



Economic and Revenue Update

A Briefing for the Money Committees

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Topics for Discussion

- National and State Economic Indicators
- September Year-to-Date Revenue Collections, Fiscal Year 2017
- Next Steps

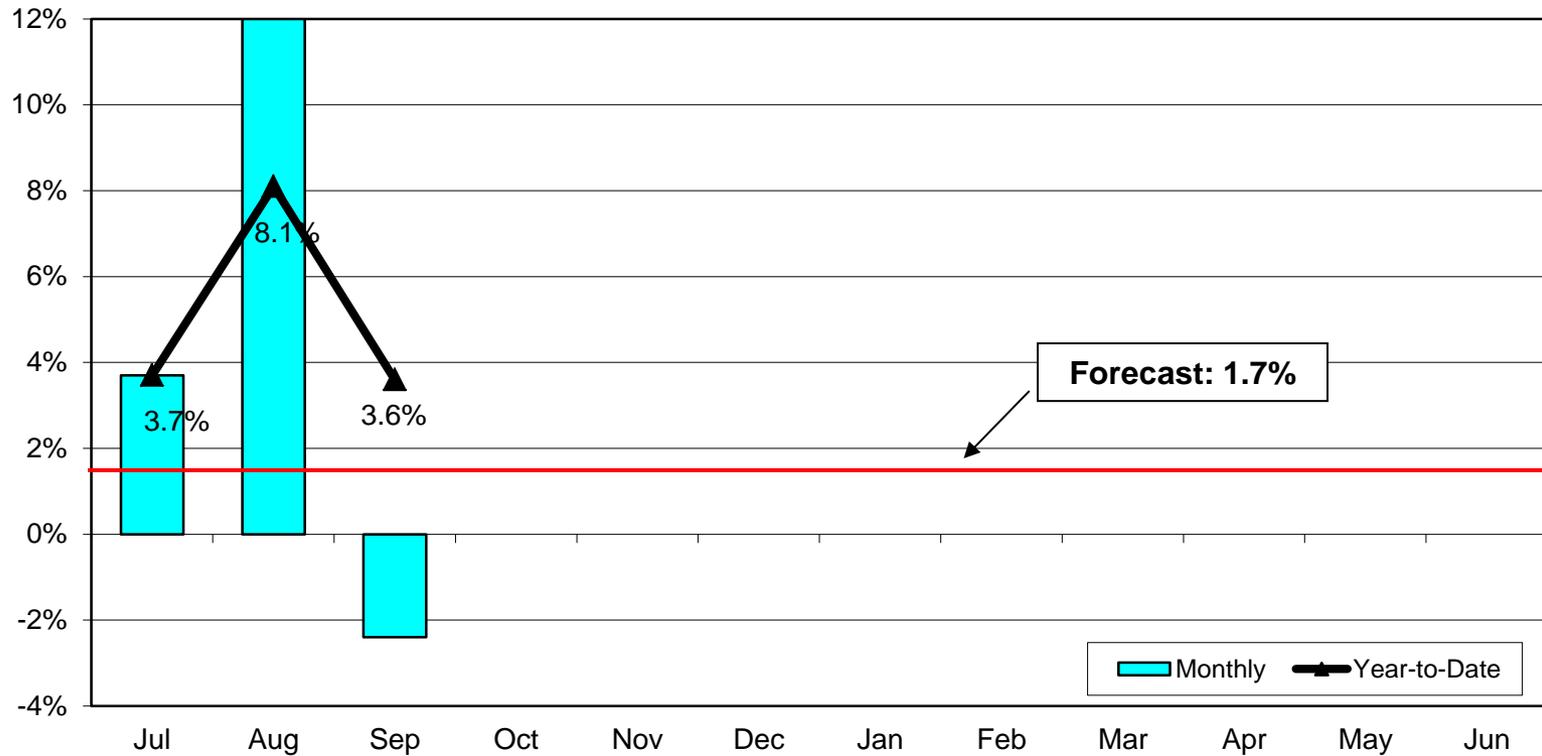
National and State Economic Indicators

- According to the third estimate, real GDP grew at an annualized rate of 1.4 percent in the second quarter of 2016, up from 0.8 percent in the first quarter.
- Payroll employment rose by 156,000 in September, following a gain of 167,000 in August.
- The national unemployment rate ticked up from 4.9 percent to 5.0 percent in September as more workers entered the labor force.
- Initial claims for unemployment fell by 5,000 to 249,000 during the week ending October 1.
 - The four-week moving average fell by 2,500 to 253,500, consistent with an improving labor market.
- The Conference Board's index of leading indicators fell 0.2 percent in August after two months of broad-based gains.
- The Conference Board's index of consumer confidence rose 2.3 points to 104.1 in September, the highest level since August 2007.
- Activity in the manufacturing sector improved in September, with the Institute of Supply Management index rising from 49.4 to 51.5.

