



Economic and Revenue Update

A Briefing for the House Appropriations Committee

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Topics for Discussion

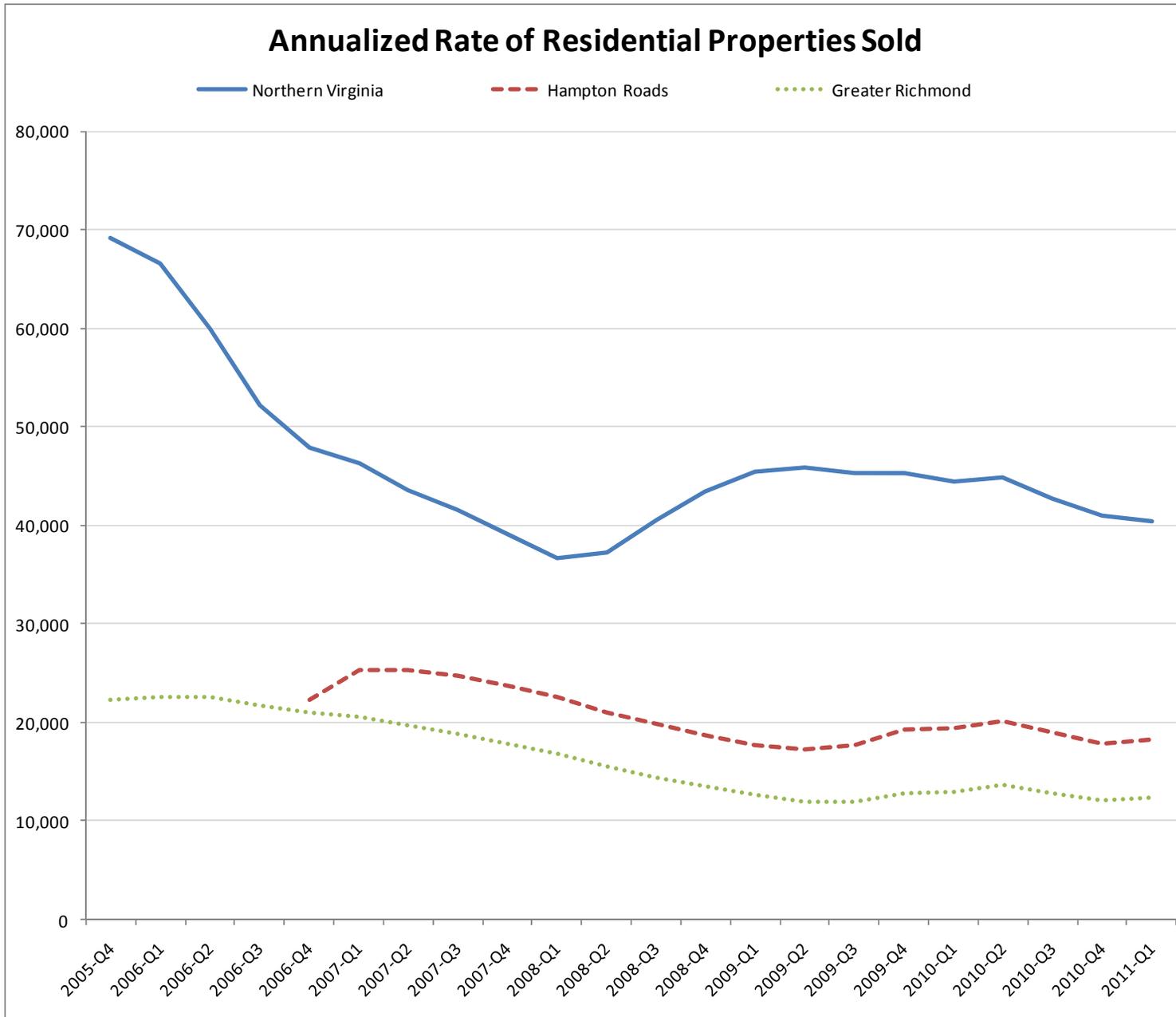
- National and State Economic Indicators
- May Year-to-Date Revenue Collections, Fiscal Year 2011

