



Economic and Revenue Update

*A Briefing for the Money Committees
on April Revenue*

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Topics for Discussion

- National and State Economic Indicators
- April Year-to-Date Revenue Collections, Fiscal Year 2016
- Next Significant Data Points

National and State Economic Indicators

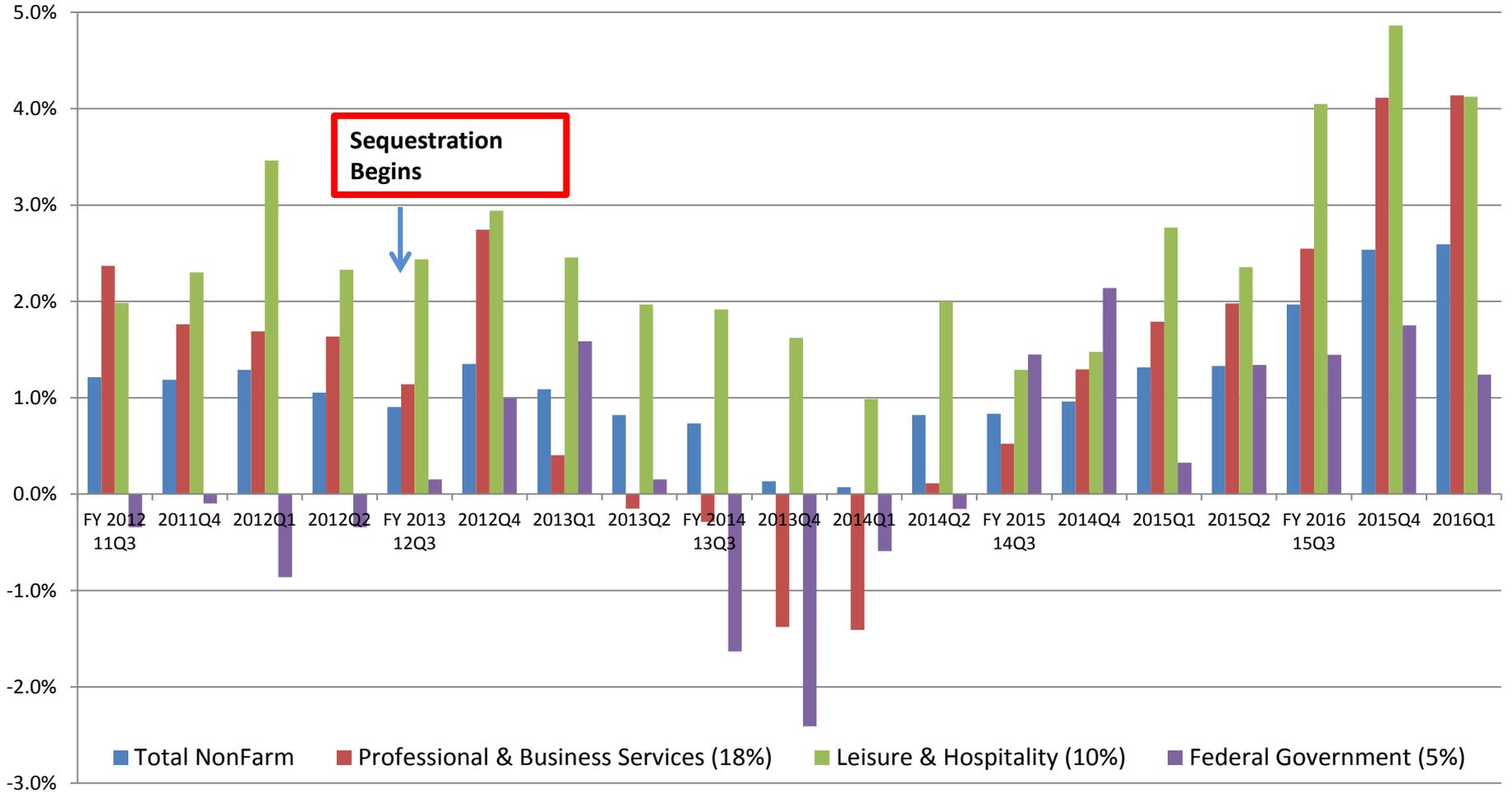
- Real GDP grew at an annualized rate of 0.5 percent in the first quarter of 2016, following 1.4 percent in the fourth quarter of 2016.
- Payroll employment rose by 160,000 jobs in April, below expectations.
- The national unemployment rate was unchanged at 5.0 percent in April.
- Initial claims for unemployment increased by 17,000 to 274,000 during the week ending April 30.
 - The four-week moving average increased by 2,000 to 258,000.
- The Conference Board's index of leading indicators rose 0.2 percent in March, after falling three consecutive months. Six of the ten components increased in March.
- The Conference Board's index of consumer confidence fell from 96.1 to 94.2 in April.
 - A sharp drop in the expectations component offset a modest increase in the present conditions component.
- Activity in the manufacturing sector remains sluggish. The Institute of Supply Management index fell from 51.8 to 50.8 in April, barely above the expansionary threshold of 50.0.

