



Economic and Revenue Update

A Briefing for the House Appropriations Committee

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

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Topics for Discussion

- National and State Economic Indicators
- April Year-to-Date Revenue Collections, Fiscal Year 2011

National and State Economic Indicators

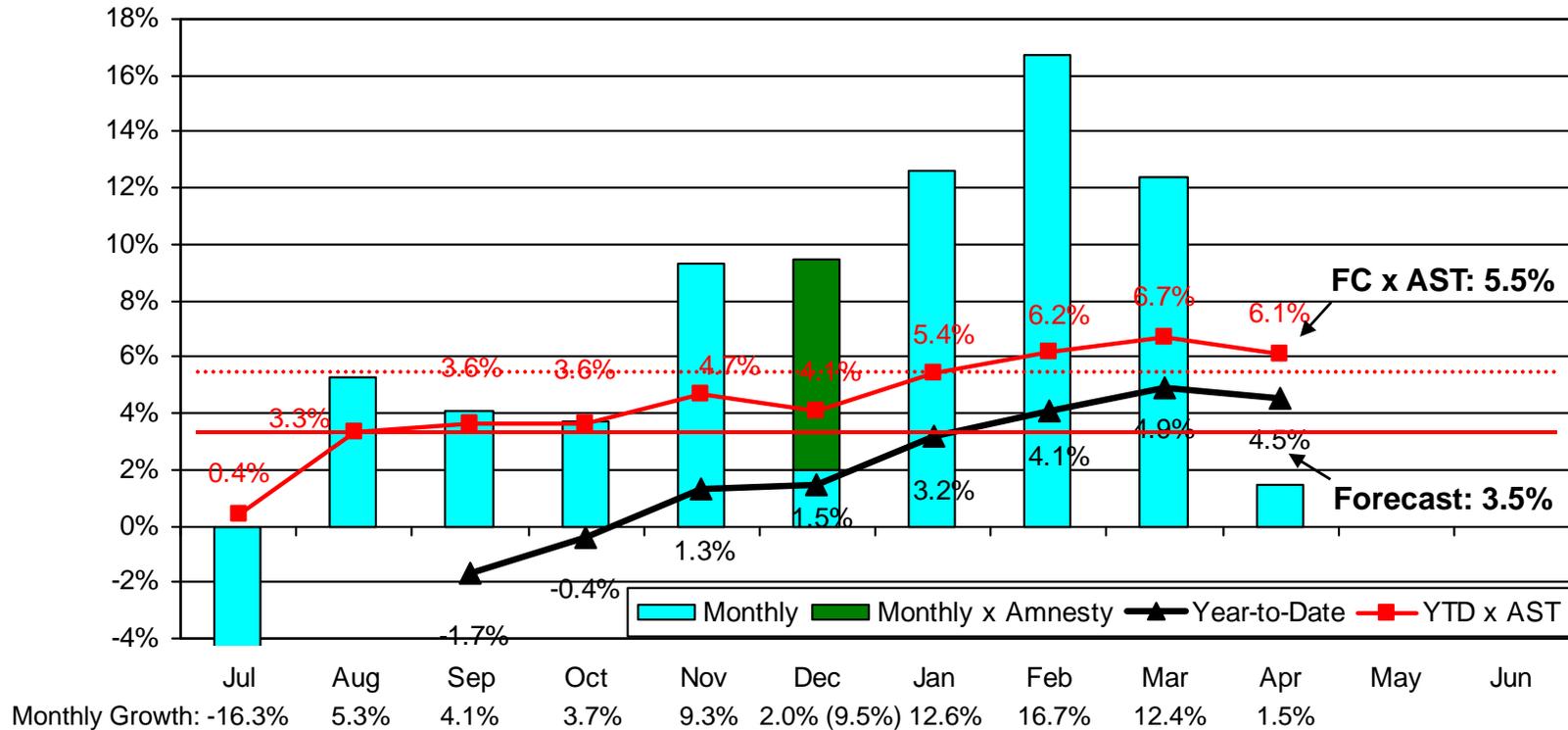
- According to the advance estimate, real GDP grew 1.8 percent at an annualized rate in the first quarter of 2011, down from 3.1 percent in the fourth quarter of 2010.
 - This marked the seventh consecutive quarter of growth.
- Labor market conditions significantly improved in April. Payroll employment rose by 244,000 jobs in April and the March and February numbers were revised up by 55,000.
 - April marked the seventh consecutive monthly increase in employment.
- The national unemployment rate increased to 9.0 percent in April.
- In Virginia, employers have added jobs in eight of the last nine months. In March, payroll employment rose 1.1 percent from March of last year.
 - Compared with March of last year, Northern Virginia posted a gain of 1.4 percent, Hampton Roads fell 0.1 percent, and Richmond-Petersburg grew 0.4 percent.
- Initial claims for unemployment fell by 44,000 to 434,000 during the week ending May 7, while the four-week moving average rose from 432,000 to 437,000.
 - The spike in the prior week was likely only temporary and related to auto plant shutdowns due to Japan-related supply shortages.

