



Economic and Revenue Update

A Briefing on the August Revenue Report

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Topics for Discussion

- National and State Economic Indicators
- August Year-to-Date Revenue Collections, Fiscal Year 2016
- Next Steps

National and State Economic Indicators

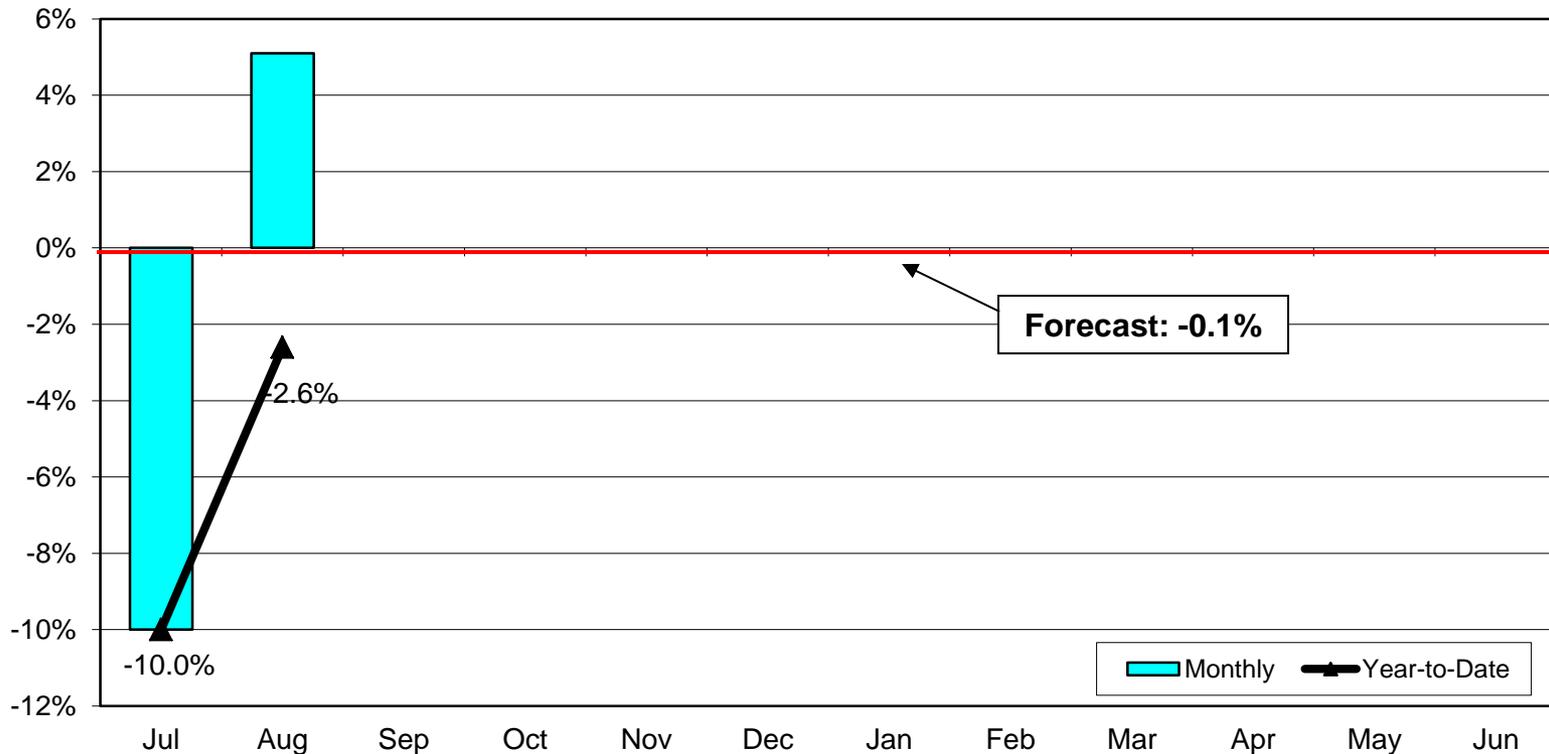
- According to the second estimate, real GDP grew at an annualized rate of 3.7 percent in the second quarter of 2015, up from 0.6 percent in the first quarter.
- Payroll employment rose by 173,000 in August and the gains in June and July were revised up by a combined 44,000 jobs.
- The national unemployment rate fell from 5.3 to 5.1 percent in August, a post-recession low.
- Initial claims for unemployment rose by 12,000 to 282,000 during the week ending August 29.
 - The four-week moving average rose from 272,250 to 275,500, consistent with an improving labor market.
- The Conference Board's index of leading indicators fell 0.2 percent in July following a 0.6 percent increase in June as a decline in building permits and stock prices dragged the index down.
- The Conference Board's index of consumer confidence jumped 10.5 points to 101.5.
- Activity in the manufacturing sector slowed in August, with the Institute of Supply Management index falling from 52.7 to 51.1.
 - Index has remained in expansionary territory for 32 consecutive months.