National and State Economic Indicators

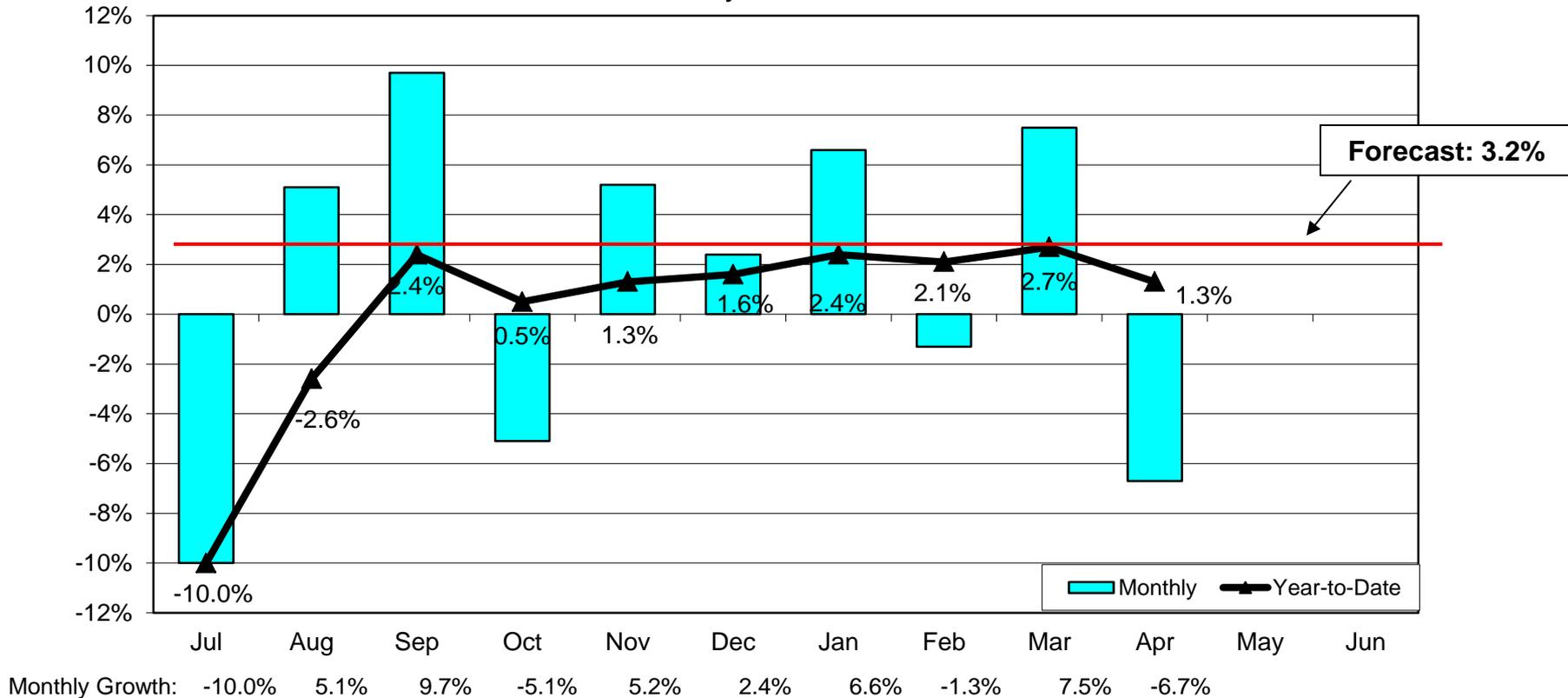
- The CPI rose 0.1 percent in March and stands 0.9 percent above March 2015.
 - Core inflation (excluding food and energy prices) also rose 0.1 percent in March, and has increased 2.2 percent from last year.
- At its April meeting, the Federal Reserve announced it is maintaining the federal funds target rate at the range of 0.25 to 0.5 percent.
- In Virginia, payroll employment rose 2.9 percent in March from March of last year.
 - Northern Virginia posted growth of 3.1 percent, Hampton Roads grew 1.4 percent, and Richmond-Petersburg grew 4.5 percent.
 - The seasonally adjusted unemployment rate fell 0.1 percentage point to 4.0 percent in March, the lowest rate since June 2008.
- The Virginia Leading Index rose 0.5 percent in March after declining 0.4 percent in February. Future employment, auto registrations, the U.S. leading index, and initial claims for unemployment all improved in March.
 - The regional indexes declined in Harrisonburg, Bristol, Blacksburg, and Staunton in March while the indexes for the remaining seven MSAs increased.

