



Revenue and Budget Update

A Briefing for the House Appropriations Committee

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National and State Economic Indicators

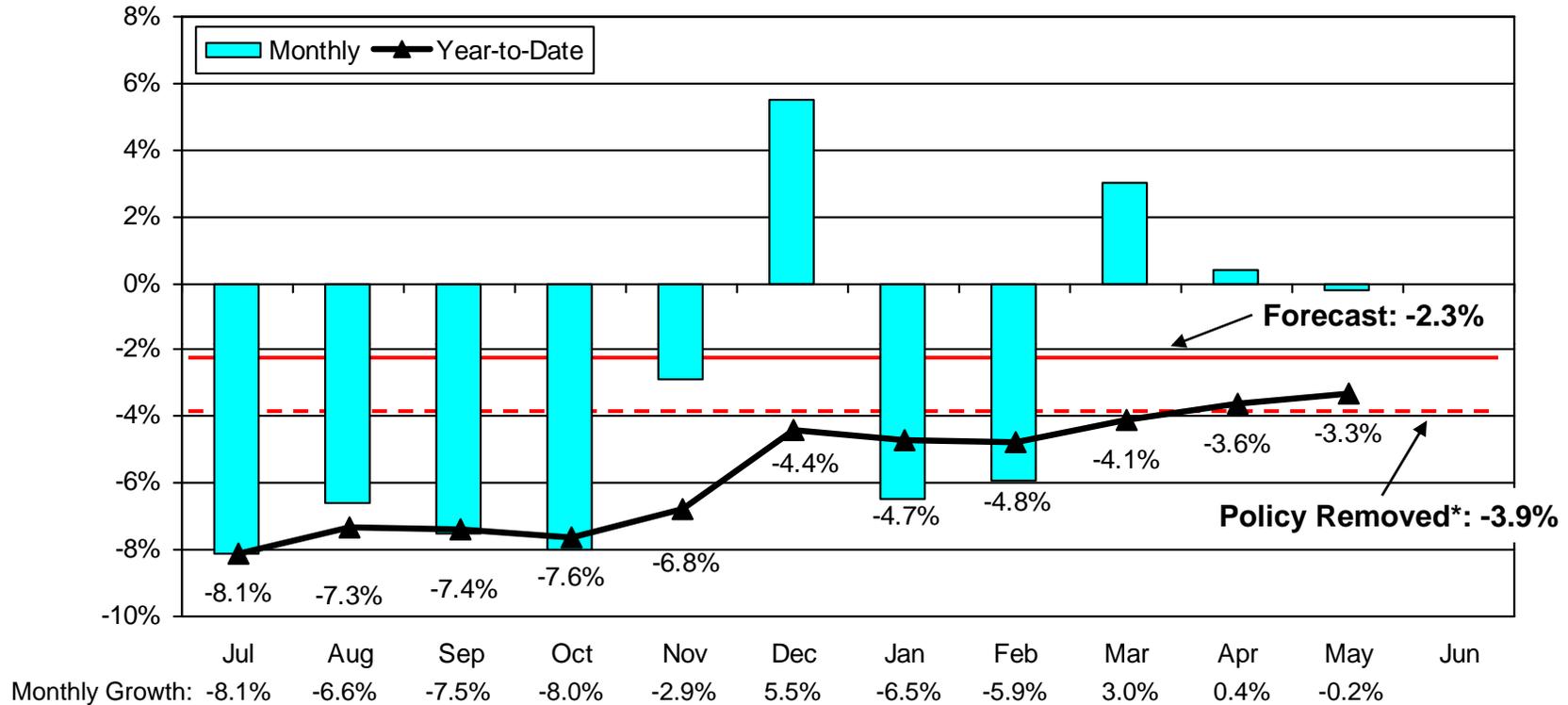
- Current national indicators depict an expanding economy, although growth – particularly in the labor market – is expected to remain weak.
- According to the second estimate, real GDP grew 3.0 percent at an annualized rate in the first quarter of 2010, its third consecutive increase.
- The labor market stalled in May after two months of solid gains. Although payroll employment grew by 431,000 jobs in May, 411,000 were temporary federal census jobs.
 - This follows gains of 290,000 in April and 208,000 in March.
- The national unemployment rate fell by 0.2 to 9.7 percent in May as the labor force contracted.
- In Virginia, the year-over-year percent change in employment remains negative; however, the rate of job losses continues to slow. Payroll employment in the Commonwealth fell 0.5 percent in April from April of last year.
 - Northern Virginia posted a modest gain of 0.7 percent, Hampton Roads fell 0.9 percent, and Richmond-Petersburg fell 1.9 percent from April of last year.
- The unemployment rate in Virginia fell from 7.6 percent to 6.7 percent in April, significantly below the peak of 7.8 percent in February (the highest rate since February 1983).

