



# Revenue Update

## *A Briefing for the House Appropriations Committee*

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# Current Economic Conditions

## National Economy

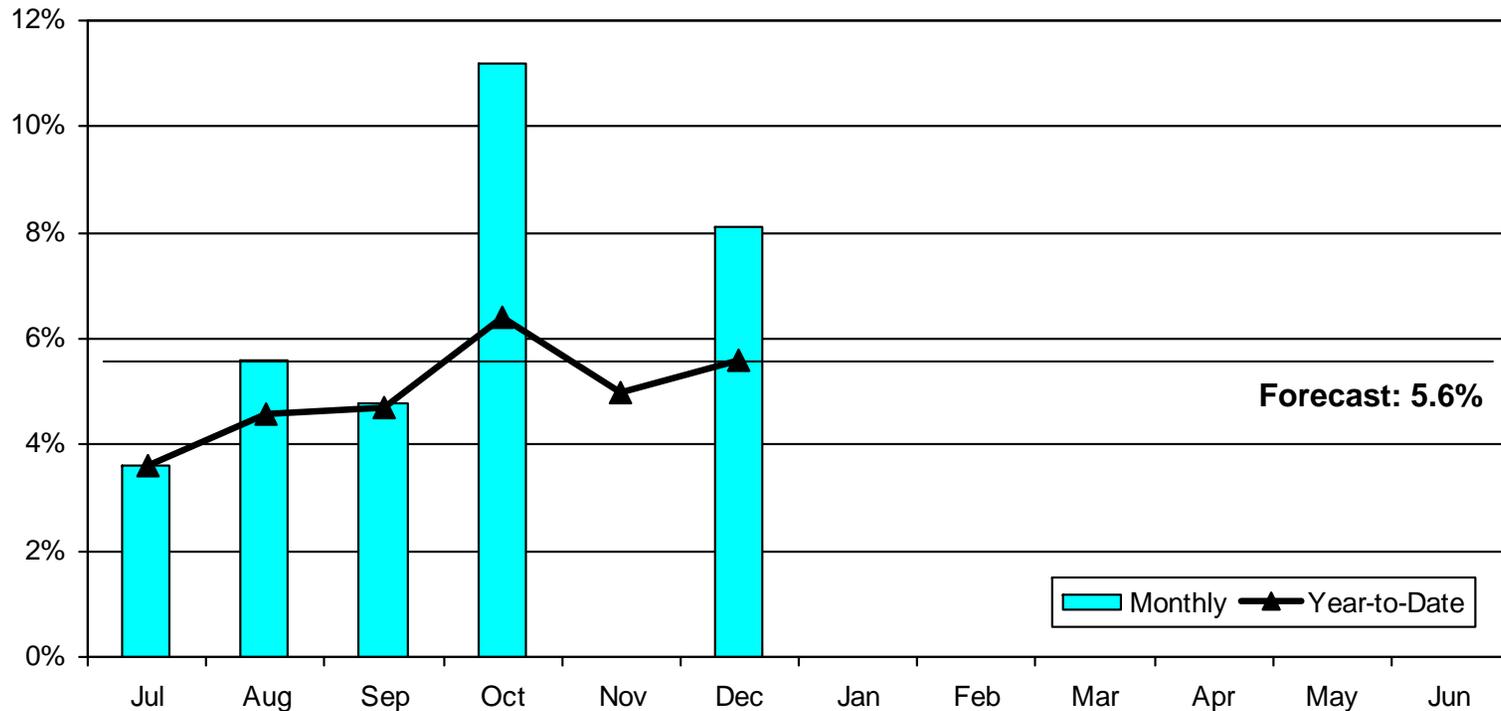
- Moody's Economy.com estimates the probability of a recession at 50 percent, while Global Insight assigns a 40 percent probability.
- Payroll employment grew by only 18,000 jobs in December and the unemployment rate rose from 4.7 to 5.0 percent.
- The Institute of Supply Management index fell for its sixth consecutive decline and is at its lowest level since 2003.
- Most of the nation's major retailers have reported disappointing sales for December.
- The Federal Reserve lowered the federal funds rate by 25 basis points to 4.25 percent on December 11.
  - Chairman Bernanke recently pledged “substantive additional action” to insure against “downside risks”.