Virginia's Employment Growth Has Made Solid Improvements Since The Federal Budget Deal Was Announced...

Quarterly Year-Over Year % Change

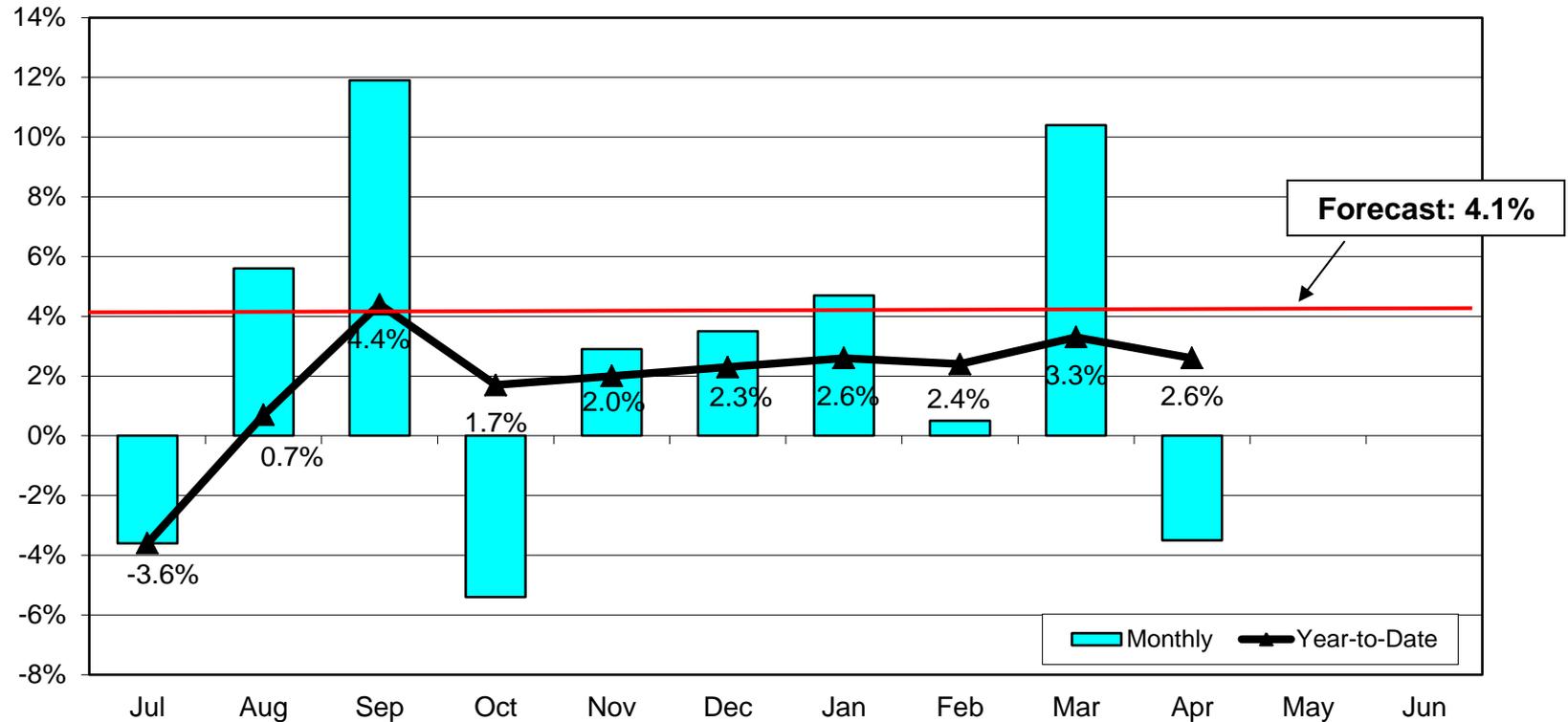


Growth in Total General Fund Revenue Collections FY16 Monthly and Year-to-Date



- Total general fund revenues decreased 6.7 percent in April, mainly due to individual income tax collections.
- On a year-to-date basis, total revenues increased 1.3 percent, behind the annual forecast of 3.2 percent growth.
 - Adjusting for Accelerated Sales Tax (AST) program, total revenues grew 1.5 percent through April, behind the economic-base forecast of 3.3 percent growth.

