



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 2012

National and State Economic Indicators

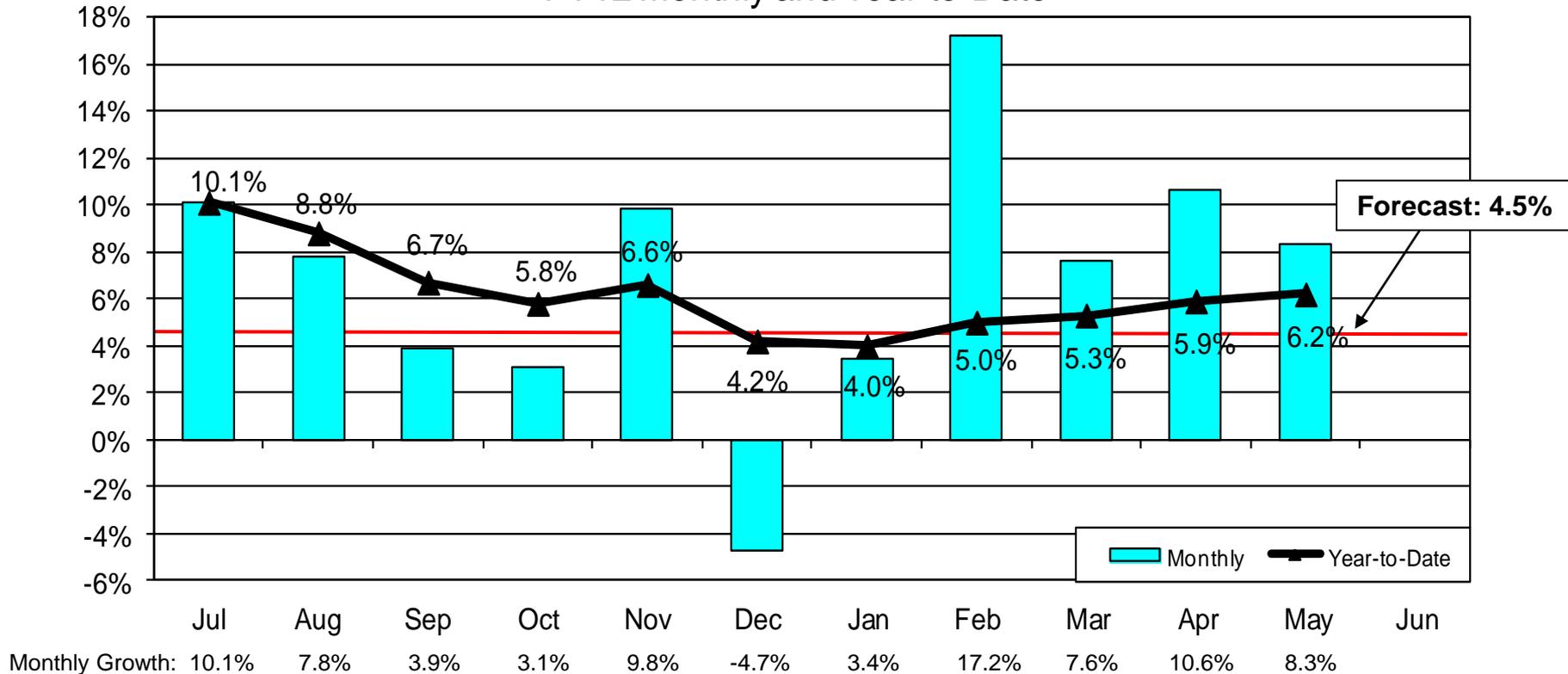
- Current national indicators show that the economic recovery may be slowing.
- According to the second estimate, real GDP grew at an annualized rate of 1.9 percent in the first quarter of 2012, down from 3.0 percent in the fourth quarter of 2011.
- Labor market growth further slowed in May, as employers added only 69,000 jobs. In addition, figures for March and April were revised down by a combined 49,000 jobs.
- The national unemployment rate increased slightly from 8.1 to 8.2 percent in May.
- Initial claims for unemployment fell by 12,000 to 377,000 during the week ending June 2.
 - The four-week moving average increased from 376,000 to 377,750.
- In April, payroll employment in Virginia grew by 0.8 percent from April of last year.
 - Compared to last year, employment increased 1.3 percent in Northern Virginia and 0.8 percent in Richmond-Petersburg, and remained unchanged in Hampton Roads.
- The unemployment rate in Virginia fell from 5.7 percent to 5.4 percent in April.

