



Economic and Revenue Update

May General Fund Revenue Collections

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Topics for Discussion

- National and State Economic Indicators
- May Year-to-Date Revenue Collections, Fiscal Year 2015
- Next Significant Data Points

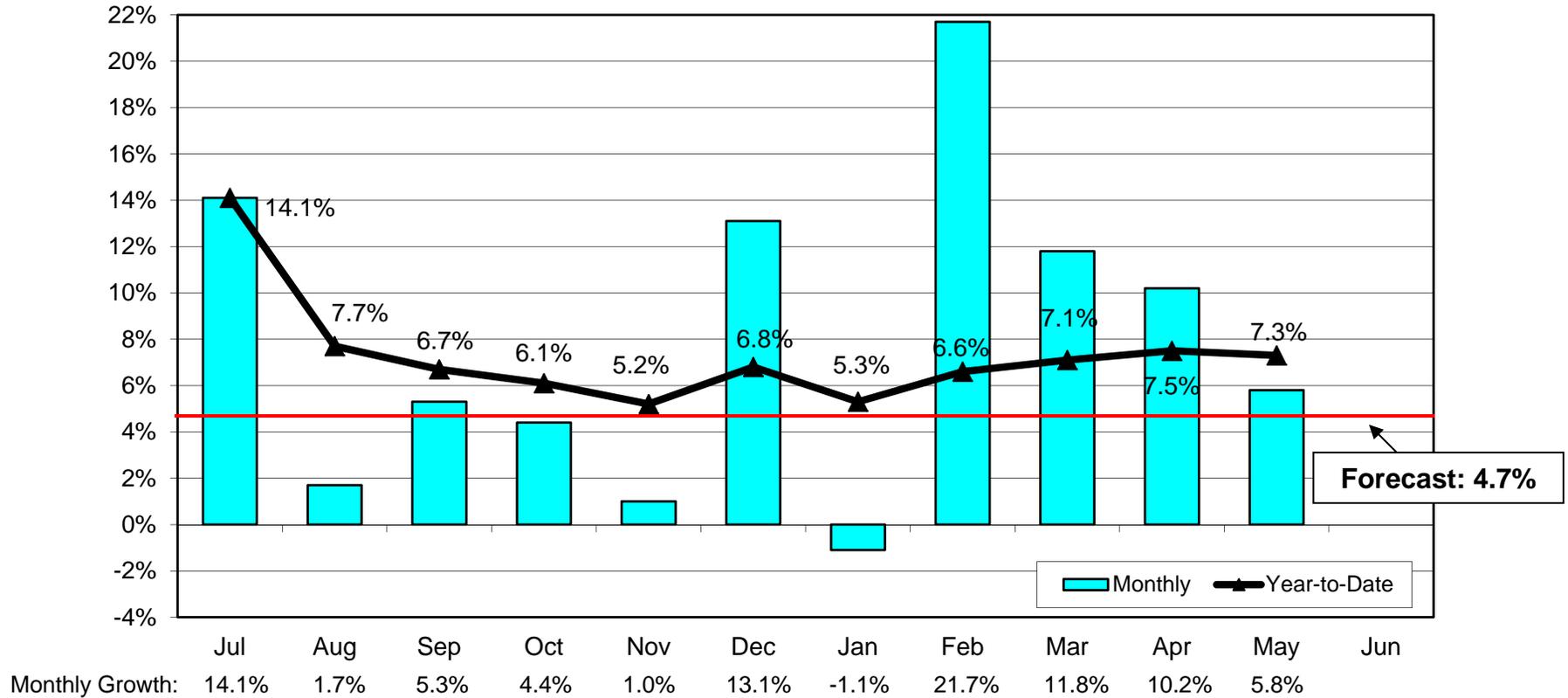
National and State Economic Indicators

- According to the second estimate, real GDP fell at an annualized rate of 0.7 percent in the first quarter of 2015, down from 2.2 percent growth in the fourth quarter of 2014.
 - Harsh winter weather, west coast strikes, and falling energy-related investment dampened growth.
- The labor market improved in May. Payroll employment rose by 280,000 jobs, far above expectations. In a separate report, the unemployment rate rose from 5.4 to 5.5 percent in May, as more workers entered the labor force.
- Initial claims for unemployment fell by 8,000 to 276,000 during the week ending May 30. The four-week moving average rose from 272,000 to 274,750, but remains among the lowest since 2000.
- The Conference Board's index of leading indicators rose 0.7 percent in April after rising 0.4 percent in March. The behavior of the leading indicator is consistent with accelerating economic growth.
- The Conference Board's index of consumer confidence rose by 1.1 points to 95.4 in May. The current conditions component drove the increase, while the expectations component declined.
- Activity in the manufacturing sector improved in May, with the Institute of Supply Management index rising from 51.5 to 52.8. The index has remained in expansionary territory for 29 consecutive months.