## Current Economic Conditions

### Virginia Economy

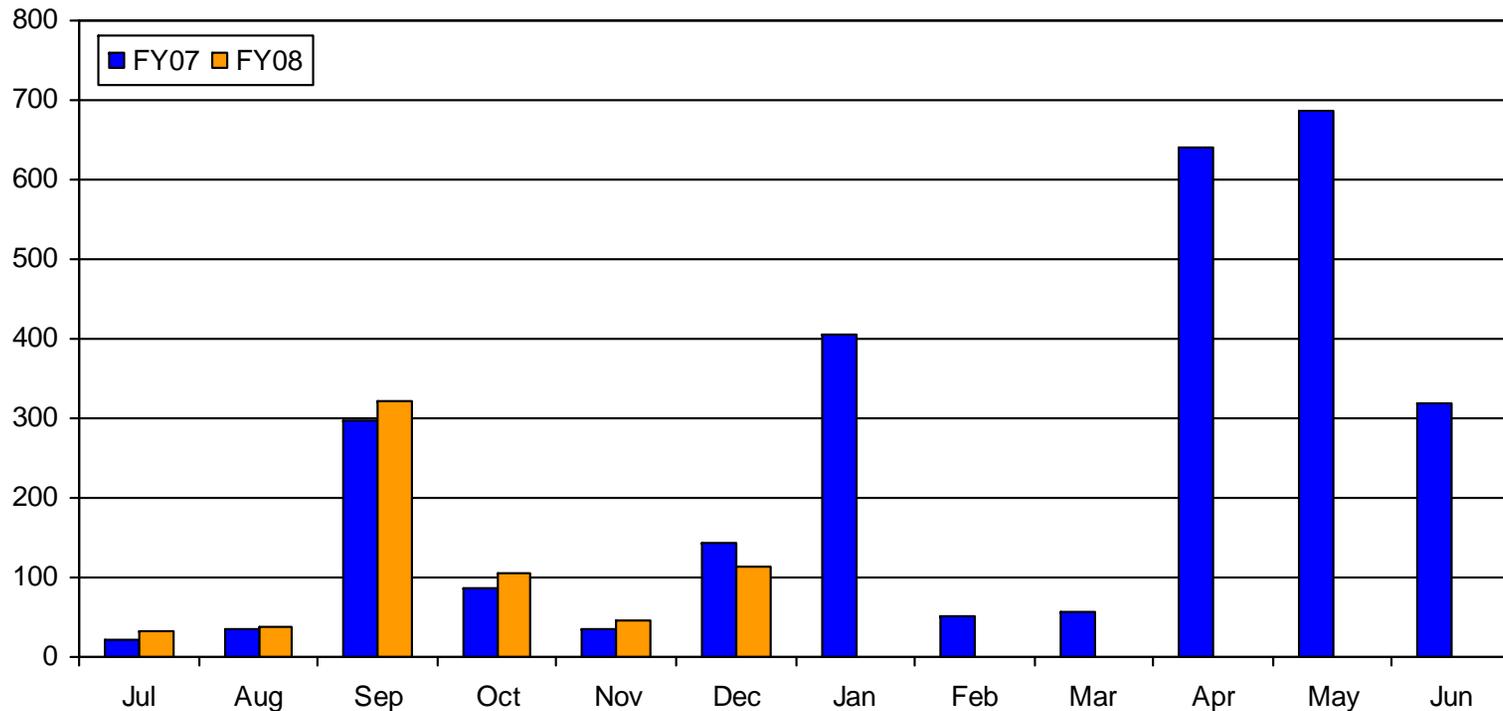
- Job growth in Virginia continued at a moderate pace in November, increasing 1.7 percent. Most major metro areas continue to show modest growth.
- The unemployment rate continues to reflect tight labor market conditions. The current 3.0 percent unemployment rate is significantly below the national rate of 5.0 percent.
- The Virginia leading index fell 0.4 percent in November, its fourth consecutive decline. All three components of the index contributed to the drop in November.
  - Auto Registrations
  - Building Permits
  - Initial Unemployment Claims

## Growth in Withholding Tax Collections FY08 Monthly and Year-to-Date



- Collections of payroll withholding taxes grew 8.1 percent in December.
- Year-to-date withholding growth is 5.6 percent, equal to the projected annual growth rate.