National and State Economic Indicators

- According to RealtyTrac, foreclosure filings for March declined 35 percent from March 2010, with one in every 191 U.S. housing units receiving a foreclosure notice during the month.
 - In Virginia, filings declined 29 percent from a year ago, with one in every 323 households receiving a foreclosure notice.
- The saving rate stayed flat at 5.5 percent in March – it has been above 5 percent for two years.
- The manufacturing sector softened in April as the Institute of Supply Management index fell from 61.2 to 60.4. Although activity slowed, the index has remained above 60 for four consecutive months.
- The Conference Board's index of leading indicators rose 0.4 percent in March, the ninth consecutive monthly increase.
- The Conference Board's index of consumer confidence rose from 63.8 to 65.4 in April.
- The CPI increased 0.5 percent in March from the previous month and stands 2.7 percent above March of last year.
 - Core inflation (excluding food and energy prices) rose 0.1 percent in March, and has increased 1.2 percent from March 2010.

Growth in Total General Fund Revenue Collections

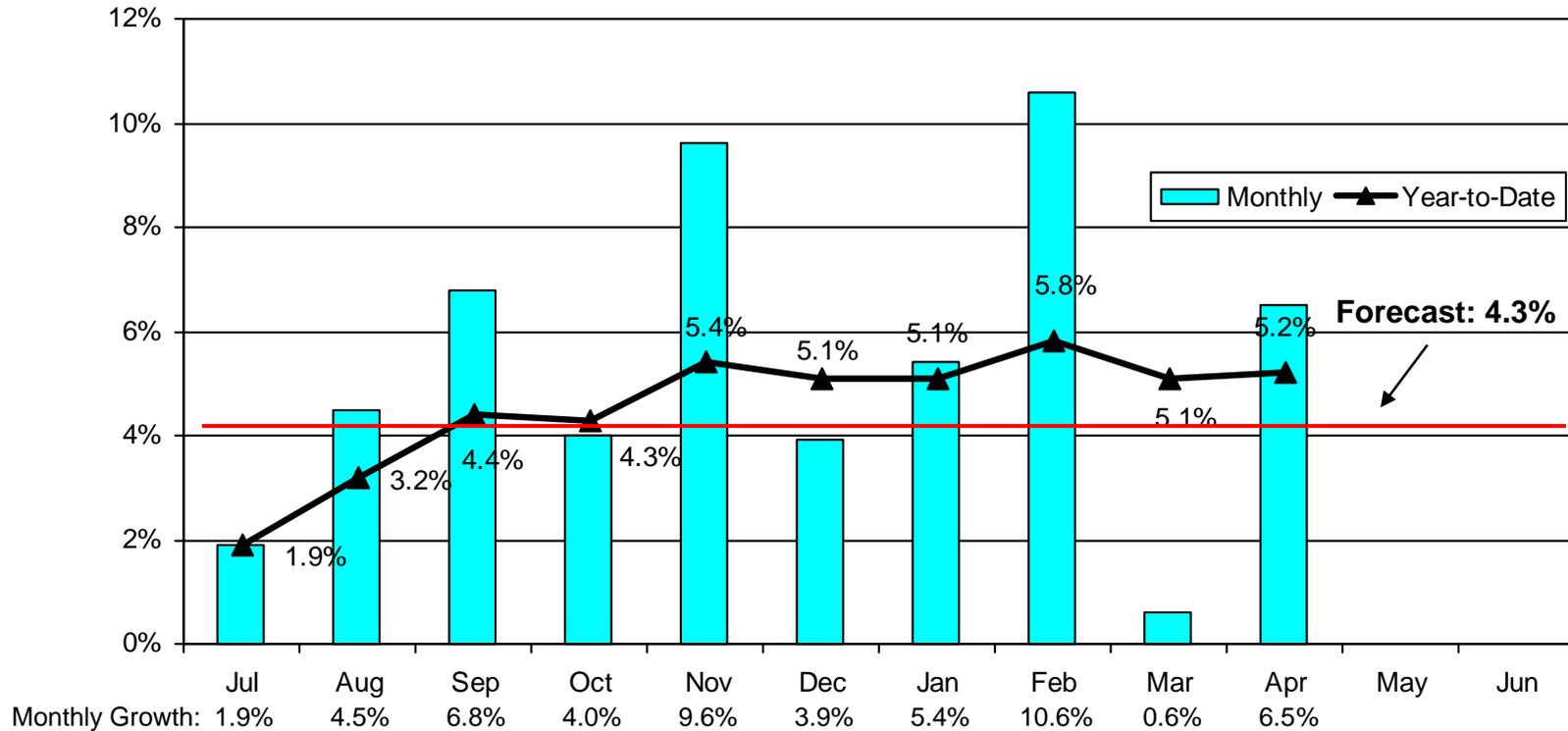
FY11 Monthly and Year-to-Date



- Total general fund revenue collections rose 1.5 percent in April.
- On a year-to-date basis, total revenue collections rose 4.5 percent, slightly ahead of the revised annual forecast of 3.5 percent growth.
 - Adjusting for the accelerated sales tax program in June 2010, total revenues grew 6.1 percent through April, ahead of the economic-base forecast of 5.5 percent growth.