National and State Economic Indicators

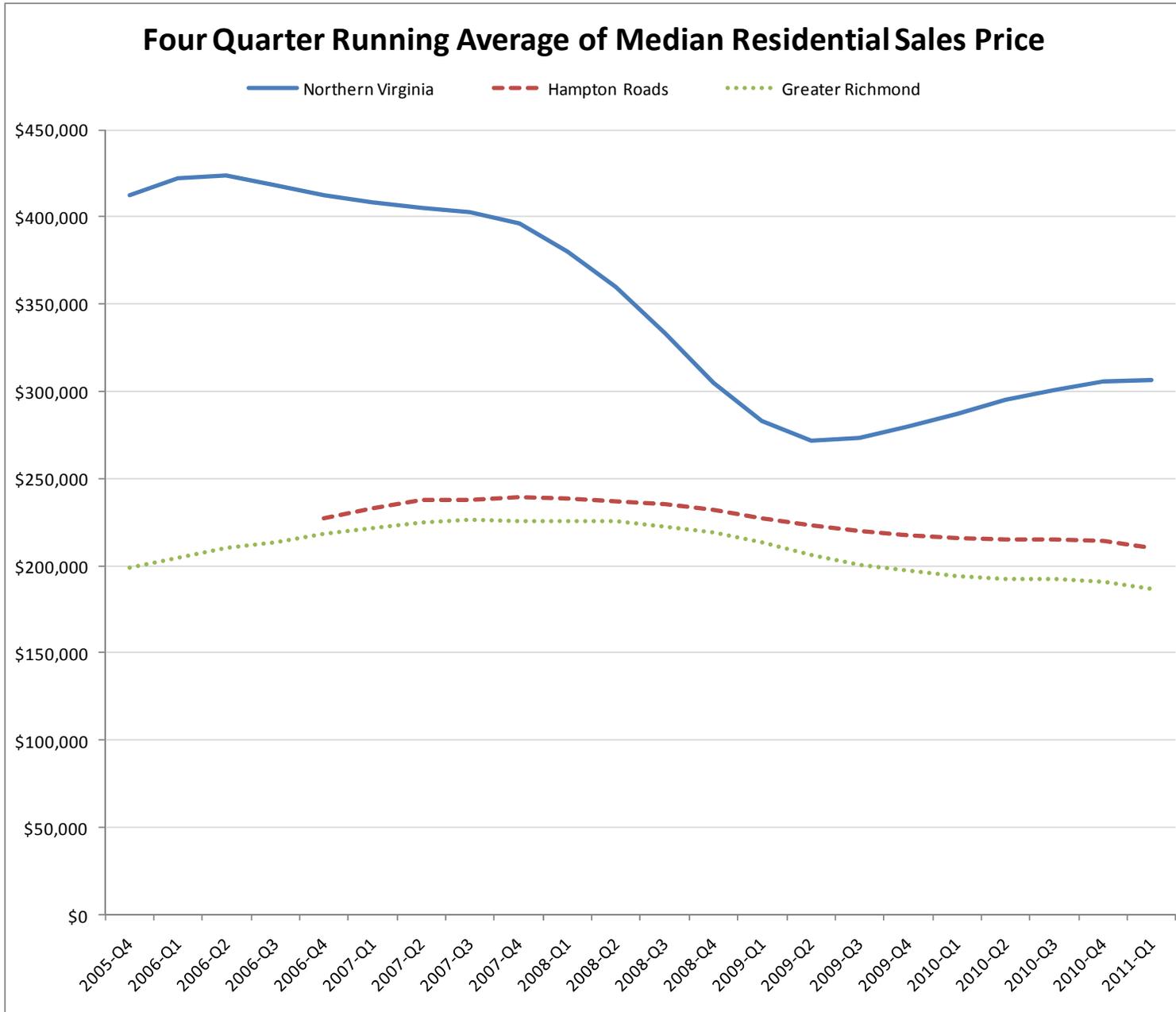
- According to the second estimate, real GDP grew 1.8 percent at an annualized rate in the first quarter of 2011, down from 3.1 percent in the fourth quarter of 2010.
 - This marked the seventh consecutive quarter of growth.
- Labor market conditions weakened in May. Payroll employment rose by only 54,000 jobs in May and the prior two months were revised down by 39,000.
 - May marked the eighth consecutive monthly job gain.
- The national unemployment rate increased to 9.1 percent in May.
- In Virginia, employers have added jobs in nine of the last ten months. In April, payroll employment rose 0.7 percent from April of last year.
 - Compared with April of last year, Northern Virginia posted a gain of 1.1 percent, Hampton Roads fell 0.2 percent, and Richmond-Petersburg fell 1.0 percent.
- Initial claims for unemployment rose by 1,000 to 427,000 during the week ending June 4, while the four-week moving average fell from 427,000 to 424,000.
- According to the Virginia Association of Realtors, sales of single family homes in Virginia increased 0.3 percent in the first quarter from the same period last year.
 - Foreclosures in Virginia dropped 20.8 percent.

