

August 26, 2016

**Review of General Fund Revenues
and the Virginia Economy
for Fiscal Year 2016**

**The Interim Economic Outlook and
Revenue Forecast for Fiscal Years 2017
through 2018**

*A presentation to the Senate
Finance, House Appropriations,
and House Finance Committees*



Richard D. Brown
Secretary of Finance

Overview...

Fiscal Year 2016 Year-in-Review

- Economic Performance
- Actual General Fund Collections
- Actual Commonwealth Transportation Fund Collections
- Financial Results Balance Sheet

Updated Outlook for Fiscal Years 2017 and 2018

- May 2016 Economic Outlook
- August 2016 Interim Revenue Forecast
- Revenue Stabilization Fund Balance

Next Steps

- July 2016 General Fund Collections
- Fall Forecasting Process

The U.S. Economy Ran Slightly Behind the Official Forecast In Fiscal Year 2016...

- As measured on a fiscal year basis, real GDP advanced 1.9 percent in FY16.
 - Driven largely by consumer spending which advanced 2.8 percent.
- Wages and Salaries advanced 4.4 percent in FY16 -- in line with expectations.
- The U.S. economy gained 2.8 million jobs in FY16.

Summary of Key U.S. Economic Indicators Percent Change Over the Prior Fiscal Year

	FY16 <u>Forecast</u>	FY16 <u>Actual</u>
Real GDP	2.4	1.9
Consumer Spending	3.1	2.8
Employment	1.8	2.0
Personal Income	4.2	4.1
Wages & Salaries	4.0	4.4

Virginia's Employment Growth Accelerated in Fiscal Year 2016 and Outperformed the Forecast...

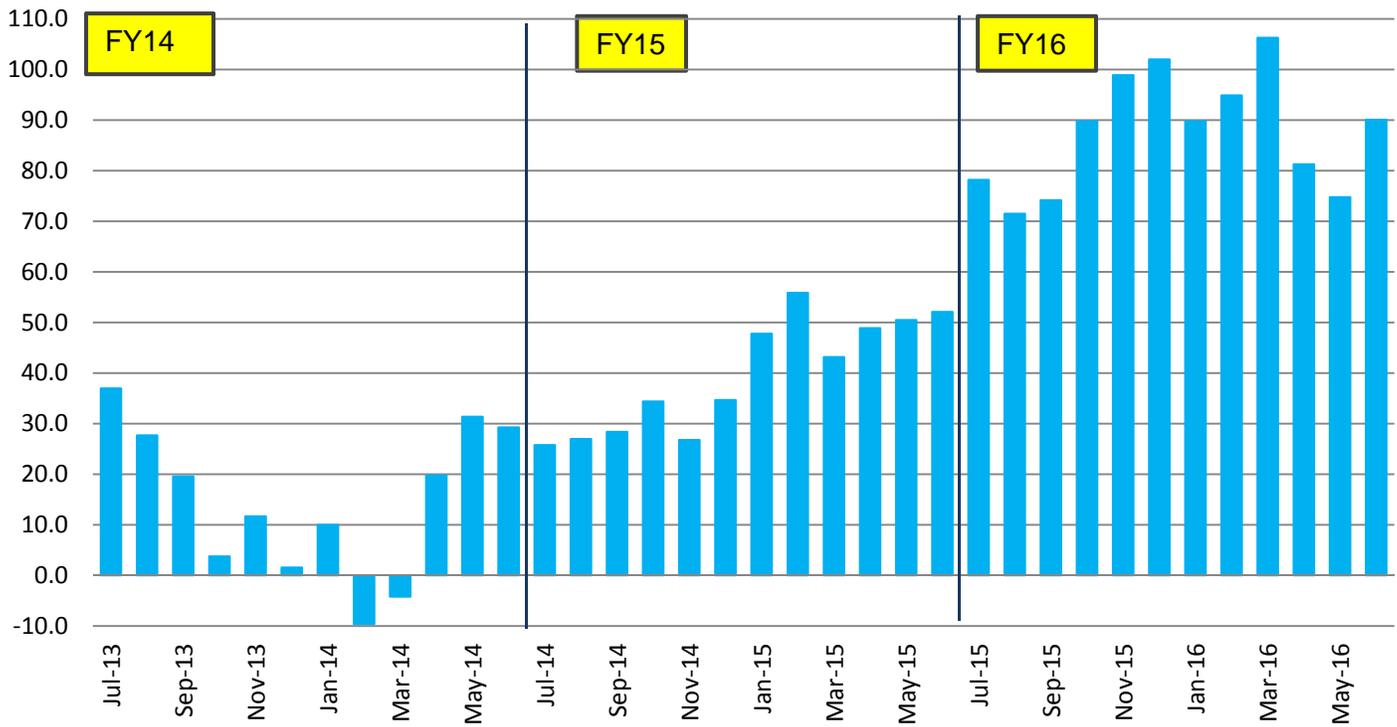
- In Virginia, wages and salaries grew 4.2 percent, higher than the official forecast of 3.9 percent.
- In Virginia, employment grew 2.3 percent, or 86,200 jobs, in FY16. The strongest percentage gains occurred in professional and business services, leisure and hospitality, and health services, while government was virtually flat.

Summary of Key Virginia Economic Indicators Percent Change Over the Prior Fiscal Year

	<u>FY16 Forecast</u>	<u>FY16 Actual</u>
Employment	1.5	2.3
Professional/Business	2.7	3.7
Government	0.2	0.2
Personal Income	3.7	4.3
Wages & Salaries	3.9	4.2

Employment Growth has Accelerated Over the Last Fiscal Year...

**Commonwealth of Virginia
Year-Over-Year Monthly Job Change
(thousands of jobs)**



However, Recent Job Growth Has Been Predominately in Lower Paying Occupations...

Virginia Employment Change and Average Weekly Wage by Major Industry

Industry	Employment	Change From A Year Ago		Average
	2015:Q4	# of Jobs	% Change	Weekly Wage
Total, All Industries	3,797,909	109,880	3.0%	\$1,094
Health Care and Social Assistance	478,994	17,020	3.7%	\$1,012
Professional, Scientific, and Technical Services	413,493	16,468	4.1%	\$2,066
Accommodation and Food Services	336,783	13,615	4.2%	\$367
Administrative and Support and Waste Management	236,129	11,556	5.1%	\$797
Transportation and Warehousing	137,052	8,313	6.5%	\$1,025
Unclassified establishments	12,393	7,578	157.4%	\$937
Construction	197,806	7,151	3.8%	\$1,110
Other Services (except Public Administration)	138,790	6,093	4.6%	\$843
Retail Trade	440,825	5,785	1.3%	\$564
Arts, Entertainment, and Recreation	64,665	5,626	9.5%	\$590
Public Administration	247,058	4,540	1.9%	\$1,411
Manufacturing	244,523	3,032	1.3%	\$1,168
Finance and Insurance	134,097	2,362	1.8%	\$1,676
Real Estate and Rental and Leasing	53,608	1,723	3.3%	\$1,145
Educational Services	364,245	1,420	0.4%	\$846
Agriculture, Forestry, Fishing and Hunting	13,225	630	5.0%	\$680
Wholesale Trade	111,478	361	0.3%	\$1,538
Utilities	18,535	109	0.6%	\$1,607
Mining, Quarrying, and Oil and Gas Extraction	6,387	(807)	-11.2%	\$1,425
Management of Companies and Enterprises	73,310	(1,023)	-1.4%	\$2,087
Information	74,512	(1,672)	-2.2%	\$1,718
% of Job Growth				
Low Wage		52,303	47.6%	\$367 - \$940
Medium Wage		40,972	37.3%	\$941 - \$1,513
High Wage		16,605	15.1%	\$1,514 - \$2,087