National and State Economic Indicators

- According to RealtyTrac, U.S. foreclosure activity for April declined 14.0 percent from April 2011. Foreclosure filings are now at their lowest level since July 2007.
 - One in every 698 U.S. housing units received a foreclosure notice in April.
 - In Virginia, one in every 1,346 households received a foreclosure notice.
- The manufacturing sector continued to expand in May, but at a slower pace, as the Institute of Supply Management index decreased from 54.8 to 53.5.
 - This marks the 34th consecutive month above the expansionary threshold of 50.0.
- The Conference Board's index of leading indicators fell 0.1 percent in April, following six consecutive monthly gains.
- The Conference Board's index of consumer confidence fell by 3.8 points in May to 64.9, its third consecutive decline.
- The CPI was unchanged in April and stands 2.3 percent above April 2011.
 - Core inflation (excluding food and energy prices) rose 0.2 percent in April, and has increased 2.3 percent from April 2011.
- The saving rate fell slightly from 3.5 percent in March to 3.4 in April.
- At its April meeting, the Federal Reserve reaffirmed that the federal funds rate target was going to remain unchanged at 0.0 to 0.25 percent.

Growth in Total General Fund Revenue Collections

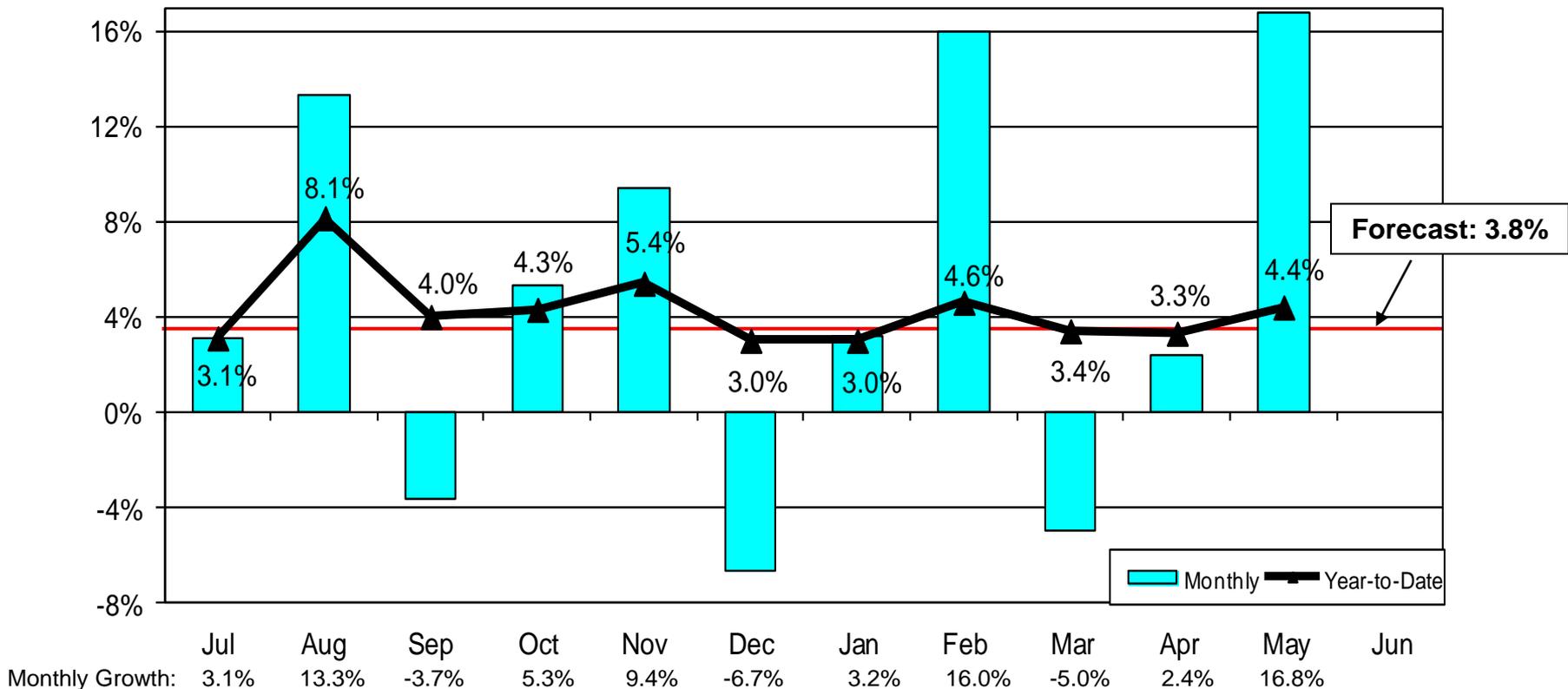
FY12 Monthly and Year-to-Date



- On a year-to-date basis, total revenues increased 6.2 percent through May, ahead of the annual forecast of 4.5 percent growth.
 - Adjusting for the accelerated sales tax (AST) program, total revenues grew 5.9 percent, ahead of the economic-base forecast of 4.7 percent growth.