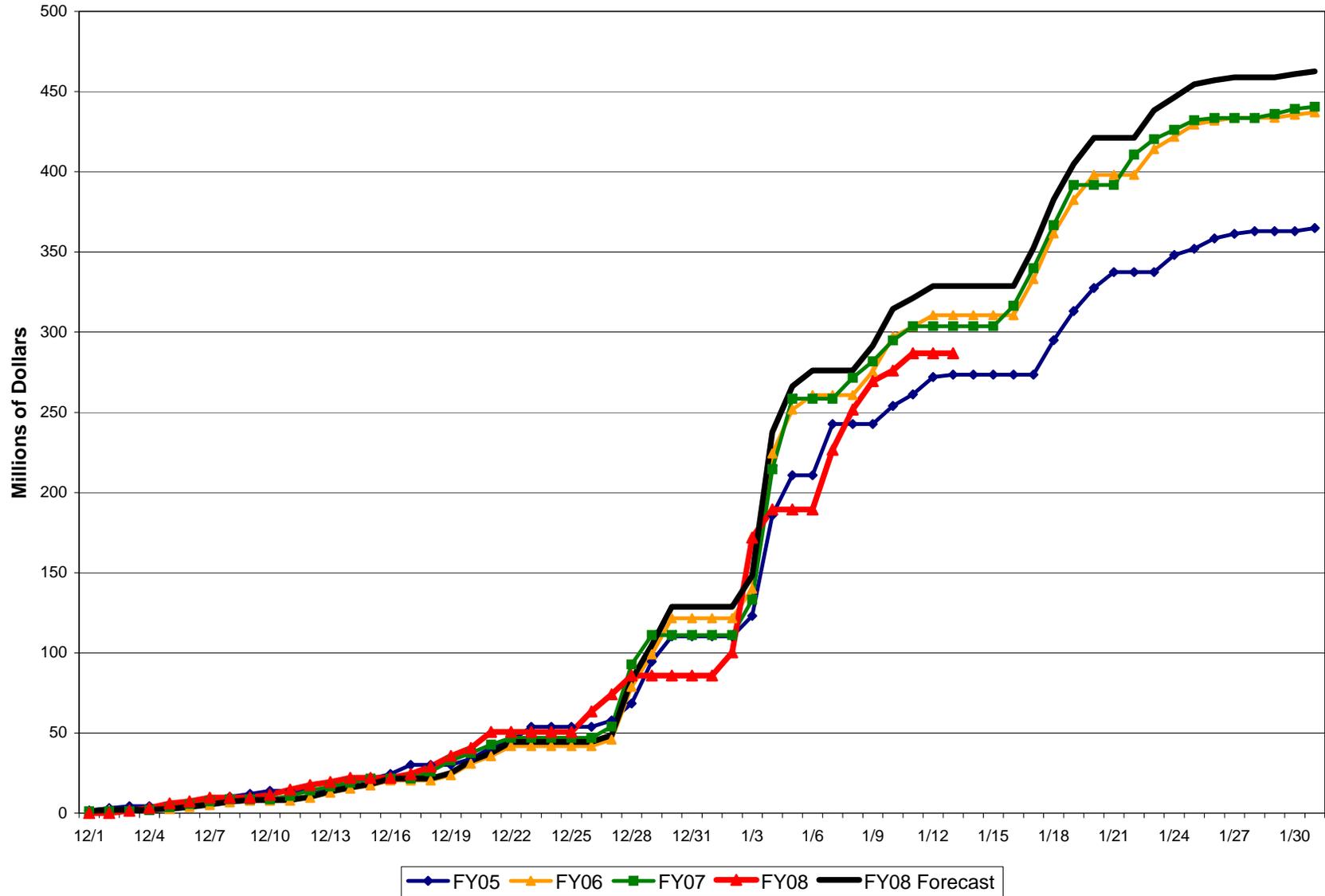
## Nonwithholding Tax Collections FY07 and FY08 Monthly



- Collections of nonwithholding fell 21.4 percent from December of 2006. Year-to-date, collections in this source are 5.3 percent above the same period last year, lagging the estimate of a 10.0 percent increase.
- Since the fourth quarterly estimated payment is not due until January, December and January collections must be analyzed together in order to get a clear picture of revenue growth in this source.

