

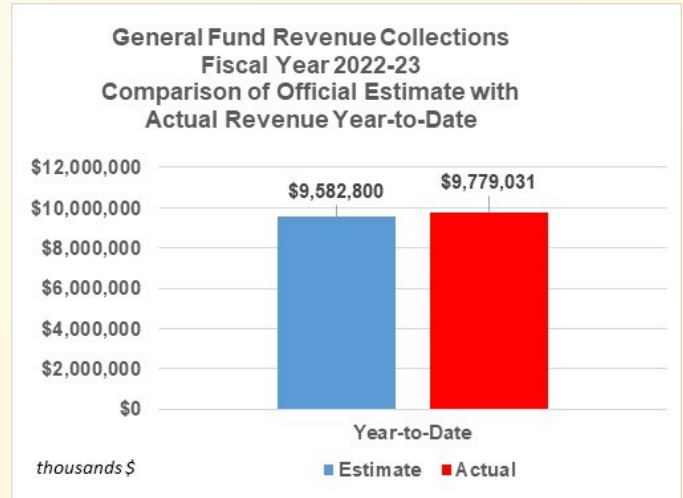
First Quarter of Fiscal Year Buoyed by Corporate Net Income Tax Continued.....

September 2022 General Fund Revenue vs. Monthly Estimate:

- General Fund revenue collections of \$4.22 billion were above the monthly estimate by \$135.8 million, or 3.3%.
- General Fund tax revenues were over estimate by \$126.4 million, or 3.1%.
- Corporation taxes were \$202.4 million, or 23.1%, higher than the estimate.
- Sales and use tax collections missed the estimate by \$2.3 million, or 0.2%, for the month.
- Personal income tax collections were below estimate by \$61.8 million, or 3.7%.
- Non-tax revenues exceeded the estimate by \$9.4 million, or 41.2%, mostly as a result of strong Treasury investment income revenues.

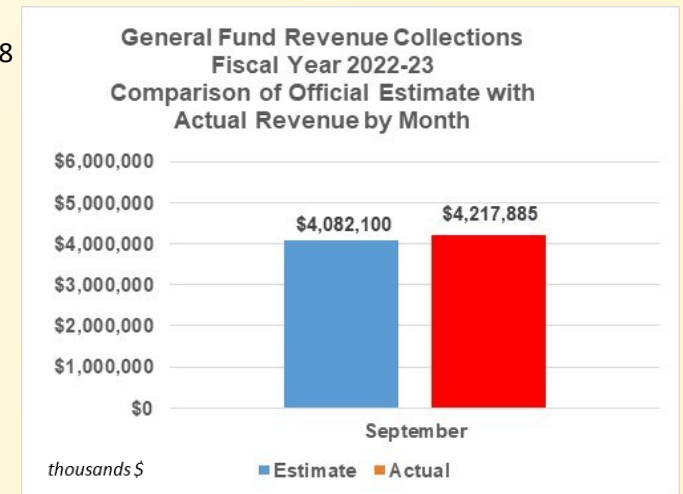
Fiscal Year 2022-23 vs. the Official Revenue Estimate Year-To-Date:

- Total General Fund revenues are \$196.2 million, or 2%, higher than the Official Revenue Estimate through the month of September.
- General Fund tax revenue is \$168.7 million, or 1.8%, above estimate.
- Corporation taxes are \$197.3 million, or 16.9%, more than the estimate.
- Sales and use taxes are \$43.1 million, or 1.2%, above estimate.
 - General SUT collections are \$18.2 million, or 0.6%, above estimate.
 - SUT collections on motor vehicle sales are \$24.9 million, or 7.4%, higher than the estimate.
- Cigarette tax collections are \$20.1 million, or 8.8%, below estimate.
- Personal income tax collections are below estimate by \$68.2 million, or 1.8%.
 - Withheld PIT is \$22.4 million, or 0.8%, below estimate.
 - Non-withheld PIT (annual & estimated payments) is \$45.8 million, or 5.1%, below estimate.
- Realty transfer tax collections are \$12.9 million, or 7.5%, higher than the estimate.
- Inheritance tax collections are \$8.4 million, or 2.3%, lower than the estimate.
- General Fund gaming taxes are \$12.9 million, or 18.7%, above estimate.
- Non-tax revenues are \$27.5 million, or 33.5%, above estimate.



Fiscal Year 2022-23 vs. Fiscal Year 2021-22:

- Total General Fund revenues through September are \$501.4 million, or 5.4%, higher than last year at this time.
- General Fund tax revenue is \$477.4 million, or 5.2%, higher than last year.
- Thus far in FY 2022-23, new SUT and PIT transfers out of the General Fund have totaled approximately \$175.2 million.
- Corporation taxes are \$165.1 million, or 13.7%, higher.
- Sales and use tax collections are \$89.7 million, or 2.6%, higher than last year through September.
- Personal income tax collections exceed last year's collections by \$283 million, or 8.1%.
- Non-tax revenues are \$24 million, or 28%, higher than last fiscal year through September.