National and State Economic Indicators

- The manufacturing sector continues to expand. The Institute of Supply Management index fell slightly from 60.4 to 59.7, marking the tenth consecutive month above the expansionary threshold of 50.0.
- The Conference Board's index of leading indicators fell for the first time in more than a year in April, declining 0.1 percent to 109.3.
 - The slight decline in the index suggests that the recovery will continue at a slower pace.
- The Conference Board's index of consumer confidence jumped 5.6 points in May, following a 5.4 gain in April and a 5.9 gain in March.
 - Although the index reached its highest level since March 2008, the index remains at the very low level of 63.3 and is consistent with a recession.
- Inflation remains low – the CPI decreased 0.1 percent in April from the previous month.
 - Core inflation (excluding food and energy prices) was unchanged for the second consecutive month and stands 0.9 percent above April of last year.
- The Virginia Leading Index rose 0.2 percent in April. Two of the three components contributed to the increase – auto registrations and building permits. Initial claims for unemployment increased 5.1 percent, contributing negatively to the index.
 - The Leading Index rose in eight of the eleven Virginia metro areas in April, with the exception of Hampton Roads, Bristol, and Harrisonburg.

Growth in Total General Fund Revenue Collections

FY10 Monthly and Year-to-Date

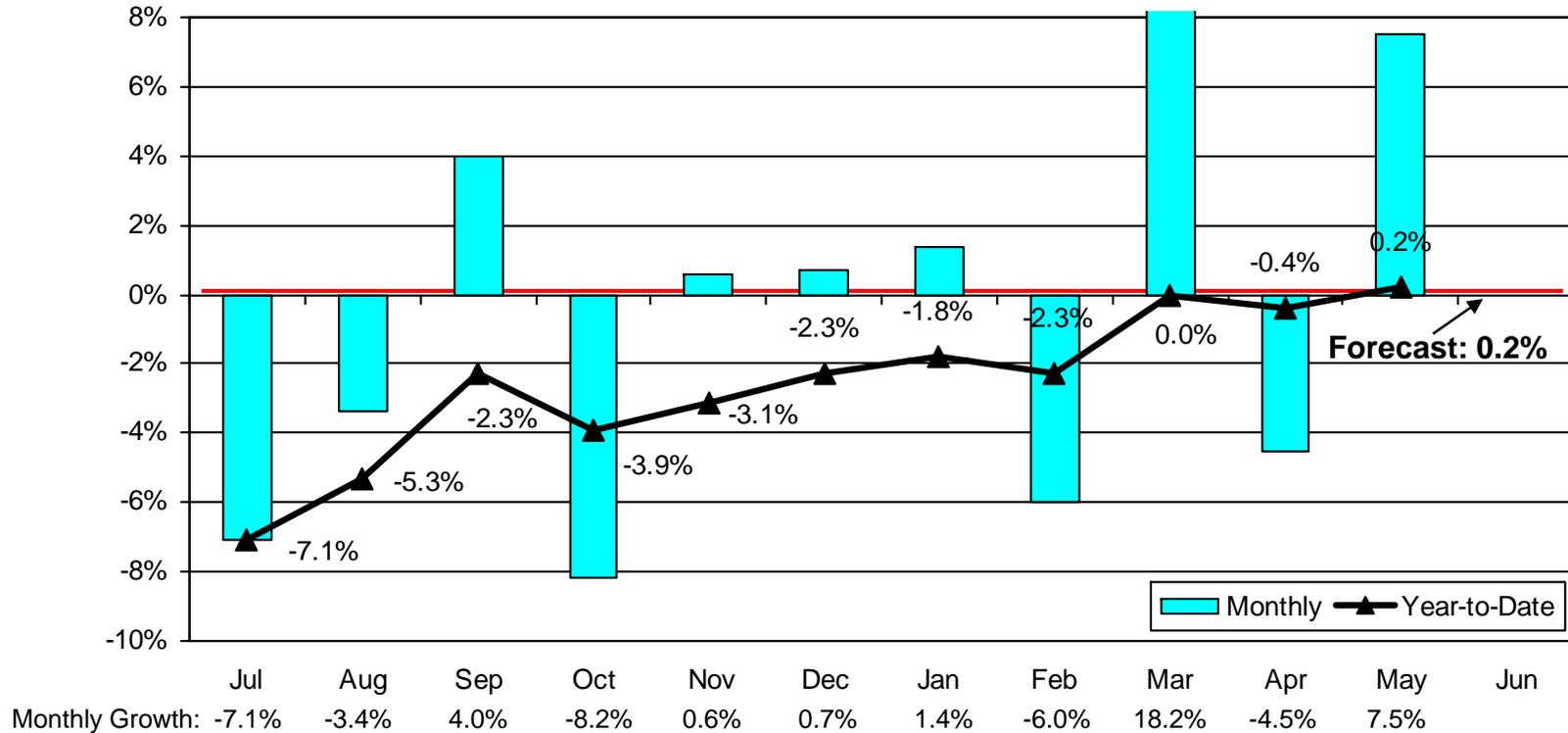


- Total general fund revenue collections fell 0.2 percent in May.
- On a year-to-date basis, total revenues fell 3.3 percent, trailing the revised annual forecast of a 2.3 percent decline.

* Major policy adjustment is the June accelerated sales tax program.