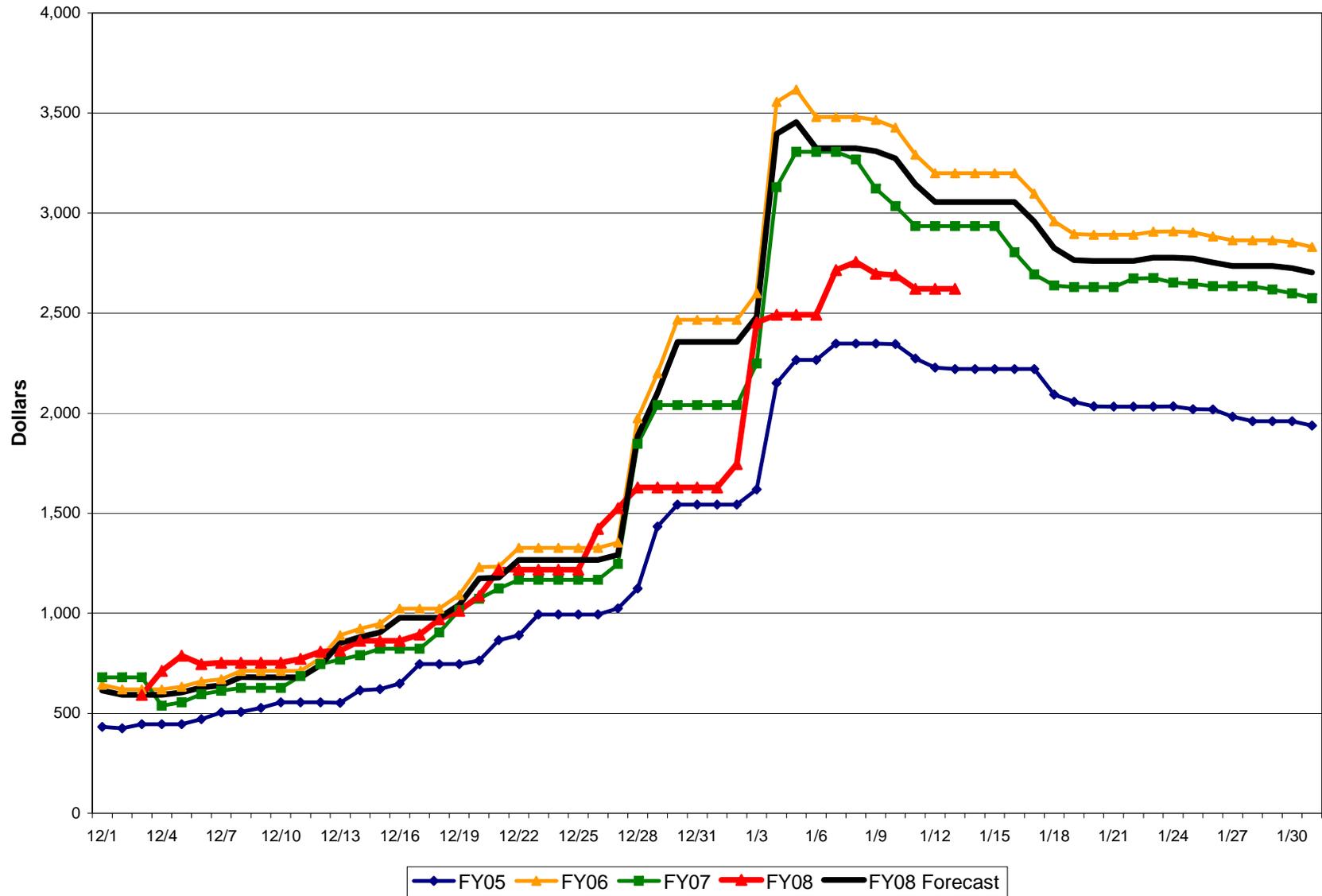
# Cumulative Individual Deposit Total

## December to January

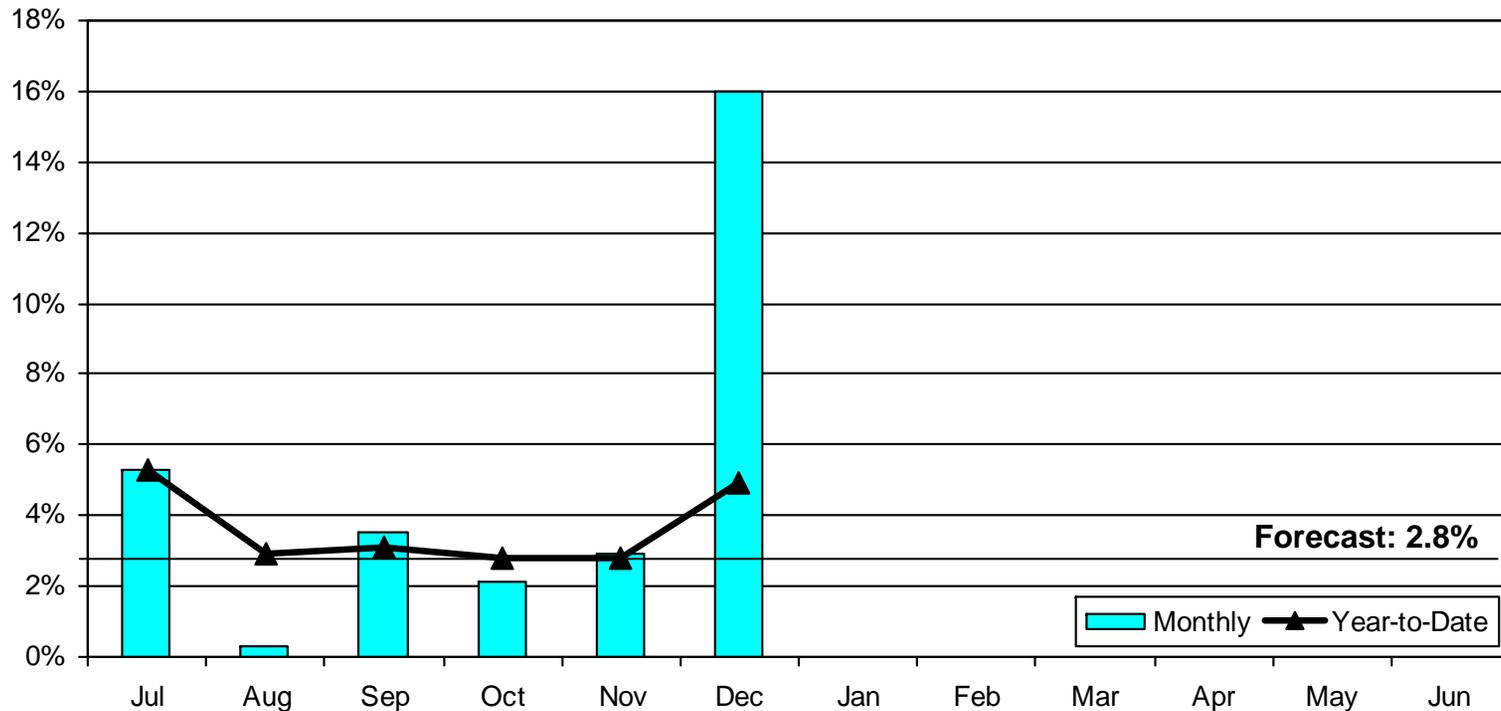


# Cumulative Individual Average Check