Growth in Withholding Tax Collections

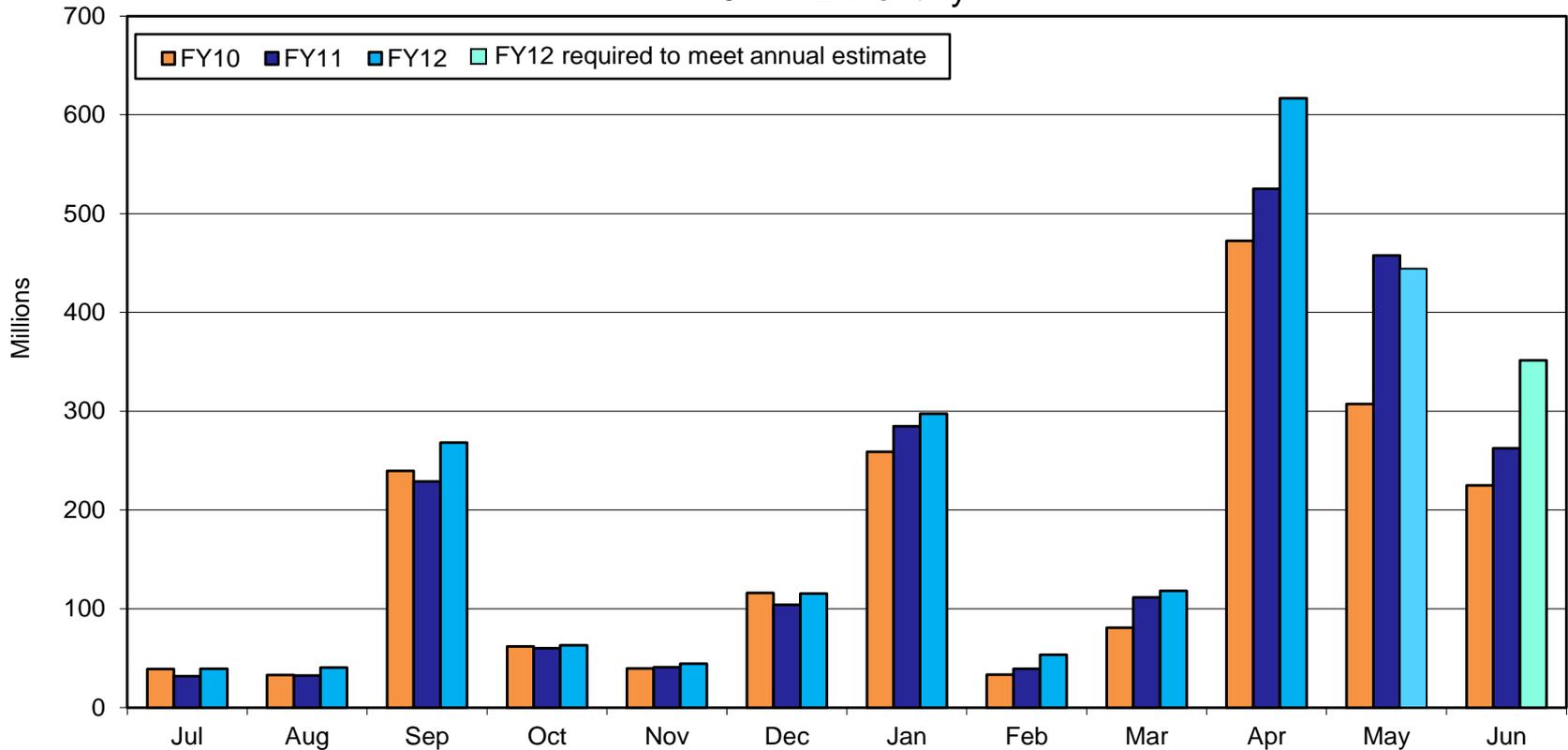
FY12 Monthly and Year-to-Date



- Collections of payroll withholding taxes increased 16.8 percent in May due to an additional deposit day. Without the additional day, receipts would have been 6 percent.
- Year-to-date, withholding collections grew 4.4 percent compared with the same period last year, ahead of the projected annual growth rate of 3.8 percent.

Nonwithholding Tax Collections

FY10-FY12 Monthly



- To date, about 86 percent of the nonwithholding forecast has been collected, and collections during this period are 9.6 percent ahead of the same period last year, trailing the annual estimate of 12.6 percent growth.
- The final estimated payment for this fiscal year is due June 15.