Motor License Fund:

- Motor License Fund revenues are \$9.6 million, or 1.3%, above estimate through September.
- Motor License Fund revenues are \$3.7 million, or 0.5%, higher than last fiscal year at this time.



Treasury Department Revises General Fund Investment Income Estimates

The Pennsylvania Treasury Department revised its General Fund revenue estimate related to investment income for Fiscal Years 2022-23 and 2023-24. The revision is attributable to the rising interest rate environment. Due to persistently high inflation, the Federal Reserve has elected to raise interest rates at a rate faster than was projected when Treasury made its original estimates for FY 2022-23 investment income.

Treasury's original investment income estimate for FY 2022-23 was \$4.9 million. Based on the changing interest rate environment, Treasury has revised its estimate of total investment income for FY 2022-23 to \$275 million - an increase of \$270.1 million. The original projections for investment earnings for FY 2022-23 were made with an assumed starting federal funds rate of 0.09%, with no increases projected throughout the fiscal year. Treasury's forecast now uses a rate of 2.75% for FY 2022-23, increasing to 3.5% for FY 2023-24.



The principal balance in the General Fund substantially increased over FY 2021-22, attributable mainly to both higher than expected revenues and receipt of COVID-related federal funds. At the beginning of FY 2021-22, Treasury's Short-Term Investment Pool (Pool 999) had a balance of \$22.1 billion, which increased to \$30.2 billion by the close of last fiscal year. The larger principal balance has made more funds available for investment, thereby increasing investment income.

Because Pool 999 is a highly liquid investment pool – consisting mainly of fixed income investing instruments – interest rate increases have a strong and direct impact on earnings. The returns on these instruments are directly related to the federal funds rate, which has been raised substantially throughout 2022 to its current rate (as of September 15, 2022) of 2.50%.



Treasury's revised estimates account for both the increase of principal due to stronger than anticipated revenue collection and higher rates of return on Treasury investments due to sustained increases in federal interest rates, in both its current FY 2022-23 investment income estimate of \$275 million and future investment income estimate of \$316 million for FY 2023-24. On average, General Fund revenues received from Treasury investment income will be approximately \$23 million higher per month than were certified in the FY 2022-23 Official General Fund Revenue Estimate.

Treasury's revised estimate is based on the factors known currently. Any changes in the economic environment could have a significant impact on Treasury's actual returns.



Unemployment Compensation Fund Balance

In this year's budget, \$42.3 million in American Rescue Plan (ARPA) funds was appropriated to the Unemployment Compensation (UC) Trust Fund in an effort to avoid a Federal Unemployment Tax Act (FUTA) tax increase on employers. The Fiscal Code language provides for transfers of funds necessary to avoid a FUTA tax increase prior to November 10, 2022. The Fiscal Code language also provides that the \$42.3 million can be used to pay for any UC debt prior to January 1, 2023, and April 30, 2023.

The latest projections from the Department of Labor and Industry show the UC balance continuing to improve, much like the balances did as they were being monitored over the last year.

The September baseline projection anticipates a \$180 million balance in December of this year. As context, the fund had a **loan** balance with the federal government of nearly \$900 million in January of this year.

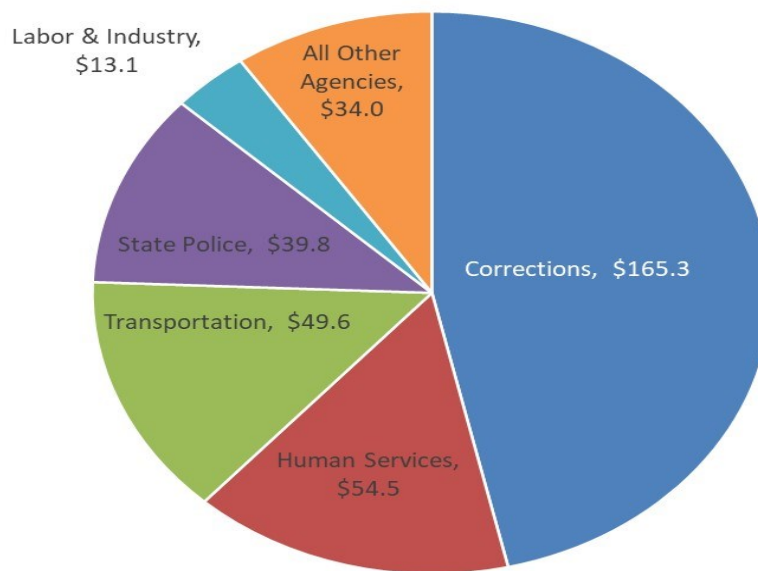
- July's baseline projection showed a \$130 million December balance in the fund.
- June's baseline projection showed a \$70 million **loan** owed to the federal government in December.