National and State Economic Indicators

- The CPI rose 0.1 percent in July and stands 0.2 percent above July 2014.
 - Core inflation (excluding food and energy prices) also rose 0.1 percent in July, and has increased 1.8 percent from last year.
- At its July meeting, the Federal Reserve reaffirmed that the federal funds rate target was going to remain unchanged at 0.0 to 0.25 percent.
- In Virginia, payroll employment rose 1.4 percent in July from July of last year.
 - Northern Virginia posted growth of 2.4 percent, Hampton Roads grew 1.4 percent, and Richmond-Petersburg rose 0.4 percent.
 - The seasonally adjusted unemployment rate fell 0.1 percentage point to 4.8 percent in July and stands 0.3 percent below July 2014.
- The Virginia Leading Index rose 0.3 percent in July after rising 0.5 percent in June. Auto registrations, future employment and initial claims improved in July, while the U.S. leading index declined.
 - The indexes for Northern Virginia, Roanoke, Lynchburg, Hampton Roads, Charlottesville, Harrisonburg, Winchester, and Staunton rose in July while the indexes for Blacksburg and Bristol declined. The index for Richmond was flat.

Growth in Total General Fund Revenue Collections

FY16 Monthly and Year-to-Date

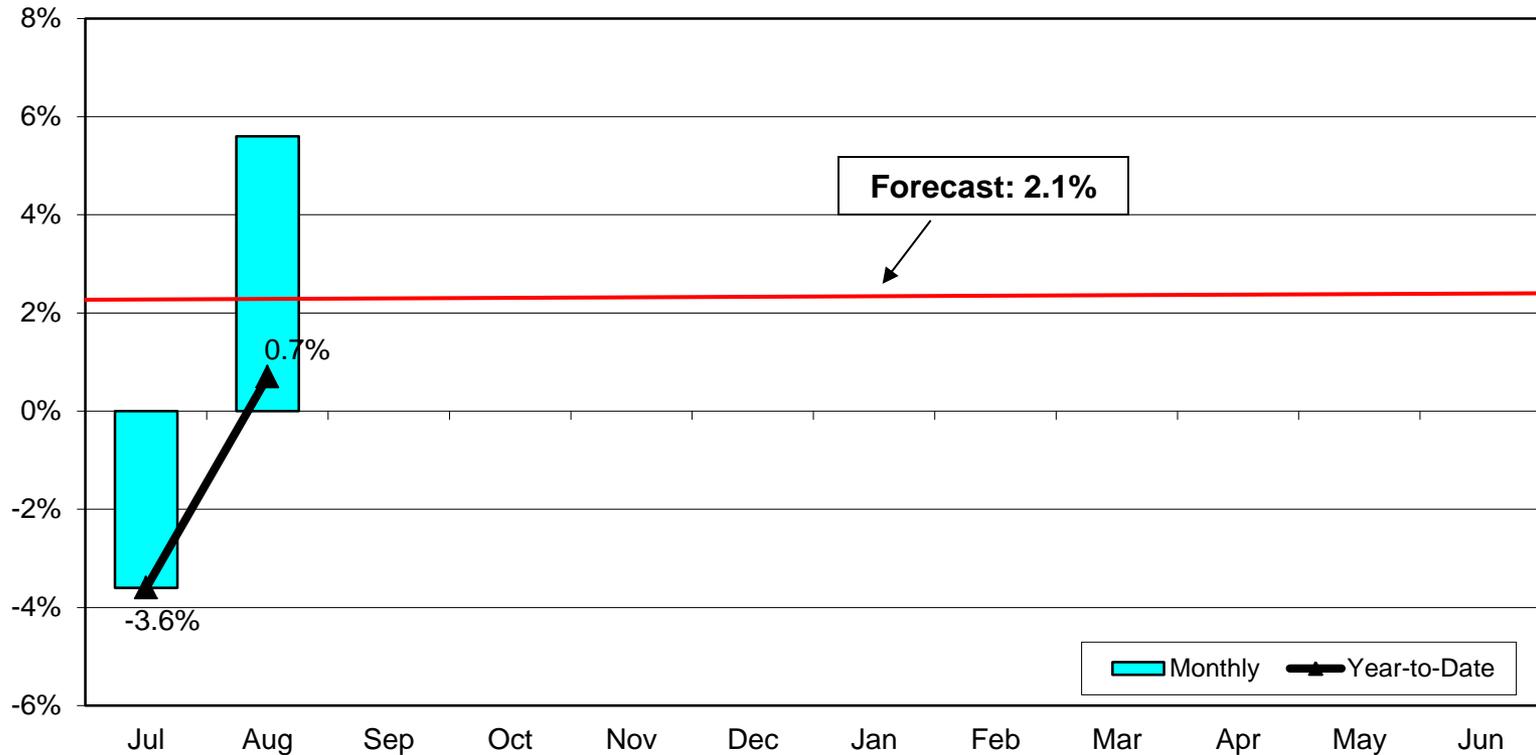


Monthly Growth: -10.0% 5.1%

