



Economic and Revenue Update

A Briefing for the Money Committees

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Topics for Discussion

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

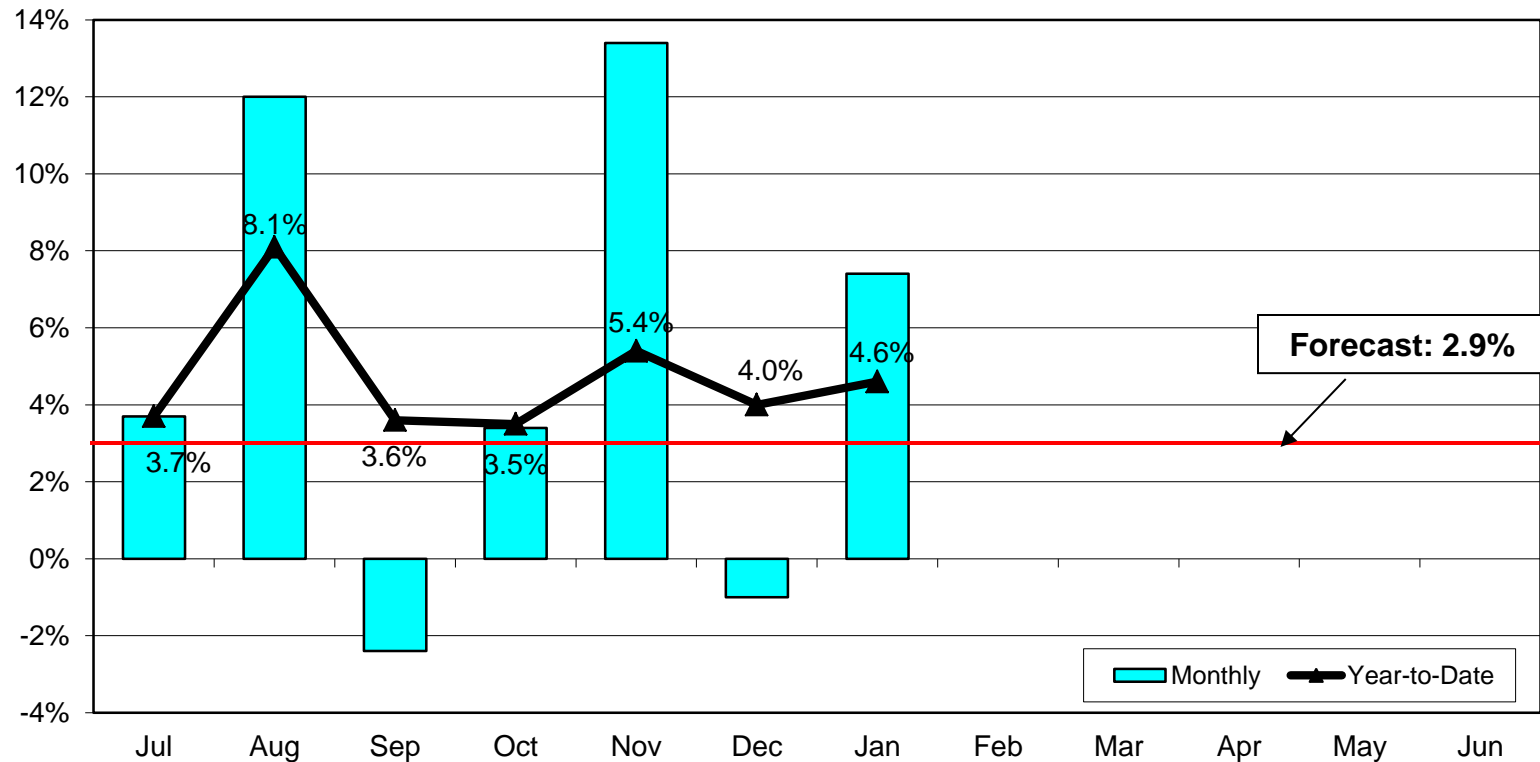
National and State Economic Indicators

- According to the preliminary estimate, real GDP grew at an annualized rate of 1.9 percent in the fourth quarter of 2016, following 3.5 percent in the third quarter.
- Payroll employment rose by 227,000 jobs in January, following a gain of 157,000 in December.
- The national unemployment rate edged higher to 4.8 percent as more workers entered the labor force.
- Initial claims for unemployment fell by 14,000 to 246,000 during the week ending January 28.
 - The four-week moving average rose by 2,250 to 248,000, consistent with an improving labor market.
- The Conference Board's index of leading indicators rose 0.5 percent in December, the fastest pace since July.
- The Conference Board's index of consumer confidence dropped 1.5 points to 111.8 in January. The present conditions component rose, while the expectations component decreased for the month.
- Activity in the manufacturing sector improved in January, with the Institute of Supply Management index rising from 54.5 to 56.0, the highest since 2014.

