



# Economic and Revenue Update

*A Briefing for the  
House Appropriations Committee*

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# Topics for Discussion

- National and State Economic Indicators
- April Year-to-Date Revenue Collections, Fiscal Year 2014
- Next Significant Data Points

# National and State Economic Indicators

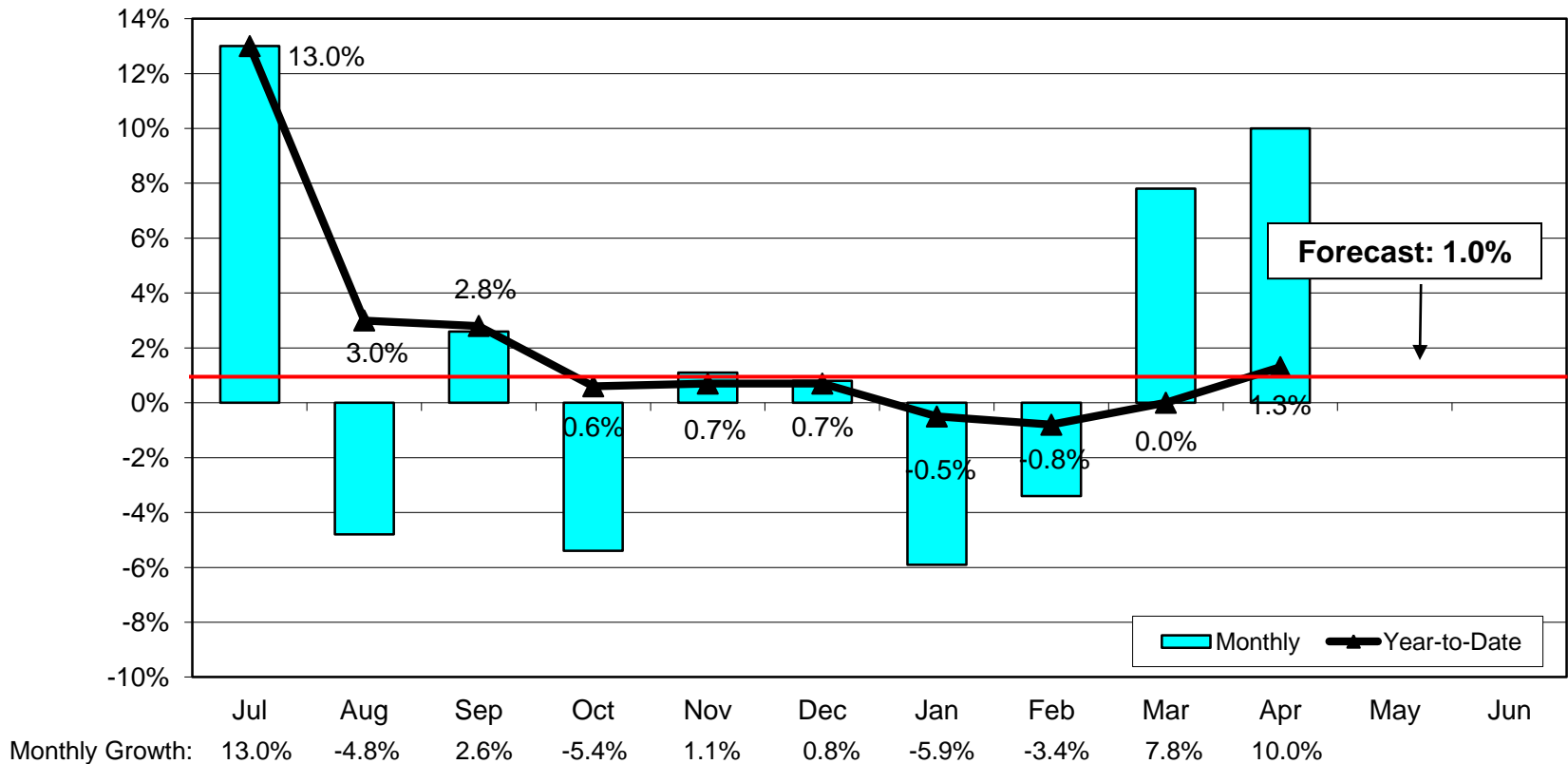
- According to the preliminary estimate, real GDP grew at an annualized rate of 0.1 percent in the first quarter of 2014, following a 2.6 percent increase in the fourth quarter and 4.1 percent in the third quarter of 2013.
- The labor market continued to improve in April. Payroll employment rose by 288,000 jobs. The February gain was revised up from 197,000 to 222,000 and March was revised from 192,000 to 203,000. In a separate report, the unemployment rate fell 0.4 percentage point to 6.3 percent, however, the drop was caused by a large number of workers dropping out of the labor force.
- Initial claims for unemployment fell by 26,000 to 319,000 during the week ending May 3rd. The four-week moving average rose by 4,500 to 324,750.
- The Conference Board's index of leading indicators rose 0.8 percent in March after rising 0.5 percent in February -- the 7<sup>th</sup> increase in the last 8 months. The behavior of the leading indicator suggests the economy should continue to improve.
- The Conference Board's index of consumer confidence fell from 83.9 to 82.3 in April. Weakness in the present situation component led the decline.
- Activity in the manufacturing improved in April, with the Institute of Supply Management index rising from 53.7 to 54.9, its third consecutive gain.