Fiscal Year 2016 General Fund Collections Finished \$279.3 Million (-1.5 Percent) Below Forecast...

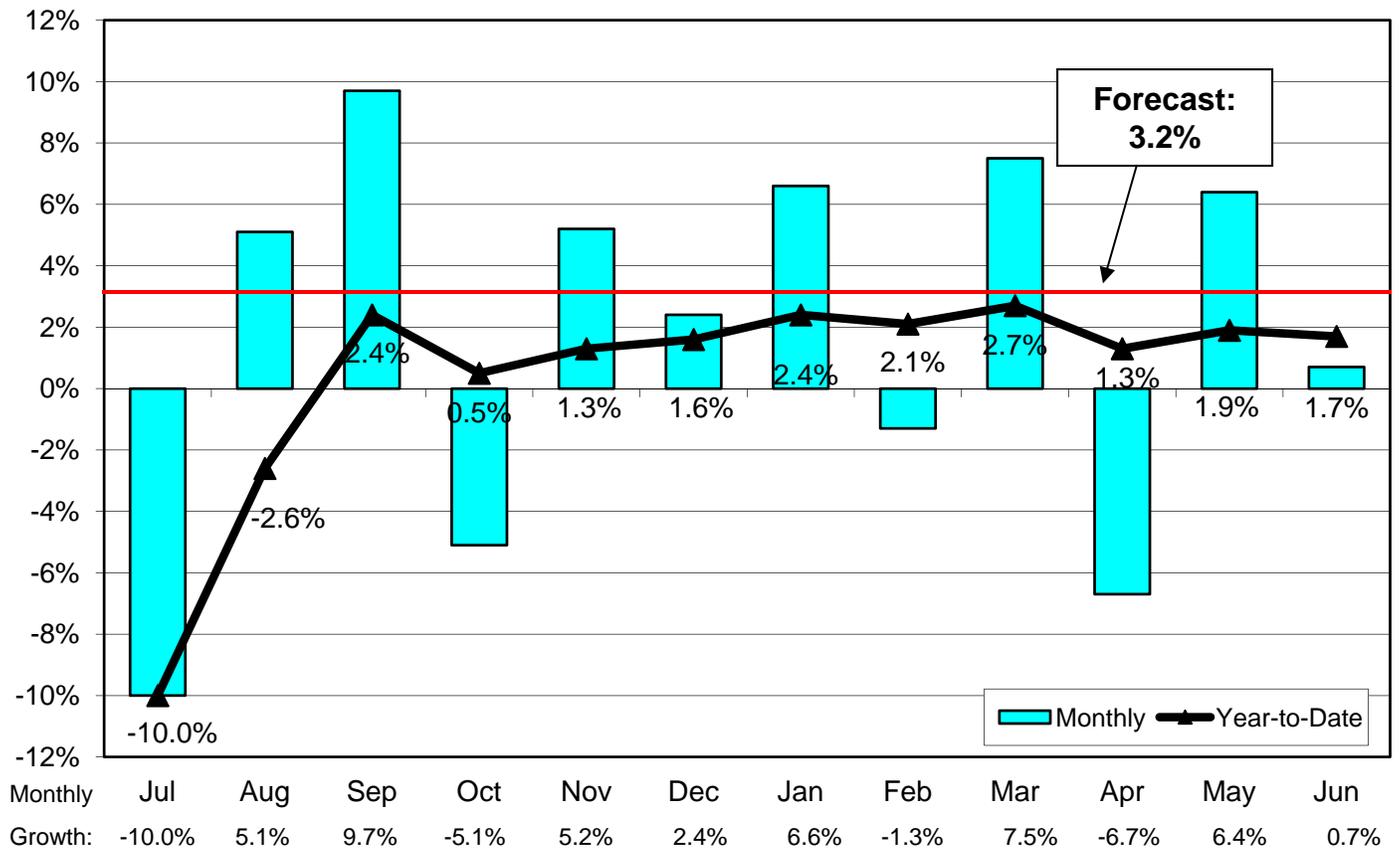
Summary of Fiscal Year 2016 Revenue Collections (millions of dollars)

Major Sources	Forecast	Actual	Dollars	Percent	Forecast	Actual
Withholding	\$11,501.6	\$11,306.3	(\$195.3)	(1.7) %	4.1 %	2.4
Nonwithholding	3,099.0	3,070.1	(28.9)	(0.9)	1.9	0.9
Refunds	(1,777.6)	(1,820.7)	(43.1)	2.4	1.2	3.6
Net Individual	\$12,823.0	\$12,555.6	(\$267.4)	(2.1) %	4.0 %	1.8
Sales	\$3,367.7	\$3,295.9	(\$71.9)	(2.1) %	4.1 %	1.9
Corporate	722.8	764.9	42.1	5.8	(13.1)	(8.0)
Wills (Recordation)	383.0	369.1	(13.9)	(3.6)	10.6	6.6
Insurance	322.7	339.1	16.4	5.1	7.3	12.8
All Other Revenue	689.8	715.5	25.7	3.7	(0.4)	3.3
Total Revenue	\$18,309.0	\$18,040.1	(\$268.9)	(1.5) %	3.2 %	1.7
A.B.C. Profits	\$84.0	\$86.5	\$2.5	3.0	0.8 %	3.8
Sales Tax (0.375%)	366.7	355.5	(11.2)	(3.1)	4.1	0.9
Transfers	121.3	119.6	(1.7)	(1.4)	(38.8)	(39.7)
Total Transfers	\$572.0	\$561.6	(\$10.4)	(1.8)	(9.8) %	(11.4)
TOTAL GENERAL FUND	\$18,881.0	\$18,601.7	(\$279.3)	(1.5)	2.8 %	1.3

- Payroll withholding and sales tax accounted for 73 percent and 27 percent, respectively, of the revenue shortfall.
- All other sources balanced out.

Fiscal Year 2016 Revenues Finished \$268.9 Million (-1.5 Percent) Below Forecast...