National and State Economic Indicators

- The CPI rose 0.2 percent in August and stands 1.1 percent above August 2015.
 - Core inflation (excluding food and energy prices) rose 0.3 percent in August, and has increased 2.3 percent from last year.
- At its September meeting, the Federal Reserve reaffirmed that the federal funds rate target was going to remain unchanged at 0.25 to 0.5 percent.
- In Virginia, payroll employment rose 1.7 percent in August from August of last year.
 - Northern Virginia posted growth of 1.9 percent, Hampton Roads grew 0.3 percent, and Richmond-Petersburg rose 3.3 percent.
 - The seasonally adjusted unemployment rate rose 0.2 percentage point to 3.9 percent.
- The Virginia Leading Index rose 0.6 percent in August after rising 0.7 percent in July. Auto registrations, future employment and initial claims all improved in August, while the U.S. leading index declined.
 - The index for Blacksburg was unchanged in August while the indexes for all remaining MSAs increased.

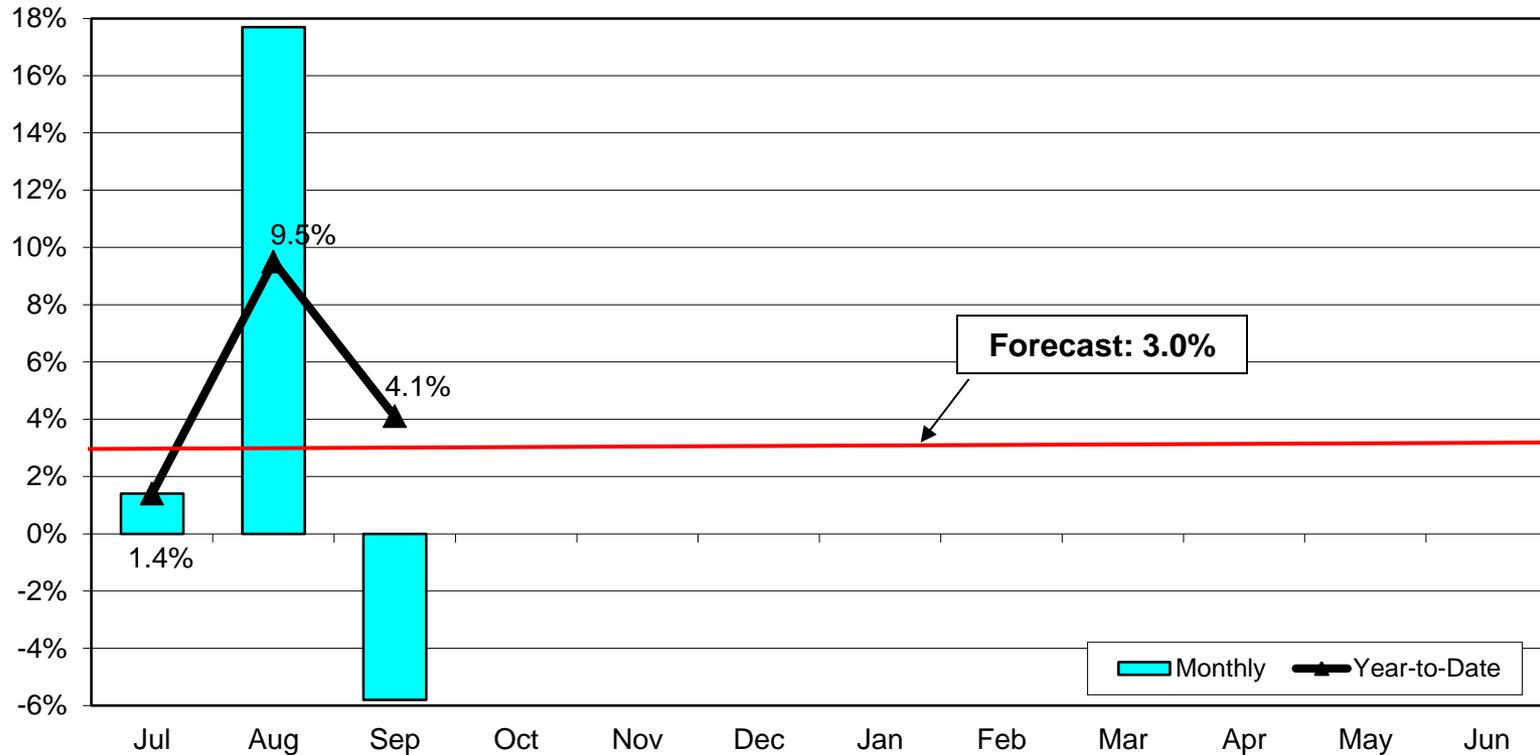
Growth in Total General Fund Revenue Collections FY17 Monthly and Year-to-Date