National and State Economic Indicators

- According to RealtyTrac, U.S. foreclosure activity hit a 40-month low in April. Foreclosure filings for April declined 34 percent from April 2010, with one in every 593 U.S. housing units receiving a foreclosure notice during the month.
 - In Virginia, one in every 916 households received a foreclosure notice.
- The saving rate fell to 4.9 percent in April – it had been above 5 percent for two years.
- The manufacturing sector further slowed in May as the Institute of Supply Management index fell from 60.4 to 53.5, following four months above 60. The index remains in the expansionary range above 50.0.
- The Conference Board's index of leading indicators unexpectedly fell 0.3 percent in May, following nine consecutive monthly increases.
- The Conference Board's index of consumer confidence fell from 66.0 to 60.8 in May.
- The CPI increased 0.4 percent in April from the previous month and stands 3.2 percent above April of last year.
 - Core inflation (excluding food and energy prices) rose 0.2 percent in April, and has increased 1.3 percent from April 2010.



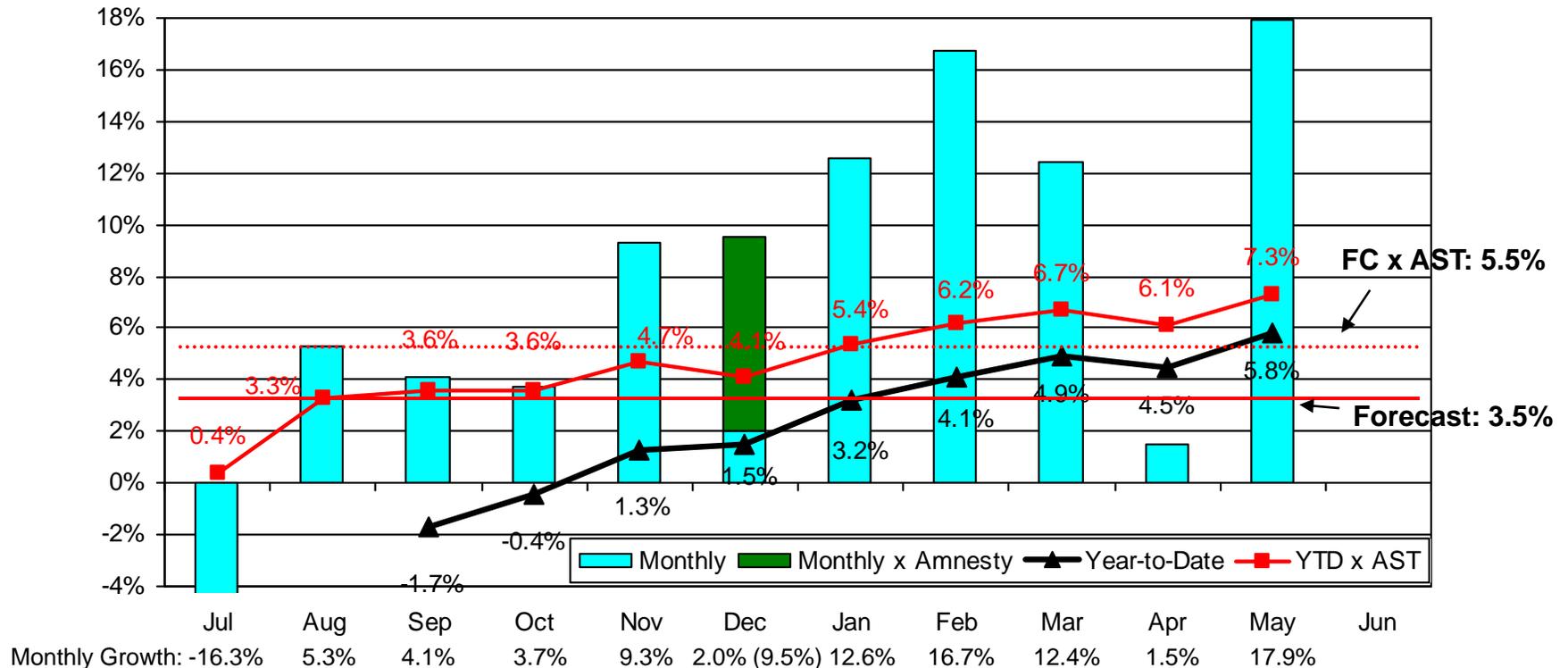
Source: Virginia Association of Realtors