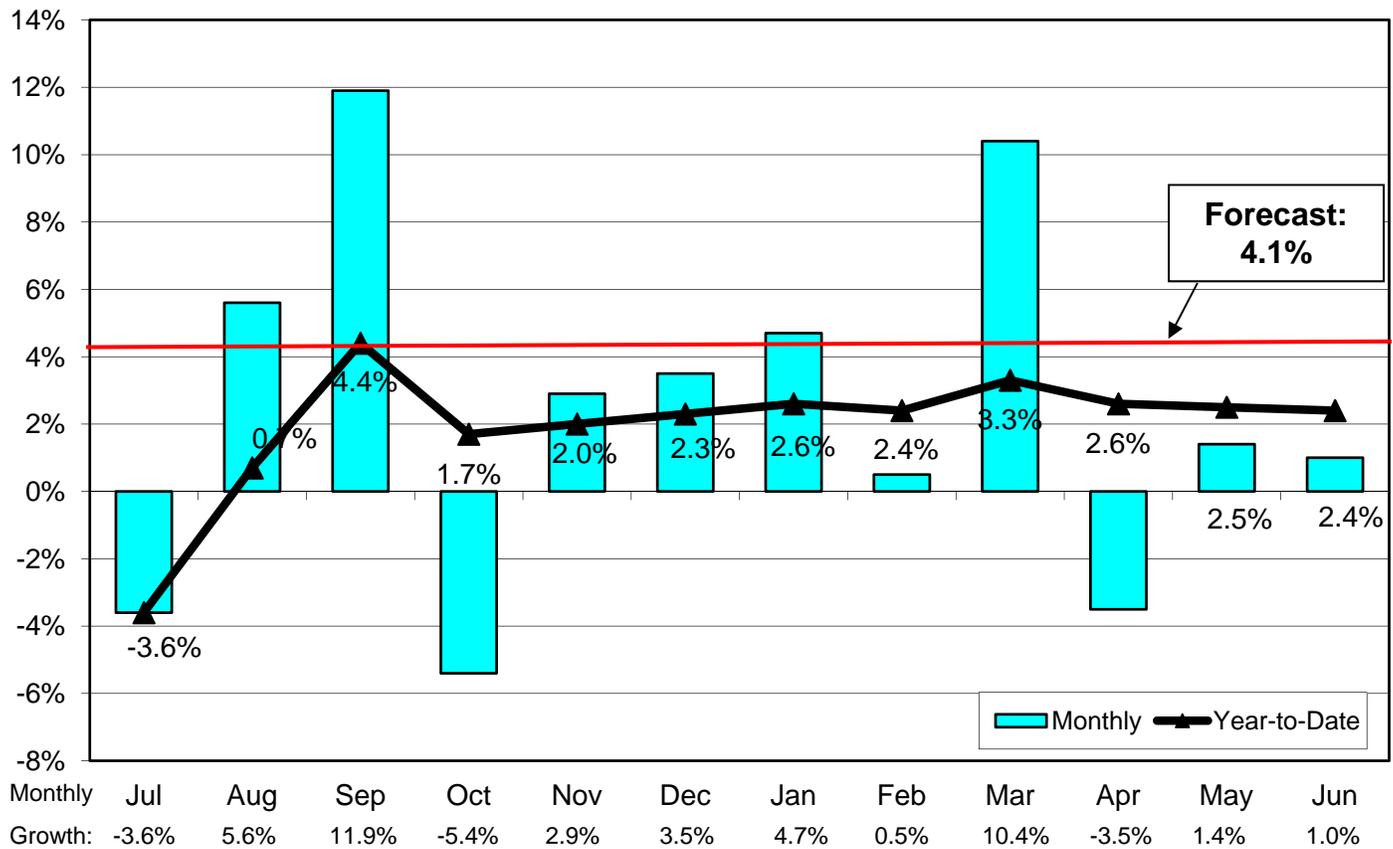
Growth in Total General Fund Revenue Collections FY16 Monthly and Year-to-Date



- Total general fund revenue collections were short of the forecast by \$268.9 million in FY16, a forecast variance of 1.5 percent.
- Fiscal year 2016 total revenues increased 1.7 percent, behind the annual forecast of 3.2 percent growth.

Payroll Withholding Tax Collections Fell Short of The Annual Estimate By \$195.3 Million (-1.7 Percent) In Fiscal Year 2016...

Growth in Withholding Tax Collections
FY16 Monthly and Year-to-Date



- Collections of payroll withholding taxes, 63 percent of total general fund revenues, grew 2.4 percent, trailing the annual estimate of 4.1 percent.

Weakness in Withholding is Due to the Continued Decline in Federal Contractors, and Overall Weak Wage Growth...

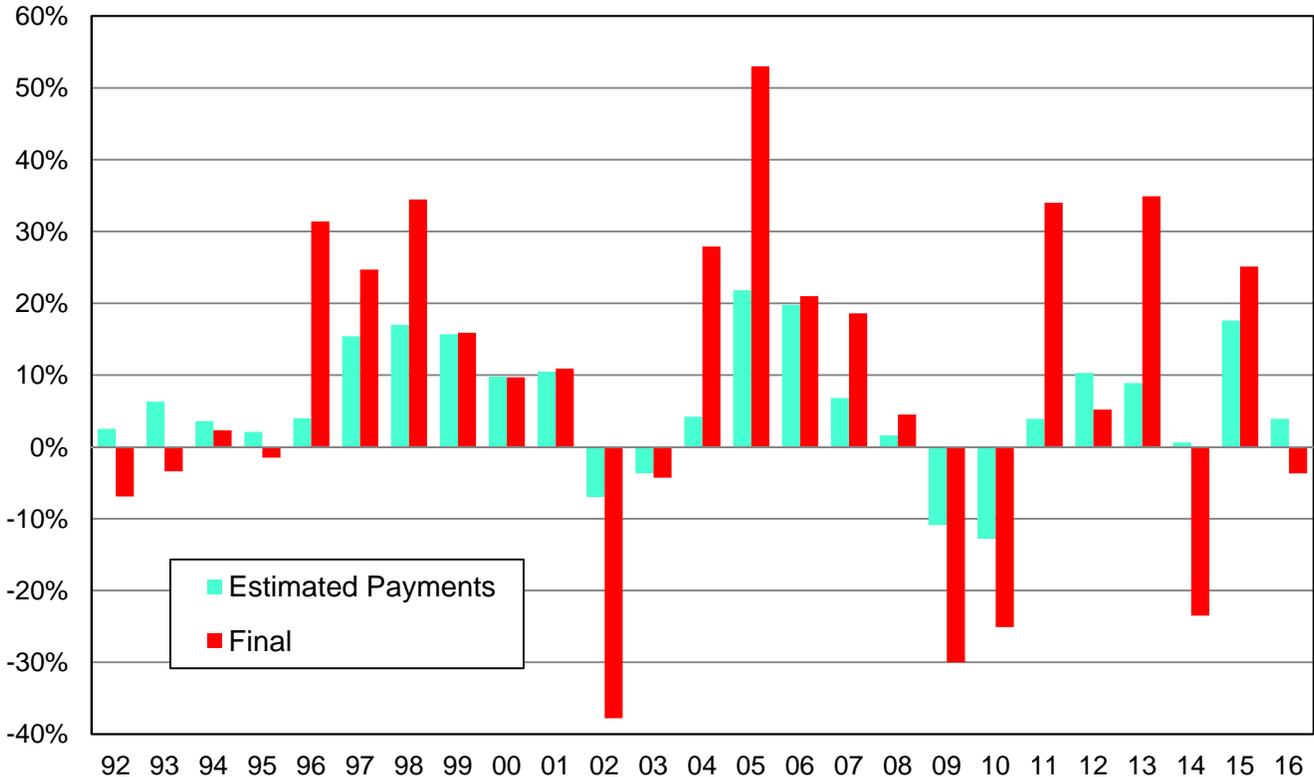
Withholding Tax Collections Fiscal Years 2014 – 2016