National and State Economic Indicators

- The CPI rose 0.3 percent in December and stands 2.1 percent above December 2015.
 - Core inflation (excluding food and energy prices) rose 0.2 percent in December, and has increased 2.2 percent from last year.
- At its February meeting, the Federal Reserve announced that there is no sense of urgency to raise rates again; the consensus is that the risks to the economic outlook remain roughly balanced.
- In Virginia, payroll employment rose 1.0 percent in December from December of last year.
 - Northern Virginia posted growth of 2.1 percent, Hampton Roads fell 0.4 percent, and Richmond-Petersburg rose 0.7 percent.
 - The seasonally adjusted unemployment rate fell 0.1 percentage point to 4.1 percent.
- The Virginia Leading Index rose 0.4 percent in December after increasing 0.4 percent in November. All four components -- future employment, initial unemployment claims, the U.S. leading index, and auto registrations -- improved in December.
 - The indexes for Lynchburg and Staunton declined in December, while the indexes for the remaining MSAs increased.

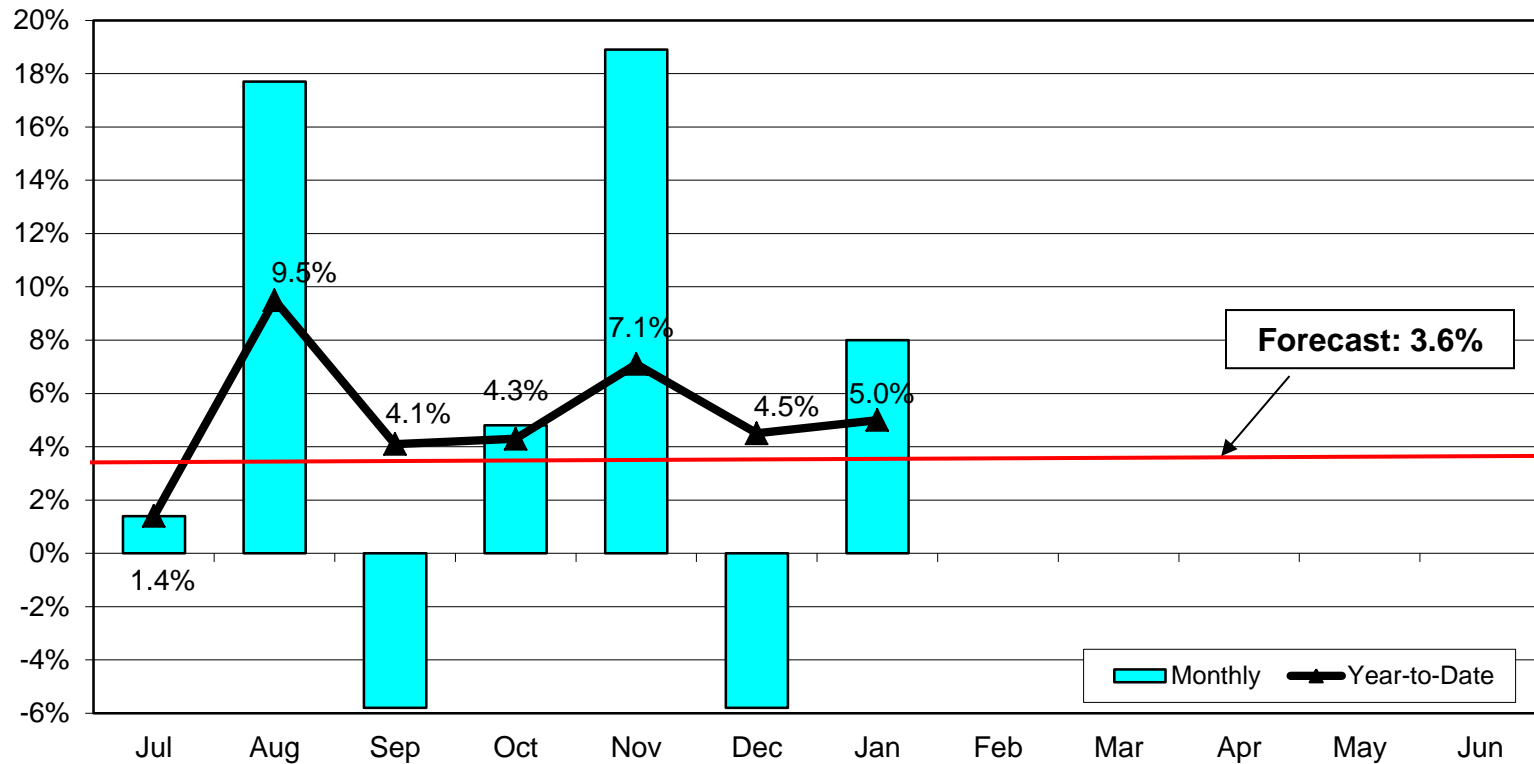
Growth in Total General Fund Revenue Collections FY17 Monthly and Year-to-Date



