



Economic and Revenue Update

A Briefing for the Money Committees

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

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Topics for Discussion

- National and State Economic Indicators
- August Year-to-Date Revenue Collections, Fiscal Year 2018
- Next Steps

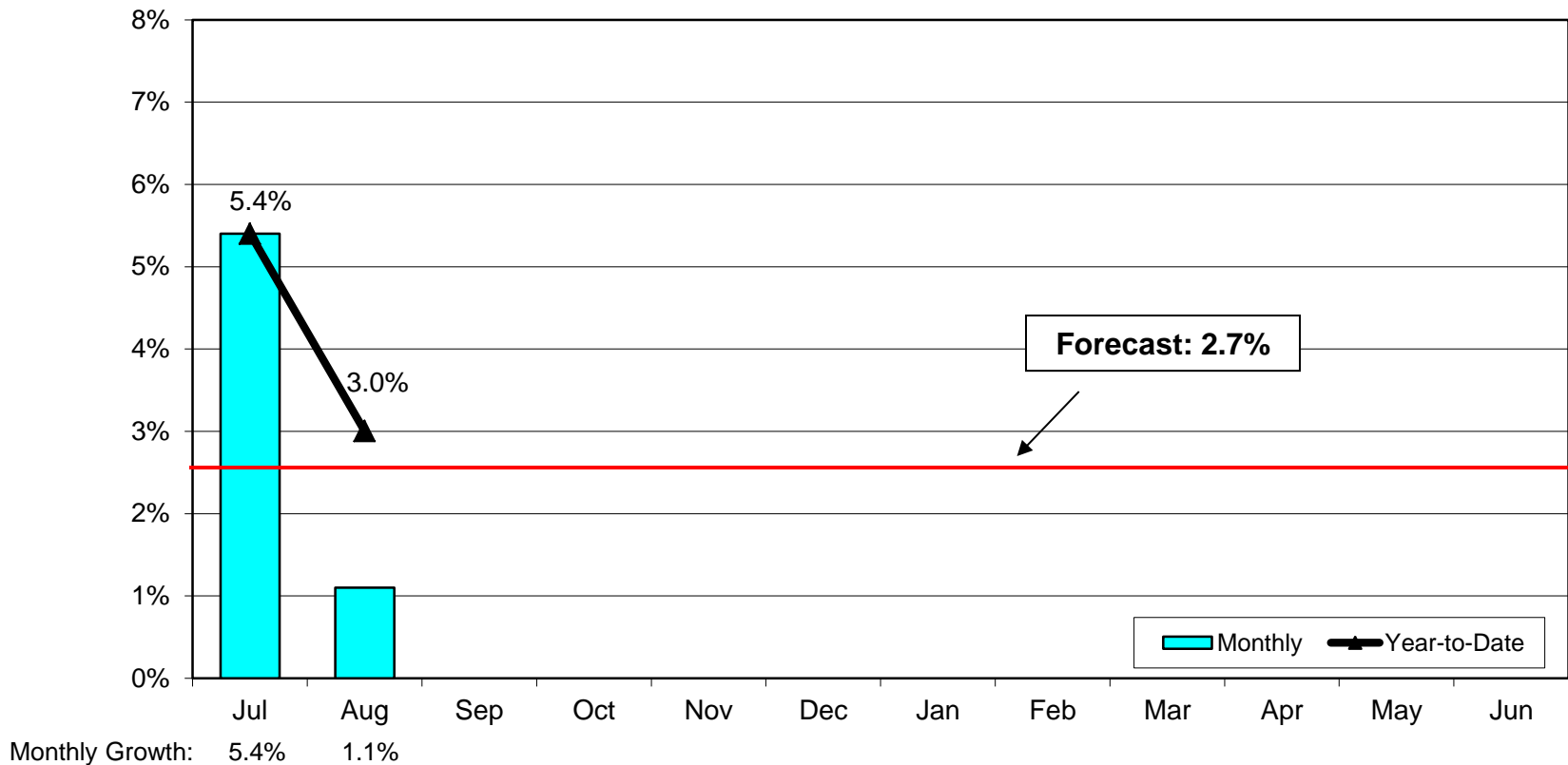
National and State Economic Indicators

- According to the second estimate, real GDP grew at an annualized rate of 3.0 percent in the second quarter of 2017, up from 1.2 percent in the first quarter.
- Job growth was somewhat weaker than expected in August. Payroll employment rose by 156,000 and the two prior monthly gains were revised downward.
- The national unemployment rate increased by 0.1 percent to 4.4 percent in August.
- Due to the effects of hurricane Harvey, initial claims for unemployment rose by 62,000 to 298,000 during the week ending September 2.
 - The four-week moving average rose by 13,500 to 250,250.
 - The ability to absorb the jump in claims and remain below 300,000 suggests the labor market is healthy.
- The Conference Board's index of leading indicators rose 0.3 percent in July following a 0.6 percent increase in June.
- The Conference Board's index of consumer confidence rose from 120.0 to 122.9 in August.
- Conditions in the manufacturing sector improved in August, with the Institute of Supply Management index rising from 56.3 to 58.8.
