



Economic and Revenue Update

A Briefing for the House Appropriations Committee

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Topics for Discussion

- National and State Economic Indicators
- January Year-to-Date Revenue Collections, Fiscal Year 2012
- Next Steps

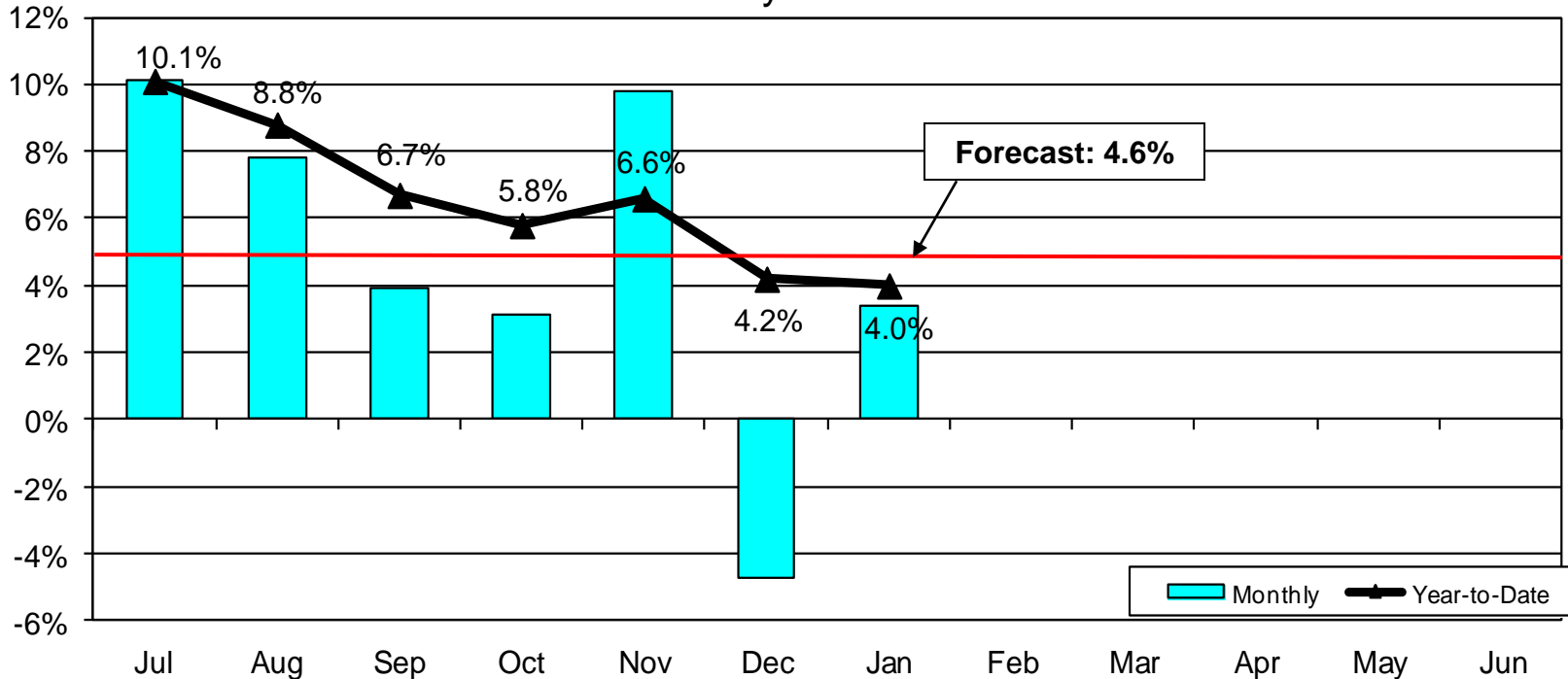
National and State Economic Indicators

- Current national indicators continue to slowly improve.
- According to the advance estimate, real GDP grew at an annualized rate of 2.8 percent in the fourth quarter of 2011. This was up from growth of 1.8 percent in the third quarter and 1.3 percent in the second quarter. For calendar year 2011, real GDP grew 1.7 percent, down from 3.0 percent in 2010.
- Labor market conditions were better than expected in January, as payroll employment added 243,000 jobs.
- The national unemployment rate fell from 8.5 to 8.3 percent in January, its lowest rate since February 2009.
- Initial claims for unemployment decreased by 15,000 to 358,000 during the week ending February 4.
 - The four-week moving average decreased from 377,250 to 366,250, the lowest level since April 2008.
- Employers in Virginia have added jobs in 11 of the last 16 months. Payroll employment in December grew 1.0 percent from December of last year.
 - Compared to last year, employment grew 1.3 percent in Northern Virginia and 0.4 percent in Richmond-Petersburg, but fell 0.2 percent in Hampton Roads.
- The unemployment rate in the Commonwealth rose 0.4 percent to 6.1 percent in December.