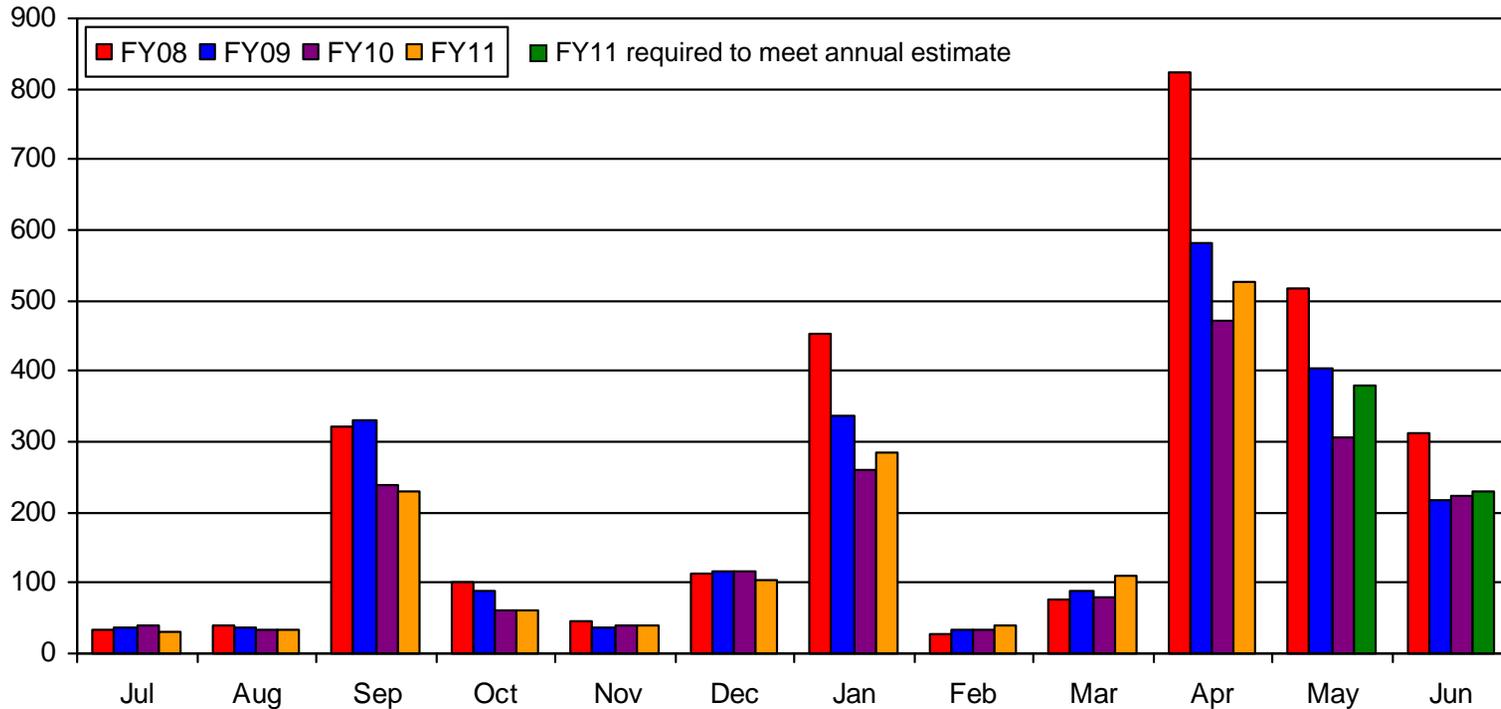
Growth in Withholding Tax Collections

FY11 Monthly and Year-to-Date



- Collections of payroll withholding taxes grew 6.5 percent in April, the twelfth consecutive month of growth in this source.
- Year-to-date, withholding collections grew 5.2 percent, ahead of the revised annual growth rate of 4.3 percent.

Nonwithholding Tax Collections FY08-FY11 Monthly



- To date, about 70 percent of the nonwithholding forecast has been collected, and collections during this period are 6.1 percent ahead of the same period last year, behind the revised annual estimate of 8.5 percent growth.