Industry (% of Total \$ Amount in FY16)	# of Firms in FY16	Millions of Dollars			Percent Change		
		FY14	FY15	FY16	FY14	FY15	FY16
Public Sector (18%)	100	\$1,888.6	\$1,961.9	\$2,019.7	0.7%	3.9%	2.9%
Education and Health Services (8%)	300	\$772.9	\$805.7	\$854.9	2.0%	4.2%	6.1%
Federal Contractors (4%)	244	\$451.7	\$439.9	\$431.5	-7.1%	-2.6%	-1.9%
Finance (3%)	170	\$306.6	\$325.2	\$344.4	4.0%	6.1%	5.9%
Professional and Business Services (3%)	719	\$288.1	\$297.0	\$316.8	1.2%	3.1%	6.7%
Investment (2%)	224	\$179.0	\$205.2	\$219.7	12.2%	14.6%	7.1%
Manufacturing (1%)	232	\$157.3	\$154.5	\$155.3	10.7%	-1.8%	0.5%
Transportation (1%)	59	\$113.9	\$115.7	\$118.6	4.6%	1.6%	2.5%
Housing (1%)	188	\$81.0	\$85.9	\$98.6	-0.2%	6.1%	14.7%
Other (4%)	681	\$469.4	\$484.0	\$438.4	-1.1%	3.1%	-9.4%
Total Large Payers (44%)	2,917	\$4,708.6	\$4,875.0	\$4,997.8	0.9%	3.5%	2.5%
Total Small Payers (56%)	221,588	\$5,775.6	\$6,169.3	\$6,308.5	3.4%	6.8%	2.3%
Total All	224,505	\$10,484.2	\$11,044.3	\$11,306.3	2.3%	5.3%	2.4%

Note: Dealers making payments in excess of \$100,000.

Individual Income Tax Nonwithholding Collections Were \$28.9 (-0.9 Percent) Below The Annual Estimate In Fiscal Year 2016...

Growth in Estimated and Final Payments, FY92-16
Percent Growth Over the Prior Year



- Collections of nonwithholding, 17 percent of total revenues and one of the most volatile revenue sources, fell short of expectations due to weaker than expected estimated payments.
 - Final payments decreased 3.7 percent compared with the estimate of a 5.4 percent decline.
- The shortfall would have been \$183 million more had the collar to total general fund revenues of 16.14 percent not been applied.

Individual Payments Reflect Realized Capital Gains and Non-wage Income...

Large Individual Payments

	<u>Number of Payments</u>	<u>Total \$ Amt of Payments</u> (in millions)
FY00	832	\$266.2
FY01	885	\$270.9
FY02	639	\$168.8
FY03	617	\$177.5
FY04	864	\$242.3
FY05	1,320	\$394.8
FY06	1,749	\$523.1
FY07	1,929	\$638.5
FY08	1,858	\$657.9
FY09	1,310	\$483.3
FY10	843	\$263.8
FY11	1,130	\$422.3
FY12	1,173	\$401.6
FY13	1,648	\$575.7
FY14	1,119	\$328.0
FY15	1,523	\$560.2
FY16	1,625	\$511.5

- FY16 payments decreased 9 percent from the FY15 level. FY13 and FY14 payments were affected by federal tax policy changes.
- Note, large payments are payments over \$100,000.

Individual Income Tax Refunds Were Ahead of Expectations In Fiscal Year 2016...

Individual Refunds

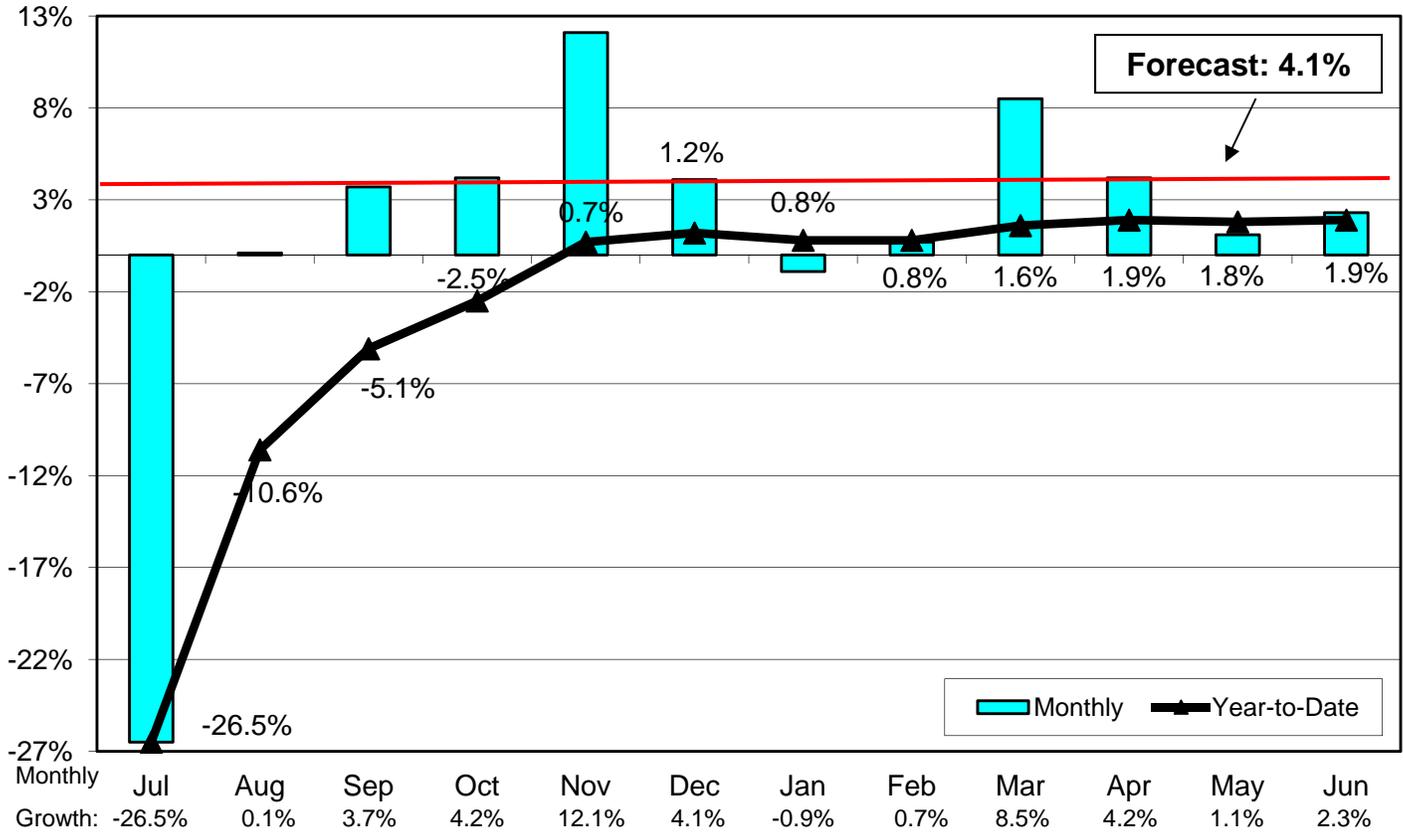
- Individual refunds in FY16 were \$43.1 million ahead of the estimate of a 1.2 percent increase, a 2.4 percent variance.
- During the main filing season that began in January and ended in June, TAX issued 2.6 million refunds, approximately 57,000 more than last year. The average check size was virtually unchanged at \$553.