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Growth in Total General Fund Revenue Collections

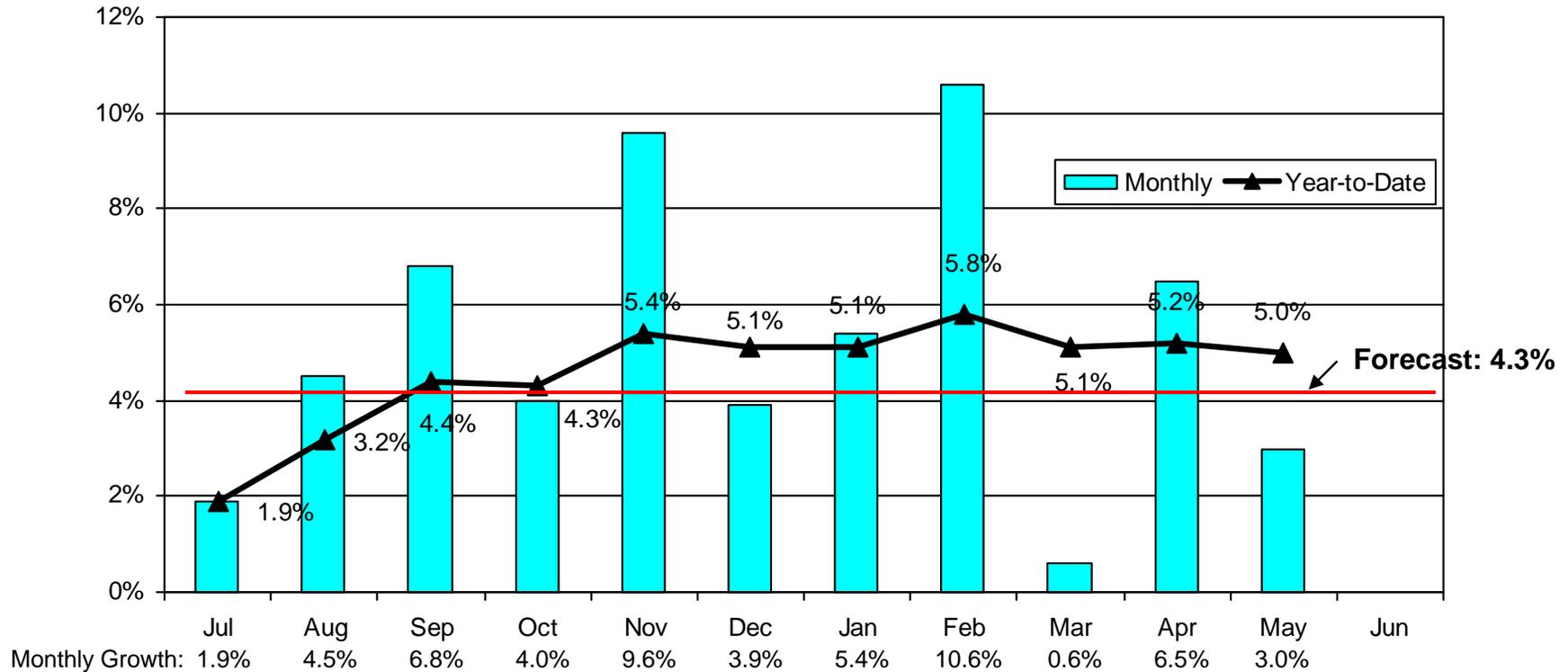
FY11 Monthly and Year-to-Date



- Total general fund revenue collections rose 17.9 percent in May.
- On a year-to-date basis, total revenue collections rose 5.8 percent, ahead of the revised annual forecast of 3.5 percent growth.
 - Adjusting for the accelerated sales tax program in June 2010, total revenues grew 7.3 percent through May, ahead of the economic-base forecast of 5.5 percent growth.