National and State Economic Indicators

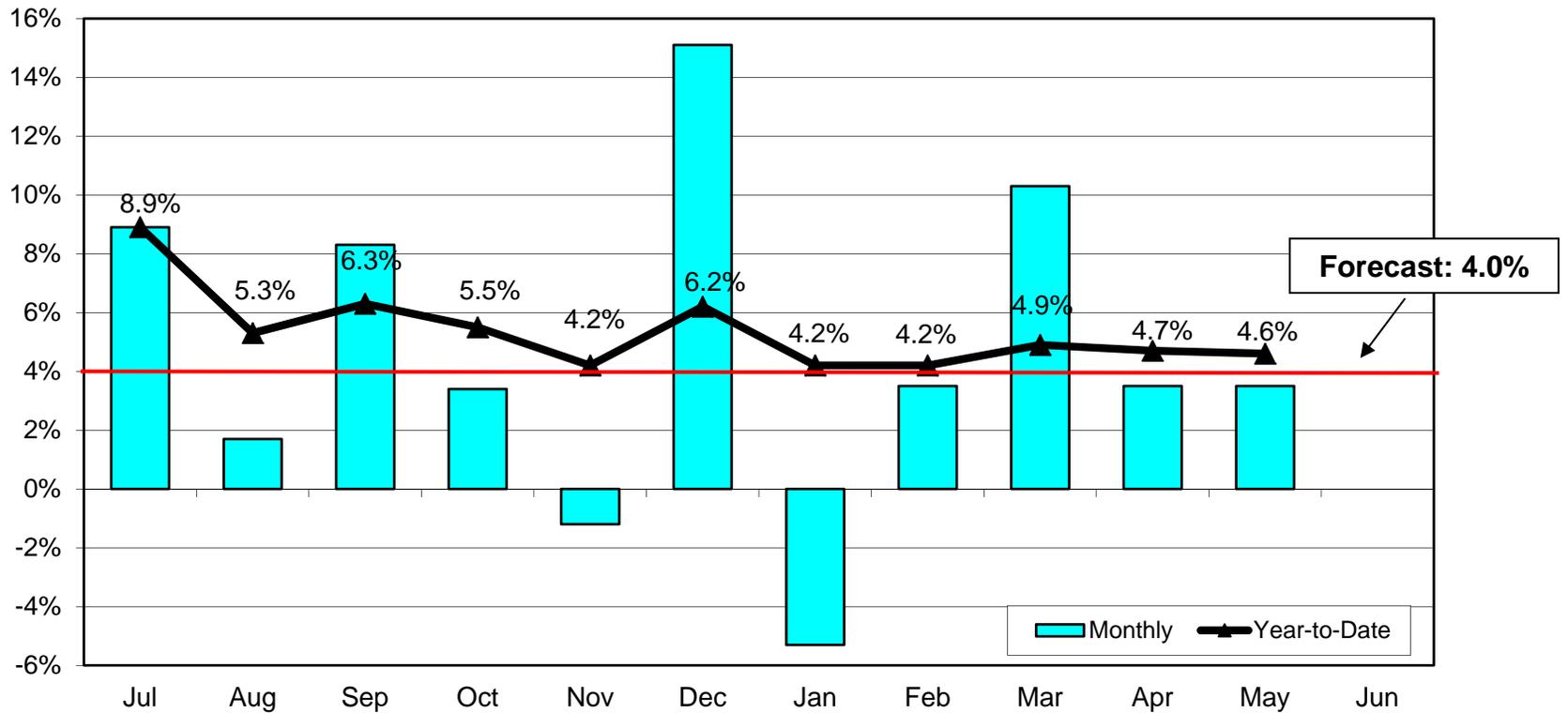
- The CPI rose 0.1 percent in April, and stands 0.1 percent below April 2014. Core inflation (excluding food and energy prices) rose 0.3 percent in April, and has increased 1.8 percent from a year ago.
- The Federal Reserve announced at its April meeting that it will keep the federal funds target rate at 0.0 to 0.25 percent.
- In Virginia, payroll employment rose 0.9 percent in April from a year ago.
 - Northern Virginia posted growth of 1.7 percent, Hampton Roads grew 0.5 percent, and Richmond-Petersburg rose 1.0 percent.
 - The seasonally adjusted unemployment rate was unchanged at 4.8 percent in April.
- The Virginia Leading Index rose 0.2 percent in April after rising 0.5 percent in March. The U.S. leading index, auto registrations, and building permits improved in April, while initial claims for unemployment increased.
 - The indexes for Northern Virginia, Richmond, Hampton Roads, Charlottesville, Bristol, Blacksburg, and Winchester advanced, while the indexes for Roanoke, Lynchburg, Harrisonburg, and Staunton declined.