Net Individual Income Taxes

- Net individual income taxes (i.e., collections of withholding, nonwithholding, and refunds) underperformed the forecast by \$267.4 million, a variance of -2.1 percent.
- Collections grew 1.8 percent in FY16, behind the annual estimate of 4.0 percent growth.

Sales And Use Tax Collections Fell Short Of The Annual Estimate By \$71.9 Million (-2.1 Percent) In Fiscal Year 2016...

Growth in Sales Tax Collections
FY16 Monthly and Year-to-Date



- Adjusting for AST, sales tax collections grew 2.2 percent in fiscal year 2016, trailing the economic-base forecast of a 4.1 percent increase.
- Monthly growth rates were below the annual forecast in 7 out of 12 months as Virginia consumers have shown restraint.

Despite an Improvement in Housing and Supercenters, Broad-based Declines in Sales Tax Collections Occurred in Fiscal Year 2016...

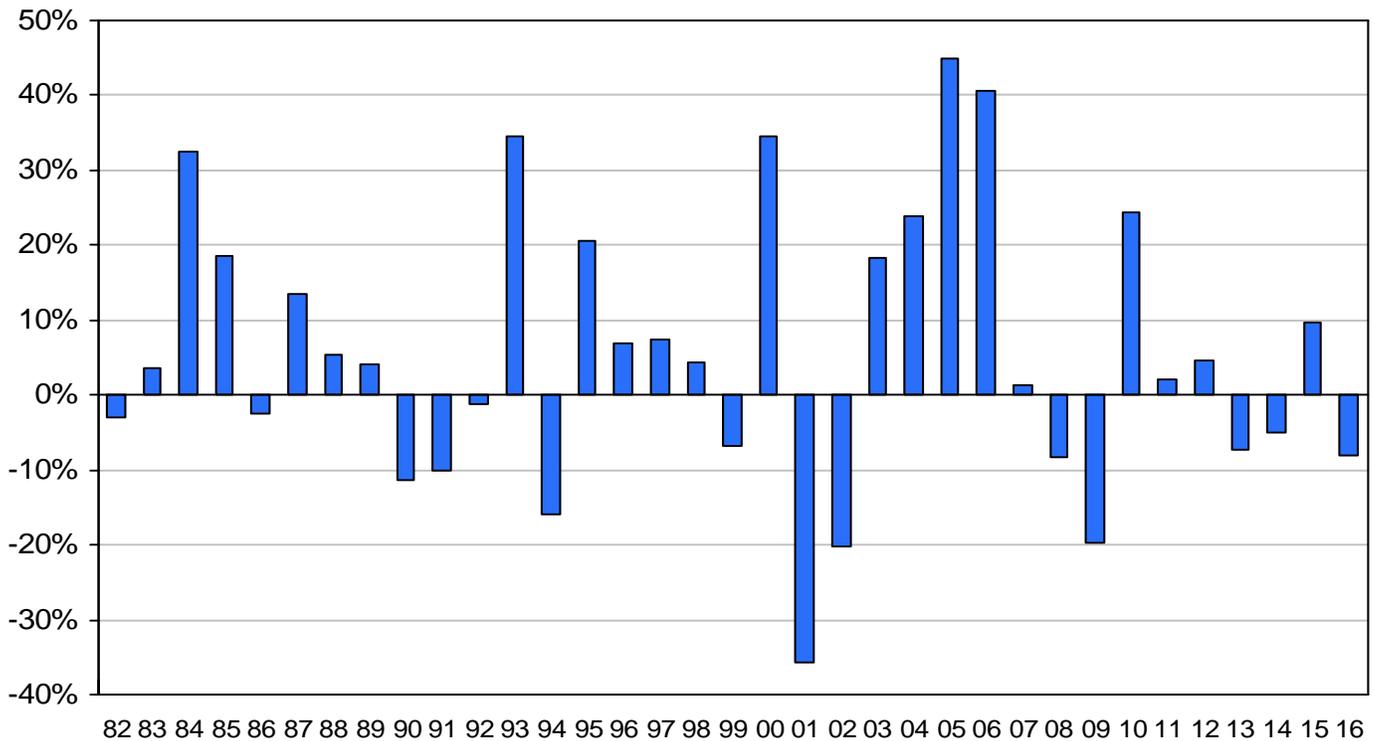
Total Sales Tax Collections Fiscal Years 2014 - 2016