National and State Economic Indicators

- According to RealtyTrac, U.S. foreclosure activity for December declined 20 percent from December 2010 and was the lowest monthly total since November 2007. Foreclosure filings for calendar year 2011 dropped 34 percent from last year.
 - One in every 634 U.S. housing units received a foreclosure notice in December.
 - In Virginia, one in every 1,193 households received a foreclosure notice.
- The manufacturing sector continued to expand in January, as the Institute of Supply Management index rose from 53.1 to 54.1, its highest level since June 2011.
 - This marks the 30th consecutive month above the expansionary threshold of 50.0.
- The Conference Board's index of leading indicators rose 0.4 percent in December, marking the third consecutive monthly increase.
- The Conference Board's index of consumer confidence fell from 64.8 to 61.1 in January, following two months of significant improvement.
- The CPI was unchanged in December, as it was in November, and stands 3.0 percent above December of 2010.
 - Core inflation (excluding food and energy prices) rose 0.1 percent in December, and has increased 2.2 percent from December 2010.
- The saving rate increased from 3.5 percent in November to 4.0 percent in December.
- At its January meeting, the Federal Reserve decided to again keep the federal funds rate target unchanged at 0.0 to 0.25 percent.

Growth in Total General Fund Revenue Collections FY12 Monthly and Year-to-Date

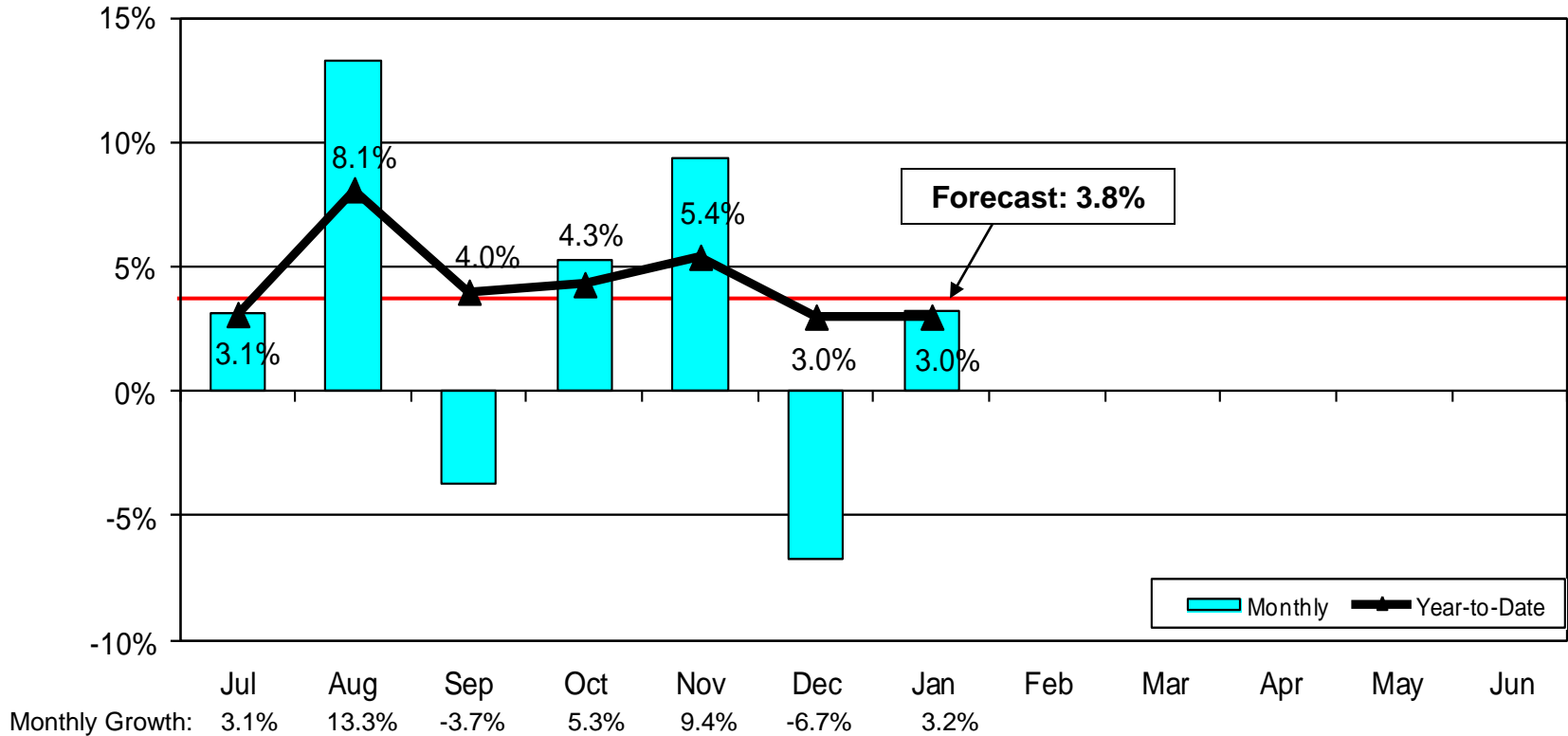


Monthly Growth: 10.1% 7.8% 3.9% 3.1% 9.8% -4.7% 3.4%

- On a year-to-date basis, total revenues increased 4.0 percent through January, behind the annual forecast of 4.6 percent growth.
 - Adjusting for the accelerated sales tax (AST) program, total revenues grew 3.6 percent, behind the economic-base forecast of 4.7 percent growth.