Growth in Total General Fund Revenue Collections FY15 Monthly and Year-to-Date



- Total general fund revenues increased 5.8 percent in May due in part to individual nonwithholding payments received for the May 1 due date.
- On a year-to-date basis, total revenues increased 7.3 percent, ahead of the annual forecast of 4.7 percent growth (Chapter 665).
 - Adjusting for AST and the HB2313 program, total revenues grew 7.3 percent through May, ahead of the economic-base forecast of 4.5 percent growth.

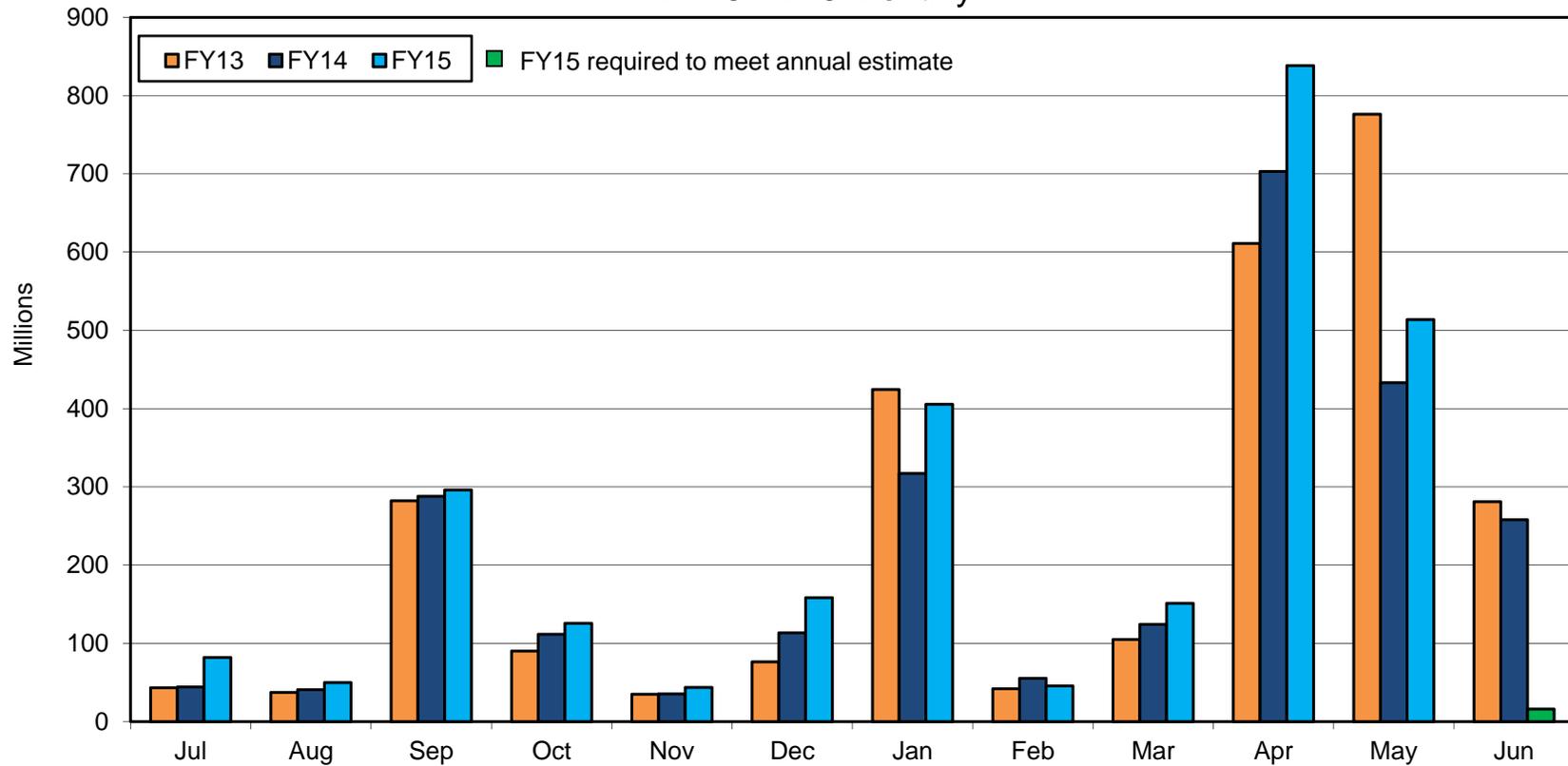
Growth in Withholding Tax Collections FY15 Monthly and Year-to-Date