# National and State Economic Indicators

- Inflation remains contained. The CPI rose 0.2 percent in March, and stands 1.5 percent above March 2013. Core inflation (excluding food and energy prices) also rose 0.2 percent in March, and has increased 1.7 percent from a year ago.
- The Federal Reserve announced at its April meeting that it will keep the federal funds target rate at 0.0 to 0.25 percent, and will continue winding down its quantitative easing program.
- Virginia payroll employment was flat in March.
  - Employment rose by 0.1 percent in Northern Virginia and 1.8 percent in Richmond-Petersburg, while employment in Hampton Roads fell 0.3 percent.
  - The unemployment rate rose 0.1 percentage point to 5.0 percent -- 0.6 percent below last year.
- The Virginia Leading Index increased 0.6 percent in March after declining 0.4 percent in February. The U.S. leading index, future employment, auto registrations and initial claims improved in March, while building permits declined.
  - The indexes for Charlottesville and Danville declined, while all other regions posted increases in their indexes.
- According to RealtyTrac, U.S. foreclosure activity for March declined 23 percent from March 2013. First quarter foreclosure activity is the lowest since 2nd quarter 2007.
  - One in every 1,121 U.S. housing units received a foreclosure notice in March.
  - In Virginia, one in every 2,102 households received a foreclosure notice.

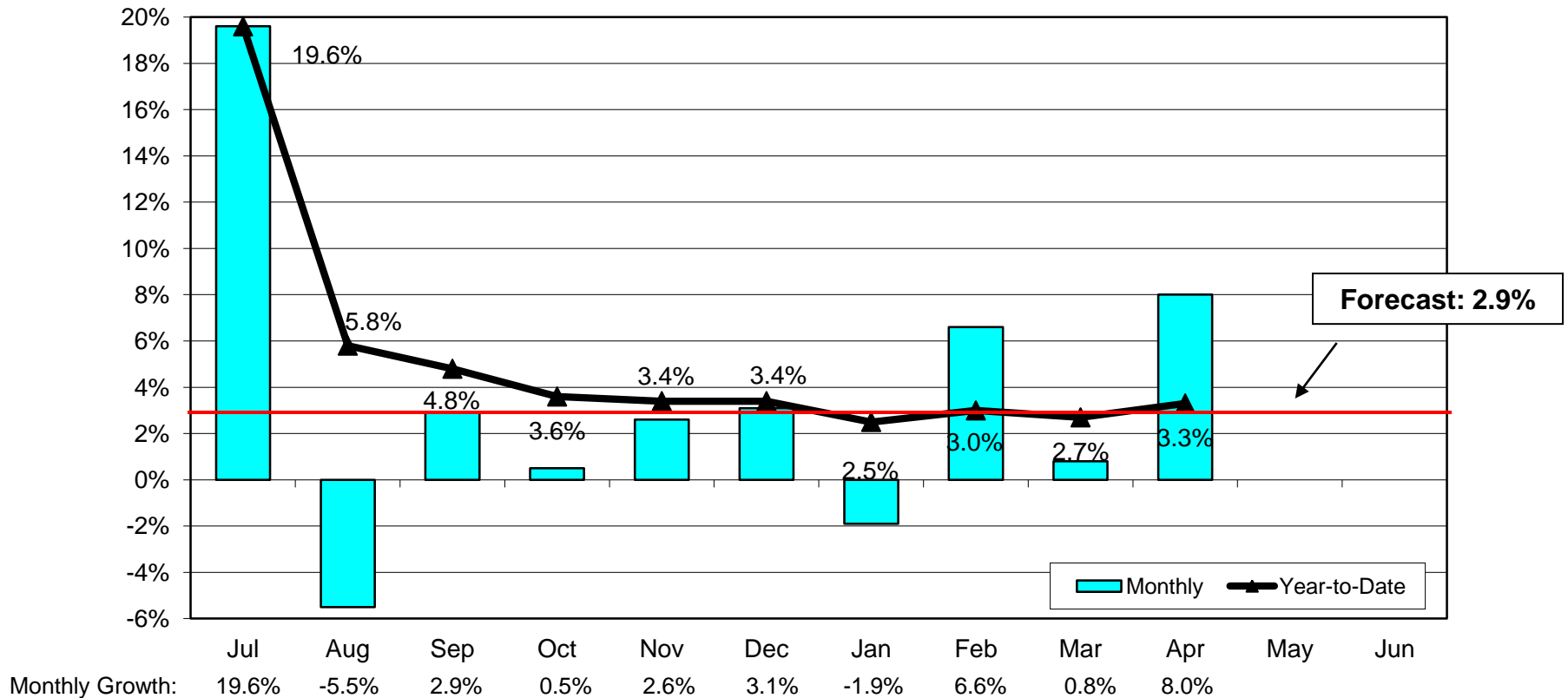
## Growth in Total General Fund Revenue Collections