Growth in Withholding Tax Collections

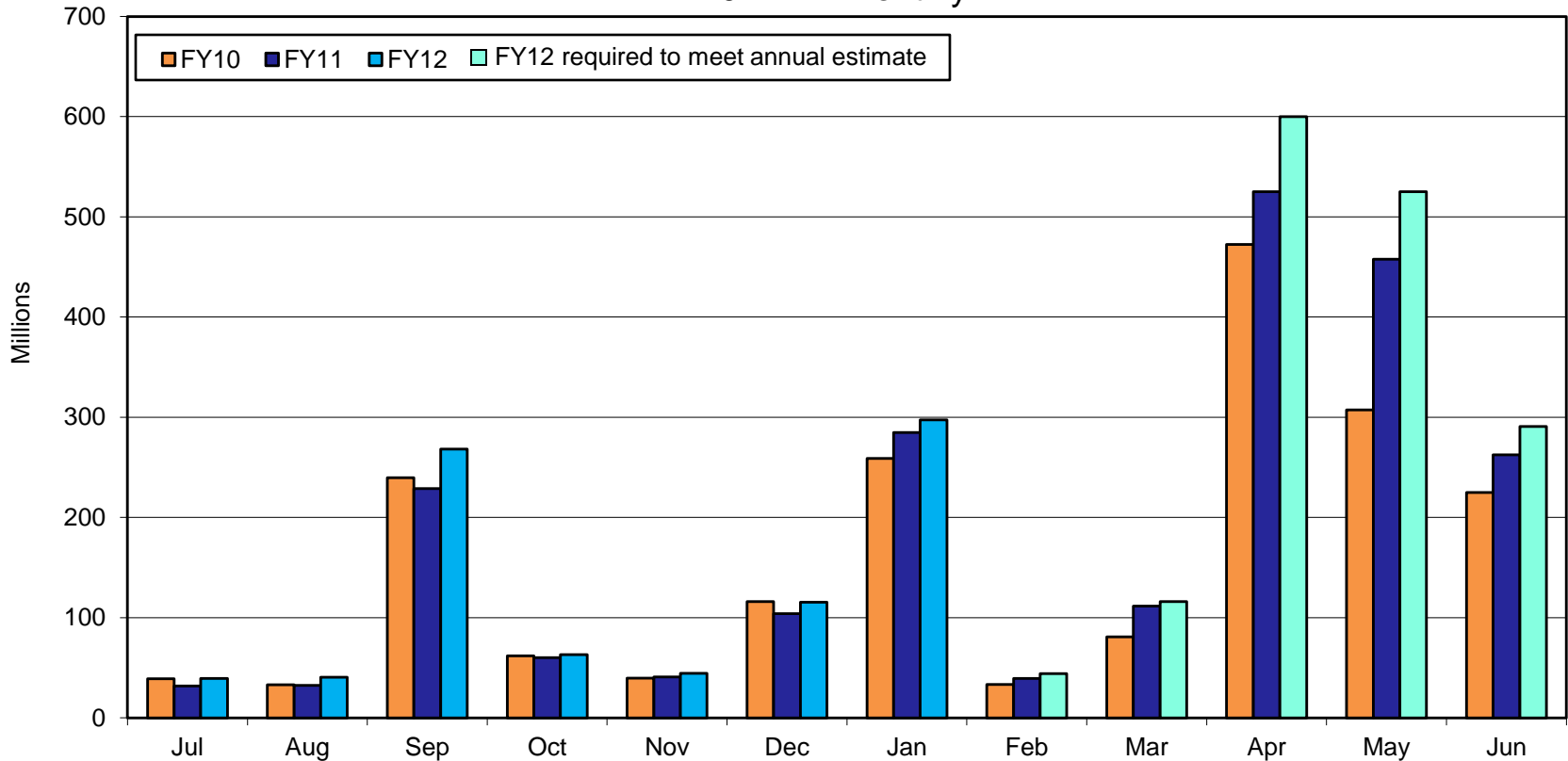
FY12 Monthly and Year-to-Date



- Collections of payroll withholding taxes increased 3.2 percent in January.
- Year-to-date, withholding collections grew 3.0 percent compared with the same period last year, behind the projected annual growth rate of 3.8 percent.

Nonwithholding Tax Collections

FY10-FY12 Monthly



- The fourth individual estimated payment for tax year 2011 was due January 17, and some of these payments were received in December, thus December and January must be considered together to assess growth in this source.
 - Receipts of estimated payments for the two-month period rose 9.6 percent from last year.
- Year-to-date, collections grew 11.0 percent from the same period last year, compared with the revised annual estimate of 12.6 percent growth.