Size

## December to January

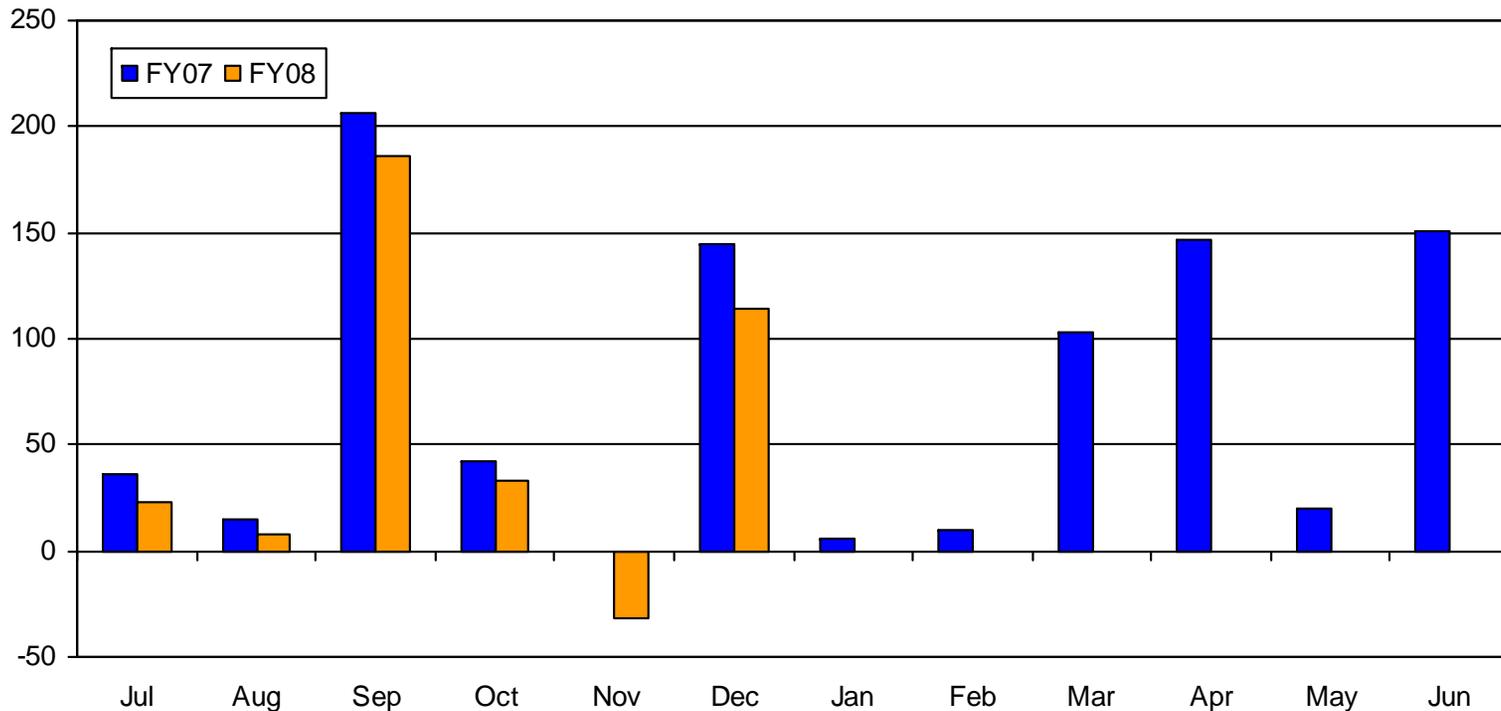


## Growth in Sales Tax Collections FY08 Monthly and Year-to-Date



- Collections of sales and use taxes, reflecting November sales, grew 16.0 percent in December.
- On a year-to-date basis, collections of sales and use taxes have increased 4.9 percent, ahead of the forecast of 2.8 percent growth.