 - The index has risen in three of the last four months and is the highest since 2011.

National and State Economic Indicators

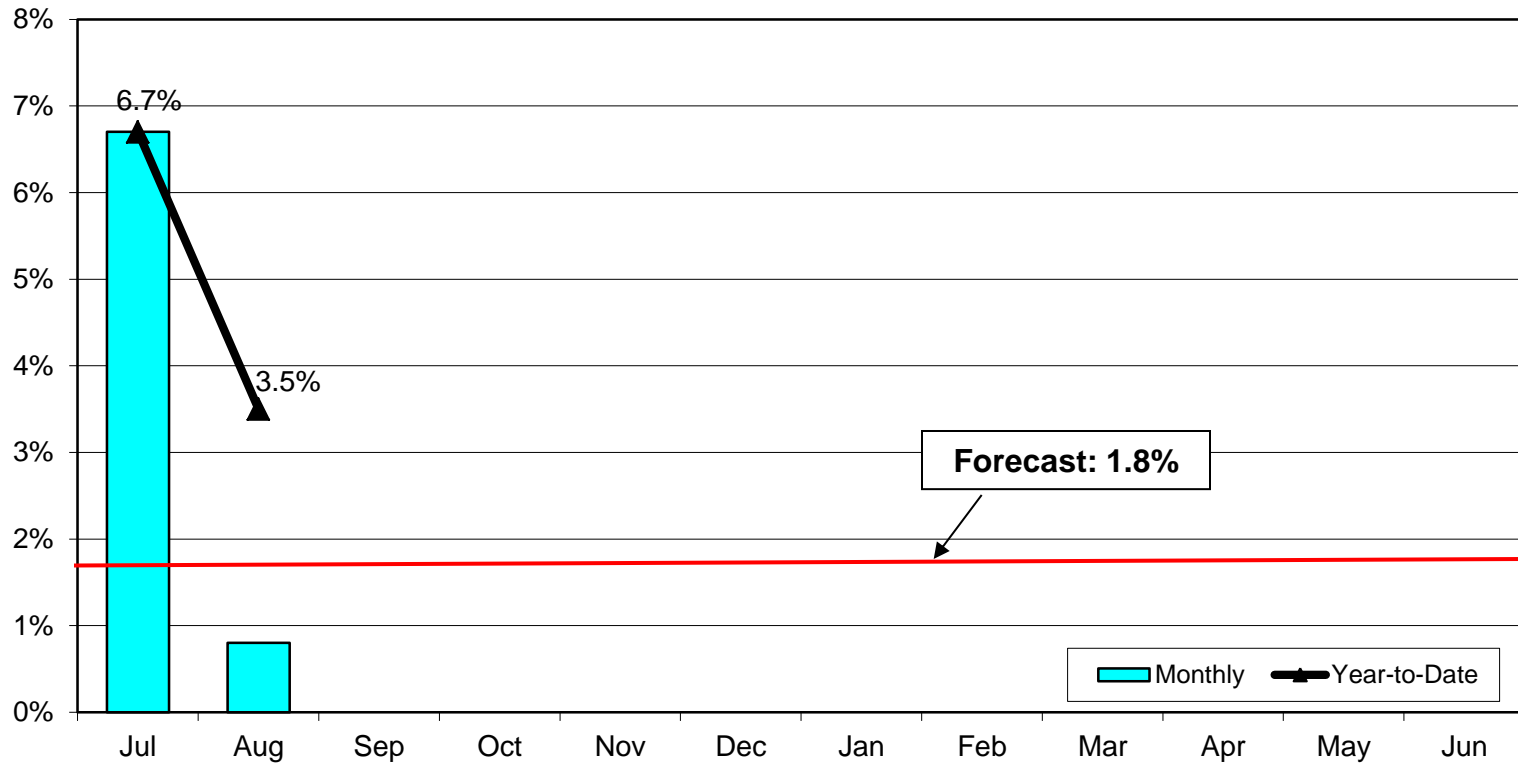
- The CPI rose 0.1 percent in July and stands 1.7 percent above July 2016.
 - Core inflation (excluding food and energy prices) also rose 0.1 percent, and has increased 1.7 percent from last year.
- At its July meeting, the Federal Reserve reaffirmed that the federal funds rate target was going to remain unchanged at 0.75 to 1.0 percent.
- In Virginia, payroll employment rose 1.8 percent in July from July of last year.
 - Northern Virginia posted growth of 1.7 percent, Hampton Roads declined 0.4 percent, and Richmond-Petersburg rose 2.6 percent.
 - The seasonally adjusted unemployment rate rose 0.1 percentage point to 3.8 percent and stands 0.3 percentage point below July 2016.
- The Virginia Leading Index was unchanged in July after rising 0.2 percent in June. The U.S. leading index, auto registrations, and future employment improved in July while initial claims increased.
 - The indexes for Richmond, Roanoke, Charlottesville, Blacksburg, Harrisonburg, and Staunton rose in July while the indexes for Lynchburg and Winchester declined. The Northern Virginia, Bristol, and Hampton Roads indexes were little changed over the same period.

