



Economic and Revenue Update

A Briefing for the Senate Finance Committee

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Topics for Discussion

- National and State Economic Indicators
- March Year-to-Date Revenue Collections, Fiscal Year 2012
- Next Steps

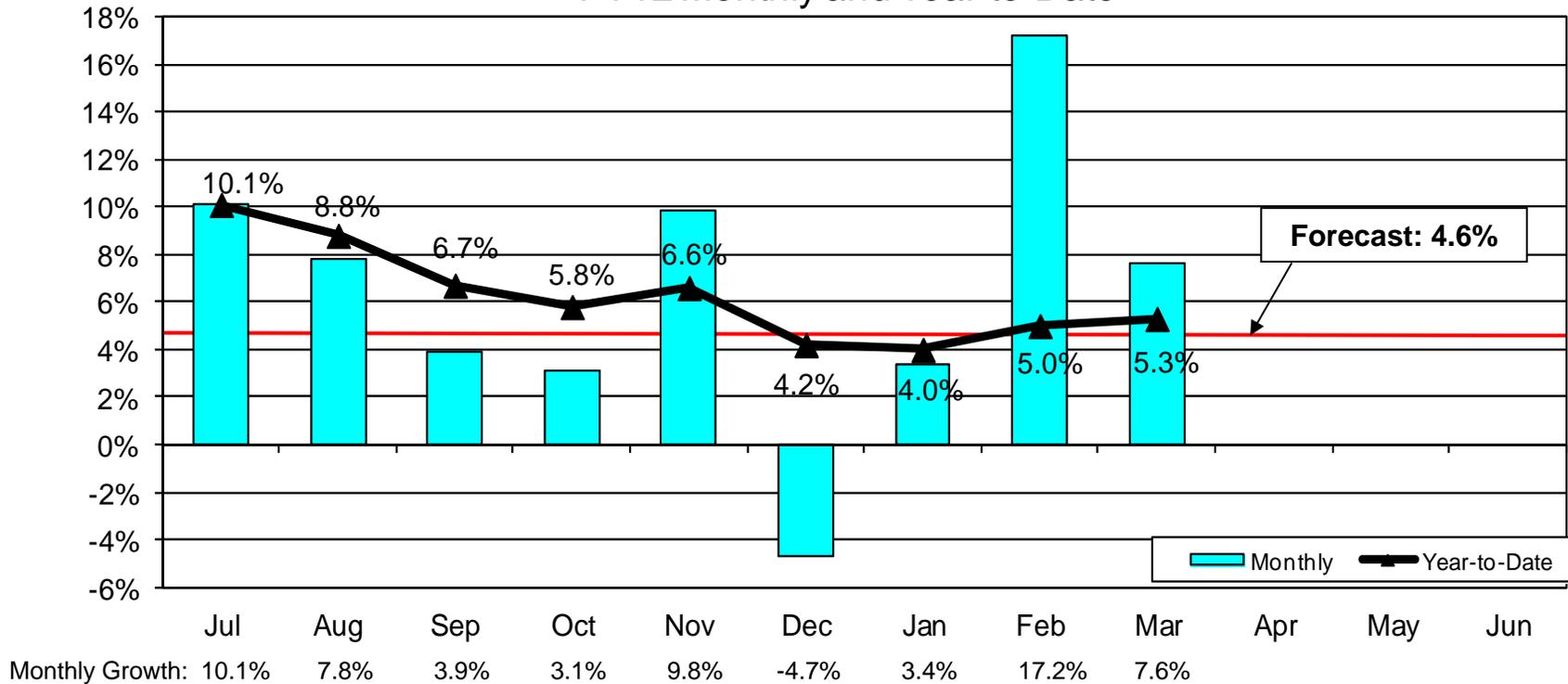
National and State Economic Indicators

- Current national indicators continue to show slow, but steady, improvement.
- According to the final estimate, real GDP grew at an annualized rate of 3.0 percent in the fourth quarter of 2011, up from growth of 1.8 percent in the third quarter and 1.3 percent in the second quarter.
- In March, labor market conditions weakened, as employers added 120,000 jobs. Unusually warm weather in January and February may have shifted some hiring into those two months.
- The national unemployment rate fell from 8.3 to 8.2 percent in March.
- Initial claims for unemployment decreased by 6,000 to 357,000 during the week ending March 31.
 - The four-week moving average decreased from 366,000 to 361,750.
- Re-benchmarked employment data for Virginia for March 2010 through December 2011 were released in March. As expected, the data were revised upward: payroll employment grew 1.0 percent in Virginia over fiscal year 2011 and the first half of fiscal year 2012, compared with 0.5 percent growth in the previously reported data.
 - The major metro areas also experienced more growth. In the first half of fiscal year 2012 (the previously reported data is in parenthesis): Northern Virginia rose 1.7 percent (0.6 percent); Hampton Roads grew 0.2 percent (-0.4 percent); and Richmond-Petersburg rose 1.2 percent (-0.9 percent).
