



Economic and Revenue Update

A Briefing for the Senate Finance Committee

Richard D. Brown
Secretary of Finance
Commonwealth of Virginia
www.finance.virginia.gov

June 15, 2017

Topics for Discussion

- National and State Economic Indicators
- May Year-to-Date Revenue Collections, Fiscal Year 2017
- Next Significant Data Points

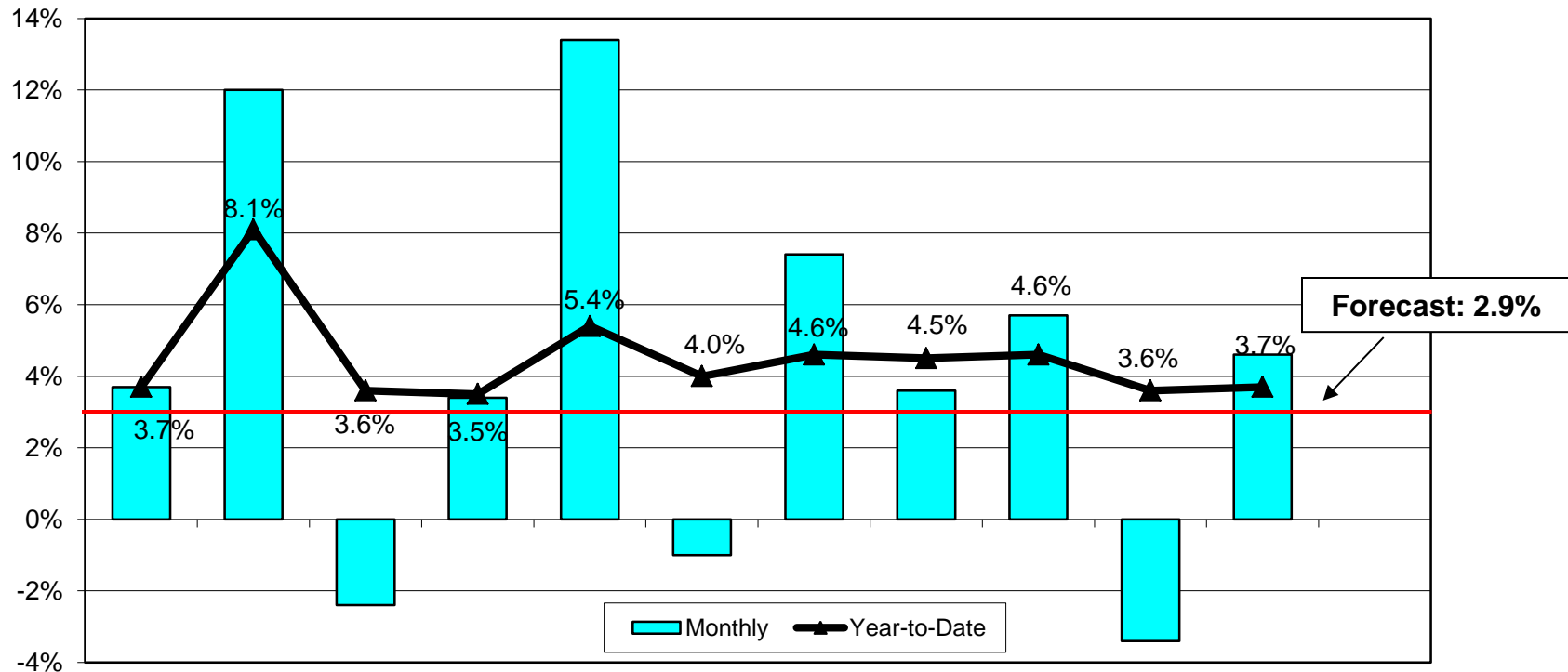
National and State Economic Indicators

- According to the second estimate, real GDP rose at an annualized rate of 1.2 percent in the first quarter of 2017, following 3.5 percent and 2.1 percent growth in the third and fourth quarters of 2016.
- Labor market conditions weakened in May. Payroll employment rose by 138,000 jobs and the two previous monthly gains were revised downward.
- The national unemployment rate fell from 4.4 to 4.3 percent due to a drop in the labor force.
- Initial claims for unemployment fell by 10,000 to 245,000 during the week ending June 3.
 - The four-week moving average rose by 2,250 to 242,000.
 - The low level of claims is consistent with a healthy job market.
- The Conference Board's index of leading indicators rose 0.3 percent in April.
 - Eight of the ten components contributed positively to the index.
- The Conference Board's index of consumer confidence dropped from 119.4 to 117.9 in May. The present conditions component improved for the month, but was offset by a drop in the expectations component.