- Total general fund revenues increased 5.1 percent in August, driven by growth in individual withholding.
- On a year-to-date basis, total revenues decreased 2.6 percent, behind the annual forecast of a 0.1 percent decline.
 - Adjusting for Accelerated Sales Tax (AST) program, total revenues grew 0.4 percent through August, ahead of the economic-base forecast of 0.0 percent growth.

Growth in Withholding Tax Collections

FY16 Monthly and Year-to-Date



Monthly Growth: -3.6% 5.6%

- Collections of payroll withholding taxes increased 5.6 percent in August.
- Year-to-date, withholding collections increased 0.7 percent compared with the same period last year, behind the projected annual growth rate of 2.1 percent.

Individual Nonwithholding

- Collections through August were \$105.6 million compared with \$131.8 million in the same period last year, decreasing by 19.9 percent and behind the annual estimated of an 8.4 percent decline. However, most of the decline is due to comparing revenues to a year ago when a large amount of June certified mail was received in July of 2014.

Individual Income Tax Refunds

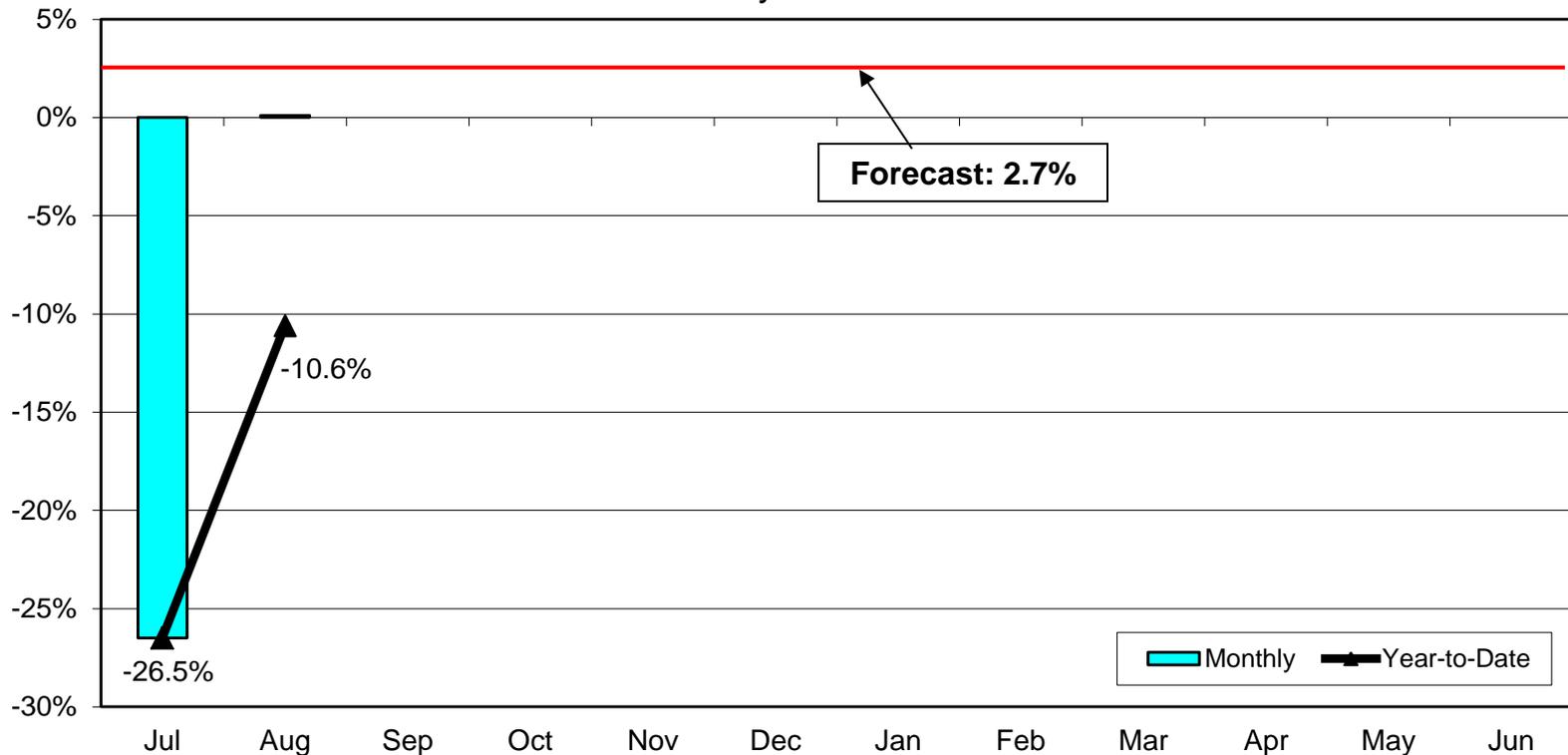
- Through August, TAX has issued \$74.0 million in individual refunds compared with \$77.9 million in the same period last year, a 5.0 percent decline and ahead of the annual estimate of 4.7 percent growth.