Growth in Withholding Tax Collections FY16 Monthly and Year-to-Date



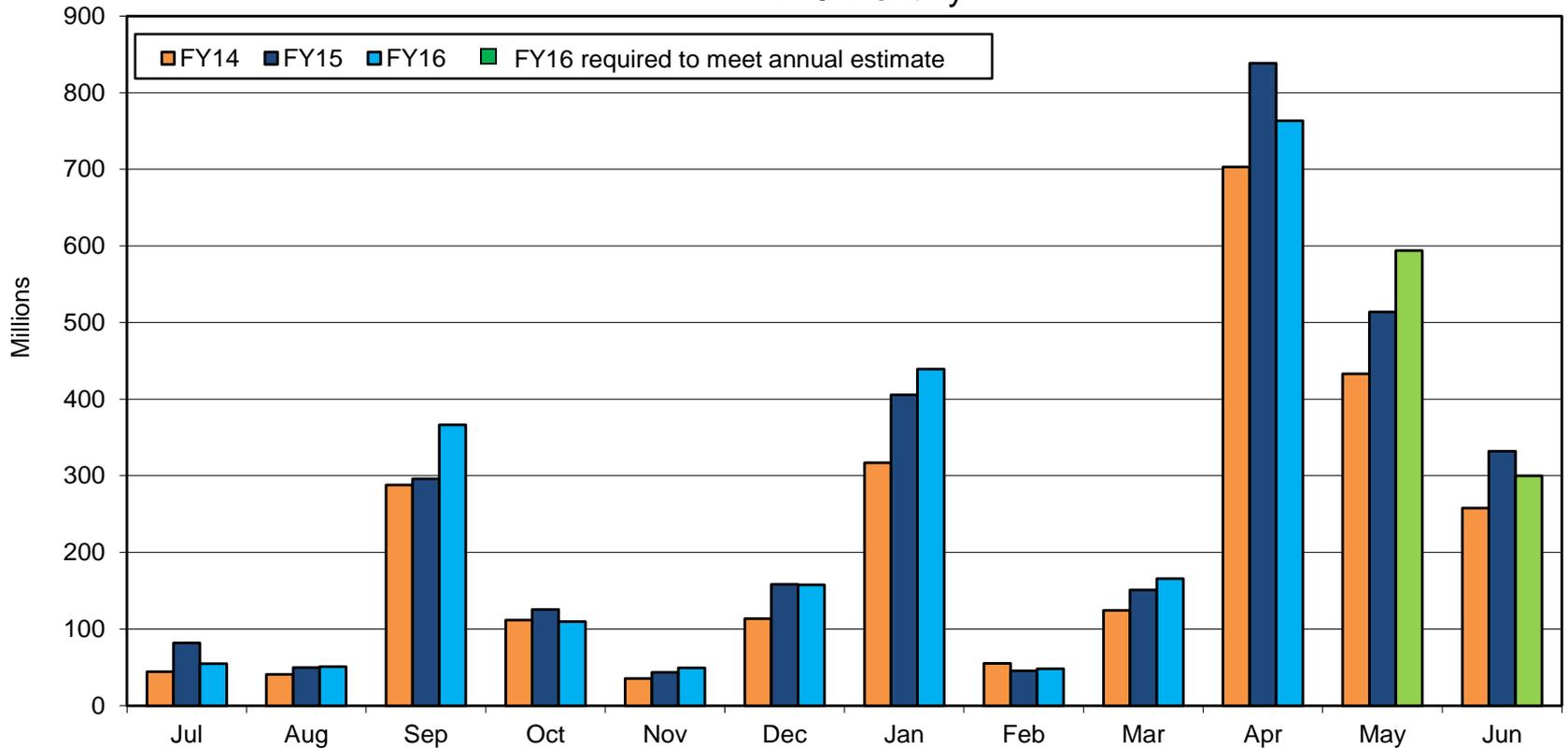
Monthly Growth:

-3.6% 5.6% 11.9% -5.4% 2.9% 3.5% 4.7% 0.5% 10.4% -3.5%

- Collections of payroll withholding taxes decreased 3.5 percent in April as one less deposit day partly contributed to the decline.
- Year-to-date, withholding collections increased 2.6 percent compared with the same period last year, behind the projected annual growth rate of 4.1 percent.