Growth in Total General Fund Revenue Collections FY18 Monthly and Year-to-Date



- Total general fund revenues increased 1.1 percent in August, a solid month considering last August increased by 12 percent.
- On a year-to-date basis, total revenues increased 3.0 percent, ahead of the annual forecast of a 2.7 percent increase.

Growth in Withholding Tax Collections FY18 Monthly and Year-to-Date



Monthly Growth: 6.7% 0.8%

- Collections increased 0.8 percent in August after increasing 17.7 percent last August.
- Year-to-date, withholding collections increased 3.5 percent compared with the same period last year, ahead of the projected annual growth rate of 1.8 percent.

Individual Nonwithholding

- Collections through August were \$106.3 million compared with \$115.6 million in the same period last year.

Individual Income Tax Refunds

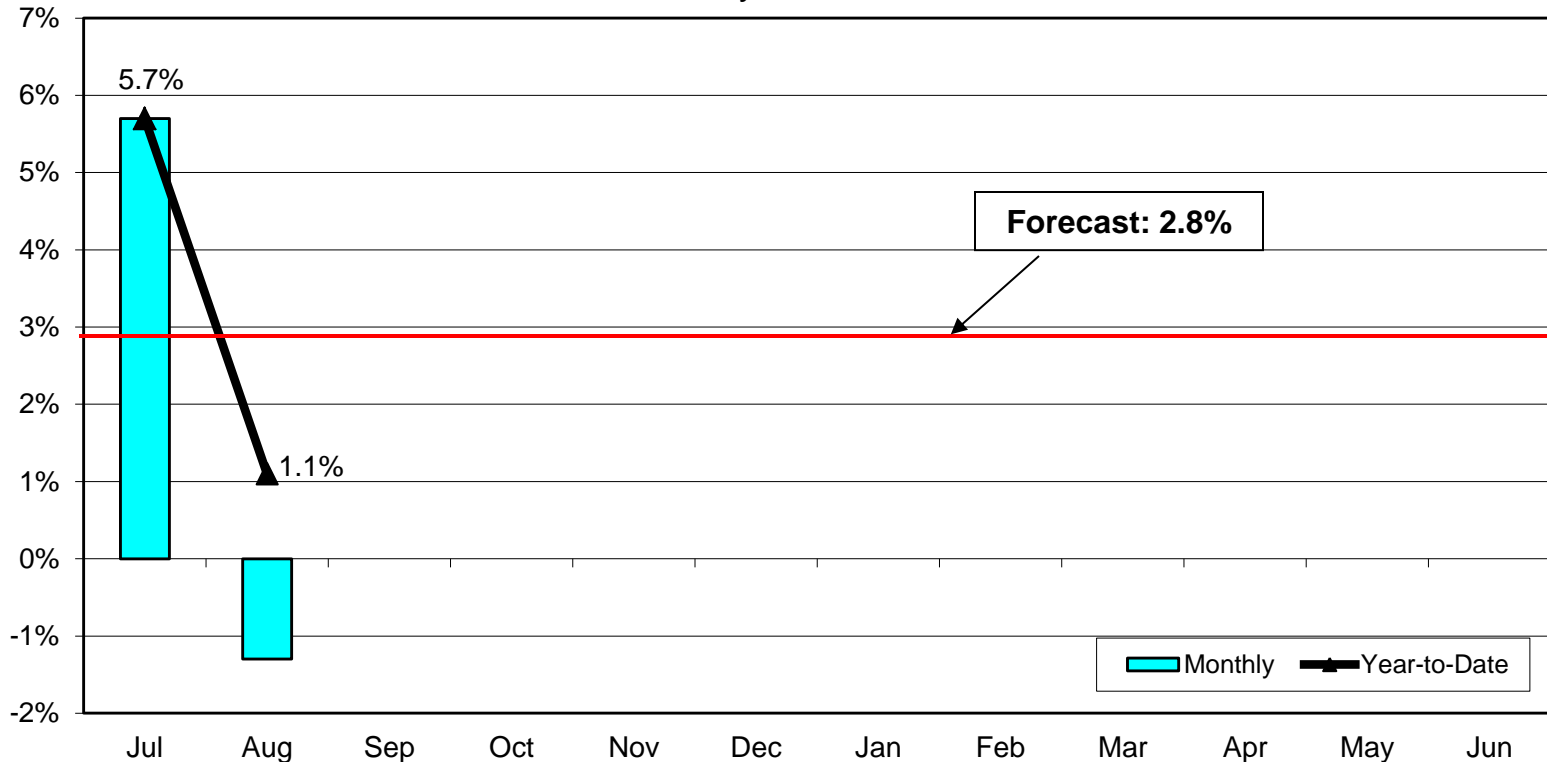
- Through August, TAX has issued \$87.2 million in individual refunds compared with \$76.7 million in the same period last year.