- In February, payroll employment in Virginia grew 1.0 percent from February of last year.
 - Compared to last year, employment grew 1.4 percent in Northern Virginia, 0.3 percent in Hampton Roads, and 1.7 percent in Richmond-Petersburg.

National and State Economic Indicators

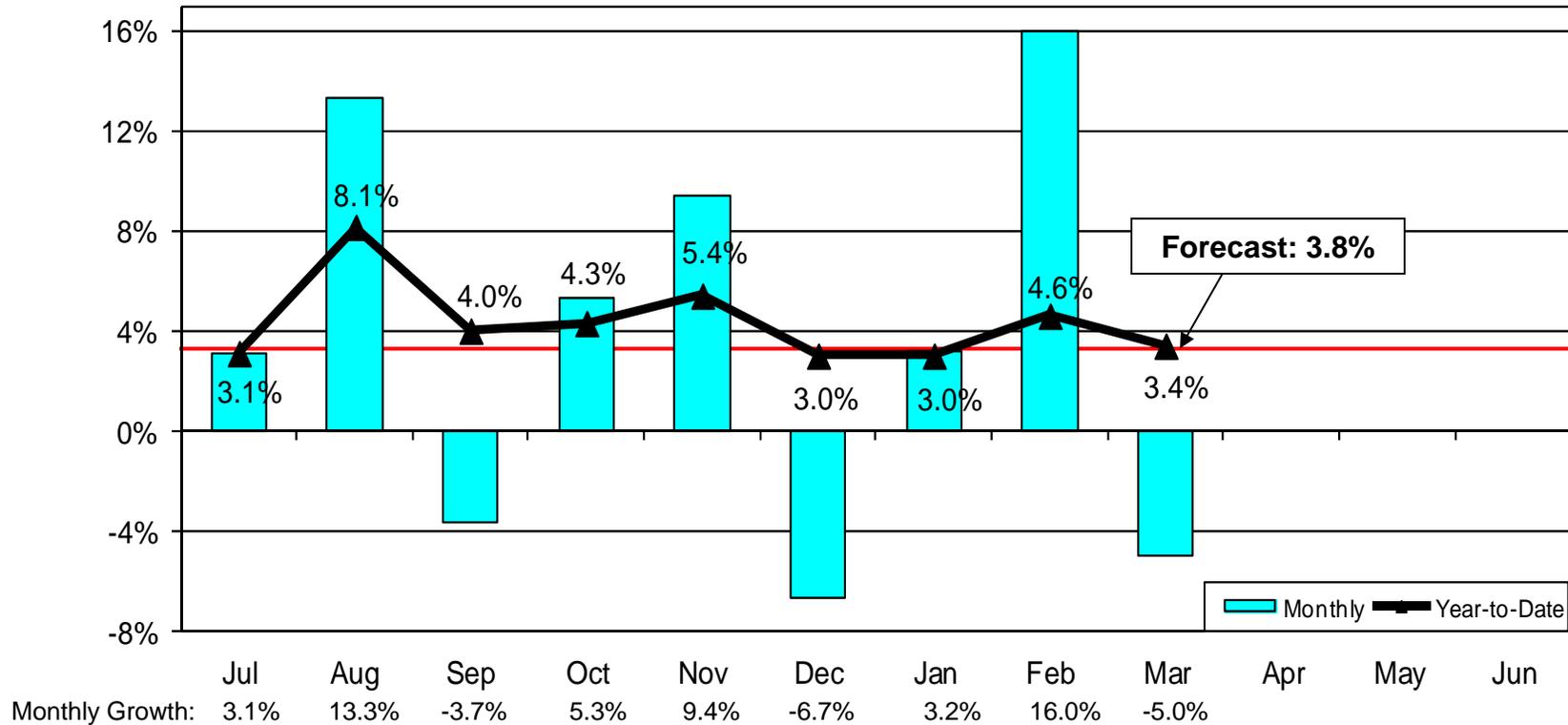
- The unemployment rate in the Commonwealth rose 0.1 percent to 6.1 percent in February.
- According to RealtyTrac, U.S. foreclosure activity for February declined 8.0 percent from February 2011, marking the 17th consecutive month of year-over-year declines.
 - One in every 637 U.S. housing units received a foreclosure notice in February.
 - In Virginia, one in every 1,097 households received a foreclosure notice.
- The manufacturing sector strengthened in March, as the Institute of Supply Management index increased from 52.4 to 53.4.
 - This marks the 32nd consecutive month above the expansionary threshold of 50.0.
- The Conference Board's index of leading indicators rose 0.7 percent in February, its fifth consecutive monthly gain.
- The Conference Board's index of consumer confidence fell by 1.4 points in March to 70.2.
- The CPI rose 0.4 percent in February and stands 2.9 percent above February 2011.
 - Core inflation (excluding food and energy prices) rose 0.1 percent in February, and has increased 2.2 percent from February 2011.
- The saving rate decreased from 4.3 percent in January to 3.7 in February.
- At its March meeting, the Federal Reserve decided to again keep the federal funds rate target unchanged at 0.0 to 0.25 percent.