Industry (% of Total \$ Amount)	# of Firms in FY16	Millions of Dollars			Percent Change		
		FY14	FY15	FY16	FY14	FY15	FY16
Housing (15%)	190	\$466.2	\$492.9	\$504.1	4.4%	5.7%	2.3%
Warehouse Clubs/Supercenters (13%)	6	\$398.2	\$413.1	\$425.4	-1.6%	3.7%	3.0%
Department Stores (10%)	133	\$357.8	\$360.3	\$332.7	-0.4%	0.7%	-7.7%
Grocery Stores (9%)	28	\$322.6	\$324.7	\$317.8	0.0%	0.7%	-2.1%
Retail Trade (9%)	142	\$292.0	\$299.2	\$300.6	2.7%	2.5%	0.5%
Restaurants (5%)	106	\$154.6	\$159.5	\$151.8	6.2%	3.2%	-4.8%
Wholesale Trade (2%)	87	\$71.9	\$74.1	\$72.8	5.5%	3.0%	-1.8%
Leisure and Hospitality (2%)	87	\$46.4	\$52.9	\$50.8	10.7%	13.9%	-3.8%
Gasoline Stations (1%)	24	\$45.7	\$48.1	\$45.8	-8.4%	5.4%	-4.9%
Other (4%)	417	\$150.1	\$154.7	\$145.4	-11.4%	3.1%	-6.0%
Total Large Payers (70%)	1,220	\$2,305.4	\$2,379.6	\$2,347.1	0.6%	3.2%	-1.4%
Total	124,879	\$3,211.5	\$3,368.8	\$3,434.0	0.8%	4.9%	1.9%

Note: Dealers making payments in excess of \$100,000.

Corporate Income Tax Receipts Exceeded The Annual Estimate By \$42.1 Million (5.8 Percent) In Fiscal Year 2016...

Growth in Net Corporate Income Tax Receipts, FY82-16
Percent Growth Over the Prior Year



- Corporate income tax collections, 4 percent of total revenues and one of the most volatile sources, fell 8.0 percent in FY16, ahead of the annual estimate of an 13.1 percent decline.

Gross Corporate Tax Collections Were Down Overall for Large Payers, Especially in Energy, Tobacco, and Professional and Business Services...

Total Gross Corporate Tax Collections Fiscal Years 2014 - 2016

Industry (% of Total \$ Amount)	# of Firms in FY15	Millions of Dollars			Percent Change		
		FY14	FY15	FY16	FY14	FY15	FY16
Housing (7%)	208	\$59.5	\$69.7	\$71.8	-16.5%	17.0%	3.1%
Federal Contractors (7%)	156	\$86.4	\$71.8	\$70.8	22.5%	-16.9%	-1.3%
Professional and Business (6%)	327	\$58.3	\$62.8	\$58.4	-27.3%	7.7%	-6.9%
Energy (6%)	85	\$63.0	\$67.1	\$54.0	-11.2%	6.6%	-19.5%
Manufacturing (6%)	337	\$44.3	\$43.3	\$53.3	-15.7%	-2.3%	23.2%
Tobacco (5%)	11	\$107.4	\$95.8	\$45.5	40.6%	-10.8%	-52.5%
Finance (5%)	107	\$14.0	\$46.4	\$45.3	-43.4%	231.5%	-2.2%
Retail Trade (4%)	67	\$38.1	\$31.9	\$40.2	-11.6%	-16.2%	25.8%
Wholesale Trade (3%)	189	\$46.0	\$43.0	\$32.3	-1.0%	-6.6%	-24.8%
Other (14%)	666	\$173.8	\$146.9	\$136.9	-11.8%	-15.5%	-6.8%
Total Large Payers (63%)	2,153	\$690.8	\$678.6	\$608.7	-5.8%	-1.8%	-10.3%
Total Small Payers (38%)	266,276	\$274.2	\$329.9	\$365.1	0.1%	20.3%	10.7%
Total	268,429	\$965.0	\$1,008.5	\$973.8	-4.2%	4.5%	-3.4%

Note: Companies making payments in excess of \$100,000.

The Performance of Other Revenue Sources Were Mixed Compared to Their Respective Forecasts In Fiscal Year 2016...

Wills, Suits, Deeds, and Contracts (Recordation Tax)

- Wills, Suits, Deeds, and Contracts (primarily recordation tax collections) finished \$13.9 million behind the annual forecast (-3.6 percent variance).
 - This source grew 6.6 percent as housing transactions have continued to advance.

Insurance Premiums Tax

- Insurance premiums tax collections exceeded the annual estimate by \$16.4 million (5.1 percent variance).
 - Growth in the commercial real estate market and improving home values led to the increase in insurance premiums tax collections.

All Other Revenues

- All Other Revenues finished \$25.7 million ahead of expectations (3.7 percent variance).
 - Much of this gain was due to the alcoholic beverage state tax, penalties, and miscellaneous revenues.

Commonwealth Transportation Fund (CTF) Revenues Finished Fiscal Year 2016 \$2.1 Million Below the Official Estimate...

Summary of Fiscal Year 2016 Revenue Collections Commonwealth Transportation Fund (millions of dollars)

Actual Collections Compared to the Official Forecast for Fiscal Year 2016 (Millions of Dollars)

Revenue Sources	FY2015 Actual	FY2016 Actual	FY2016 Forecast	Percent Change 2015-2016		Forecast Variance	
				Actual	Forecast	Amount	Percent
Motor Fuels Tax	715.1	848.3	873.8	18.6%	22.2%	(25.5)	-2.9%
Road Use Tax	5.7	10.9	7.9	91.2	38.6	3.0	38.0
Vehicle Sales Tax	854.5	918.9	893.8	7.5	4.6	25.1	2.8
Vehicle Licenses	245.1	253.4	244.4	3.4	(0.3)	9.0	3.7
State Sales Tax	994.9	1,000.5	1,006.2	0.6	1.1	-5.7	-0.6
Recordation Tax	42.0	44.2	44.6	5.2	6.2	-0.4	-0.9
Insurance Premiums Tax	150.4	150.3	150.3	(0.1)	(0.1)	0.0	0.0
Int'l Registration Plan	66.0	67.7	66.4	2.6	0.6	1.3	2.0
Interest Earnings	7.5	3.7	13.6	(50.7)	81.3	-9.9	-72.8
Rental Tax	35.9	37.5	37.9	4.5	5.6	-0.4	-1.1
Aviation Fuels Tax	1.8	1.8	1.8	0.0	0.0	0.0	0.0
Miscellaneous	18.3	18.4	17.0	0.5	(7.1)	1.4	8.2
TOTAL	\$3,137.2	\$3,355.6	\$3,357.7	7.0%	7.0%	(\$2.1)	-0.1%

- Total revenue growth was slightly below target with a 0.1 percent forecast variance.
 - Weaker than expected growth in the motor fuels tax was offset by solid growth in vehicle sales tax collections.

Given the Revenue Shortfall, All Available Dollars Are Either Reserved, Committed, or Assigned on the Commonwealth's Balance Sheet...

