



Economic and Revenue Update

A Briefing for the House Appropriations Committee

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

June 17, 2013

Topics for Discussion

- National and State Economic Indicators
- Revenue Collections Through May, Fiscal Year 2013

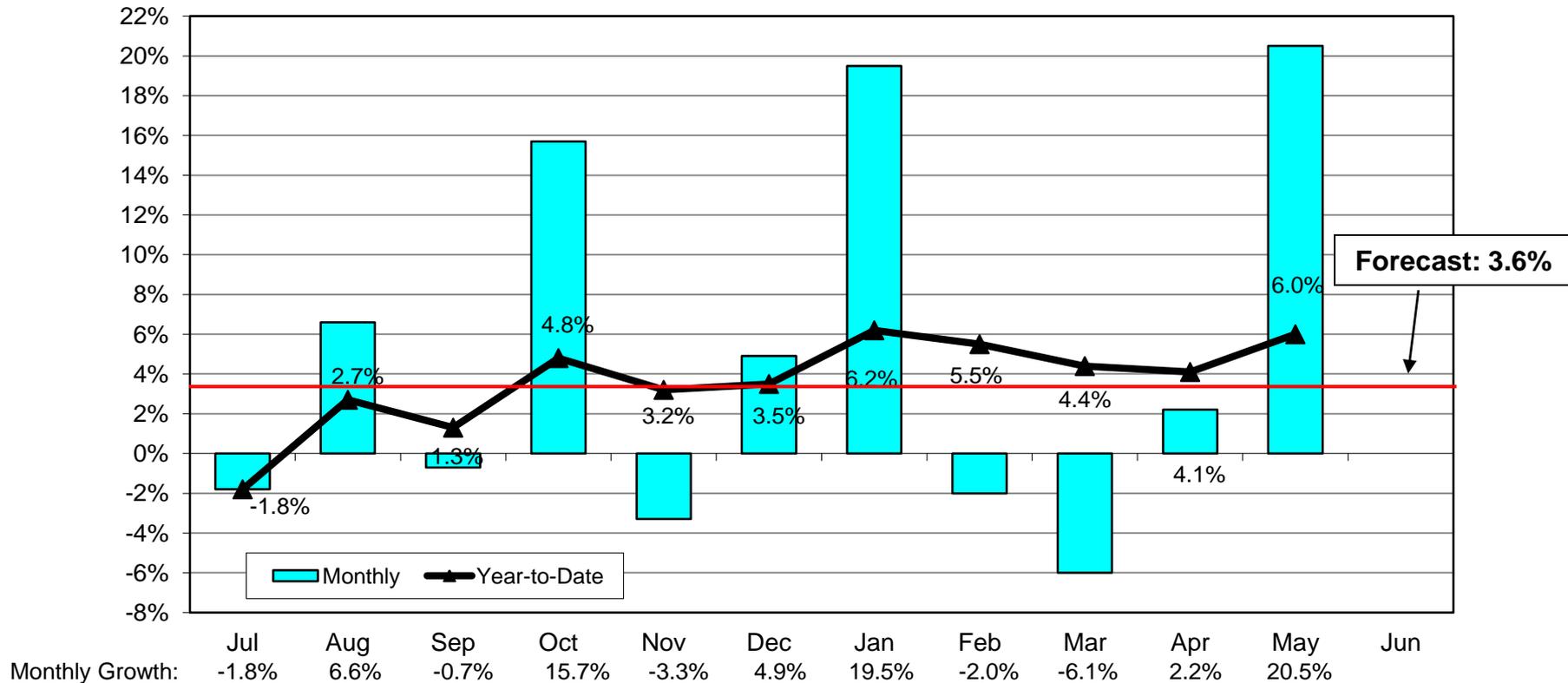
National and State Economic Indicators

- National indicators suggest slow growth will continue.
- Real GDP rose 2.4 percent in the first quarter of 2013, up from 0.4 percent in the fourth quarter of 2012.
- Payroll employment grew by 175,000 jobs in May.
 - The gain in April was revised down from 165,000 to 149,000 and March was revised up from 138,000 to 142,000.
- The unemployment rate increased from 7.5 to 7.6 percent in May as more workers entered the labor force.
- During the week ending June 1, initial claims for unemployment fell by 11,000 to 346,000. The four-week moving average increased from 348,000 to 352,500.
- In Virginia, employment rose by 1.1 percent in April. Payroll employment grew by 1.7 percent in Northern Virginia, 1.9 percent in Hampton Roads, and 1.4 percent in Richmond-Petersburg.
- The unemployment rate fell 0.2 percent to 5.0 percent in April, down 0.5 percent from April 2012.