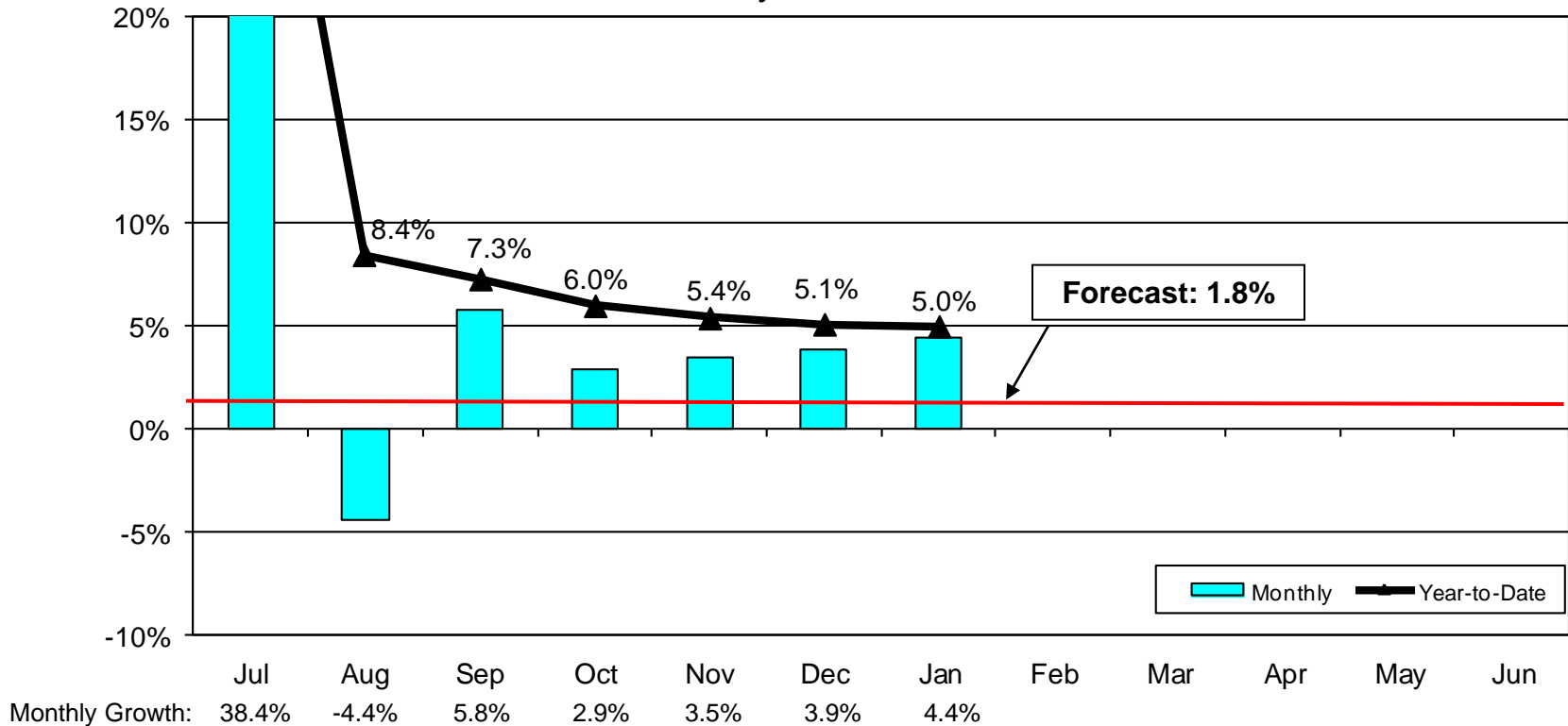
Individual Income Tax Refunds

- Through January, TAX has issued \$334.9 million in individual income tax refunds compared with \$367.0 million in the same period last year, an 8.7 percent decline. This is behind the annual estimate of a 3.0 percent increase.
- The main income tax filing season begins in February.

Net Individual Income Tax

- Through January, collections of net individual income tax rose 4.8 percent from the same period last year, trailing the annual estimate of 5.9 percent growth.

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



- Taken together, collections of sales and use taxes for December and January, reflecting the bulk of the holiday shopping season, rose 4.2 percent from last year.
 - A more complete picture of the holiday season will be available with February receipts, which include January post-holiday sales and gift card redemptions.
- On a year-to-date basis, collections increased 5.0 percent, ahead of the annual estimate of a 1.8 percent increase.
 - Adjusting for AST, sales tax collections grew 2.9 percent through January, ahead of the economic-base forecast of a 2.5 percent increase.

Net Corporate Income Tax

- Collections of corporate income tax were \$51.5 million in January, compared with \$33.6 million last January, a 53.2 percent increase.