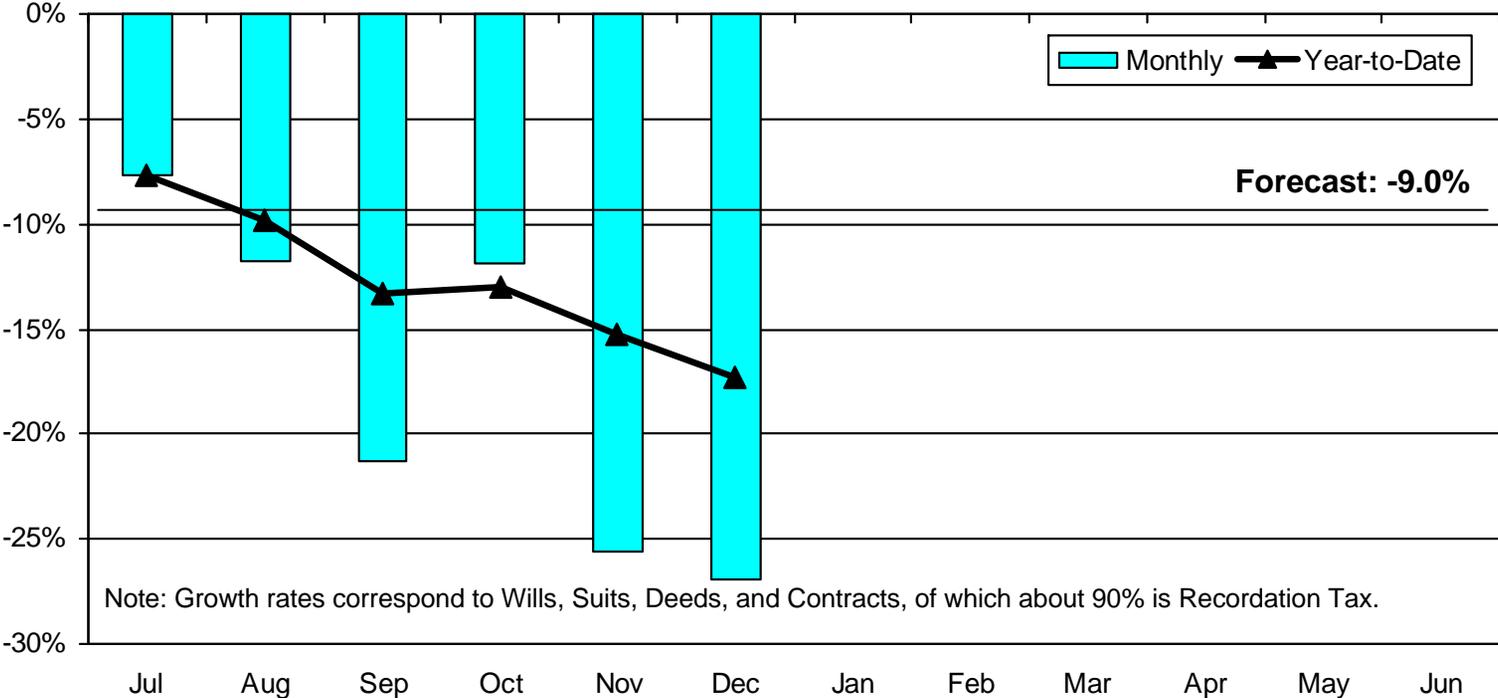
## Net Corporate Income Tax Collections FY07 and FY08 Monthly



- During the first half of the year, TAX issued \$120.0 million in corporate refunds compared with \$65.8 million during the same period last year.
- On a year-to-date basis, collections have fallen 24.9 percent from the same period last year, behind expectations of a 15.0 percent decline.