National and State Economic Indicators

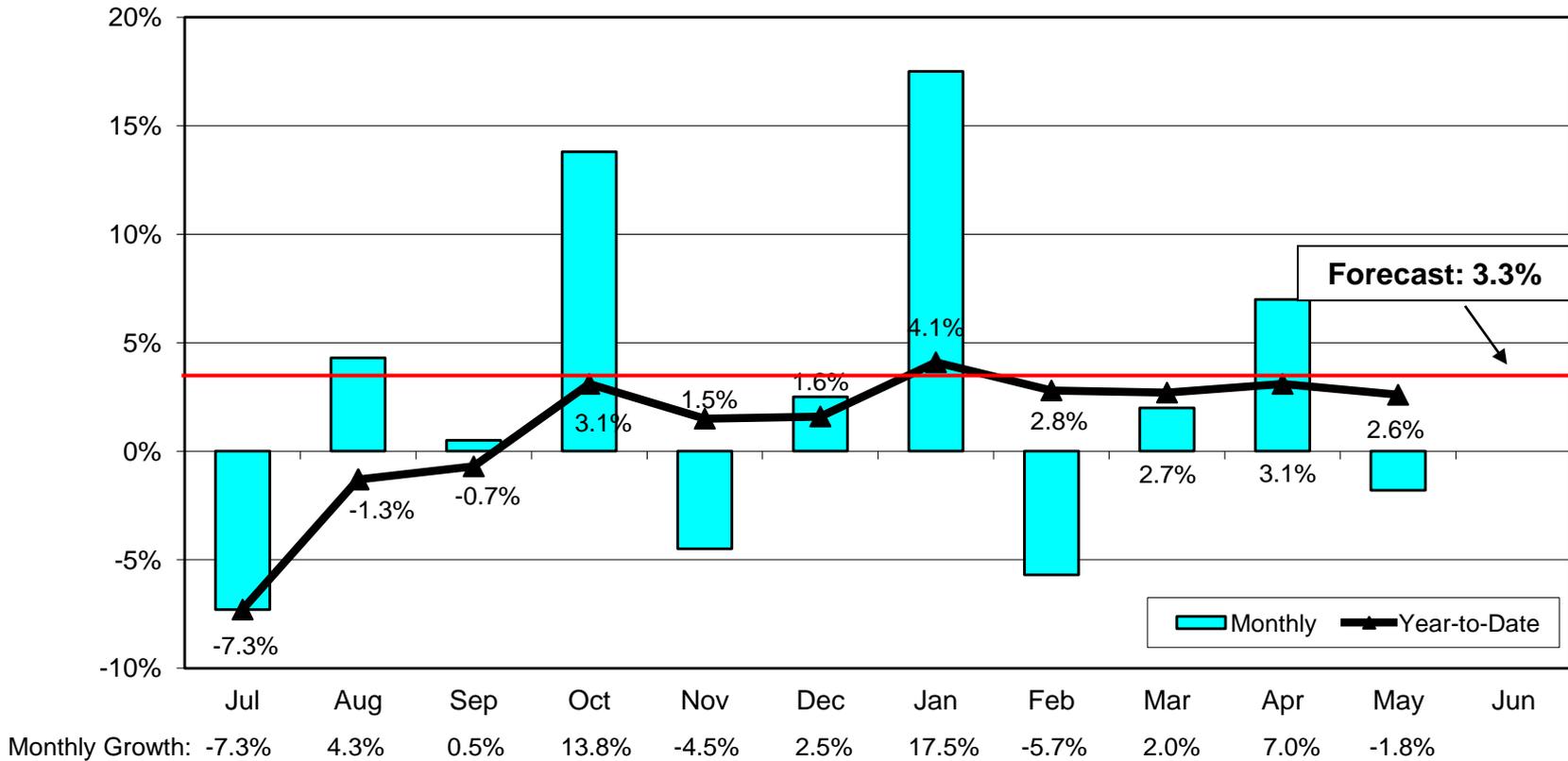
- Activity in the manufacturing sector further slowed in May. The Institute of Supply Management index fell from 50.7 to 49.0 in May, below expansionary territory for the first time since November 2012.
- The Conference Board's index of leading indicators rose 0.6 percent in April. The index has risen in six of the previous eight months.
- The Conference Board's index of consumer confidence jumped from 69.0 to 76.2 in May. Both current and future components increased with views of future conditions driving most of the gain.
- The CPI fell 0.4 percent in April from the previous month and stands 1.1 percent above April of last year.
 - Core inflation (excluding food and energy prices) rose 0.1 percent, and has increased 1.7 percent from April 2012.
- According to RealtyTrac, U.S. foreclosure activity for May declined 23 percent from May 2012.
 - One in every 360 U.S. housing units received a foreclosure notice in May.
 - In Virginia, one in every 1,543 households received a foreclosure notice.
- The savings rate was flat at 2.5 percent in April, the same as in March.
- The Federal Reserve announced at its May meeting that it will keep the federal funds rate target unchanged at 0.0 to 0.25 percent, and continued its quantitative easing program.