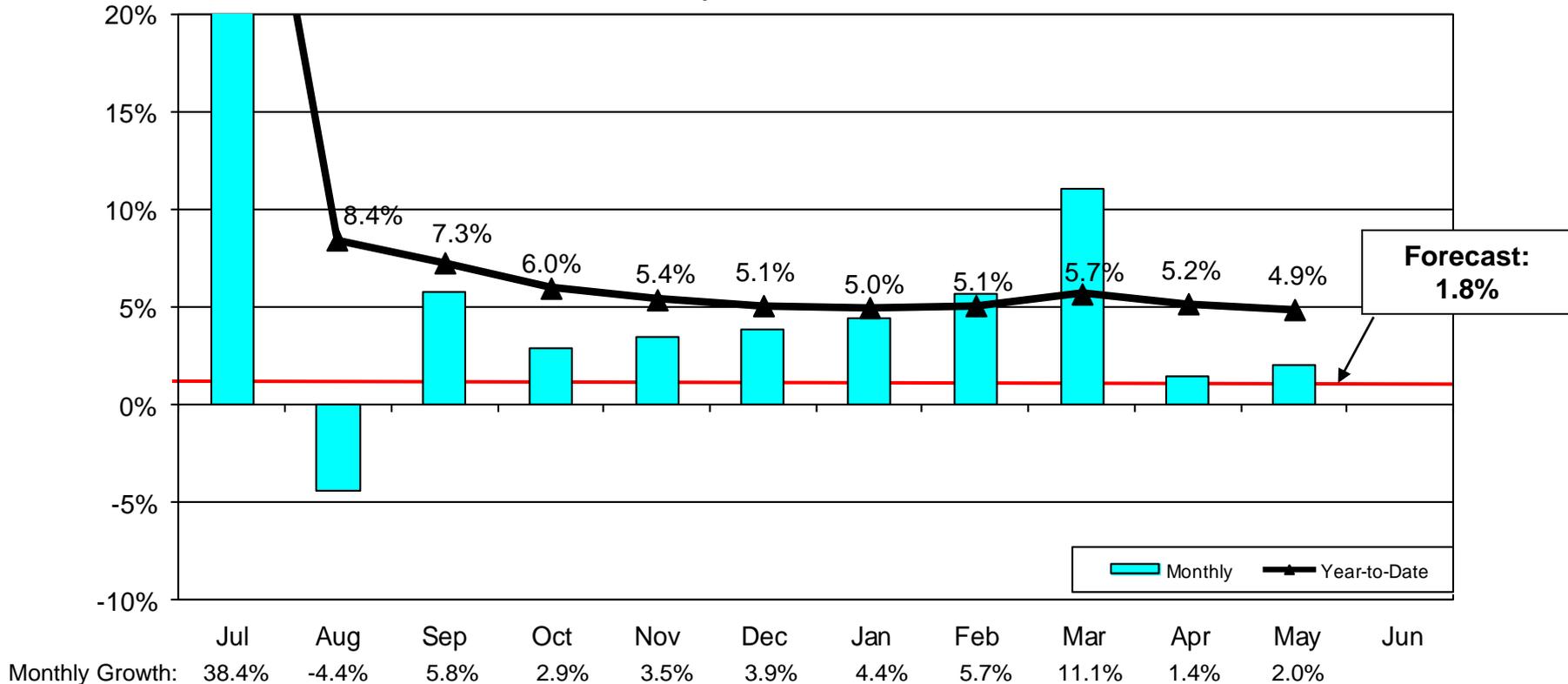
Individual Income Tax Refunds

- As the main filing season continues, \$143.5 million in refunds were issued in May compared with \$136.3 million last May.
- Year-to-date, refunds fell 4.9 percent from the same period last year, behind the estimate of a 3.3 percent increase.
 - Since the filing season began in January, TAX has issued 2.6 million refunds, approximately the same amount as last year. However, the average check size has been about 8.0 percent smaller.

Net Individual Income Tax

- Through May, collections of net individual income tax rose 7.4 percent from the same period last year, ahead of the annual estimate of 5.9 percent growth.

Growth in Sales Tax Collections FY12 Monthly and Year-to-Date



- Collections of sales and use taxes, reflecting April sales, rose 2.0 percent in May.
- On a year-to-date basis, collections grew 4.9 percent, ahead of the annual estimate of a 1.8 percent increase.
 - Adjusting for AST, sales tax collections grew 3.5 percent through May, ahead of the economic-base forecast of a 2.5 percent increase.

Net Corporate Income Tax

- Collections of corporate income tax were \$25.0 million in May, compared with \$16.2 million last May.
- On a year-to-date basis, collections in this source have increased 5.1 percent, ahead of the estimate of a 0.7 percent increase.