Monthly Growth:

- Total general fund revenues decreased 2.4 percent in September mainly due to weakness in individual withholding.
- On a year-to-date basis, total revenues increased 3.6 percent, ahead of the annual forecast of a 1.7 percent increase.

Growth in Withholding Tax Collections FY17 Monthly and Year-to-Date

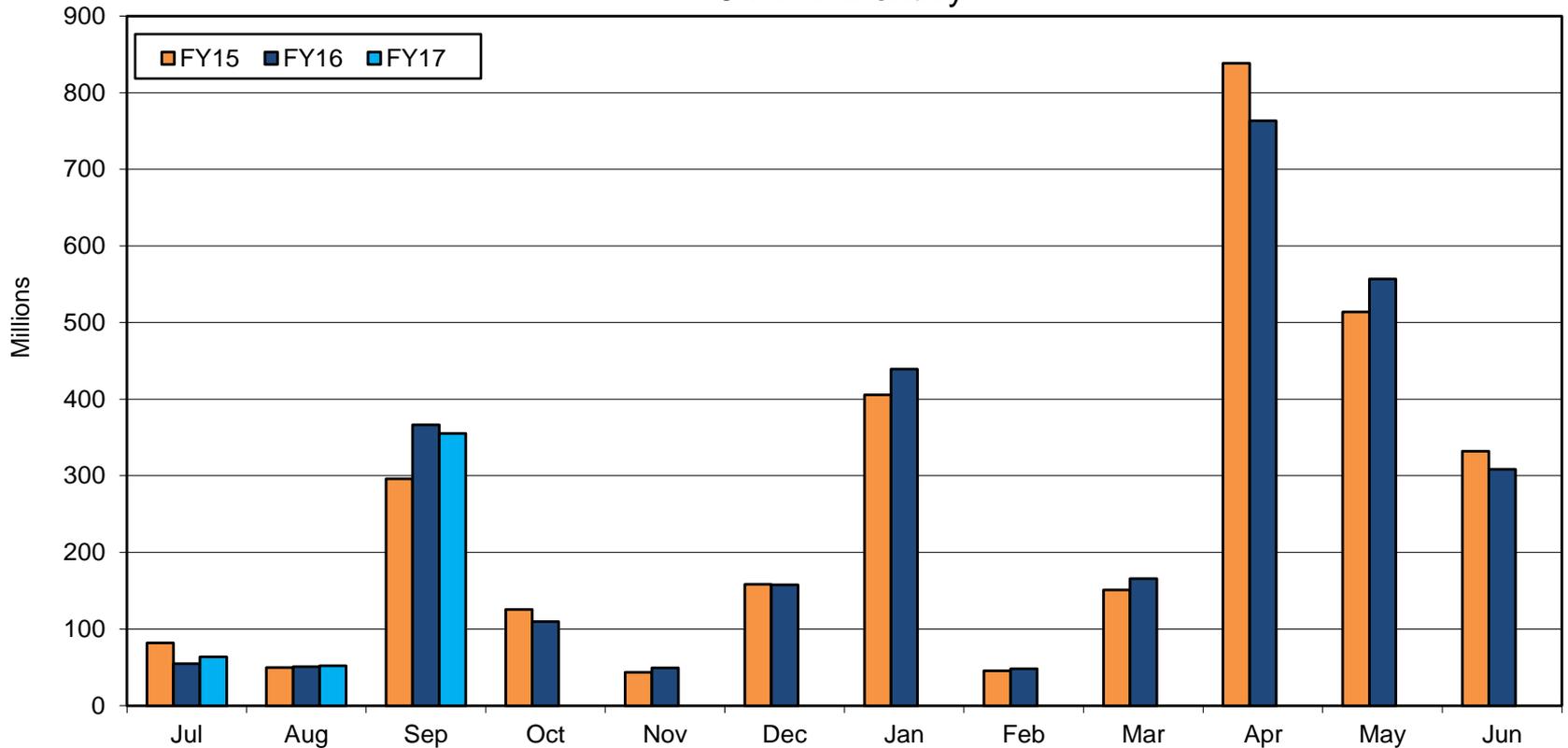


Monthly Growth: 1.4% 17.7% -5.8%

- Collections of payroll withholding taxes decreased 5.8 percent in September after the increase of 17.7 percent in August.
- Year-to-date, withholding collections increased 4.1 percent compared with the same period last year, ahead of the projected annual growth rate of 3.0 percent.

Nonwithholding Tax Collections