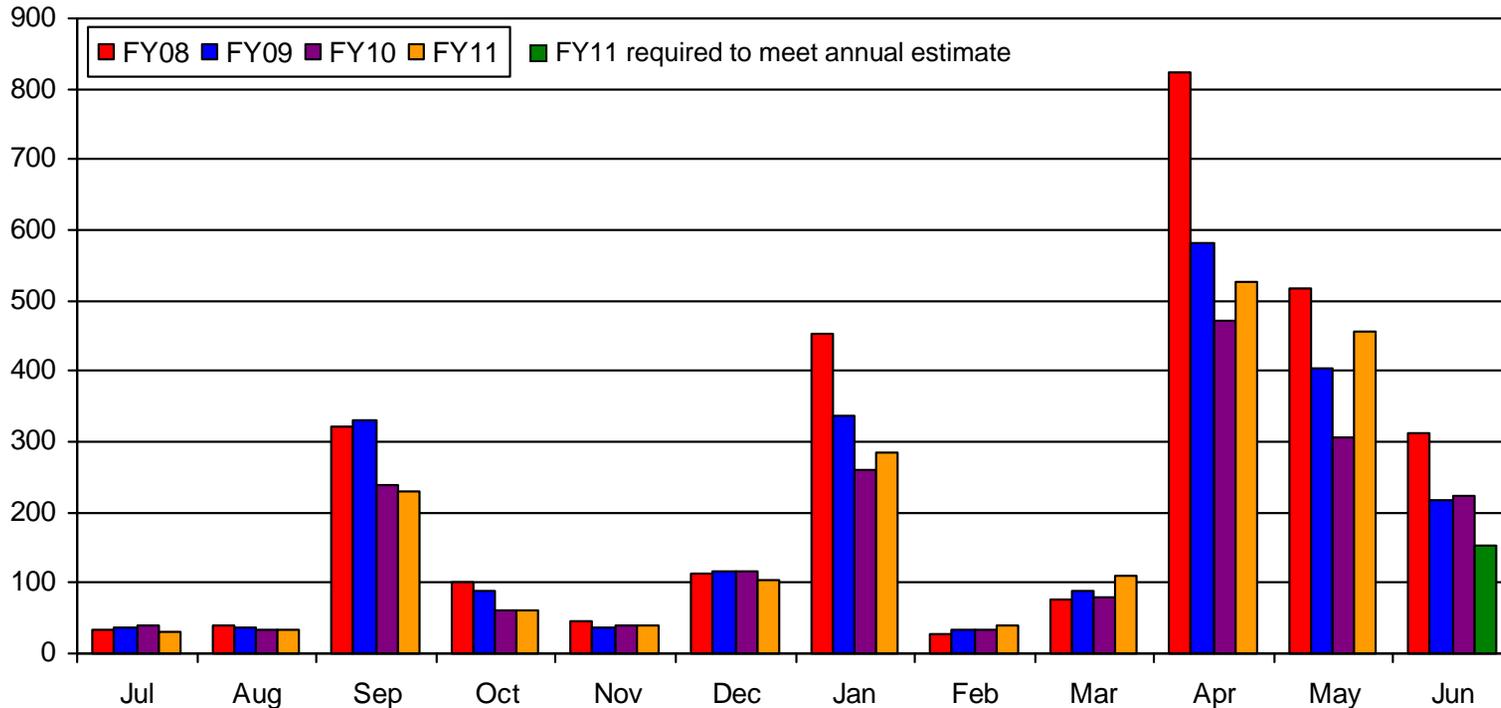
Growth in Withholding Tax Collections

FY11 Monthly and Year-to-Date



- Collections of payroll withholding taxes grew 3.0 percent in May, the thirteenth consecutive month of growth in this source.
- Year-to-date, withholding collections grew 5.0 percent, ahead of the revised annual growth rate of 4.3 percent.

Nonwithholding Tax Collections FY08-FY11 Monthly



- To date, about 93 percent of the nonwithholding forecast has been collected, and collections during this period are 13.9 percent ahead of the same period last year, ahead of the revised annual estimate of 8.5 percent growth.
- The final estimated payment for this fiscal year is due in June.