### FY14 Monthly and Year-to-Date



- Total general fund revenues increased 10.0 percent in April, with individual withholding and nonwithholding accounting for most of the gain.
- On a year-to-date basis, total revenues grew 1.3 percent, slightly ahead of the annual forecast of 1.0 percent growth.
  - Adjusting for AST and the HB2313 program, total revenues grew 2.2 percent through April, close to the economic-base forecast of 2.1 percent growth.

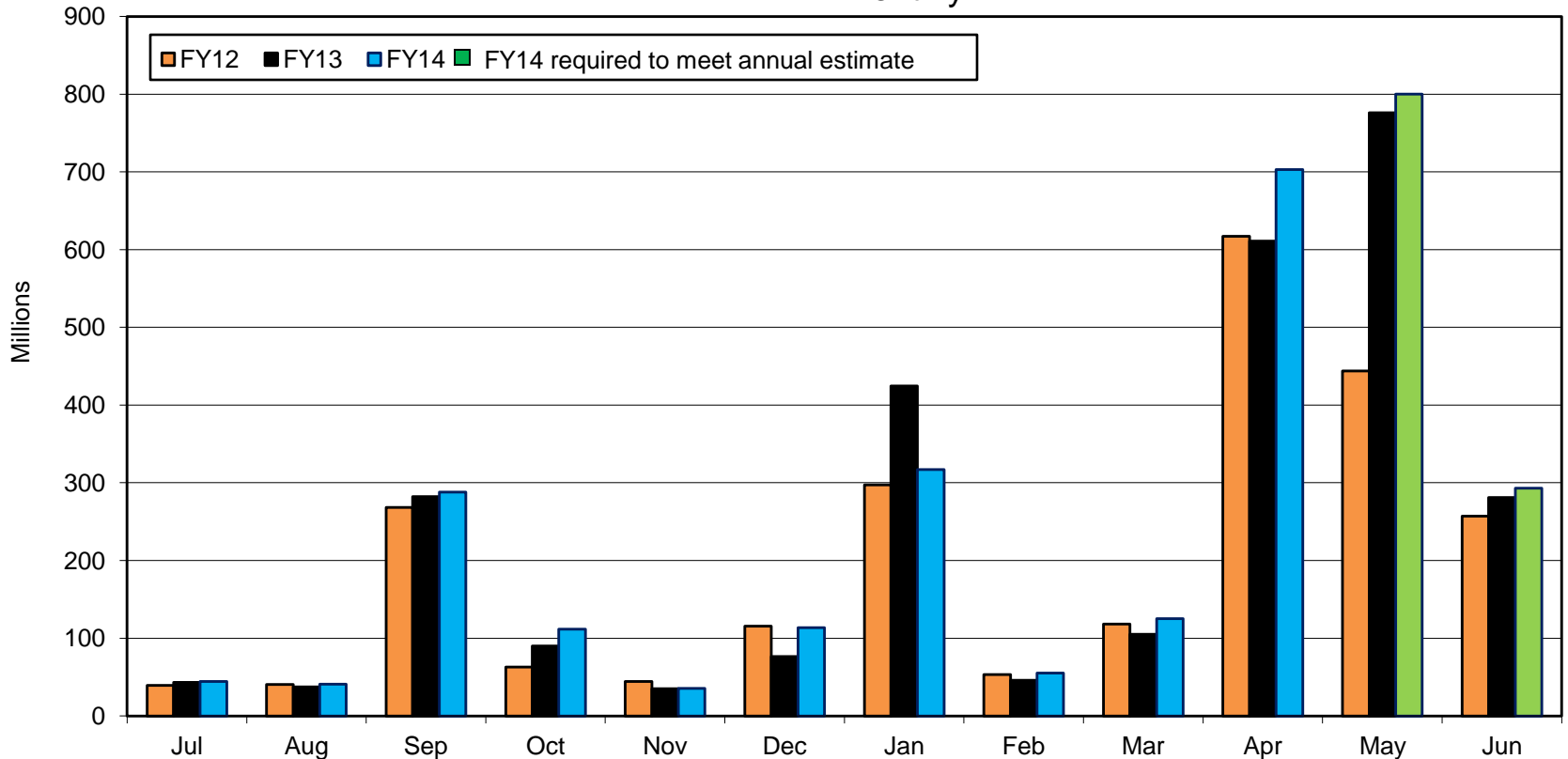
## Growth in Withholding TAX Collections FY14 Monthly and Year-to-Date