Growth in Total General Fund Revenue Collections FY13 Monthly and Year-to-Date



- On a year-to-date basis, total revenues increased 6.0 percent through May, ahead of the annual forecast of 3.6 percent growth.
 - Adjusting for the accelerated sales tax (AST) program, total revenues grew 5.7 percent through May, ahead of the economic-base forecast of 3.4 percent growth.

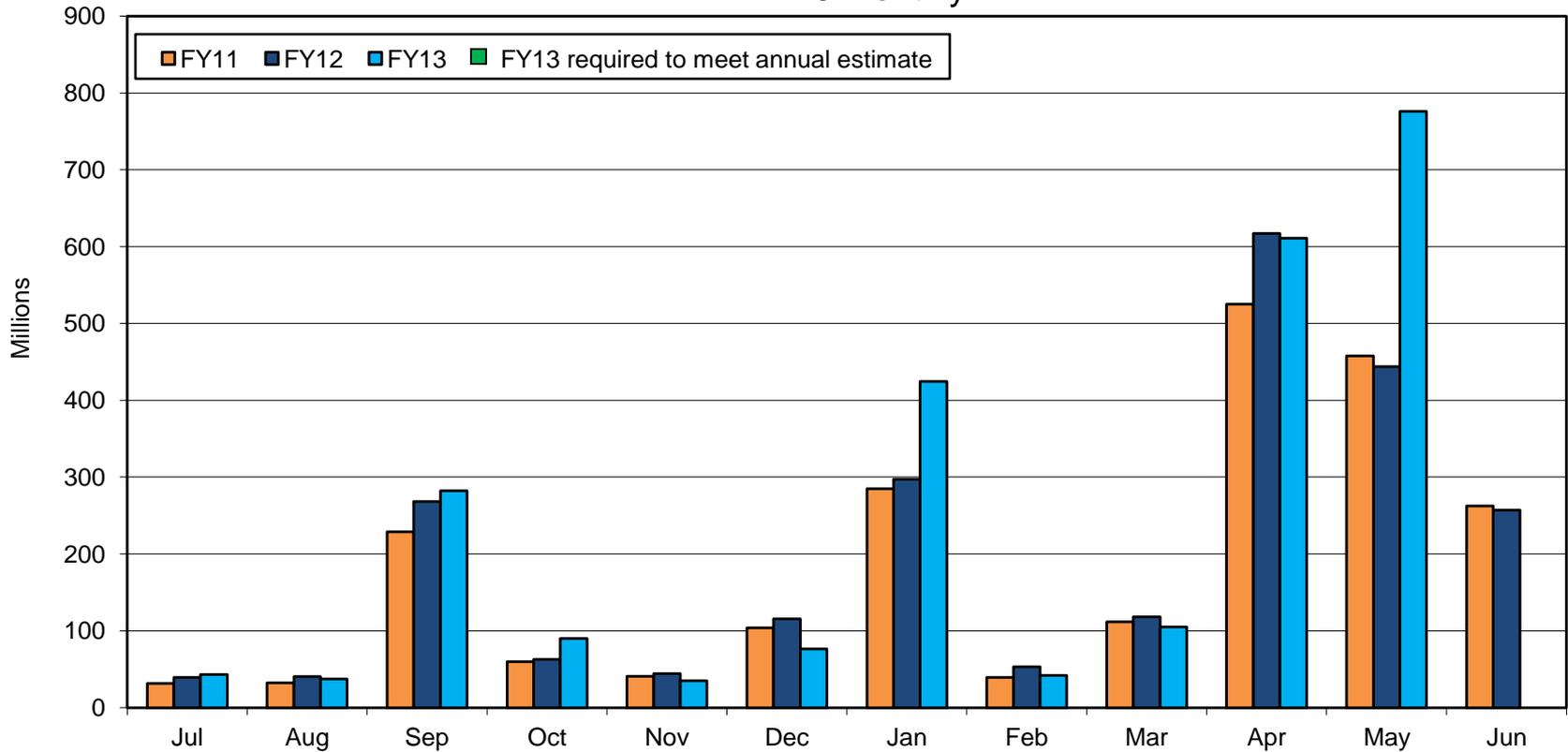
Growth in Withholding Tax Collections FY13 Monthly and Year-to-Date