Individual Income Tax Refunds

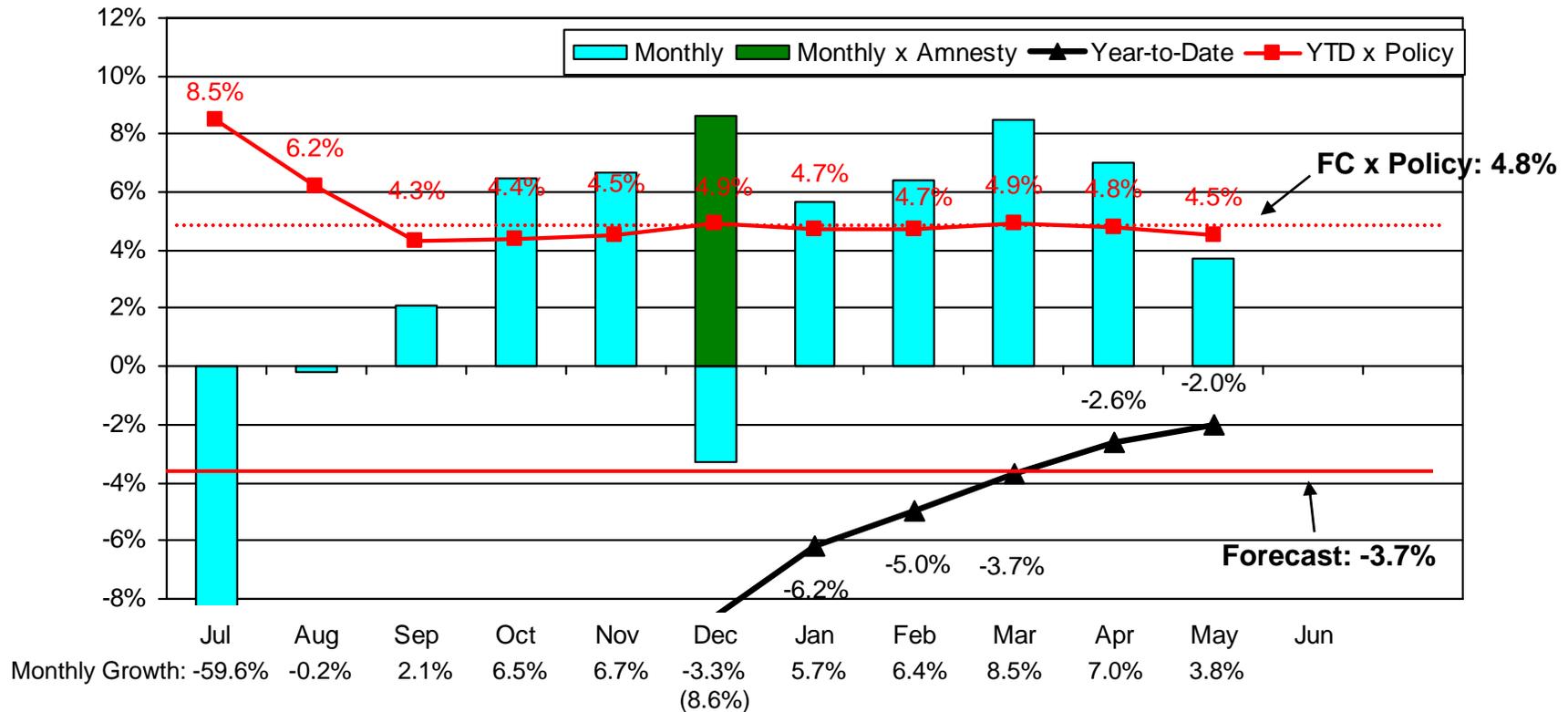
- As the main filing season continues, \$136.3 million in refunds were issued in May compared with \$164.7 million last May.
- Year-to-date, refunds are 5.4 percent behind the same period last year, and behind the estimate of a 4.9 percent decline.
 - For the filing season beginning January 1, TAX has issued 2.5 million refunds, about 36,000 more than the same period last year. The size of the average check is down 6 percent.

Net Individual Income Tax

- Through May, collections of net individual income tax rose 9.3 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 April sales, rose 3.8 percent in May. On a year-to-date basis, collections have fallen 2.0 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 4.5 percent year-to-date, close to the economic-base forecast of a 4.8 percent increase.

Net Corporate Income Tax

- Collections of corporate income tax were \$16.2 million in May, compared with \$20.8 million last May.
- On a year-to-date basis, collections in this source have decreased 0.9 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 – rose 6.3 percent in May, following two consecutive months of decline in this source.
- On a year-to-date basis, collections are up 0.9 percent, ahead of the revised forecast of a 5.6 percent decline.