# Growth in Recordation Tax Collections

FY08 Monthly and Year-to-Date

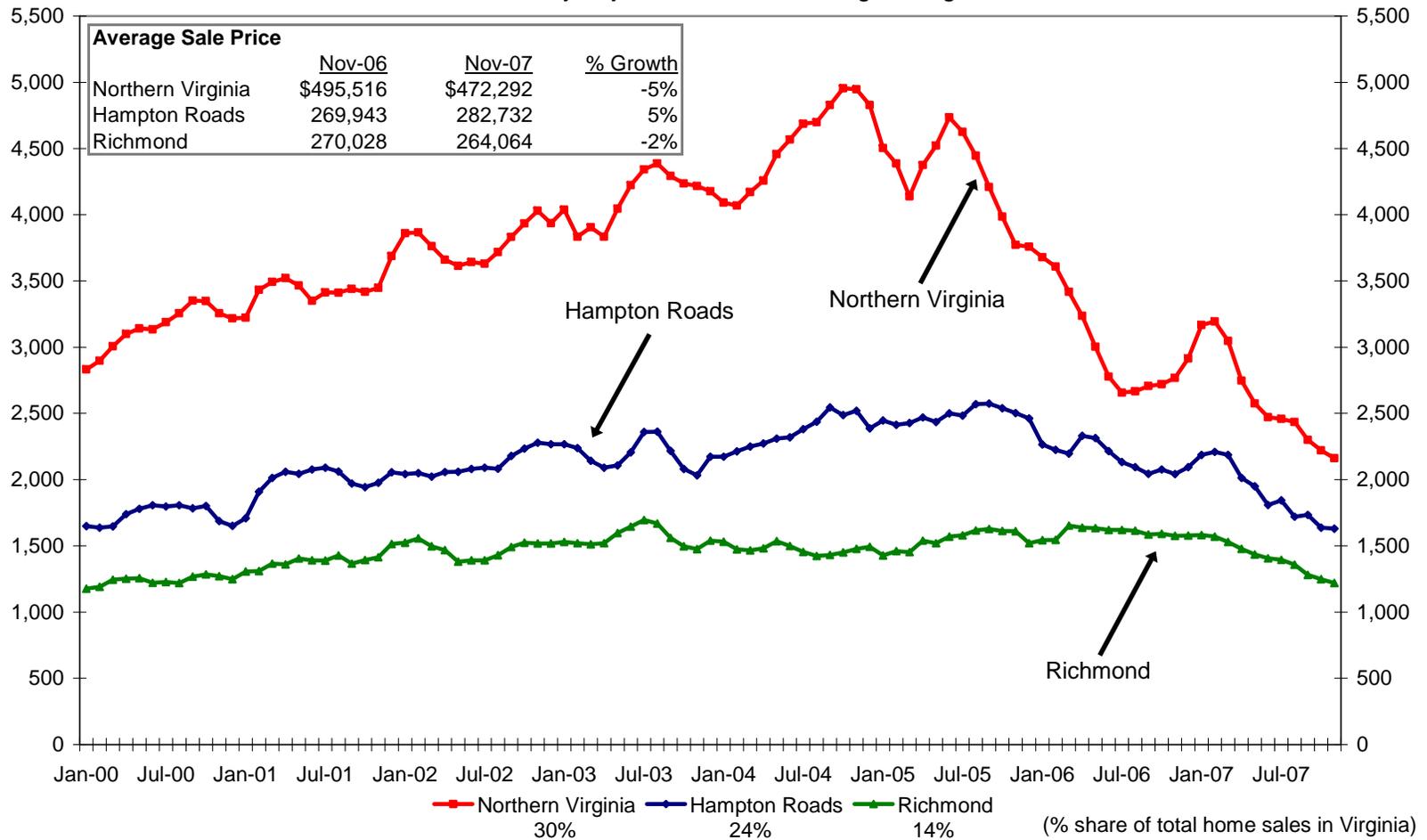


- Recordation tax collections fell 26.9 percent in December as the housing market continued to slow.
- On a year-to-date basis, collections declined 17.3 percent from last year, compared with the estimate of a 10.7 percent annual decline.

## Pending Home Sales in Northern Virginia, Hampton Roads, and Richmond

Levels

Seasonally-adjusted 3-month moving average



- Pending home sales in the three major metropolitan areas, representing about 70% of total recordation taxes, are down 20% from prior year levels.

## Summary of Fiscal Year 2008 Revenue Collections

July through December

<u>Major Source</u>	As a % of Total <u>Revenues</u>	Percent Growth over Prior Year		
		<u>YTD Actual</u>	<u>December 2007 Estimate</u>	<u>Variance</u>
Withholding	56.2 %	5.6 %	5.6 %	0.0 %
Nonwithholding	19.0	5.3	10.0	(4.7)
Refunds	(10.4)	3.4	7.7	(4.3)
Net Individual	64.8	5.6	6.5	(0.9)
Sales	19.5	4.9	2.8	2.1
Corporate	4.6	(24.9)	(15.0)	(9.9)
Wills (Recordation)	3.2	(17.3)	(10.7)	(6.6)
Insurance	2.5	9.3	4.8	4.5
All Other Revenue (a)	5.3	7.4	(2.6)	10.0
<b>Total (a)</b>	<b>100.0 %</b>	<b>2.9 %</b>	<b>3.3 %</b>	<b>(0.4) %</b>

(a) Adjusted for quarterly interest earnings of nongeneral funds that will be transferred in January. Not adjusted for the transfer, all other revenue growth is 13.5 percent and total general fund revenue growth is 3.2 percent.