- Collections of payroll withholding taxes decreased 1.8% percent in May.
- Year to date, withholding collections through May increased 2.6 percent compared with the same period last year, behind the projected annual growth rate of 3.3 percent.

Nonwithholding Tax Collections

FY11-FY13 Monthly



- To date, all of the nonwithholding forecast has been collected, and collections during this period are 20.3 percent ahead of the same period last year, behind the annual estimate of 6.8 percent growth.
- All June payments will be surplus revenues over the annual forecast.

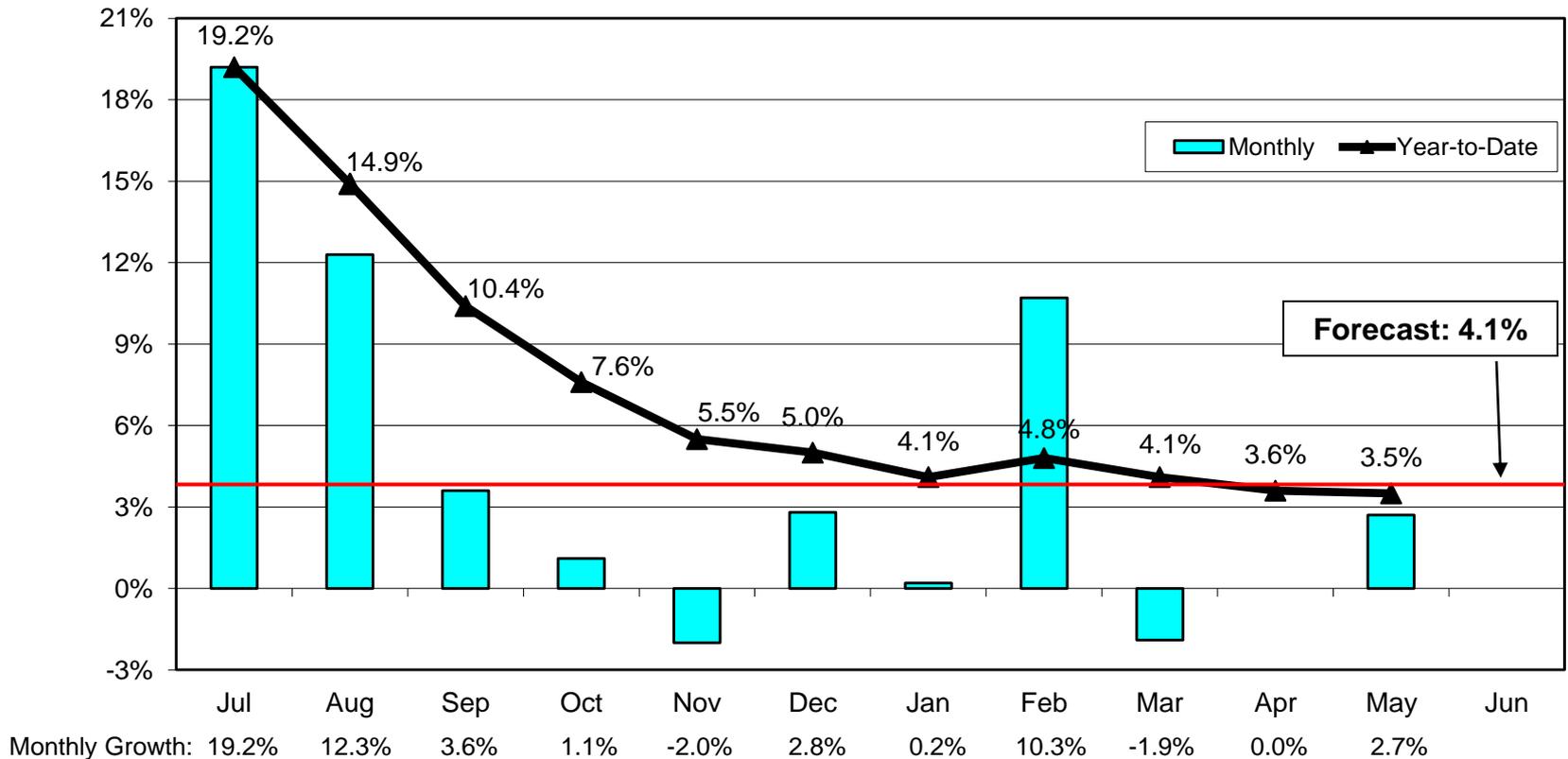
Individual Income Tax Refunds

- As the main filing season wraps up, \$144.5 million in refunds were issued in May compared with \$143.5 million last May.
- Year-to-date, refunds fell 3.8 percent from the same period last year, behind the estimate of a 0.4 percent increase.
 - Since the filing season began in January, TAX has issued 2.5 million refunds, as compared to the 2.6 million issued last year. The average check size is down about 1.0 percent.

Net Individual Income Tax

- Through May, collections of net individual income tax rose 7.7 percent from the same period last year, ahead of the annual estimate of 4.5 percent growth.

Growth in Sales Tax Collections FY13 Monthly and Year-to-Date



- Collections of sales and use taxes, reflecting April sales, were flat in May.
- On a year-to-date basis, collections grew 3.5 percent, trailing the annual estimate of a 4.1 percent increase.
 - Adjusting for AST, sales tax collections grew 2.2 percent through May, behind the ahead of the economic-base forecast of a 3.2 percent increase.

Net Corporate Income Tax Collections

- May is not a significant month.
- Collections of corporate income tax were \$21.3 million in May, compared with \$25.0 million last May, a 15.0 percent decline.