Monthly Growth:

- Total general fund revenues increased 7.4 percent in January mainly due to one additional deposit day in individual withholding and strong sales tax collections.
- On a year-to-date basis, total revenues increased 4.6 percent, ahead of the annual forecast of a 2.9 percent increase.

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

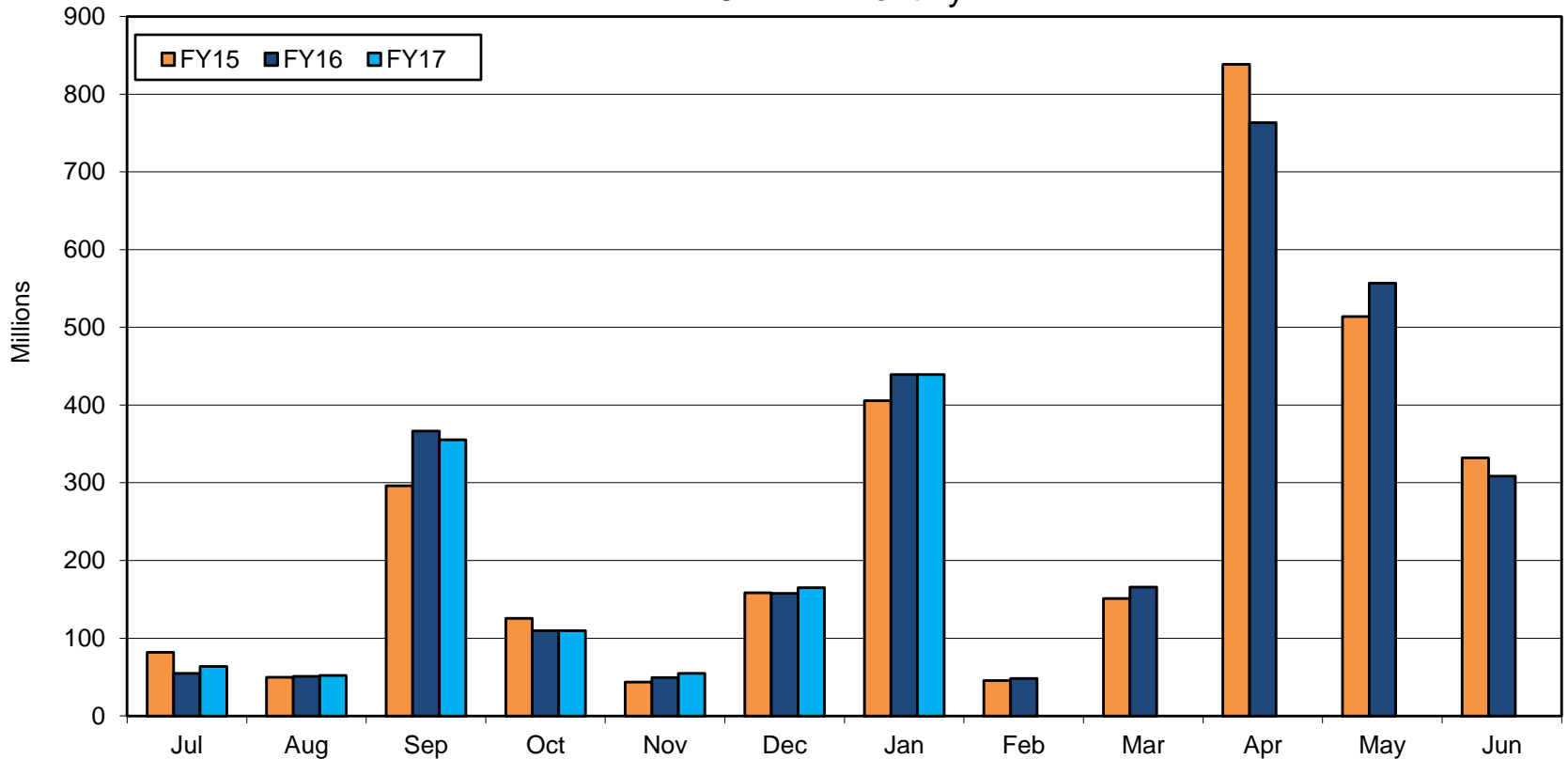


Monthly Growth: 1.4% 17.7% -5.8% 4.8% 18.9% -5.8% 8.0%

- Collections of payroll withholding taxes increased 8.0 percent in January with one additional deposit day than a year-ago.
- Year-to-date, withholding collections increased 5.0 percent compared with the same period last year, ahead of the projected annual growth rate of 3.6 percent.