- On a year-to-date basis, collections in this source have increased 1.5 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 – fell 0.6 percent in January.
 - On a year-to-date basis, collections are up 3.0 percent, behind the forecast of 10.8 percent growth.

Insurance Premiums Tax

- This is not a significant month for activity.
 - Refunds for the prior year are expected to be issued in February.
 - Final payments are due March 1.
 - Estimated payments are due in April and June.
- The September and December estimated payments were down 9 percent, well behind the annual forecast for a 2 percent increase.

Summary of Fiscal Year 2012 Revenue Collections

July through January

<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	63.6 %	3.0 %	3.8 %	(0.8) %
Nonwithholding	15.6	11.0	12.6	(1.6)
Refunds	<u>(12.2)</u>	<u>(8.7)</u>	<u>3.0</u>	<u>(11.7)</u>
Net Individual	67.0	4.8	5.9	(1.1)
Sales	19.5	5.0	1.8	3.2
Corporate	5.3	1.5	0.7	0.8
Wills (Recordation)	2.1	3.0	10.8	(7.8)
Insurance	1.8	(32.3)	2.0	(34.3)
All Other Revenue	4.4	(1.8)	0.2	(2.0)
Total	100.0 %	4.0 %	4.6 %	(0.6) %

Sales (x AST)	2.9 %	2.5 %	0.4 %
Total (x AST)	3.6 %	4.7 %	(1.1) %

Next Steps

- Further analysis of year-to-date collections data and recent economic developments will form the basis of any recommended mid-session forecast adjustments.