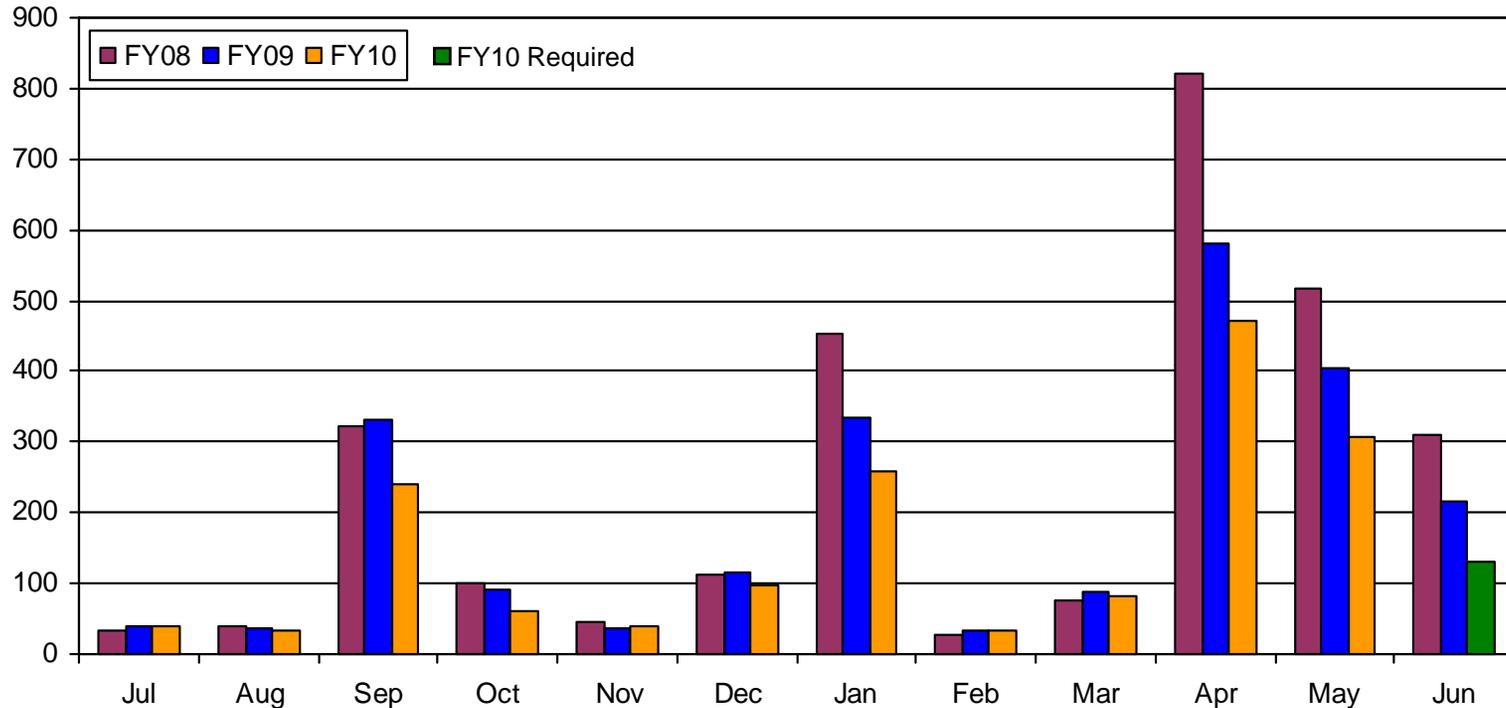
Growth in Withholding Tax Collections

FY10 Monthly and Year-to-Date



- Collections of payroll withholding taxes grew 7.5 percent in May.
- Year-to-date withholding collections grew 0.2 percent compared with the same period last year, equal to the projected annual growth rate.

Nonwithholding Tax Collections FY08-FY10 Monthly



- Taken together, nonwithholding collections in April and May were down 20.8 percent over the same period last year.
- Estimated payments are due in June and \$131.4 million is needed to meet the annual estimate. Last year, \$217.1 million was received in June.