- On a year-to-date basis, collections in this source have decreased 8.5 percent, ahead of the estimate of a 4.5 percent decline.

Recordation Tax Collections

- Collections of wills, suits, deeds, and contracts – mainly recordation tax collections – increased 14.3 percent in May.
 - Monthly growth rates have been in the double-digits 15 of the last 16 months.
 - On a year-to-date basis, collections are up 17.2 percent, far ahead of the forecast of 4.5 percent growth.

Insurance Premiums Tax

- May is not a significant month.
- For the fiscal year to-date, net insurance premiums tax collections are \$165.3 million compared with \$156.0 million during the same period last year.

Summary of Fiscal Year 2013 Revenue Collections

July through May

Percent Growth over Prior Year

Major Source	As a % of Total Revenues	Percent Growth over Prior Year			June Req'd to Meet Est.	Prior Year June
		YTD Actual	Annual Estimate	Variance		
Withholding	63.1 %	2.6 %	3.3 %	(0.7) %	9.6 %	2.1 %
Nonwithholding	15.3	20.3	6.8	13.5	(103.5)	(2.1)
Refunds	(10.9)	(3.8)	0.4	(4.2)	107.6	6.7
Net Individual	67.6	7.7	4.5	3.2	(23.8)	0.8
Sales	19.8	3.5	4.1	(0.6)	7.5	(3.6)
Corporate	5.0	(8.5)	(4.5)	(4.0)	9.8	2.8
Wills (Recordation)	2.0	17.2	4.5	12.7	(112.2)	12.6
Insurance	1.6	5.9	1.1	4.8	(6.7)	(4.4)
All Other Revenue	4.1	(0.2)	(1.6)	1.4	(8.9)	(3.2)
Total	100.0 %	6.0 %	3.6 %	2.4 %	(13.3) %	(0.4) %

Sales (x AST)	2.2 %	3.2 %	(1.0) %	12.9 %	8.3 %
Total (x AST)	5.7 %	3.4 %	2.3 %	(14.3) %	1.7 %

Summary of Fiscal Year 2013 Transportation Revenue Collections

July through May

<u>Major Source</u>	As a % of Total <u>Fund</u>	Percent Growth over Prior Year		
		<u>YTD Actual</u>	<u>Annual Estimate</u>	<u>Variance</u>
Motor Fuels Taxes	33.4	(1.0)	0.6	(1.6)
Motor Vehicle Sales and Use Tax	24.7	7.6	6.7	0.9
State Sales and Use Tax	21.3	4.0	5.9	(1.9)
Motor Vehicle License Fees	9.5	3.8	0.7	3.1
All Other Revenue	11.1	(1.3)	(2.2)	0.9
Total	100.0 %	2.6 %	2.8 %	(0.2) %