Nonwithholding Tax Collections

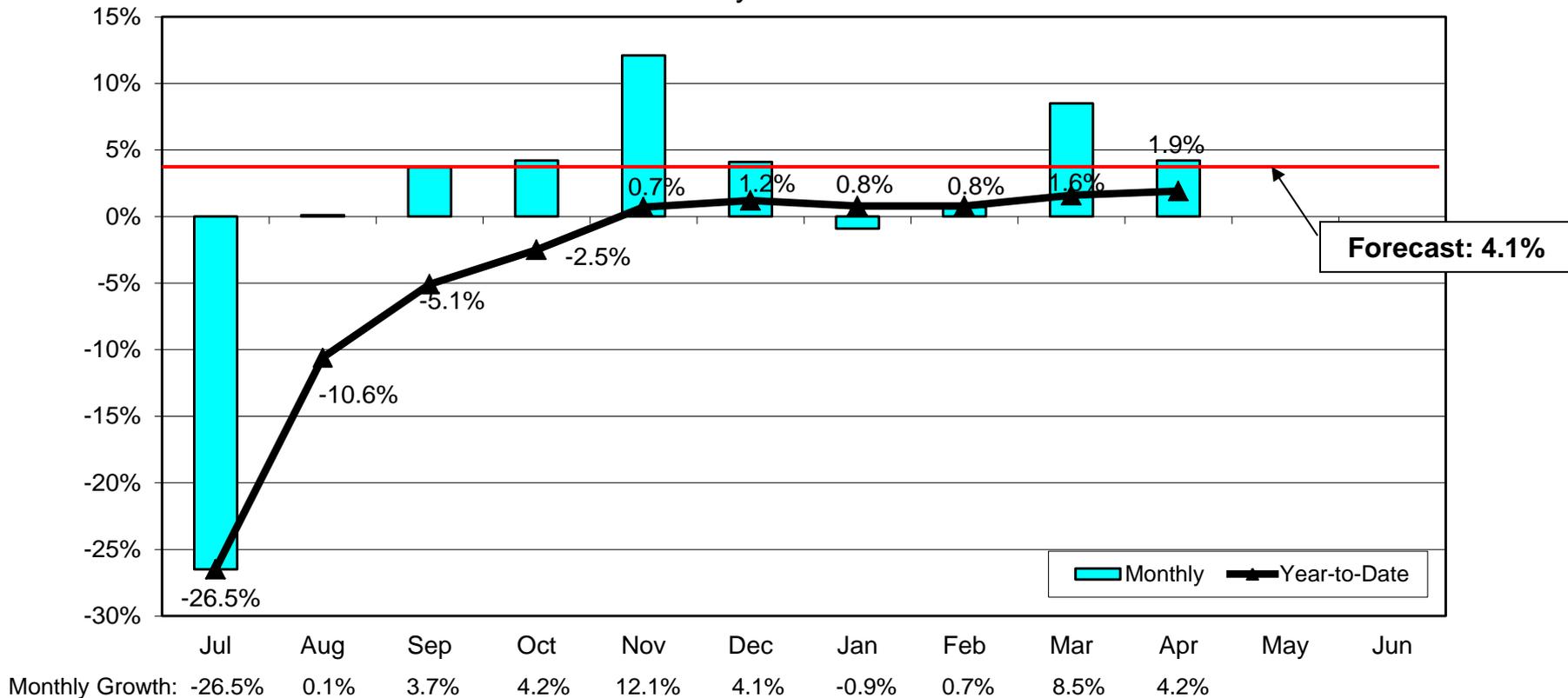
FY14-FY16 Monthly



- To date, roughly 71 percent of the nonwithholding forecast has been collected, and collections increased 0.4 percent from the same period last year, behind the annual estimate of 1.9 percent growth.
- May receipts will mainly be final payments for tax year 2015 and continues to be a significant unknown affecting the revenue forecast.

