



# Economic and Revenue Update

## *A Briefing for the Money Committees*

**Richard D. Brown**

Secretary of Finance

Commonwealth of Virginia

[www.finance.virginia.gov](http://www.finance.virginia.gov)

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# Topics for Discussion

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

# National and State Economic Indicators

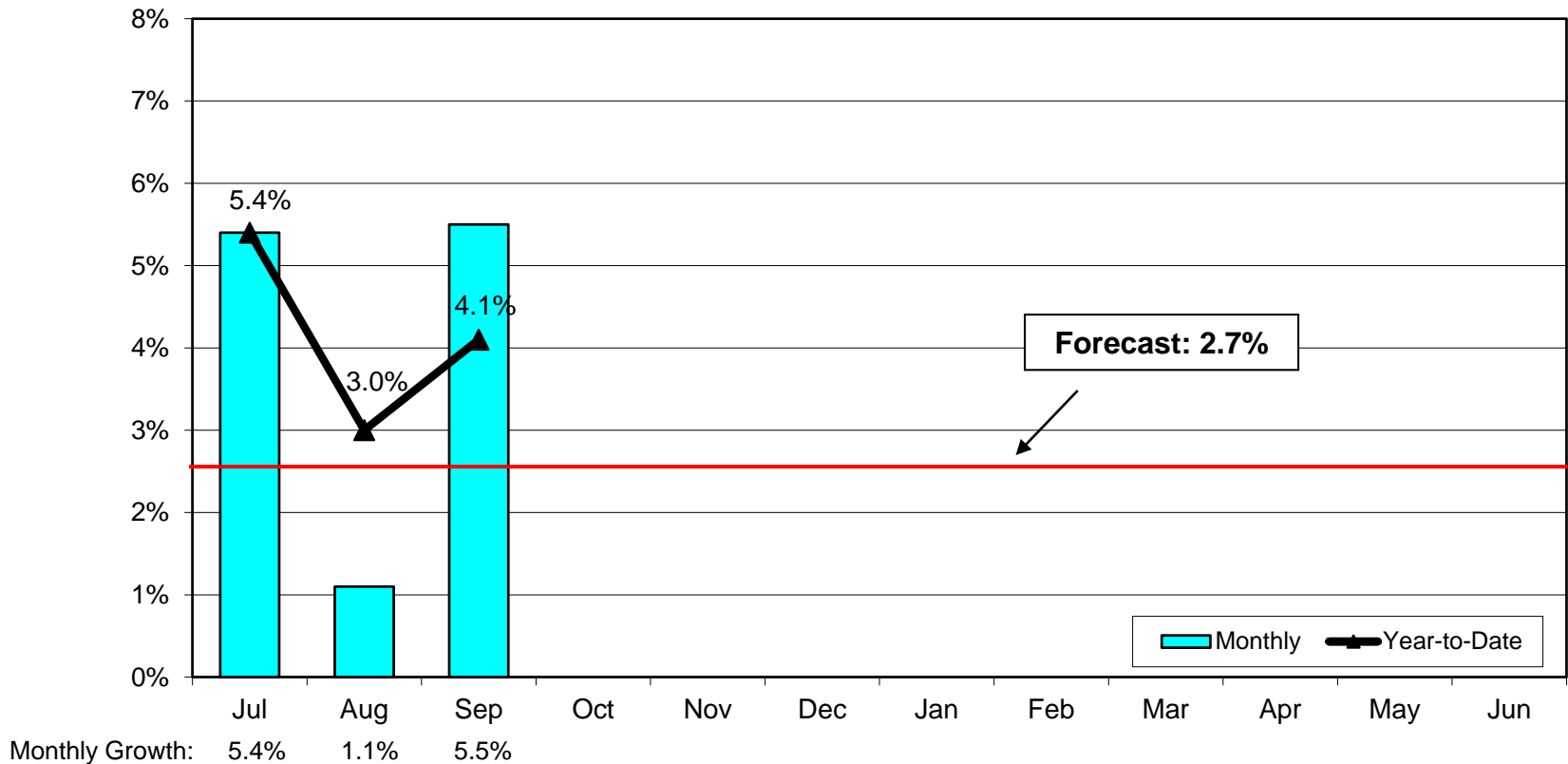
- According to the third estimate, real GDP grew at an annualized rate of 3.1 percent in the second quarter of 2017, up from 1.2 percent in the first quarter.
- Hurricanes Harvey and Irma distorted the employment report in September. Payroll employment fell by 33,000.
- The national unemployment rate decreased by 0.2 percent to 4.2 percent in September.
- The hurricanes have also caused volatility in initial claims for unemployment. Claims fell by 12,000 to 260,000 during the week ending September 30.
  - The four-week moving average fell by 9,500 to 268,250.
- The Conference Board's index of leading indicators rose 0.4 percent in August following a 0.3 percent increase in July.
- The Conference Board's index of consumer confidence fell from 120.4 to 119.8 in September, the first decline since June.
- Conditions in the manufacturing sector improved in September. The Institute of Supply Management index rose from 58.8 to 60.8.
  - The index has risen in five of the last six months.