- The majority of the remaining collections in this source will occur in May, with both final payments for tax year 2010 and estimated payments for the current year due May 1.

Individual Income Tax Refunds

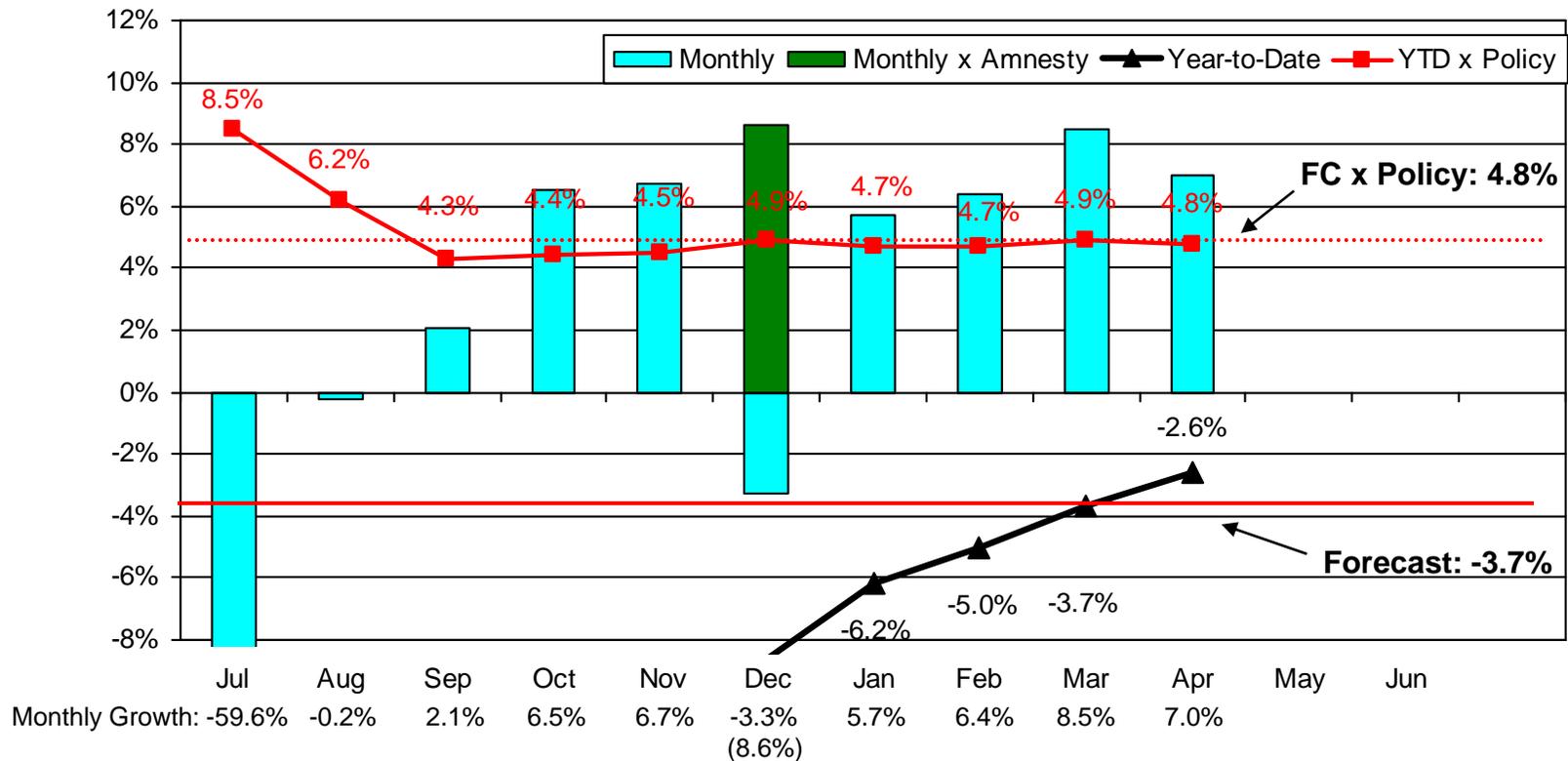
- As the main filing season continues, \$497.7 million in refunds were issued in April compared with \$464.5 million last April.
- Year-to-date, refunds are 4.3 percent behind the same period last year, and behind the estimate of a 4.9 percent decline.
 - For the filing season beginning January 1, TAX has issued 2.4 million refunds, about 50,000 more than the same period last year. The size of the average check is down 5 percent.