Growth in Total General Fund Revenue Collections FY12 Monthly and Year-to-Date



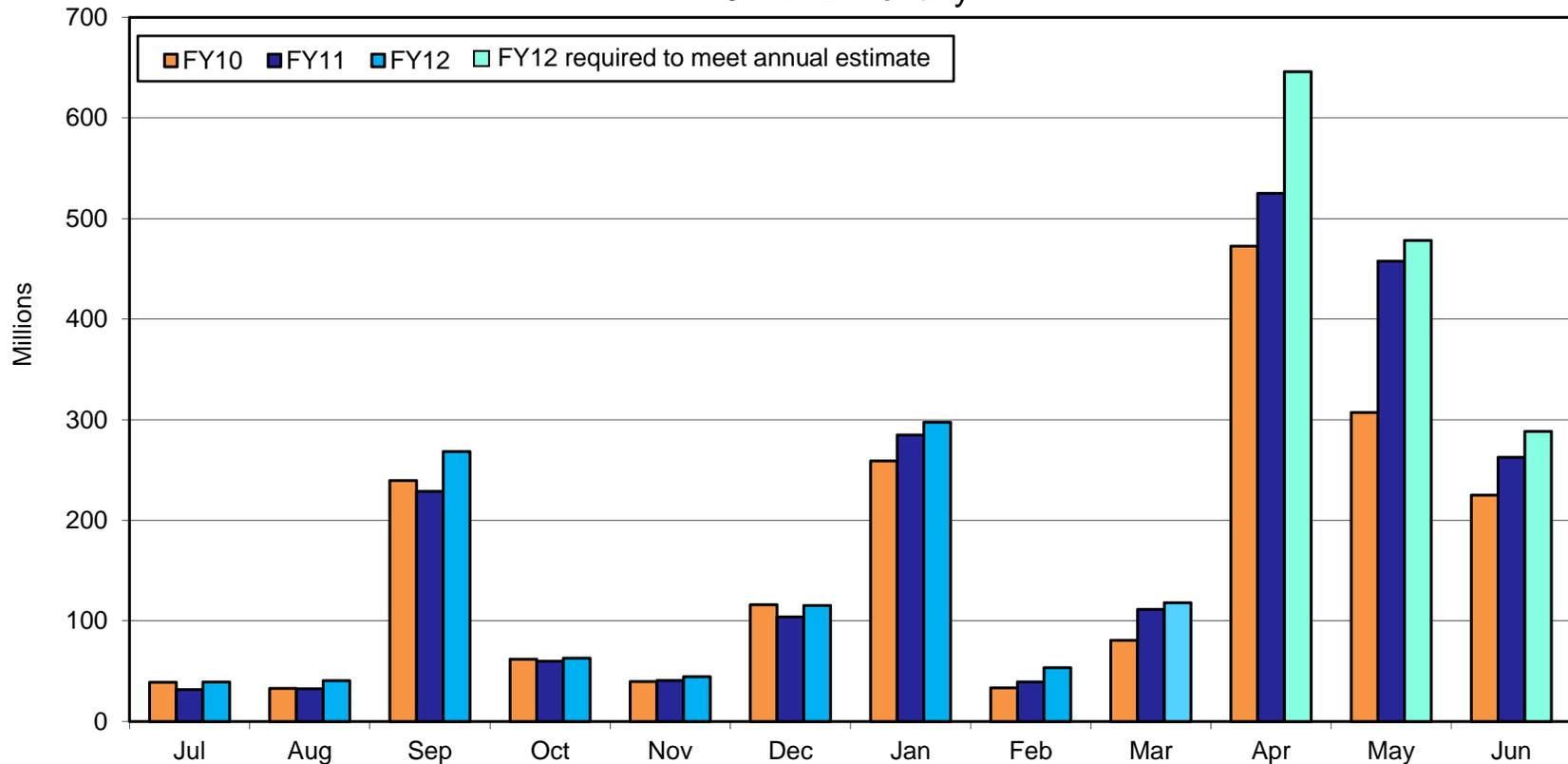
- On a year-to-date basis, total revenues increased 5.3 percent through March, ahead of the annual forecast of 4.6 percent growth.
 - Adjusting for the accelerated sales tax (AST) program, total revenues grew 4.9 percent, ahead of the economic-base forecast of 4.7 percent growth.