- Collections of payroll withholding taxes increased 8.0 percent in April.
  - There was one additional deposit day in April, to be given back in May when there will be one less.
  
- Growth of 1.2 percent is needed for the May-June period as compared to last year's 2.6 percent decline during Sequestration.

# Nonwithholding Tax Collections

FY12-FY14 Monthly



- To date, roughly 63 percent of the nonwithholding forecast has been collected, and collections during this period are 4.7 percent ahead of the same period last year, ahead of the annual estimate of 4.2 percent growth.
- May receipts will be mainly final payments for tax year 2013 and continues to be the biggest wildcard affecting the revenue forecast.

## **Individual Income Tax Refunds**

- As the main filing season continues, \$467.9 million in refunds were issued in April compared with \$472.3 million last April.
- Year-to-date, refunds increased 3.7 percent from the same period last year, behind the estimate of a 5.1 percent increase.
  - Since the filing season began in January, TAX has issued 2.4 million refunds, approximately the same amount as last year. The average check size is down about 2.0 percent.

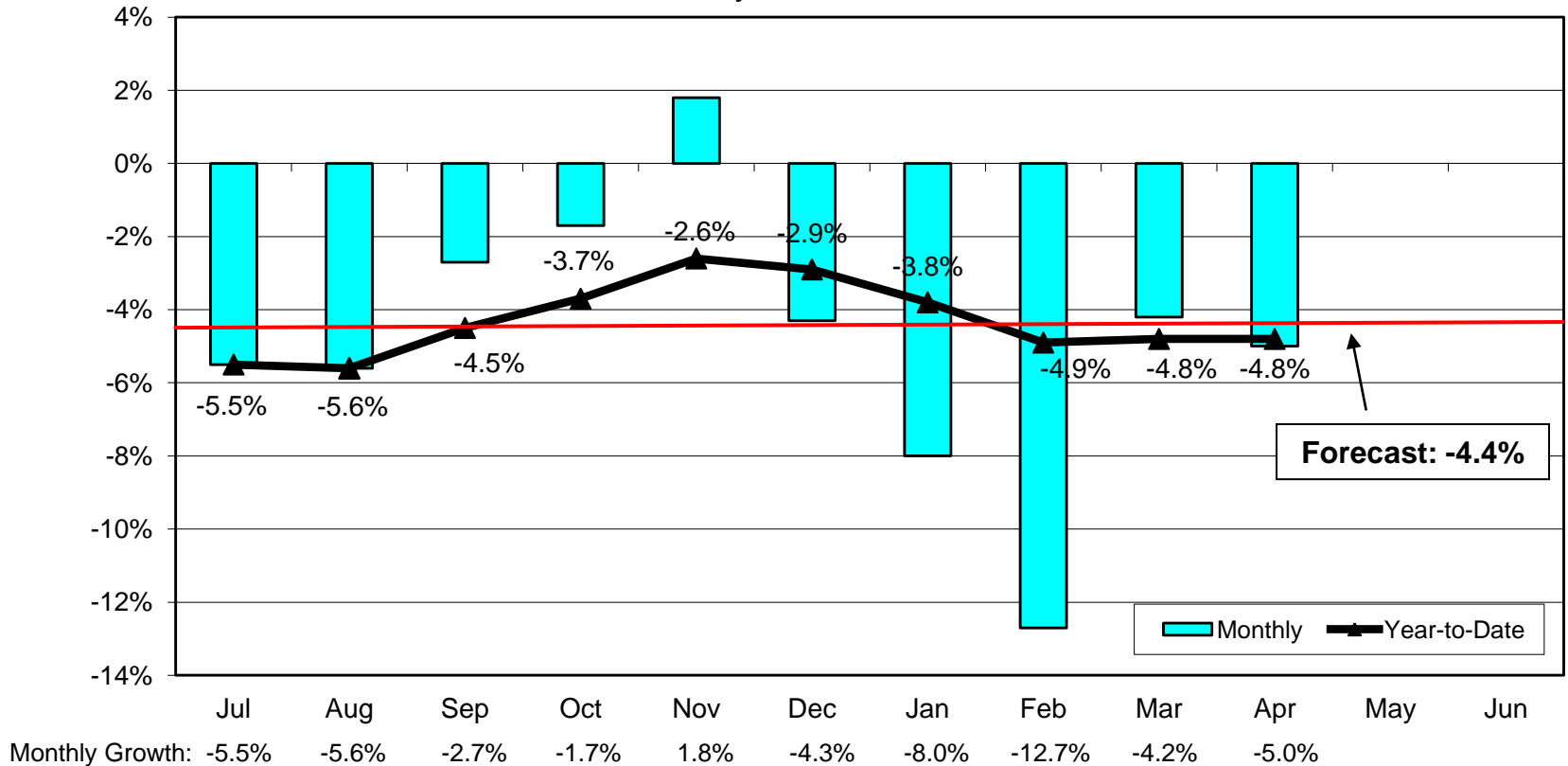
## **Net Individual Income Tax**

- Through April, collections of net individual income tax rose 3.5 percent from the same period last year, ahead of the annual estimate of 2.9 percent growth.



## Growth in Sales Tax Collections

### FY14 Monthly and Year-to-Date



- On a year-to-date basis, collections fell 4.8 percent, behind the annual estimate of a 4.4 percent decline.
  - Adjusting for AST and HB2313, sales tax collections increased 0.2 percent through April, behind the economic-base forecast of a 1.6 percent increase.
  
- Economic based growth of 8.6 percent is needed for the May-June period as compared to last year's 1.1 percent increase. In FY11 and FY12, economic based sales increased 5.0 percent and 5.4 percent, respectively.