Nonwithholding Tax Collections

FY15-FY17 Monthly



- The fourth individual estimated payment for tax year 2016 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 increased 1.8 percent from last year.
- Year-to-date, collections increased 1.2 percent from the same period last year, compared with the annual estimate of a 0.7 percent decline.

Individual Income Tax Refunds

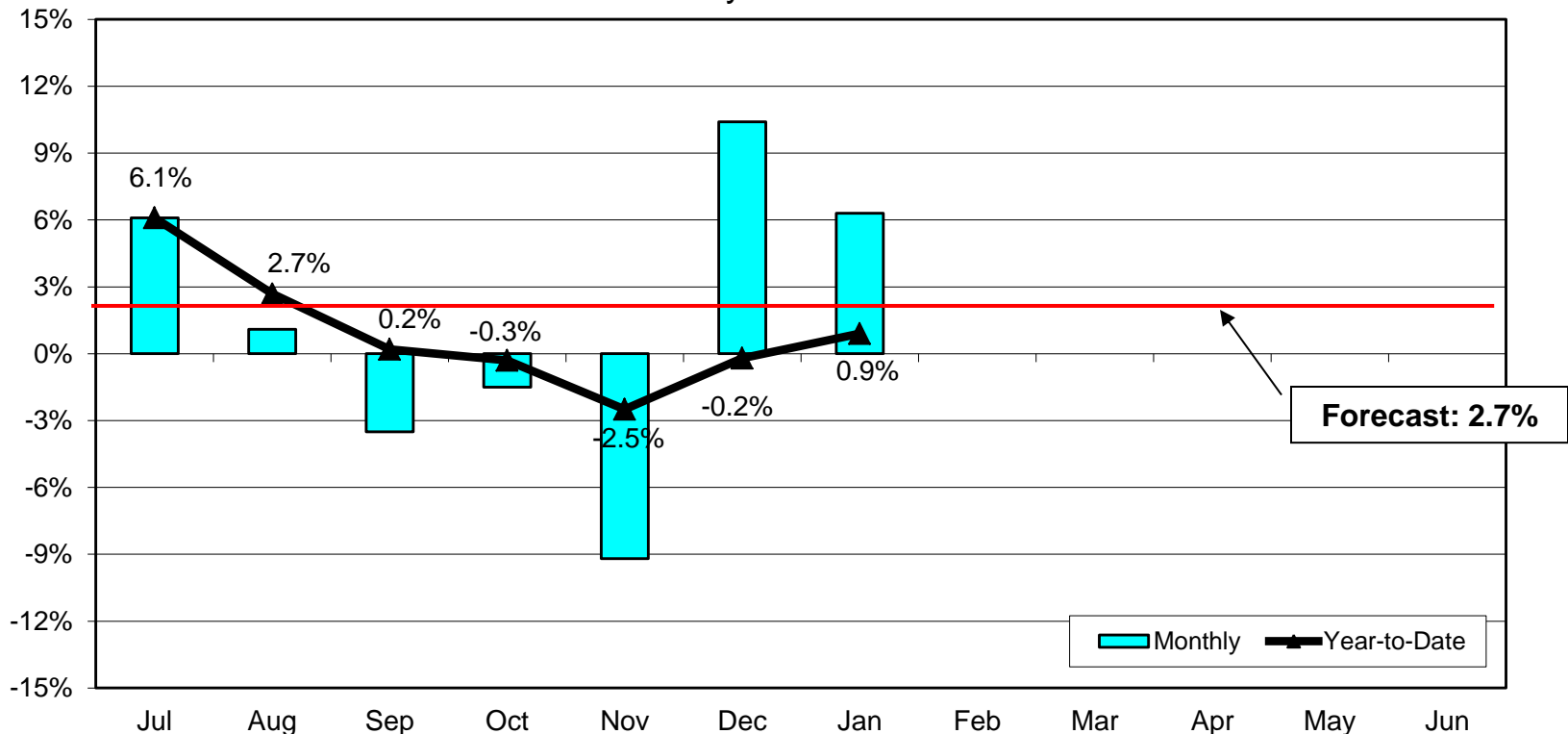
- Through January, TAX has issued \$288.9 million in individual refunds compared with \$331.3 million in the same period last year, a 12.8 percent decline as compared to the annual estimate of 1.5 percent growth.
- The main income tax filing season begins in February.