Monthly Growth:

- Collections of payroll withholding taxes increased 3.5 percent in May. May had one less deposit day than a year ago.
- Year-to-date, withholding collections increased 4.6 percent compared with the same period last year, above the projected annual growth rate of 4.0 percent.
- Collections can decline by 3.1 percent in June and the annual forecast will still be attained.

Nonwithholding Tax Collections FY13-FY15 Monthly



- To date, roughly 99 percent of the nonwithholding forecast has been collected, and collections during this period are 19.6 percent ahead of the same period last year, ahead of the annual estimate of 7.9 percent growth.
- April-May payments increased 19.0 percent (\$216 million) this year compared to the 18.0 percent (-\$251 million) drop last year in April-May.

Individual Income Tax Refunds

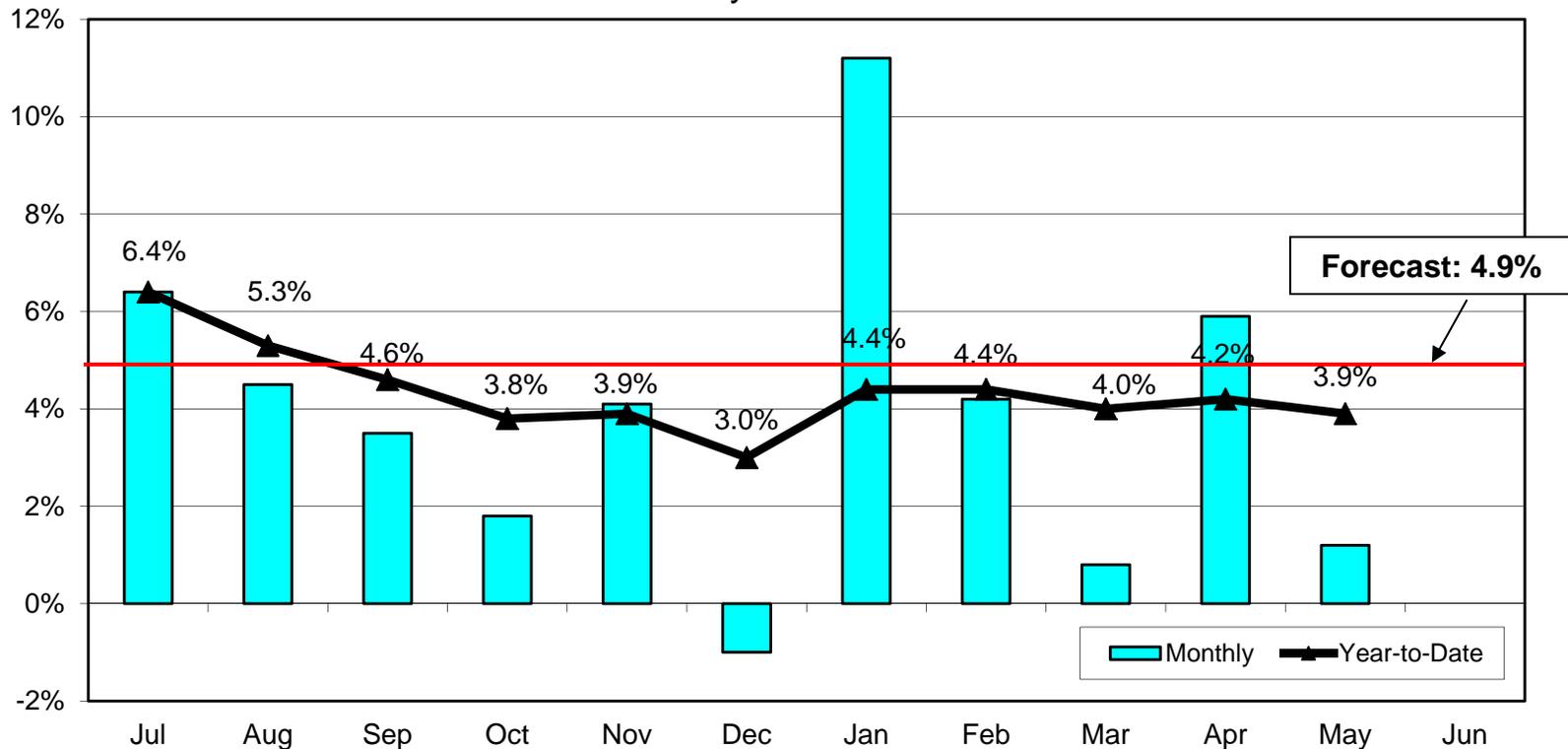
- As the main filing season winds down, \$146.6 million in refunds were issued in May compared with \$125.1 million last May.
- Year-to-date, refunds increased 0.1 percent from the same period last year, behind the estimate of a 3.2 percent increase.
 - Since the filing season began in January, TAX has issued 2.7 million refunds, approximately the same amount as last year. The average check size is flat.