National and State Economic Indicators

- Activity in the manufacturing sector was essentially unchanged in May. The Institute of Supply Management index rose from 54.8 to 54.9 and remains well above the expansionary threshold of 50.0.
- The CPI rose 0.2 percent in April after falling 0.3 percent in March and stands 2.2 percent above April 2016.
 - Core inflation (excluding food and energy prices) rose 0.1 percent in April and is 1.9 percent above a year ago.
- At its May meeting, the Federal Reserve kept the federal funds target rate at 0.75 to 1.0 percent.
- In Virginia, payroll employment rose 0.9 percent from April of last year.
 - Northern Virginia posted growth of 1.4 percent; Hampton Roads declined 0.5 percent; and Richmond-Petersburg rose 0.7 percent.
 - The seasonally adjusted unemployment rate was unchanged at 3.8 percent, and stands 0.2 percentage point below April 2016.
- The Virginia Leading Index was unchanged in April after falling 0.1 percent in March.
 - The U.S. leading index, initial claims for unemployment, and future employment improved in April while auto registrations fell.
 - The indexes in Blacksburg, Harrisonburg, and Staunton rose in April.
 - Indexes for Richmond, Charlottesville, Northern Virginia, Lynchburg, Hampton Roads, Winchester, and Bristol declined. The index for Roanoke was unchanged.