Net Individual Income Tax

- Through the first two months of the fiscal year, collections of net individual income tax increased 2.4 percent from the same period last year, behind the annual estimate of a 2.6 percent increase.

Growth in Sales Tax Collections

FY18 Monthly and Year-to-Date



Monthly Growth: 5.7% -1.3%

- Collections of sales and use taxes, reflecting mainly July sales, decreased 1.3 percent in August due to a few refunds. Without the refunds, sales tax collections increased 3.5 percent.
- On a year-to-date basis, collections increased 1.1 percent, behind the annual estimate of 2.8 percent growth.

Net Corporate Income Tax Collections

- Through the first two months of the fiscal year, \$34.7 million has been collected in this source, compared with \$17.1 million over the same period last year. August is not typically a significant month for this source.

Recordation and Insurance Premiums Tax

Recordation

- In August, collections declined by 3.4 percent after increasing 24.9 percent last August.

Insurance

- Collections are zero as the required transfers to the Transportation Trust Fund are being completed. Transportation must receive \$168.0 million before deposits are made to the General Fund.

Summary of Fiscal Year 2018 Revenue Collections

July through August

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	63.1 %	3.5 %	1.8 %	1.7 %
Nonwithholding	16.8	(8.0)	7.0	(15.0)
Refunds	(10.1)	13.6	4.4	9.2
Net Individual	69.8	2.4	2.6	(0.2)
Sales	18.0	1.1	2.8	(1.7)
Corporate	4.4	102.9	1.6	101.3
Wills (Recordation)	2.1	0.3	3.4	(3.1)
Insurance	1.9	n/a	7.0	n/a
All Other Revenue	3.9	8.4	2.3	6.1
Total	100.0 %	3.0 %	2.7 %	0.3 %

Summary of Fiscal Year 2018 Revenue Collections

July through August

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
2017	18,695.1	1,128.1	2,495.9	4,211.3	5,500.4	6,890.2	8,651.3	10,576.8	11,548.5	12,934.7	14,697.5	16,472.7	18,695.1
Average	14,566.7	923.0	1,951.9	3,354.3	4,424.2	5,450.8	6,846.0	8,308.2	9,055.7	10,003.5	11,461.4	12,877.9	14,566.7
% of Total	100.0%	6.3%	13.4%	23.0%	30.4%	37.4%	47.0%	57.0%	62.2%	68.7%	78.7%	88.4%	100.0%
2018													
Chaper 836	19,193.3	1,188.6	2,572.0	-	-	-	-	-	-	-	-	-	-
% of Estimate		6.2%	13.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

September Is the Next Significant Data Point

- Estimated payments are due from individuals, corporations and insurance companies.
 - Last data point to include in the revenue models.
 - Nonwithholding forecast will be driven by this payment and financial markets' performance.
- Sales tax for August sales will complete the summer tourism season.

Next Steps

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