Recordation Tax Collections

- Collections of wills, suits, deeds, and contracts – mainly recordation tax collections – increased 24.4 percent in May.
 - On a year-to-date basis, collections are up 10.3 percent, slightly behind the forecast of 10.8 percent growth.

Insurance Premiums Tax

- Estimated payments from insurance companies for May were \$6.7 million compared with \$3.8 million in May of last year.
- For the fiscal year to-date, net insurance premiums tax collections are \$156.0 million compared with \$180.2 million during the same period last year.

Summary of Fiscal Year 2012 Revenue Collections

July through May

Major Source	As a % of Total Revenues	Percent Growth over Prior Year				
		YTD Actual	Annual Estimate	Variance	June Req'd to Meet Est.	Prior Year June
Withholding	63.6 %	4.4 %	3.8 %	0.6 %	(1.8) %	4.9 %
Nonwithholding	15.6	9.6	12.6	(3.0)	33.9	16.8
Refunds	(12.3)	(4.9)	3.3	(8.2)	240.0	(26.0)
Net Individual	66.9	7.4	5.9	1.5	(7.4)	10.5
Sales	19.5	4.9	1.8	3.1	(16.1)	(3.8)
Corporate	5.3	5.1	0.7	4.4	(15.1)	13.9
Wills (Recordation)	2.1	10.3	10.8	(0.5)	15.6	(3.6)
Insurance	1.8	(13.4)	2.0	(15.4)	29.5	1.7
All Other Revenue	4.4	(1.2)	0.7	(1.9)	11.0	(3.0)
Total	100.0 %	6.2 %	4.5 %	1.7 %	(6.8) %	5.6 %

Sales (x AST)	3.5 %	2.5 %	1.0 %	(8.8) %	6.6 %
Total (x AST)	5.9 %	4.7 %	1.2 %	(4.7) %	8.5 %