Insurance Premiums Tax

- Estimated payments from insurance companies for May were \$3.8 million compared with \$3.4 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 May

Percent Growth over Prior Year

<u>Major Source</u>	As a % of Total Revenues	Percent Growth over Prior Year		
		<u>YTD Actual</u>	<u>Annual *</u> <u>Estimate</u>	<u>Variance</u>
Withholding	65.1 %	5.0 %	4.3 %	0.7 %
Nonwithholding	14.1	13.9	8.5	5.4
Refunds	(12.9)	(5.4)	(4.9)	(0.5)
Net Individual	66.2	9.3	7.2	2.1
Sales	20.2	(2.0)	(3.7)	1.7
Corporate	5.2	(0.9)	(4.9)	4.0
Wills (Recordation)	1.9	0.9	(5.6)	6.5
Insurance	1.9	11.1	6.0	5.1
All Other Revenue	4.7	0.3	(0.7)	1.0
Total	100.0 %	5.8 %	3.5 %	2.3 %

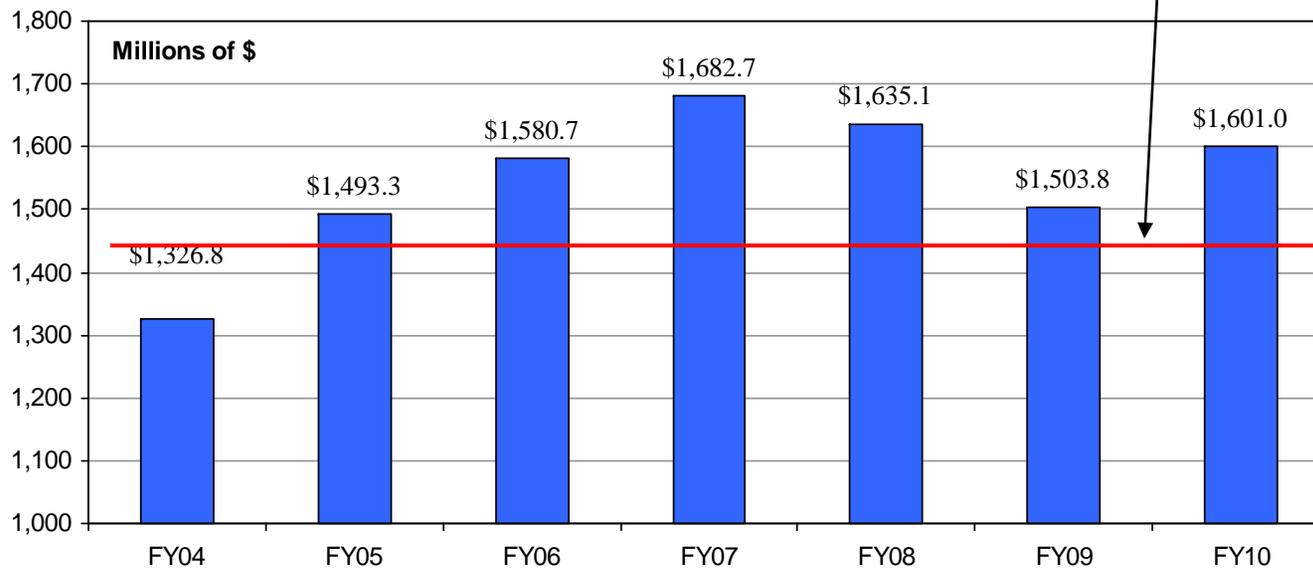
Sales (x AST, Amnesty, Dealer Discount)	4.5 %	4.8 %	(0.3) %
Total (x AST)	7.3 %	5.5 %	1.8 %

* May 2, 2011 Official Forecast (Chapter 890)

June Collections Required to Meet Annual Estimate

<u>Fiscal Year 2011</u>	<u>\$ in Millions</u>
General Fund Revenue Forecast	\$ 14,718.5
Year-to-Date May Collections	13,113.5
<u>Projected June AST Payments</u>	<u>184.0</u>
June Collections Required to Meet Estimate	\$ 1,421.0

Adjusted for
AST payments,
June collections
were \$1601.0
million in FY10



* FY04, FY05 and FY10 have AST payments removed.