Growth in Withholding Tax Collections FY12 Monthly and Year-to-Date



- Collections of payroll withholding taxes decreased 5.0 percent in March.
 - As a result of Leap Year, this year, March had one less Wednesday (the largest day for withholding) than last March.
- Year-to-date, withholding collections grew 3.4 percent compared with the same period last year, behind the projected annual growth rate of 3.8 percent.

Nonwithholding Tax Collections FY10-FY12 Monthly



- Year-to-date, collections grew 11.4 percent from the same period last year, behind the annual estimate of 12.6 percent growth.
- The majority of the remaining collections in this source will occur in April and May, with both final payments for tax year 2011 and estimated payments for the current year due May 1.

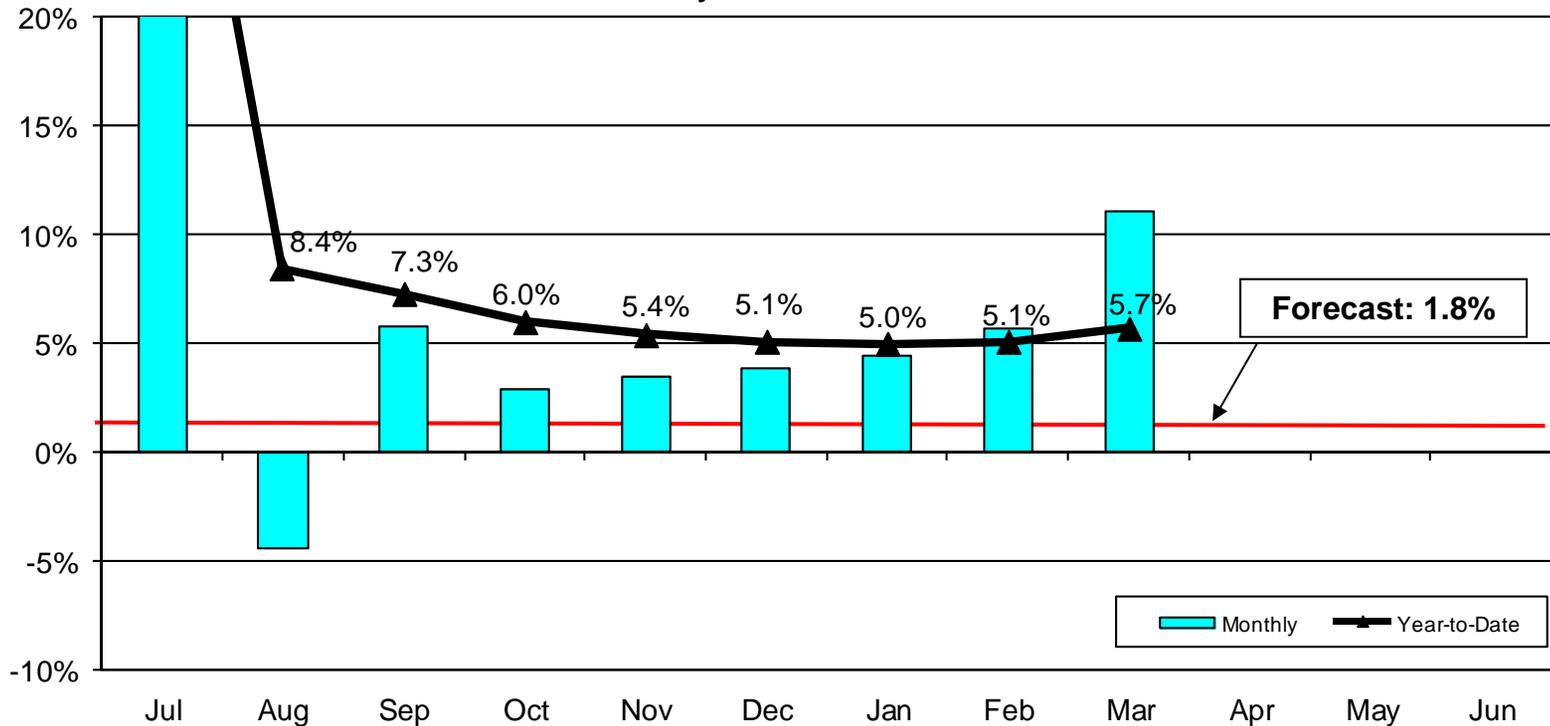
Individual Income Tax Refunds

- As the main filing season continues, \$344.1 million in refunds were issued in March compared with \$419.7 million last March.
- Year-to-date, refunds fell 6.1 percent from the same period last year, behind the estimate of a 3.0 percent increase.
 - Since the filing season began in January, TAX has issued 1.6 million refunds, approximately the same amount as last year. However, the average check size has been about 6.0 percent smaller.

Net Individual Income Tax

- Through March, collections of net individual income tax rose 6.0 percent from the same period last year, ahead of the annual estimate of 5.9 percent growth.

Growth in Sales Tax Collections FY12 Monthly and Year-to-Date



Monthly Growth: Jul Aug Sep Oct Nov Dec Jan Feb Mar Apr May Jun

- Collections of sales and use taxes, reflecting February sales, rose 11.1 percent in March.
- On a year-to-date basis, collections grew 5.7 percent, ahead of the annual estimate of a 1.8 percent increase.