FY15-FY17 Monthly



- The first individual estimated payment in fiscal year 2017 was due in September. Total monthly nonwithholding collections decreased 3.1 percent.
- Year-to-date, collections through the first quarter of fiscal year 2017 were \$470.8 million compared with \$472.0 million in the same period last year, a decrease of 0.2 percent and ahead of the annual estimate of an 1.2 percent decline.

Individual Income Tax Refunds

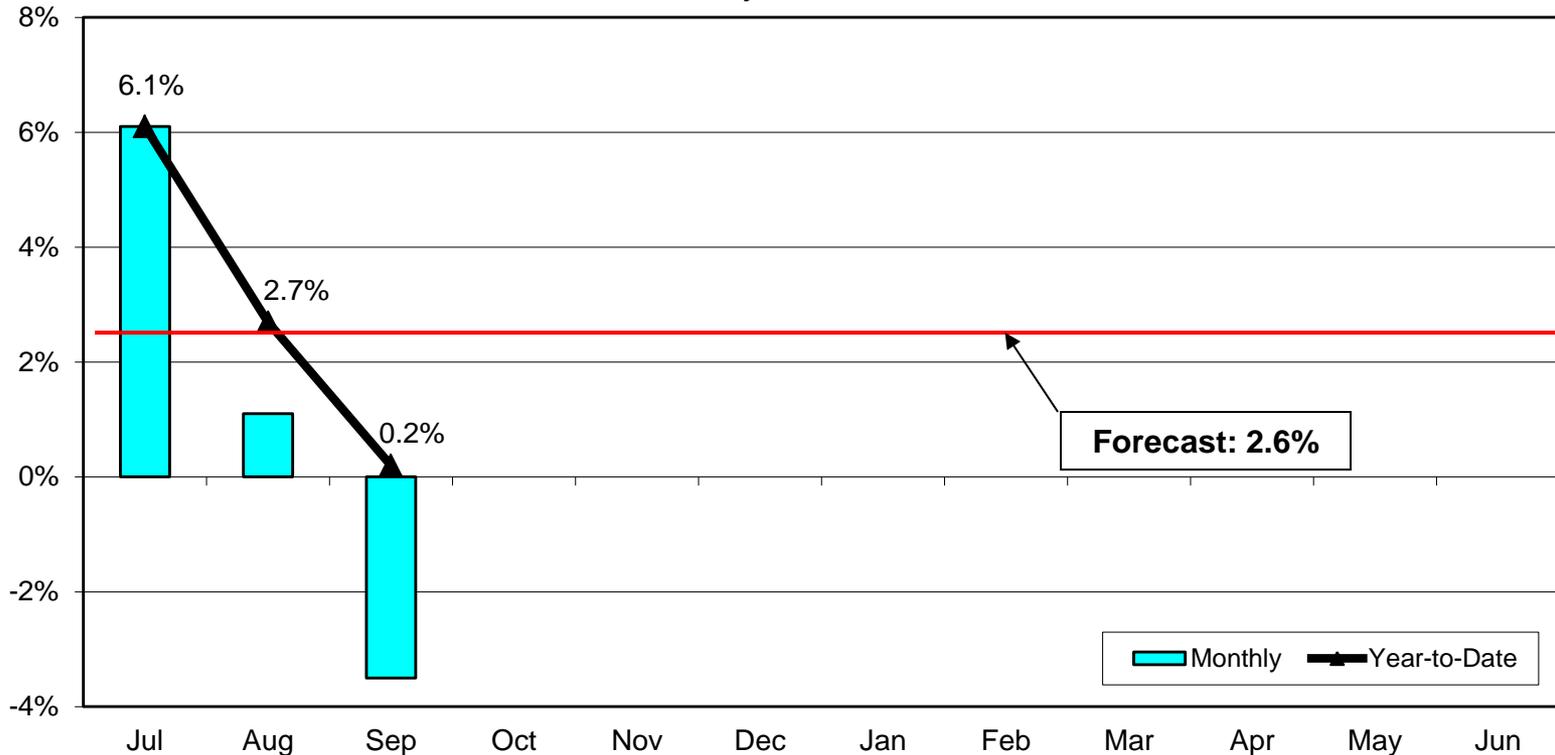
- Not a significant month.
- Through September, TAX has issued \$114.9 million in individual refunds compared with \$122.9 million in the same period last year, a 6.5 percent decline as compared to the annual estimate of 4.0 percent growth.