Growth in Total General Fund Revenue Collections FY17 Monthly and Year-to-Date

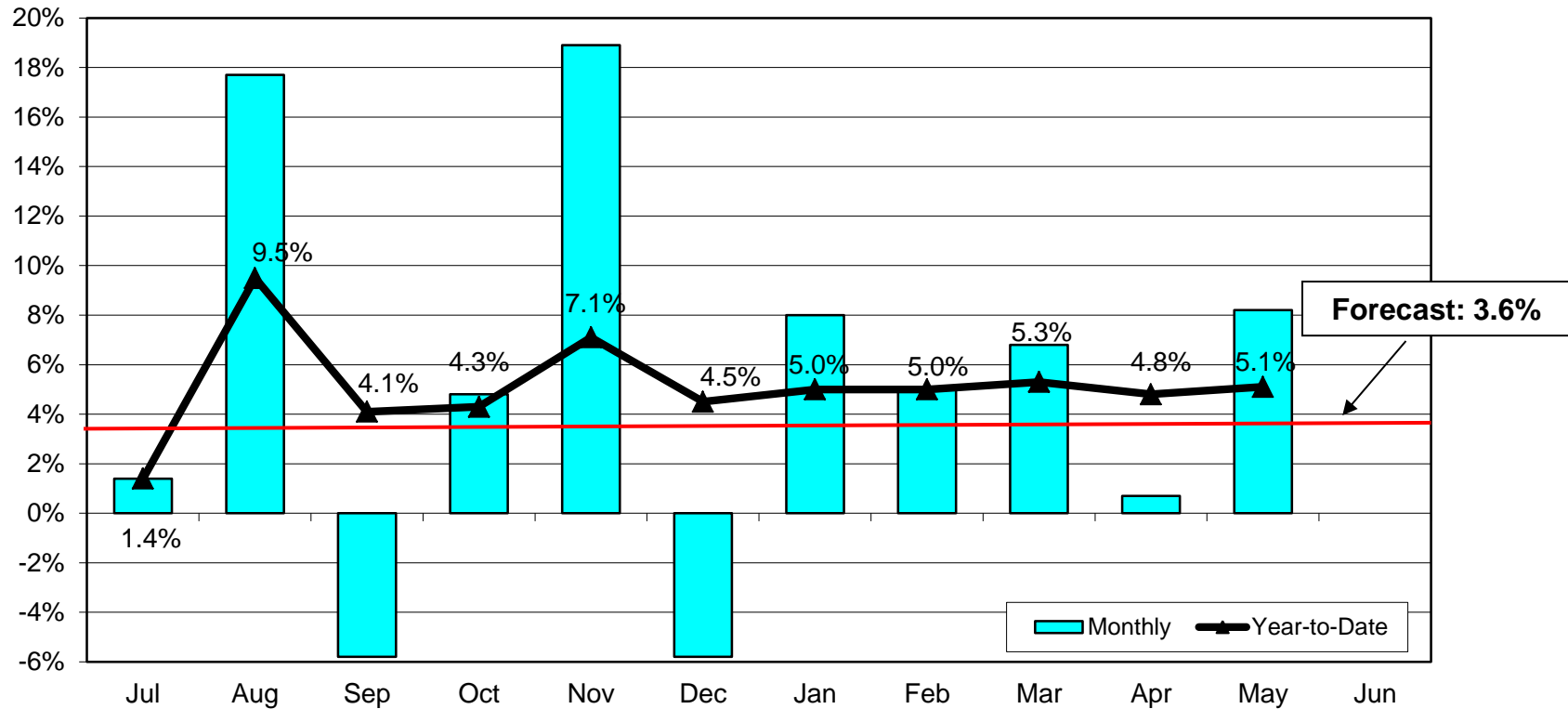


Monthly Growth:

Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
3.7%	12.0%	-2.4%	3.4%	13.4%	-1.0%	7.4%	3.6%	5.7%	-3.4%	4.6%	

- Total general fund revenues increased 4.6 percent in May mainly due to individual income and sales tax collections.
- On a year-to-date basis, total revenues increased 3.7 percent, ahead of the annual forecast of a 2.9 percent increase.

