>5</u>	<u>7</u>	<u>-1</u>

¹The Commonwealth’s revenue accounting system.

²Fiscal Year 2015-16 Quarterly Revenue Estimates, Independent Fiscal Office, September 17, 2015.

³Computations are based on the unrounded values. Detail may not sum to the total due to rounding.

⁴Includes residual collections of the liquid fuels and fuels taxes levied prior to Act 89.

Lottery Fund Overview

Lottery Fund gross ticket sales and miscellaneous revenues were \$1,119 million for the third quarter of 2015. Those revenues were \$31 million (2.9%) higher than the prior year and below estimate by \$3 million. Table 4 provides additional detail.

Quarterly sales of instant games totaled \$647 million, about \$19 million (3.0%) above the prior year and \$15 million above estimate.

Sales of jackpot games (Powerball, Powerplay, Mega Millions and Megaplier) were \$84 million in the third quarter, about \$5 million (6.3%) above the prior year and \$22 million below estimate.

Sales of all other games totaled \$210 million, about \$6 million (-2.8%) below the prior year and \$5 million below estimate.

Table 4
Lottery Fund Snapshot
(\$ millions)

	Third Quarter - 2015			Fiscal Year-to-Date		
	Actual ¹	Estimate ²	Variance ³	Actual ¹	Estimate ²	Variance ³
<u>Total Lottery Fund Revenue</u> ⁴	<u>\$1,119</u>	<u>\$1,122</u>	<u>-\$3</u>	<u>\$1,119</u>	<u>\$1,122</u>	<u>-\$3</u>
<u>Gross Ticket Sales</u>	<u>942</u>	<u>955</u>	<u>-12</u>	<u>942</u>	<u>955</u>	<u>-12</u>
Instant Games	647	633	15	647	633	15
Jackpot Games	84	106	-22	84	106	-22
All Others	210	216	-5	210	216	-5
<u>Miscellaneous Revenues</u>	<u>177</u>	<u>167</u>	<u>10</u>	<u>177</u>	<u>167</u>	<u>10</u>

¹ Pennsylvania Lottery.

² *Fiscal Year 2015-16 Quarterly Revenue Estimates*, Independent Fiscal Office, September 17, 2015.

³ Computations are based on the unrounded values. Detail may not sum to the total due to rounding.

⁴ Quarterly and fiscal year-to-date amounts are not adjusted for field paid prizes and commissions.

Table 5
General Fund Detail
Comparison of Estimates and Reported Collections
(\$ millions)

	Third Quarter - 2015			Fiscal Year-to-Date		
	Actual	Estimate	Variance	Actual	Estimate	Variance
<u>Total General Fund</u>	<u>\$6,735.7</u>	<u>\$6,662.1</u>	<u>\$73.6</u>	<u>\$6,735.7</u>	<u>\$6,662.1</u>	<u>\$73.6</u>
<u>Total Tax Revenue</u>	<u>6,655.3</u>	<u>6,620.1</u>	<u>35.2</u>	<u>6,655.3</u>	<u>6,620.1</u>	<u>35.2</u>
<u>Total Corporation Taxes</u>	<u>650.0</u>	<u>660.3</u>	<u>-10.3</u>	<u>650.0</u>	<u>660.3</u>	<u>-10.3</u>
Corporate Net Income	572.6	599.7	-27.1	572.6	599.7	-27.1
Capital Stock & Franchise	38.8	36.2	2.6	38.8	36.2	2.6
Gross Receipts	17.2	15.0	2.2	17.2	15.0	2.2
Utility Property	2.7	2.3	0.4	2.7	2.3	0.4
Insurance Premiums	2.0	1.2	0.8	2.0	1.2	0.8
Financial Institutions	14.2	5.0	9.2	14.2	5.0	9.2
Other Selective Business ¹	2.6	0.9	1.7	2.6	0.9	1.7
<u>Total Consumption Taxes</u>	<u>2,814.1</u>	<u>2,824.3</u>	<u>-10.2</u>	<u>2,814.1</u>	<u>2,824.3</u>	<u>-10.2</u>
<u>Sales and Use</u>	<u>2,489.7</u>	<u>2,507.1</u>	<u>-17.4</u>	<u>2,489.7</u>	<u>2,507.1</u>	<u>-17.4</u>
Nonmotor	2,121.4	2,141.8	-20.4	2,121.4	2,141.8	-20.4
Motor Vehicle	368.3	365.3	3.0	368.3	365.3	3.0
Cigarette	236.5	229.3	7.2	236.5	229.3	7.2
Malt Beverage	7.1	7.0	0.1	7.1	7.0	0.1
Liquor	80.7	80.9	-0.2	80.7	80.9	-0.2
<u>Total Other Taxes</u>	<u>3,191.2</u>	<u>3,135.5</u>	<u>55.7</u>	<u>3,191.2</u>	<u>3,135.5</u>	<u>55.7</u>
<u>Personal Income</u>	<u>2,799.2</u>	<u>2,767.8</u>	<u>31.4</u>	<u>2,799.2</u>	<u>2,767.8</u>	<u>31.4</u>
Withholding	2,310.8	2,314.3	-3.5	2,310.8	2,314.3	-3.5
Quarterly	429.5	404.1	25.4	429.5	404.1	25.4
Annuals	58.9	49.4	9.5	58.9	49.4	9.5
Realty Transfer	136.8	120.8	16.0	136.8	120.8	16.0
Inheritance	228.0	221.9	6.1	228.0	221.9	6.1
Table Games	24.8	23.8	1.0	24.8	23.8	1.0
Minor and Repealed ²	2.3	1.2	1.1	2.3	1.2	1.1
<u>Total Nontax Revenue</u>	<u>80.4</u>	<u>42.0</u>	<u>38.4</u>	<u>80.4</u>	<u>42.0</u>	<u>38.4</u>
Liquor Store Profits	0.0	0.0	0.0	0.0	0.0	0.0
Licenses, Fees and Misc.	57.6	18.6	39.0	57.6	18.6	39.0
Fines, Penalties and Interest	22.9	23.4	-0.5	22.9	23.4	-0.5

¹ Includes the accelerated deposits clearing account.

² Includes tavern games.