Net Individual Income Tax

- Through the first three months of the fiscal year, collections of net individual income tax increased 3.9 percent from the same period last year, ahead of the annual estimate of a 1.8 percent growth.

Growth in Sales Tax Collections

FY17 Monthly and Year-to-Date



Monthly Growth: 6.1% 1.1% -3.5%

- Collections of sales and use taxes, reflecting mainly August sales, decreased 3.5 percent in September.
- On a year-to-date basis, collections increased 0.2 percent, behind the annual estimate of 2.6 percent growth.
 - Adjusting for AST program, sales tax collections increased 0.2 percent through September, behind the economic-base forecast of a 3.7 percent increase.

Net Corporate Income Tax Collections

- Like nonwithholding, September is a significant month in corporate income tax collections since the first estimated payment for the fiscal year is due.
 - Collections in corporate income tax increased 10.0 percent in September.
 - This increase appears to be broad-based.
- Through the first quarter of fiscal year 2017, collections in this source have increased 5.1 percent, ahead of the annual estimate of a 3.0 percent decline.
- Through the first quarter, 26.6 percent of the projected fiscal year's net corporate payments have been received.
 - This is ahead of the historical average of 24.3 percent.

Recordation and Insurance Premiums Tax

Recordation

- In September, collections increased 19.1 percent compared to last year. Year-to-date collections have increased 14.2 percent compared to last year, ahead of the forecast of 5.5 percent growth.
 - Collections were over \$100 million in the first quarter, the first time this has occurred since fiscal year 2008 (fall of 2007).

Insurance

- Monthly collections of insurance premiums are being transferred to the Transportation Trust Fund per Chapter 896, 2007 Acts of the Assembly, until the required amount of \$163.1 million has been booked.
 - Adjusted for this transfer, collections have increased 1.0 percent through the first quarter of fiscal year 2017 from the same period last year, close to expectations of 1.3 percent growth.

Summary of Fiscal Year 2017 Revenue Collections

July through September

Percent Growth over Prior Year

<u>Major Source</u>	As a % of Total <u>Revenues</u>	Percent Growth over Prior Year		
		<u>YTD Actual</u>	<u>Annual Estimate</u>	<u>Variance</u>
Withholding	63.5 %	4.1 %	3.0 %	1.1 %
Nonwithholding	16.5	(0.2)	(1.2)	1.0
Refunds	(10.3)	(6.5)	4.0	(10.5)
Net Individual	69.7	3.9	1.8	2.1
Sales	18.4	0.2	2.6	(2.4)
Corporate	4.0	5.1	(3.0)	8.1
Wills (Recordation)	2.1	14.2	5.5	8.7
Insurance	1.9	na	1.3	na
All Other Revenue	3.8	2.9	(2.7)	5.6
Total	100.0 %	3.6 %	1.7 %	1.9 %