Net Individual Income Tax

- Through May, collections of net individual income tax rose 8.7 percent from the same period last year, ahead of the annual estimate of 5.0 percent growth.

Growth in Sales Tax Collections

FY15 Monthly and Year-to-Date



Monthly Growth: 6.4% 4.5% 3.5% 1.8% 4.1% -1.0% 11.2% 4.2% 0.8% 5.9% 1.2%

- On a year-to-date basis, collections increased 3.9 percent, behind the annual estimate of 4.9 percent growth.
 - Adjusting for AST and HB2313, sales tax collections increased 4.0 percent through May, close to the economic-base forecast of a 3.9 percent increase.
- Economic based growth of 3.8 percent is needed in June to attain the annual forecast.

Net Corporate Income Tax Collections

- This is not a significant month.
- On a year-to-date basis, collections in this source have increased 12.7 percent, ahead of the estimate of 11.0 percent growth.

Recordation Tax Collections

- Collections of wills, suits, deeds, and contracts – mainly recordation tax collections – increased 26.6 percent in May.
 - Collections have increased by double digits for 6 months in a row.
 - On a year-to-date basis, collections are up 9.9 percent, ahead of the forecast of 2.4 percent growth.

Insurance Premiums Tax

- This is not a significant month.
- For the fiscal year to-date, net insurance premiums tax collections are \$196.7 million compared with \$211.7 million during the same period last year.

Summary of Fiscal Year 2015 Revenue Collections

July through May

Percent Growth over Prior Year

<u>Major Source</u>	<u>As a % of Total Revenues</u>	<u>YTD Actual</u>	<u>Annual Estimate</u>	<u>Variance</u>	<u>Jun Req'd to Meet Est.</u>	<u>Prior Year Jun</u>
Withholding	63.4 %	4.6 %	4.0 %	0.6 %	(3.1) %	0.1 %
Nonwithholding	15.9	19.6	7.9	11.7	(93.9)	(8.0)
Refunds	(10.5)	0.1	3.2	(3.1)	81.9	(0.4)
Net Individual	68.8	8.7	5.0	3.7	(31.1)	(2.0)
Sales	18.7	3.9	4.9	(1.0)	11.7	(6.4)
Corporate	4.9	12.7	11.0	1.7	5.3	(5.2)
Wills (Recordation)	1.9	9.9	2.4	7.5	(66.5)	(18.2)
Insurance	1.9	(7.1)	0.0	(7.1)	13.8	12.2
All Other Revenue	3.9	(1.8)	(4.4)	2.6	(15.5)	9.5
Total	100.0 %	7.3 %	4.7 %	2.6 %	(15.5) %	(2.2) %