Individual Income Tax Refunds

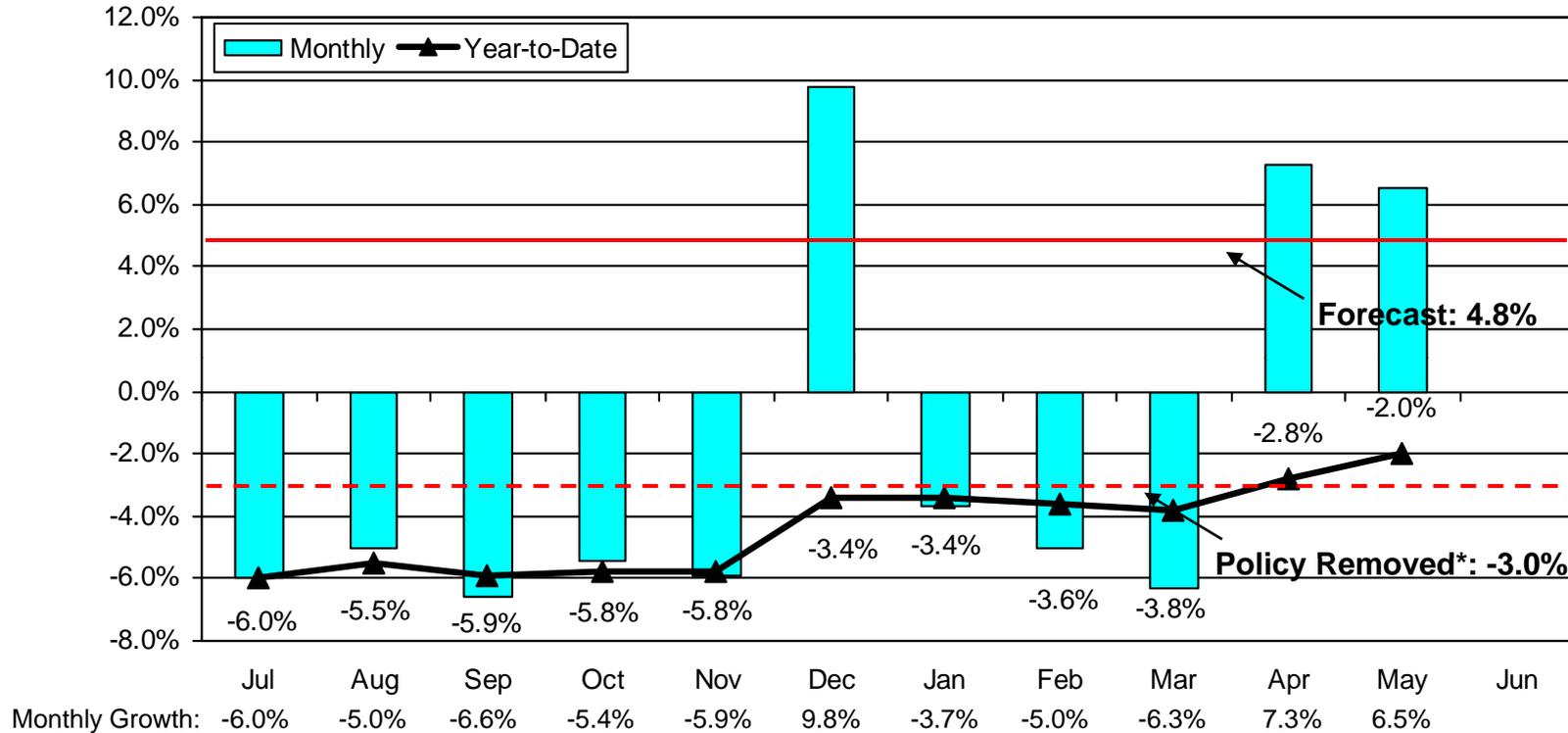
- Through May, TAX issued \$1.9 billion in refunds compared with \$1.8 billion in the same period last year, a 3.6 percent increase, compared with the revised annual estimate of a 2.0 percent increase.
- TAX can issue another \$97.0 million in refunds in June and meet the annual estimate. Last year, \$124.2 million was issued in June.

Net Individual Income Tax

- Through May, collections of net individual income tax fell 5.4 percent from the same period last year, close to the revised annual estimate of a 5.5 percent decline.

Growth in Sales Tax Collections

FY10 Monthly and Year-to-Date



- Collections of sales and use taxes, reflecting April sales, rose 6.5 percent in May, after a 7.3 percent increase in April.
- On a year-to-date basis, collections have fallen 2.0 percent, slightly ahead of the policy-adjusted forecast of a 3.0 percent decline.

* Major policy adjustment is the June accelerated sales tax program.

Net Corporate Income Tax Collections

- Year-to-date collections are up 27.2 percent from the same period last year, ahead of the annual estimate of 12.8 percent growth.
- The second estimated payment for tax year 2010 is due June 15. About \$82 million is needed to meet the annual forecast in this source. Last year, \$138.0 million was collected in June.

Recordation and Insurance Premiums Tax

Recordation

- On a year-to-date basis, collections are down 6.6 percent, close to the forecast of a 4.9 percent decline.

Insurance

- On a year-to-date basis, collections of insurance premiums tax have increased 3.3 percent, ahead of the revised annual estimate of a 4.9 percent decline.