Sales (x AST)	0.2 %	3.7 %	(3.5) %
Total (x AST)	3.6 %	1.9 %	1.7 %

Summary of Fiscal Year 2017 Revenue Collections

July through September

General Fund Revenue Collection Trends

(thousands of dollars)

FY	Total Collections	Revenue Collections Through:											
		Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
2000	10,788.5	699.1	1,435.8	2,503.0	3,210.6	3,977.8	5,080.0	6,067.5	6,704.5	7,374.1	8,411.9	9,663.1	10,788.5
2001	11,105.3	688.0	1,452.7	2,546.4	3,312.7	4,106.3	5,052.9	6,295.8	6,981.1	7,652.5	8,696.8	9,998.9	11,105.3
2002	10,679.0	705.4	1,483.7	2,485.4	3,315.4	4,136.9	5,071.2	6,184.7	6,794.7	7,459.8	8,388.0	9,414.6	10,679.0
2003	10,867.1	644.3	1,409.6	2,513.3	3,324.3	4,109.7	5,203.2	6,320.5	6,933.6	7,547.7	8,579.5	9,539.0	10,867.1
2004	11,917.9	699.3	1,553.7	2,724.3	3,618.2	4,449.1	5,570.2	6,721.0	7,377.9	8,130.2	9,393.7	10,423.6	11,917.9
2005	13,687.3	772.5	1,698.8	3,009.8	3,998.0	4,964.5	6,295.1	7,684.7	8,415.7	9,300.7	10,745.5	12,012.3	13,687.3
2006	14,834.3	840.5	1,987.8	3,445.8	4,510.5	5,537.3	7,006.6	8,542.7	9,306.7	10,273.3	11,758.2	13,253.6	14,834.3
2007	15,565.8	1,059.7	2,158.2	3,707.7	4,778.6	5,873.0	7,303.6	8,882.9	9,684.8	10,658.1	12,180.5	13,883.2	15,565.8
2008	15,767.0	1,095.6	2,231.1	3,842.1	5,023.2	6,085.2	7,540.8	9,175.5	9,916.1	10,920.8	12,664.1	14,131.9	15,767.0
2009	14,315.1	1,126.9	2,188.0	3,679.9	4,848.9	5,861.6	7,278.9	8,667.9	9,307.9	10,173.1	11,572.9	12,811.3	14,315.1
2010	14,219.5	1,036.2	2,027.7	3,407.0	4,482.0	5,465.7	6,960.9	8,258.9	8,861.4	9,752.5	11,157.9	12,394.4	14,219.5
2011	15,040.2	867.4	1,911.7	3,348.1	4,462.9	5,537.9	7,062.6	8,523.8	9,226.6	10,228.2	11,655.4	13,113.5	15,040.2
2012	15,846.7	955.4	2,080.6	3,573.2	4,722.6	5,903.2	7,356.7	8,868.2	9,692.1	10,770.1	12,347.9	13,927.3	15,846.7
2013	16,684.6	938.0	2,137.6	3,619.5	4,948.9	6,091.0	7,615.0	9,421.8	10,229.6	11,242.1	12,855.0	14,757.7	16,684.6
2014	16,411.4	1,059.9	2,201.4	3,722.3	4,980.1	6,134.4	7,670.6	9,371.5	10,151.7	11,242.9	13,017.7	14,526.7	16,411.4
2015	17,735.6	1,208.9	2,370.4	3,972.6	5,286.0	6,451.6	8,189.9	9,871.8	10,821.7	12,041.3	13,997.6	15,595.1	17,735.6
2016	18,040.1	1,088.3	2,309.0	4,066.3	5,312.6	6,538.5	8,318.1	10,111.0	11,048.9	12,360.6	14,185.1	15,883.0	18,040.1
Average	14,323.8	910.9	1,919.9	3,303.9	4,360.9	5,366.1	6,739.8	8,174.7	8,909.1	9,831.1	11,271.0	12,666.4	14,323.8
% of Total	100.0%	6.4%	13.4%	23.1%	30.4%	37.5%	47.1%	57.1%	62.2%	68.6%	78.7%	88.4%	100.0%
2017													
Interim	18,338.0	1,128.1	2,495.9	4,211.3									
% of Estimate		6.2%	13.6%	23.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Next Steps

- Joint Advisory Board of Economists (JABE) – November 9th
- Governor's Advisory Council on Revenue Estimates (GACRE) – November 28th