Growth in Withholding Tax Collections FY17 Monthly and Year-to-Date

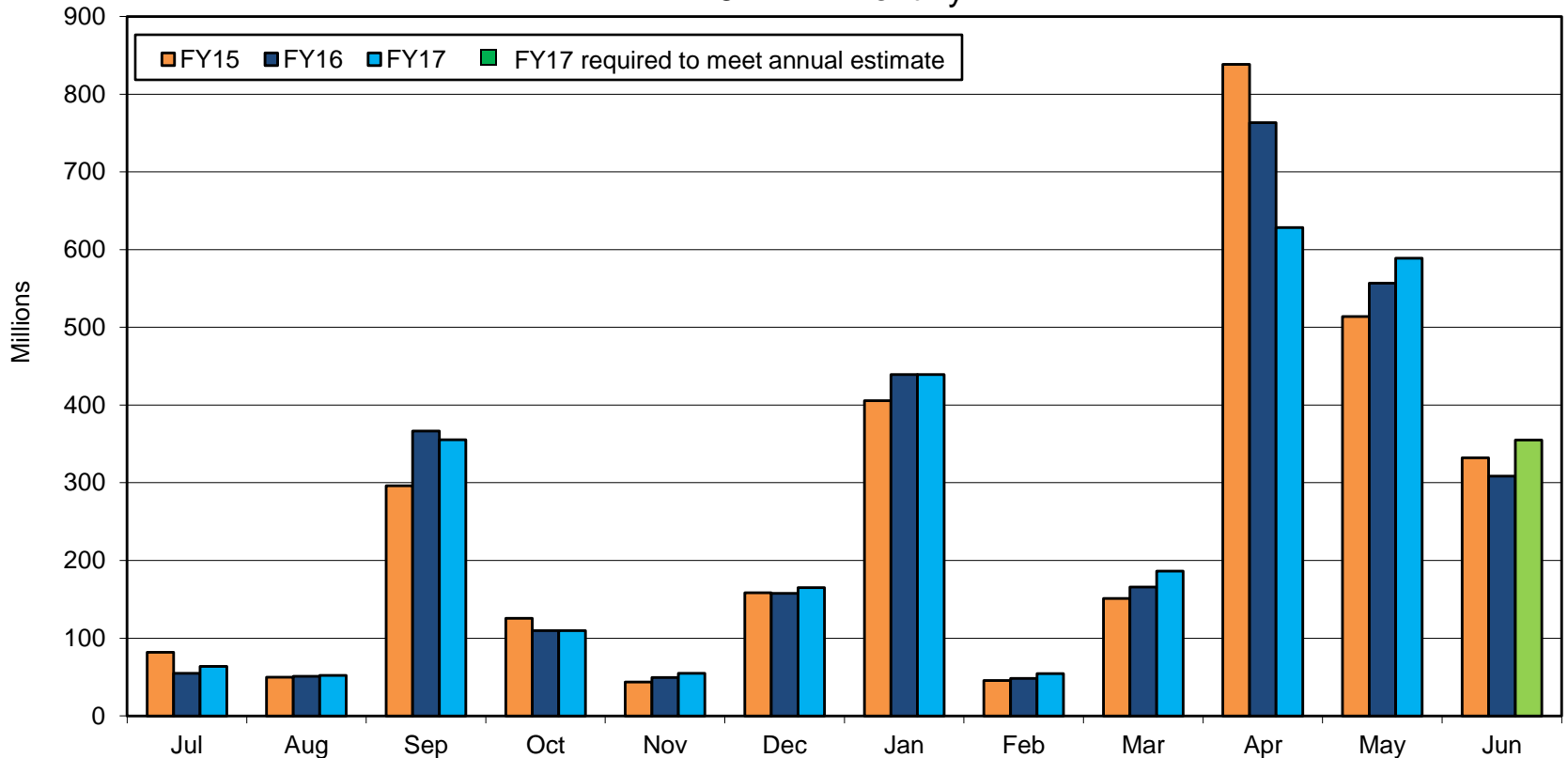


Monthly Growth:

- Collections of payroll withholding taxes increased 8.2 percent in May due to one additional deposit day.
- Year-to-date, withholding collections increased 5.1 percent compared with the same period last year, ahead of the projected annual growth rate of 3.6 percent.

Nonwithholding Tax Collections

FY15-FY17 Monthly



- To date, roughly 89 percent of the nonwithholding forecast has been collected, and collections decreased 2.2 percent from the same period last year, behind the annual estimate of a 0.7 percent decline.
- April-May payments decreased 7.8 percent (\$102.8 million) this year compared to last year.

Individual Income Tax Refunds

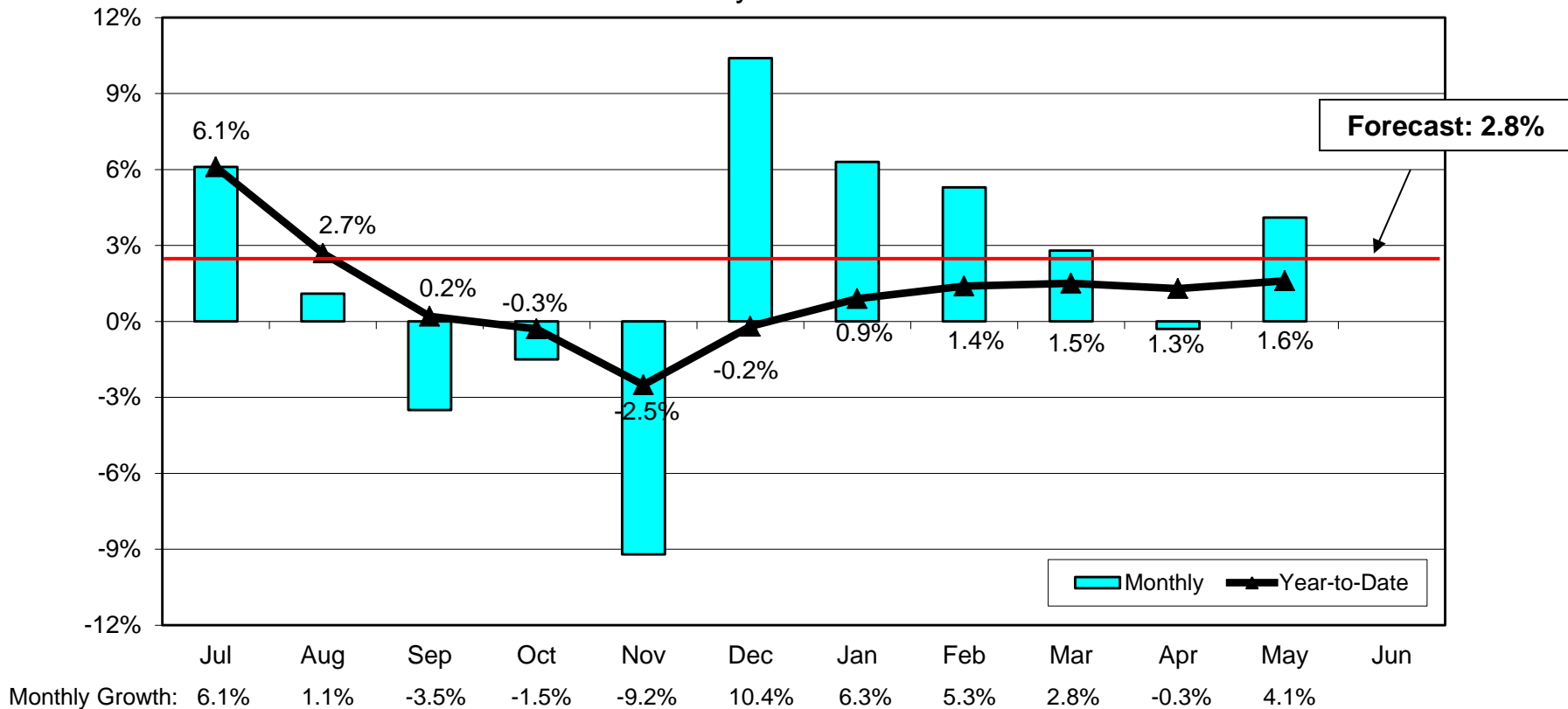
- As the main filing season winds down, \$179.0 million in refunds were issued in May as compared with \$125.3 million last May.
- Year-to-date, refunds increased 1.1 percent from the same period last year, as compared to the estimate of a 1.5 percent increase.
 - Since the filing season began in January, TAX has issued 2.5 million refunds, about 49,000 less than last year (2.0 percent), and the average check size is up about 7.0 percent.