Net Individual Income Tax

- Through the first seven months of the fiscal year, collections of net individual income tax increased 5.2 percent from the same period last year, ahead of the annual estimate of a 2.9 percent growth.

Growth in Sales Tax Collections

FY17 Monthly and Year-to-Date



Monthly Growth: 6.1% 1.1% -3.5% -1.5% -9.2% 10.4% 6.3%

- Collections of sales and use taxes, reflecting mainly December sales, increased 6.3 percent in January.
- On a year-to-date basis, collections increased 0.9 percent, behind the annual estimate of 2.7 percent growth.
 - Adjusting for AST program, sales tax collections increased 1.0 percent through January, behind the economic-base forecast of a 2.8 percent increase.

Net Corporate Income Tax Collections

- Collections were \$49.0 million in January, compared with \$40.6 million last year, a 20.7 percent increase.
- On a year-to-date basis, collections in this source have increased 10.9 percent, ahead of the annual estimate of 3.8 percent growth.

Recordation and Insurance Premiums Tax

Recordation

- In January, collections increased 15.5 percent compared to last year. Year-to-date collections have increased 12.0 percent compared to last year, ahead of the December forecast of a 8.0 percent increase.

Insurance

- This is not a significant month for collections, however, it is for refunds. In January, \$22.0 million in refunds were issued as compared to \$23.8 million last January.
 - Final payments are due March 1, and estimated payments are due in April and June.

Summary of Fiscal Year 2017 Revenue Collections

July through January

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>	<u>Feb-Jun Req'd</u> <u>to Meet Est.</u>	<u>Prior Year</u> <u>Feb-Jun</u>
Withholding	63.1 %	5.0 %	3.6 %	1.4 %	1.7 %	2.0 %
Nonwithholding	16.4	1.2	(0.7)	1.9	(2.0)	(2.1)
Refunds	(10.0)	(12.8)	1.5	(14.3)	4.7	7.1
Net Individual	69.6	5.2	2.9	2.3	(0.5)	(0.8)
Sales	18.2	0.9	2.7	(1.8)	4.9	3.1
Corporate	4.3	10.9	3.8	7.1	(1.6)	2.2
Wills (Recordation)	2.1	12.0	8.0	4.0	2.7	3.7
Insurance	1.9	7.2	1.5	5.7	0.2	12.6
All Other Revenue	3.9	(0.3)	0.7	(1.0)	1.6	4.2
Total	100.0 %	4.6 %	2.9 %	1.7 %	0.6 %	0.8 %

Sales (x AST)	1.0 %	2.8 %	(1.8) %	5.3 %	3.4 %
Total (x AST)	4.6 %	2.9 %	1.7 %	0.7 %	0.8 %

Summary of Fiscal Year 2017 Revenue Collections

July through January

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													
December	18,557.4	1,128.1	2,495.9	4,211.3	5,500.4	6,890.2	8,651.3	10,576.8					
% of Estimate		6.1%	13.4%	22.7%	29.6%	37.1%	46.6%	57.0%	0.0%	0.0%	0.0%	0.0%	0.0%