If there is no loan balance as of April 30, the \$42.3 million will be used to pay UC benefits if the department determines that additional advances will not be necessary for at least one year.

FY 2021-22 Overtime by Agency

Amounts in Millions



■ Corrections ■ Human Services ■ Transportation ■ State Police ■ Labor & Industry ■ All Other Agencies

Fiscal Year 2022-23
Senate Appropriations Committee
Monthly Revenue Report
(\$ thousands)

REVENUE SOURCES	YTD FY 2021-22	September 2022 Actual	September 2022 Estimated	Surplus/ (Deficit)	YTD Actual	YTD Estimated	Surplus/ (Deficit)
TOTAL - GENERAL FUND	9,277,602	4,217,885	4,082,100	135,785	9,779,031	9,582,800	196,231
TOTAL - NON-TAX REVENUE	85,838	32,333	22,900	9,433	109,843	82,300	27,543
TOTAL - TAX REVENUE	9,191,764	4,185,552	4,059,200	126,352	9,669,188	9,500,500	168,688
TOTAL - Corporation Taxes	1,200,710	1,080,011	877,600	202,411	1,365,776	1,168,500	197,276
Accelerated Deposits	(2,566)	197	0	197	(3,209)	0	(3,209)
Corp. Net Income	1,143,640	1,062,663	857,300	205,363	1,315,178	1,115,300	199,878
Gross Receipts	21,510	3,575	7,300	(3,725)	13,631	12,900	731
PURTA	1,476	2,703	800	1,903	2,841	900	1,941
Insurance Premiums	19,621	990	1,000	(10)	25,518	25,800	(282)
Financial Institutions	17,030	9,883	11,200	(1,317)	11,818	13,600	(1,782)
TOTAL - Consumption Taxes	3,874,406	1,279,730	1,289,000	(9,270)	3,922,583	3,900,300	22,283
Sales and Use	3,474,767	1,136,916	1,139,200	(2,284)	3,564,516	3,521,400	43,116
General (net of transfers)	3,006,413	1,020,440	1,023,300	(2,860)	3,200,870	3,182,700	18,170
Motor Vehicle Sales	468,354	116,475	115,900	575	363,646	338,700	24,946
Cigarette Tax	252,082	91,672	99,600	(7,928)	208,204	228,300	(20,096)
Other Tobacco Products	37,372	13,440	13,800	(360)	38,209	39,700	(1,491)
Malt Beverage	6,147	2,244	2,000	244	6,169	6,100	69
Liquor	104,039	35,459	34,400	1,059	105,484	104,800	684
TOTAL - Other Taxes	4,116,648	1,825,811	1,892,600	(66,789)	4,380,829	4,431,700	(50,871)
Personal Income	3,473,732	1,601,251	1,663,100	(61,849)	3,756,685	3,824,900	(68,215)
Withholding	2,757,073	924,736	938,200	(13,464)	2,905,617	2,928,000	(22,383)
Non-Withholding	716,659	676,515	724,900	(48,385)	851,069	896,900	(45,831)
Realty Transfer	181,895	62,416	67,600	(5,184)	185,649	172,700	12,949
Inheritance & Estate	370,592	128,218	133,300	(5,082)	355,117	363,500	(8,383)
Minor & Repealed	21,898	(1,844)	600	(2,444)	1,441	1,600	(159)
Gaming	68,530	35,769	28,000	7,769	81,937	69,000	12,937
TOTAL - MOTOR LICENSE FUND	729,768	252,833	218,490	34,343	733,424	723,780	9,644
TOTAL - Liquid Fuels Taxes	461,644	152,494	143,700	8,794	455,298	460,600	(5,302)
Motor Carriers/IFTA	30,855	10,742	6,200	4,542	38,389	38,500	(111)
Alternative Fuels	4,032	1,448	1,300	148	4,261	4,000	261
Oil Company Franchise	426,755	140,303	136,200	4,103	412,646	418,100	(5,454)
Minor & Repealed	2	1	0	1	2	0	2
TOTAL - Licenses, Fees & Other	268,124	100,339	74,790	25,549	278,126	263,180	14,946
Licenses and Fees	265,385	95,430	74,200	21,230	268,734	260,200	8,534
Other Motor Receipts	2,739	4,909	590	4,319	9,391	2,980	6,411