Net Individual Income Tax

- Through the first two months of the fiscal year, collections of net individual income tax decreased 0.5 percent from the same period last year, ahead of the annual estimate of a 0.9 percent decline.

Growth in Sales Tax Collections

FY16 Monthly and Year-to-Date



Monthly Growth: -26.5% 0.1%

- Collections of sales and use taxes, reflecting mainly July sales, increased 0.1 percent in August.
- On a year-to-date basis, collections decreased 10.6 percent, behind the annual estimate of 2.7 percent growth.
 - Adjusting for AST program, sales tax collections increased 4.8 percent through August, ahead of the economic-base forecast of a 2.7 percent increase.

Net Corporate Income Tax Collections

- Through the first two months of the fiscal year, \$24.0 million has been collected in this source, compared with \$33.1 million over the same period last year. August is not typically a significant month for this source.

Recordation and Insurance Premiums Tax

Recordation

- In August, collections increased 2.2 percent compared to last year. Year-to-date collections have increased 8.9 percent compared to last year, ahead of the forecast of a 8.1 percent decline.

Insurance

- Collections are zero as the required transfers to the Transportation Trust Fund are being completed.

Summary of Fiscal Year 2016 Revenue Collections

July through August

Percent Growth over Prior Year

<u>Major Source</u>	As a % of Total <u>Revenues</u>	<u>YTD</u> <u>Actual</u>	<u>Annual</u> <u>Estimate</u>	<u>Variance</u>
Withholding	63.6 %	0.7 %	2.1 %	(1.4) %
Nonwithholding	15.7	(19.9)	(8.4)	(11.5)
Refunds	(10.4)	(5.0)	4.7	(9.7)
Net Individual	69.0	(0.5)	(0.9)	0.4
Sales	18.8	(10.6)	2.7	(13.3)
Corporate	4.6	(27.6)	(1.3)	(26.3)
Wills (Recordation)	1.8	8.9	(8.1)	17.0
Insurance	1.8	n/a	8.7	n/a
All Other Revenue	4.0	(4.3)	2.8	(7.1)
Total	100.0 %	(2.6) %	(0.1) %	(2.5) %

Sales (x AST)	4.8 %	2.7 %	2.1 %
Total (x AST)	0.4 %	0.0 %	0.4 %

Summary of Fiscal Year 2016 Revenue Collections

July through August

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
2015	17,735.6	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	17,735.6
Average	14,091.6	899.8	1,895.5	3,256.3	4,301.4	5,292.8	6,641.1	8,053.7	8,775.4	9,673.0	11,088.9	12,465.4	14,091.6
% of Total	100.0%	6.4%	13.5%	23.1%	30.5%	37.6%	47.1%	57.2%	62.3%	68.6%	78.7%	88.5%	100.0%
2016													
Chapter 665	17,720.7	1,088.3	2,309.0	-	-	-	-	-	-	-	-	-	-
% of Estimate		6.1%	13.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

September is Next Significant Data Point

- Estimated payments are due from individuals, corporations and insurance companies.
 - Last data point to include in the revenue models.
 - Nonwithholding forecast will be driven by this payment and financial markets' performance.
- Sales tax for August sales will complete the summer tourism season and any adjustments from the AST program will be completed.

Next Steps

- Joint Advisory Board of Economists (JABE) – October
- Governor's Advisory Council on Revenue Estimates (GACRE) – November