Net Individual Income Tax

- Through May, collections of net individual income tax rose 3.9 percent from the same period last year, ahead of the annual estimate of 2.9 percent growth.

Growth in Sales Tax Collections

FY17 Monthly and Year-to-Date



- Collections of sales and use taxes, reflecting mainly April sales, increased 4.1 percent in May.
- On a year-to-date basis, collections increased 1.6 percent, behind the annual estimate of 2.8 percent growth.
 - Adjusting for AST program, sales tax collections increased 1.6 percent through May, behind the economic-base forecast of a 2.8 percent increase.

Net Corporate Income Tax Collections

- This is not a significant month.
- On a year-to-date basis, collections in this source have increased 7.5 percent, ahead of the estimate of 3.8 percent growth.

Recordation Tax Collections

- Collections of wills, suits, deeds, and contracts – mainly recordation tax collections – increased 12.0 percent in May.
 - On a year-to-date basis, collections are up 8.3 percent, ahead of the forecast of 8.0 percent growth.

Insurance Premiums Tax

- This is not a significant month.
- For the fiscal year to-date, net insurance premiums tax collections are \$219.5 million compared with \$220.9 million during the same period last year.

Summary of Fiscal Year 2017 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	63.1 %	5.1 %	3.6 %	1.5 %	(12.3) %	1.0 %
Nonwithholding	16.4	(2.2)	(0.7)	(1.5)	12.8	(7.1)
Refunds	(10.0)	1.1	1.5	(0.4)	11.8	(5.1)
Net Individual	69.6	3.9	2.9	1.0	(7.2)	(0.9)
Sales	18.2	1.6	2.8	(1.2)	9.5	2.3
Corporate	4.3	7.5	3.8	3.7	(10.5)	(6.9)
Wills (Recordation)	2.1	8.3	8.0	0.3	5.6	3.2
Insurance	1.9	(0.6)	1.5	(2.1)	5.5	13.7
All Other Revenue	3.9	4.8	1.1	3.7	(13.5)	8.9
Total	100.0 %	3.7 %	2.9 %	0.8 %	(3.2) %	0.7 %

Sales (x AST)	1.6 %	2.8 %	(1.2) %	15.1 %	2.0 %
Total (x AST)	3.7 %	2.9 %	0.8 %	(3.1) %	0.7 %

Summary of Fiscal Year 2017 Revenue Collections

July through May

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
2016	18,040.1	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	15,883.0	18,040.1
Average	14,323.8	910.9	1,919.9	3,303.9	4,360.9	5,366.1	6,739.8	8,174.7	8,909.1	9,831.1	11,271.0	12,666.4	14,323.8
% of Total	100.0%	6.4%	13.4%	23.1%	30.4%	37.5%	47.1%	57.1%	62.2%	68.6%	78.7%	88.4%	100.0%
2017													
Chaper 836	18,561.0	1,128.1	2,495.9	4,211.3	5,500.4	6,890.2	8,651.3	10,576.8	11,548.5	12,934.7	14,697.5	16,472.7	
% of Estimate		6.1%	13.4%	22.7%	29.6%	37.1%	46.6%	57.0%	62.2%	69.7%	79.2%	88.7%	0.0%

Next Significant Data Points

- June
 - Individual, corporate and insurance companies have estimated payments due June 15th.
 - AST payments are due June 30th and when combined with the final deposit day for payroll withholding, represents deposits of over \$300 million in general fund revenue.