## **Net Corporate Income Tax Collections**

- Collections of corporate income tax were \$146.5 million in April, compared with \$145.9 million last April, a 0.4 percent increase.
- On a year-to-date basis, collections in this source have decreased 3.8 percent, behind the estimate of a 3.4 percent decline.

## **Recordation Tax Collections**

- Collections of wills, suits, deeds, and contracts – mainly recordation tax collections – declined 19.9 percent in April.
  - Receipts in this source have fallen by 20 percent or more for six consecutive months.
  - On a year-to-date basis, collections are down 16.5 percent, trailing the forecast of 0.0 percent growth.

## **Insurance Premiums Tax**

- Insurance companies made their first estimated payment for tax year 2014 in April. Collections in this source were \$113.8 million compared with \$102.5 million in April of last year.
  - Estimated payments are also due in June.
- For the fiscal year to-date, net insurance premiums tax collections are \$207.5 million compared with \$161.5 million during the same period last year.

# Summary of Fiscal Year 2014 Revenue Collections

July through April

Percent Growth over Prior Year

Major Source	As a % of Total Revenues	YTD Actual	Annual Estimate	Variance	May-June Req'd to Meet Est.	Prior Year May-June
Withholding	62.6 %	3.3 %	2.9 %	0.4 %	1.2 %	(2.6) %
Nonwithholding	17.4	4.7	4.2	0.5	3.4	50.7
Refunds	(10.7)	3.7	5.1	(1.4)	14.9	0.6
Net Individual	69.3	3.5	2.9	0.6	1.0	13.8
Sales	18.3	(4.8)	(4.4)	(0.4)	(2.7)	1.5
Corporate	4.6	(3.8)	(3.4)	(0.4)	(2.0)	(4.7)
Wills (Recordation)	2.2	(16.5)	0.0	(16.5)	69.4	15.8
Insurance	1.7	28.5	10.4	18.1	(18.7)	(2.7)
All Other Revenue	3.9	1.4	(3.5)	4.9	(14.9)	7.9
<b>Total</b>	<b>100.0 %</b>	<b>1.3 %</b>	<b>1.0 %</b>	<b>0.3 %</b>	<b>0.1 %</b>	<b>9.5 %</b>

Sales (x HB2313)	0.2 %	1.6 %	(1.4) %	8.6 %	1.4 %
Total (x HB2313)	2.2 %	2.1 %	0.1 %	1.8 %	9.8 %

## Next Significant Data Points

- May
  - Payroll withholding will have one less deposit day
  - Key payments from individual nonwithholding will be received
- June
  - Individual, corporate and insurance companies have estimated payments due June 16th