Net Individual Income Tax

- Through April, collections of net individual income tax rose 7.6 percent from the same period last year, slightly ahead of the annual estimate of 7.2 percent growth.

Growth in Sales Tax Collections

FY11 Monthly and Year-to-Date



- Collections of sales and use taxes, reflecting March sales, rose 7.0 percent in April. On a year-to-date basis, collections have fallen 2.6 percent, slightly ahead of the revised annual estimate of a 3.7 percent decline.
- Adjusting for the accelerated sales tax and other policy initiatives, including amnesty and the modified dealer discount, sales tax collections have grown by 4.8 percent year-to-date, matching the economic-base forecast of a 4.8 percent increase.

Net Corporate Income Tax

- Collections of corporate income tax were \$160.7 million in April, compared with \$219.4 million last April.
 - Last April's receipts included some large one-time payments related to mergers and acquisitions.
- On a year-to-date basis, collections in this source have decreased 0.2 percent, ahead of the revised annual estimate of a 4.9 percent decline.

Recordation Tax Collections

- Collections of wills, suits, deeds, and contracts – mainly recordation tax collections – fell 3.1 percent in April, the second consecutive month of decline in this source.
- On a year-to-date basis, collections are up 0.4 percent, ahead of the revised forecast of a 5.6 percent decline.

Insurance Premiums Tax

- Estimated payments from insurance companies for April were \$105.3 million compared with \$104.0 million in April of last year.
- For the fiscal year to-date, net insurance premiums tax collections have increased 11.1 percent, ahead of the annual estimate of a 6.0 percent increase.

Summary of Fiscal Year 2011 Revenue Collections

July through April

Percent Growth over Prior Year

<u>Major Source</u>	As a % of Total Revenues	<u>YTD Actual</u>	<u>Annual * Estimate</u>	<u>Variance</u>
Withholding	65.1 %	5.2 %	4.3 %	0.9 %
Nonwithholding	14.1	6.1	8.5	(2.4)
Refunds	(12.9)	(4.3)	(4.9)	0.6
Net Individual	66.2	7.6	7.2	0.4
Sales	20.2	(2.6)	(3.7)	1.1
Corporate	5.2	(0.2)	(4.9)	4.7
Wills (Recordation)	1.9	0.4	(5.6)	6.0
Insurance	1.9	11.1	6.0	5.1
All Other Revenue	4.7	(2.7)	(0.7)	(2.0)
Total	100.0 %	4.5 %	3.5 %	1.0 %
Sales (x AST, Amnesty, Dealer Discount)		4.8 %	4.8 %	0.0 %
Total (x AST)		6.1 %	5.5 %	0.6 %

* May 3, 2011 Official Forecast (Chapter 890)