General Fund - Budgetary (Cash) Basis (Unaudited) Fiscal Year 2016

(millions of dollars)

Assets		
Cash, Cash Equivalents, and Investments	\$ 1,561.2	
Cash, Travel Advances and Amounts Due from Other Funds	<u>0.6</u>	
Total Assets		<u>\$ 1,561.8</u>
Liabilities and Fund Equity		
Liabilities:		
Payments Awaiting Distribution	77.4	
Deposits Pending Distribution	<u>5.9</u>	
Total Liabilities	\$	83.3
Fund Equity:		
Reserved Fund Balance:		
Revenue Stabilization Reserve Fund	235.5	
Revenue Stabilization Reserve 2017	605.6	
Lottery Proceeds Fund	8.6	
Water Supply Assistance Grant Fund	<u>5.3</u>	
Total Reserved Fund Balance	855.0	
Commitments and Assignments:		
Reapp. 2016 Unexpended Bal. for Cap Outlay	141.9	
Central Capital Planning Fund	10.3	
Communication Sales and Use Tax	35.8	
Natural Disaster Sum Sufficient	25.6	
Amt. Required for Mandatory Reapp.	58.5	
Virginia Health Care Fund	44.3	
Virginia Water Quality Improvement Fund	15.8	
Balance Required by Chapter 780	149.9	
Select NGF Balances	<u>141.4</u>	
Total Committed and Assigned Fund Balance	623.5	
Total Fund Equity		<u>1,478.5</u>
Total Liabilities and Fund Balance		<u>\$ 1,561.8</u>

In Mid-May, The Governor Ordered The Secretary Of Finance To Conduct A Reforecast Of Revenues...

- The August 2016 interim revenue forecast is based on the updated economic outlook for Virginia as approved by the Joint Advisory Board of Economists (JABE) and the Governor's Advisory Council on Revenue Estimates (GACRE) .
 - IHS Economics' May 2016 standard and pessimistic forecasts for the U.S. and the associated outlook for Virginia were presented to the JABE.
 - The majority of the Board considered the standard forecast for Virginia as the appropriate path, although some members thought wages and salaries were too high given the job growth composition.
 - The May JABE standard forecast was presented to the Governor's Advisory Council on Revenue Estimates (GACRE) on August 15, 2016.

In the JABE Standard Forecast, Virginia Will Continue to Underperform the National Economy...

- Employment is expected to continue to grow, but at a slower rate than in FY16.
- Wage and salary income is expected to approach modestly stronger rates over the forecast horizon.

Key Virginia Economic Indicators Official and JABE Standard Forecast Annual Percent Change

	Fiscal Year			
	15	16	17	18
Employment				
Official (Nov '15)	0.8	1.5	1.3	1.0
May Standard	1.1	2.4	1.5	1.0
Personal Income				
Official (Nov '15)	3.9	3.7	3.8	4.2
May Standard	4.0	4.3	3.8	4.2
Wages & Salaries				
Official (Nov '15)	3.0	3.9	4.3	4.0
May Standard	3.2	4.2	4.3	3.9
Average Wage				
Official (Nov '15)	2.2	2.4	2.9	3.0
May Standard	2.1	1.8	2.7	3.0

The August Interim Revenue Forecast Incorporates The Recommendations From The GACRE Meeting...

- At the GACRE meeting, 6 business members voted for the May Standard forecast (the forecast presented), 4 members voted for the May Standard but with a Minus, one member was for a more optimistic outlook, and one for the May Pessimistic forecast.
- Most of the concerns raised by members supporting a May Standard Minus forecast were over the outlook for fiscal year 2018.
- No members commented on removing the collar on nonwithholding.
- Several members commented on the need to account for lower paying jobs going forward.
 - The withholding forecast will increase the *withholding model bias adjustment* from one-half to *a full downward adjustment to account for their recommendations*.
 - *This will reduce each year by an additional \$53.5 million.*
- In August interim revenue forecast, total General Fund revenues have been *reduced by \$1.2 billion for FY17-18 from the official forecast.*

The Official and Interim Standard General Fund Forecasts

(Dollars in Millions)