Sales (x HB2313 & AST)	4.0 %	3.9 %	0.1 %	3.8 %	7.4 %
Total (x HB2313 & AST)	7.3 %	4.5 %	2.8 %	(19.0) %	0.2 %

Summary of Fiscal Year 2015 Revenue Collections

July through May, Fiscal Year-to-Date

General Fund Revenue Collection Trends

(thousands of dollars)

FY	Total Collections	Revenue Collections Through:											
		Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
2000	10,788.5	699.1	1,435.8	2,503.0	3,210.6	3,977.8	5,080.0	6,067.5	6,704.5	7,374.1	8,411.9	9,663.1	10,788.5
2001	11,105.3	688.0	1,452.7	2,546.4	3,312.7	4,106.3	5,052.9	6,295.8	6,981.1	7,652.5	8,696.8	9,998.9	11,105.3
2002	10,679.0	705.4	1,483.7	2,485.4	3,315.4	4,136.9	5,071.2	6,184.7	6,794.7	7,459.8	8,388.0	9,414.6	10,679.0
2003	10,867.1	644.3	1,409.6	2,513.3	3,324.3	4,109.7	5,203.2	6,320.5	6,933.6	7,547.7	8,579.5	9,539.0	10,867.1
2004	11,917.9	699.3	1,553.7	2,724.3	3,618.2	4,449.1	5,570.2	6,721.0	7,377.9	8,130.2	9,393.7	10,423.6	11,917.9
2005	13,687.3	772.5	1,698.8	3,009.8	3,998.0	4,964.5	6,295.1	7,684.7	8,415.7	9,300.7	10,745.5	12,012.3	13,687.3
2006	14,834.3	840.5	1,987.8	3,445.8	4,510.5	5,537.3	7,006.6	8,542.7	9,306.7	10,273.3	11,758.2	13,253.6	14,834.3
2007	15,565.8	1,059.7	2,158.2	3,707.7	4,778.6	5,873.0	7,303.6	8,882.9	9,684.8	10,658.1	12,180.5	13,883.2	15,565.8
2008	15,767.0	1,095.6	2,231.1	3,842.1	5,023.2	6,085.2	7,540.8	9,175.5	9,916.1	10,920.8	12,664.1	14,131.9	15,767.0
2009	14,315.1	1,126.9	2,188.0	3,679.9	4,848.9	5,861.6	7,278.9	8,667.9	9,307.9	10,173.1	11,572.9	12,811.3	14,315.1
2010	14,219.5	1,036.2	2,027.7	3,407.0	4,482.0	5,465.7	6,960.9	8,258.9	8,861.4	9,752.5	11,157.9	12,394.4	14,219.5
2011	15,040.2	867.4	1,911.7	3,348.1	4,462.9	5,537.9	7,062.6	8,523.8	9,226.6	10,228.2	11,655.4	13,113.5	15,040.2
2012	15,846.7	955.4	2,080.6	3,573.2	4,722.6	5,903.2	7,356.7	8,868.2	9,692.1	10,770.1	12,347.9	13,927.3	15,846.7
2013	16,684.6	938.0	2,137.6	3,619.5	4,948.9	6,091.0	7,615.0	9,421.8	10,229.6	11,242.1	12,855.0	14,757.7	16,684.6
2014	16,411.4	1,059.9	2,201.4	3,722.3	4,980.1	6,134.4	7,670.6	9,371.5	10,151.7	11,242.9	13,017.7	14,526.7	16,411.4
Average	13,848.6	879.2	1,863.9	3,208.5	4,235.8	5,215.6	6,537.9	7,932.5	8,639.0	9,515.1	10,895.0	12,256.7	13,848.6
% of Total	100.0%	6.3%	13.5%	23.2%	30.6%	37.7%	47.2%	57.3%	62.4%	68.7%	78.7%	88.5%	100.0%
2015													
Chapter 665	17,186.0	1,208.9	2,370.4	3,972.6	5,286.0	6,451.6	8,189.9	9,871.8	10,821.7	12,041.3	13,997.6	15,595.1	-
% of Estimate		7.0%	13.8%	23.1%	30.8%	37.5%	47.7%	57.4%	63.0%	70.1%	81.4%	90.7%	

Next Significant Data Points

- June
 - Individual, corporate and insurance companies have estimated payments due June 15th.
 - Payroll withholding will have an extra deposit day.