 - Adjusting for AST, sales tax collections grew 4.0 percent through March, ahead of the economic-base forecast of a 2.5 percent increase.

Net Corporate Income Tax

- Collections of corporate income tax were \$96.8 million in March, compared with \$83.2 million last March, a 16.4 percent increase.
- On a year-to-date basis, collections in this source have increased 4.8 percent, ahead of the estimate of a 0.7 percent increase.

Recordation Tax Collections

- Collections of wills, suits, deeds, and contracts – mainly recordation tax collections – increased 25.6 percent in March.
 - On a year-to-date basis, collections are up 7.2 percent, behind the forecast of 10.8 percent growth.

Insurance Premiums Tax

- Final payments from insurance companies for tax year 2011 were due in March. Collections in this source were \$16.0 million compared with \$17.3 million in March of last year.
 - Estimated payments are due in April and June.
- For the fiscal year to-date, net insurance premiums tax collections are \$41.2 million compared with \$71.2 million during the same period last year.

Summary of Fiscal Year 2012 Revenue Collections

July through March

<u>Major Source</u>	As a % of Total <u>Revenues</u>	Percent Growth over Prior Year				
		<u>YTD Actual</u>	<u>Annual Estimate</u>	<u>Variance</u>	<u>Apr-Jun Req'd to Meet Est.</u>	<u>Prior Year Apr-Jun</u>
Withholding	63.6 %	3.4 %	3.8 %	(0.4) %	5.3 %	4.8 %
Nonwithholding	15.6	11.4	12.6	(1.2)	13.4	24.0
Refunds	(12.2)	(6.1)	3.0	(9.1)	18.3	(2.4)
Net Individual	67.0	6.0	5.9	0.1	5.7	14.2
Sales	19.5	5.7	1.8	3.9	(6.5)	0.9
Corporate	5.3	4.8	0.7	4.1	(4.7)	(10.4)
Wills (Recordation)	2.1	7.2	10.8	(3.6)	21.3	(0.4)
Insurance	1.8	(42.1)	2.0	(44.1)	17.0	1.6
All Other Revenue	4.4	(0.6)	0.2	(0.8)	1.7	2.1
Total	100.0 %	5.3 %	4.6 %	0.7 %	3.0 %	7.7 %

Sales (x AST)	4.0 %	2.5 %	1.5 %	(1.8) %	5.8 %
Total (x AST)	4.9 %	4.7 %	0.2 %	4.2 %	8.9 %