Growth in Sales Tax Collections

FY16 Monthly and Year-to-Date



- Collections of sales and use taxes, reflecting mainly March sales, increased 4.2 percent in April.
- On a year-to-date basis, collections increased 1.9 percent, behind the annual estimate of 4.1 percent growth.
 - Adjusting for AST program, sales tax collections increased 2.8 percent through April, behind the economic-base forecast of a 4.1 percent increase.

Individual Income Tax Refunds

- As the main filing season continues, \$499.0 million in refunds were issued in April compared with \$473.4 million last April.
- Year-to-date, refunds increased 5.7 percent from the same period last year, ahead of the estimate of a 1.2 percent increase.
 - Since the filing season began in January, TAX has issued 2.4 million refunds, about 100,000 more than last year (3.5 percent), and the average check size is up about 1.0 percent.

Net Individual Income Tax

- Through April, collections of net individual income tax rose 1.6 percent from the same period last year, behind the annual estimate of 4.0 percent growth.

Net Corporate Income Tax Collections

- Collections of corporate income tax were \$133.5 million in April, compared with \$145.5 million last April, an 8.2 percent decline.
 - Most of the activity in April is from companies making final tax year 2016 payments.
- On a year-to-date basis, collections in this source have decreased 10.6 percent as compared to the annual estimate of a 13.1 percent decline.

Recordation Tax Collections

- Collections of wills, suits, deeds, and contracts – mainly recordation tax collections – decreased 2.5 percent in April.
 - On a year-to-date basis, collections are up 7.2 percent, behind the forecast of 10.6 percent growth.

Insurance Premiums Tax

- Insurance companies made their first estimated payment for tax year 2016 in April. Collections in this source were \$119.9 million compared with \$114.4 million in April of last year.
 - Estimated payments are also due in June.
- For the fiscal year to-date, net insurance premiums tax collections are \$215.4 million compared with \$195.2 million during the same period last year.

Summary of Fiscal Year 2016 Revenue Collections

July through April

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>May-Jun Req'd to Meet Est.</u> | <u>Prior Year May-Jun</u> |
|---------------------|---|-----------------------|----------------------------|-----------------|---------------------------------------|-------------------------------|
| Withholding | 62.8 % | 2.6 % | 4.1 % | (1.5) % | 12.0 % | 8.6 % |
| Nonwithholding | 16.9 | 0.4 | 1.9 | (1.5) | 5.7 | 22.3 |
| Refunds | <u>(9.7)</u> | <u>5.7</u> | <u>1.2</u> | <u>4.5</u> | <u>(31.8)</u> | <u>10.9</u> |
| Net Individual | 70.0 | 1.6 | 4.0 | (2.4) | 13.7 | 12.8 |
| Sales | 18.4 | 1.9 | 4.1 | (2.2) | 11.6 | 10.2 |
| Corporate | 3.9 | (10.6) | (13.1) | 2.5 | (22.7) | (4.4) |
| Wills (Recordation) | 2.1 | 7.2 | 10.6 | (3.4) | 23.8 | 26.2 |
| Insurance | 1.8 | 10.4 | 7.3 | 3.1 | 1.7 | (6.6) |
| All Other Revenue | 3.8 | 1.8 | (0.4) | 2.2 | (5.3) | 0.3 |
| Total | 100.0 % | 1.3 % | 3.2 % | (1.9) % | 10.3 % | 10.1 % |

| | | | | | |
|---------------|-------|-------|---------|--------|-------|
| Sales (x AST) | 2.8 % | 4.1 % | (1.3) % | 9.9 % | 5.4 % |
| Total (x AST) | 1.5 % | 3.3 % | (1.8) % | 10.0 % | 9.3 % |

Summary of Fiscal Year 2016 Revenue Collections

July through April

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 732 | 18,308.9 | 1,088.3 | 2,309.0 | 4,066.3 | 5,312.6 | 6,538.5 | 8,318.1 | 10,111.0 | 11,048.9 | 12,360.6 | 14,185.1 | - | - |
| % of Estimate | | 5.9% | 12.6% | 22.2% | 29.0% | 35.7% | 45.4% | 55.2% | 60.3% | 67.5% | 77.5% | 0.0% | 0.0% |

Next Significant Data Points

- May
 - Payroll withholding will have one additional deposit day.
 - **Key payments from individual nonwithholding** will be received.
- June
 - Individual, corporate and insurance companies have estimated payments due June 15th.
 - AST payments are due June 30th – about \$200 million in general fund revenue.