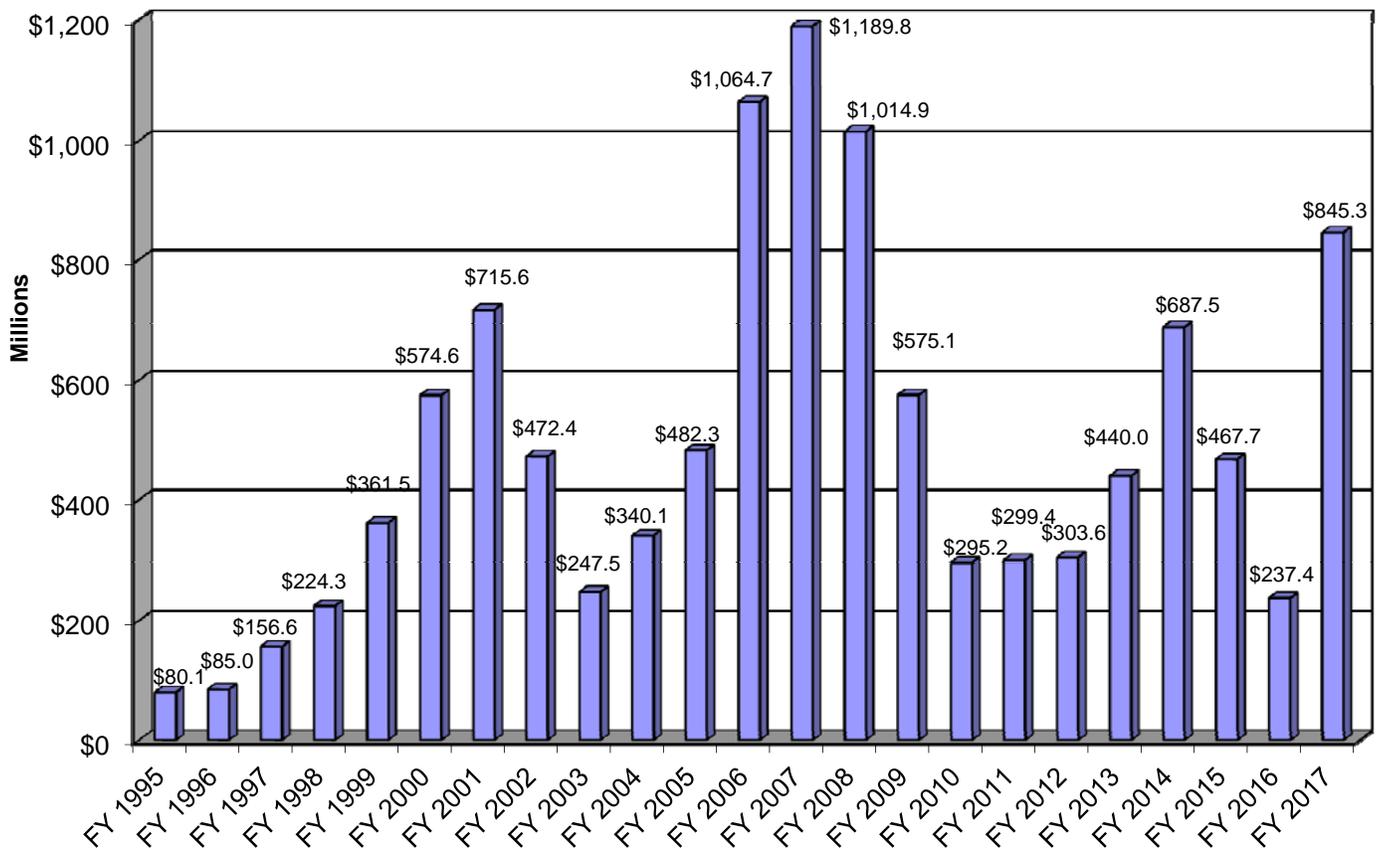
8/26/2016

Major Sources	Fiscal Year 2016		Fiscal Year 2017			% Growth Over FY 16	
	Actual	% Growth	Official	Interim	Change	Official	Interim
Withholding	\$11,306.3	2.4 %	\$11,958.6	\$11,646.0	(\$312.6)	4.0 %	3.0 %
Nonwithholding	3,070.1	0.9	3,165.6	3,032.5	(133.1)	2.1	(1.2)
Refunds	(1,820.7)	3.6	(1,894.1)	(1,894.1)	0.0	6.6	4.0
Net Individual	\$12,555.6	1.8 %	\$13,230.1	\$12,784.4	(\$445.7)	3.2 %	1.8 %
Sales	\$3,295.9	1.9 %	\$3,500.8	\$3,382.2	(\$118.6)	4.0 %	2.6 %
Corporate	764.9	(8.0)	765.2	742.1	(23.1)	5.9	(3.0)
Wills (Recordation)	369.1	6.6	389.4	389.4	0.0	1.7	5.5
Insurance	339.1	12.8	335.6	343.5	7.9	4.0	1.3
All Other Revenue	\$ 715.5	3.3	681.4	696.4	15.0	(1.2)	(2.7)
Total Revenue	\$18,040.1	1.7 %	\$18,902.4	\$18,338.0	(\$564.4)	3.2 %	1.7 %

Major Sources	Fiscal Year 2018			% Growth Over FY17		2016-2018 Biennium		
	Official	Interim	Change	Official	Interim	Official	Interim	Change
Withholding	\$12,410.2	\$12,037.4	(\$372.8)	3.8 %	3.4 %	\$24,368.8	\$23,683.4	(\$685.4)
Nonwithholding	3,393.9	3,280.8	(113.1)	7.2	8.2	6,559.5	6,313.3	(246.2)
Refunds	(1,968.2)	(1,968.2)	0.0	3.9	3.9	(3,862.3)	(3,862.3)	0.0
Net Individual	\$13,835.9	\$13,350.0	(\$485.9)	4.6	4.4	\$27,066.0	\$26,134.4	(\$931.6)
Sales	\$3,635.0	\$3,481.4	(\$153.6)	3.8	2.9	\$7,135.7	\$6,863.6	(\$272.1)
Corporate	736.4	724.0	(12.4)	(3.8)	(2.4)	1,501.6	1,466.1	(35.5)
Wills (Recordation)	389.4	389.4	0.0	0.0	0.0	778.8	778.8	0.0
Insurance	350.3	354.5	4.2	4.4	3.2	685.9	698.0	12.1
All Other Revenue	686.1	701.1	15.0	0.7	0.7	1,367.5	1,397.5	30.0
Total Revenue	\$19,633.1	\$19,000.4	(\$632.7)	3.9 %	3.6 %	\$38,535.5	\$37,338.4	(\$1,197.1)

A Mandatory Deposit of \$605.6 Million Will Be Made to the Revenue Stabilization Fund in FY2017 Substantially Increasing the Size of the Fund to About \$845.0 Million by June 30, 2017...

Revenue Stabilization Fund – June 30 Balance
 FY1995-2015 Actual and FY2016-2017 Forecast
 (millions of dollars)



- A deposit of \$243.2 million and a withdrawal of \$467.7 million occurred in FY2015.
- Another withdrawal of \$235.5 million occurred in FY2016.
- A mandatory deposit of \$605.6 million is required in year 2017 based on actual general fund revenue collections for FY2015.

July 2016 General Fund Revenue Collections Increased 3.7 Percent ...

Summary of July FY17 Revenue Collections

Percent Growth over Prior Year

<u>Major Source</u>	As a % of Total <u>Revenues</u>	<u>YTD</u> <u>Actual</u>	<u>Annual</u> <u>Estimate</u>	<u>Variance</u>
Withholding	63.3 %	1.4 %	5.8 %	(4.4) %
Nonwithholding	16.7	16.4	3.1	13.3
Refunds	<u>(10.0)</u>	<u>(15.4)</u>	<u>4.0</u>	<u>(19.4)</u>
Net Individual	70.0	3.2	5.4	(2.2)
Sales	18.5	6.1	6.2	(0.1)
Corporate	4.0	46.3	0.0	46.3
Wills (Recordation)	2.1	1.2	5.5	(4.3)
Insurance	1.8	na	(1.0)	na
All Other Revenue	3.6	3.9	(4.8)	8.7
Total	100.0 %	3.7 %	4.8 %	(1.1) %

Sales (x AST)	5.8 %	4.8 %	1.0 %
Total (x AST)	3.6 %	4.5 %	(0.9) %

- Withholding collections had two less deposit days this month.
- Mail delivery delays postponed the collection of some June nonwithholding payments and pushed them into July receipts.

The August Revenue Reforecast Will Be Addressed By Budget Actions And Further Revenue Review Before December...

- Budget actions will be identified and implemented to start to address the reduction in fiscal year 2017 prior to the introduction of the amended budget in December.
- Recommendations for fiscal year 2018 budget actions will be in the amended budget bill submitted in December.
- Significant data/analyses used in the revenue forecasting process will be available over the next few months and will be incorporated in the fall forecasting process.
 - September – individual, corporate, and insurance estimated payments due.
 - October – retailer corporate estimated payments due and individual refunds from extension returns normally peak.
 - Review economic projections (JABE).
 - November – corporate refunds from extension returns normally peak.
 - Review of revenue forecast for fiscal years 2017, 2018, 2019, and 2020 (GACRE).

Appendix

Fiscal Year 2016 General Fund Collections: Actual and Official Forecast

Official and Interim General Fund Forecast for Fiscal Years 2017 and 2018

Official and August Update - Commonwealth Transportation Fund Forecast for Fiscal Years 2017 and 2018

Growth in Total General Fund Revenues, Fiscal Years 1961 to 2018

June 2016 Revenue Report

July 2016 Revenue Report

Note:

The [General Fund Preliminary Annual Report](http://www.doa.virginia.gov) is available at the Department of Accounts web site (www.doa.virginia.gov).

This presentation is available at the Secretary of Finance web site (www.finance.virginia.gov).