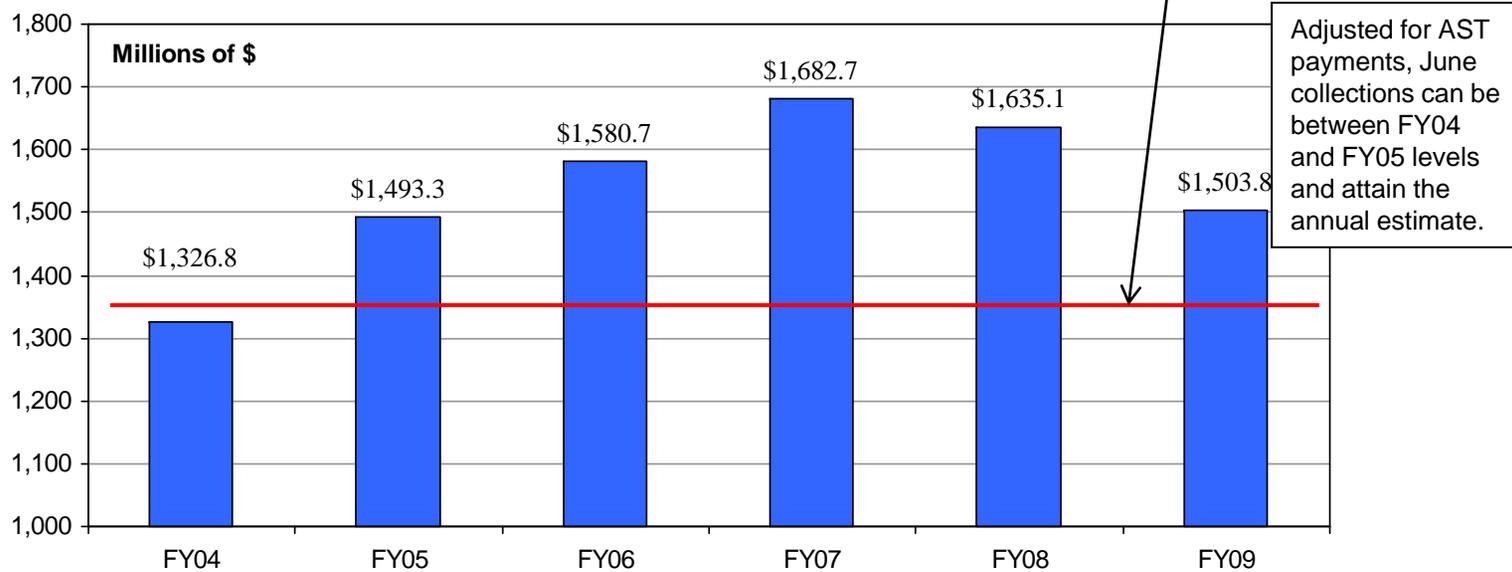
Summary of Fiscal Year 2010 Revenue Collections

July through May

<u>Major Source</u>	As a % of Total <u>Revenues</u>	Percent Growth over Prior Year		
		<u>YTD Actual</u>	<u>Official Estimate</u>	<u>Variance</u>
Withholding	65.4 %	0.2 %	0.2 %	0.0 %
Nonwithholding	13.0	(19.7)	(21.5)	1.8
Refunds	(14.3)	3.6	2.0	1.6
Net Individual	64.1	(5.4)	(5.5)	0.1
Sales	21.8	(2.0)	4.8	(6.8)
Corporate	5.2	27.2	12.8	14.4
Wills (Recordation)	2.1	(6.6)	(4.9)	(1.7)
Insurance	1.7	3.3	(4.9)	8.2
All Other Revenue	5.1	(5.0)	0.0	(5.0)
Total	100.0 %	(3.3) %	(2.3) %	(1.0) %

June Collections Required to Meet Annual Estimate

<u>Fiscal Year 2010</u>		<u>\$ in Millions</u>
General Fund Revenue Forecast		\$ 13,988.6
Year-to-Date May Collections		12,394.4
<u>Projected June AST Payments</u>		<u>227.7</u>
June Collections Required to Meet Estimate	\$	1,366.5



* FY04 and FY05 have AST payments removed.

Next Steps

- CARS Preliminary FY10 Revenue Report – July 9, 2010
- CARS Final FY10 Revenue Report – July 27, 2010
- Presentation to Joint Money Committees – August 19, 2010