# National and State Economic Indicators

- The CPI rose 0.4 percent in August after a 0.1 percent gain in July and stands 1.9 percent above August 2016.
  - Core inflation (excluding food and energy prices) rose 0.2 percent, and has increased 1.7 percent from last year.
- At its July meeting, the Federal Reserve maintained the federal funds rate target at 1.0 to 1.25 percent.
- In Virginia, payroll employment rose 1.4 percent in August from a year ago.
  - Northern Virginia posted growth of 1.3 percent, Hampton Roads declined 0.6 percent, and Richmond-Petersburg rose 2.4 percent.
  - The seasonally adjusted unemployment rate was flat at 3.8 percent and stands 0.3 percentage point below August 2016.
- The Virginia Leading Index rose 0.7 percent in August after remaining unchanged in July. All four components -- the U.S. leading index, auto registrations, future employment, and initial claims -- improved in August.
  - The index for Lynchburg declined, while the indexes in the remaining ten metro areas increased.

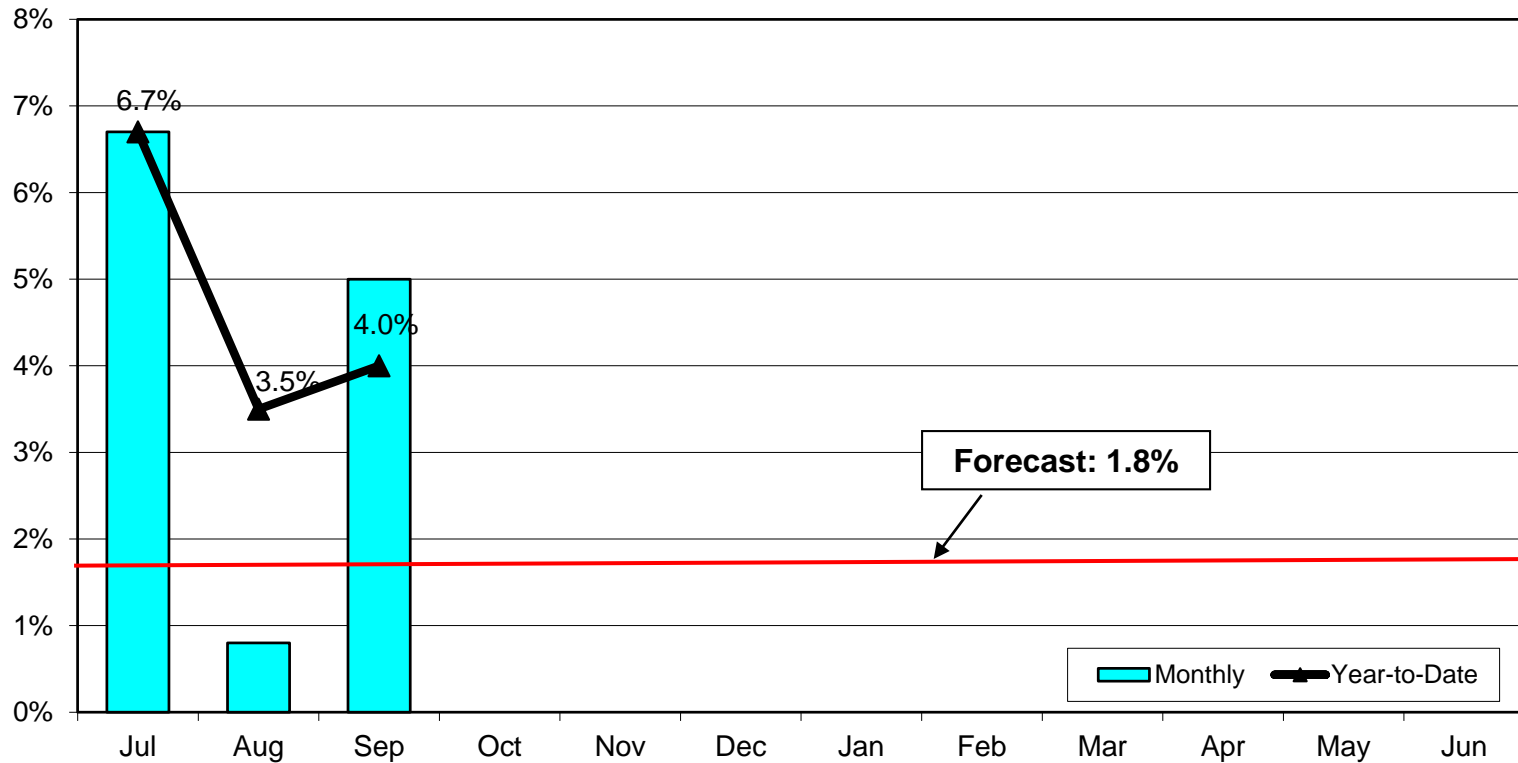
## Growth in Total General Fund Revenue Collections

### FY18 Monthly and Year-to-Date



- Total general fund revenues increased 5.5 percent in September even with one less deposit day.
- On a year-to-date basis, total revenues increased 4.1 percent, ahead of the annual forecast of a 2.7 percent increase.

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

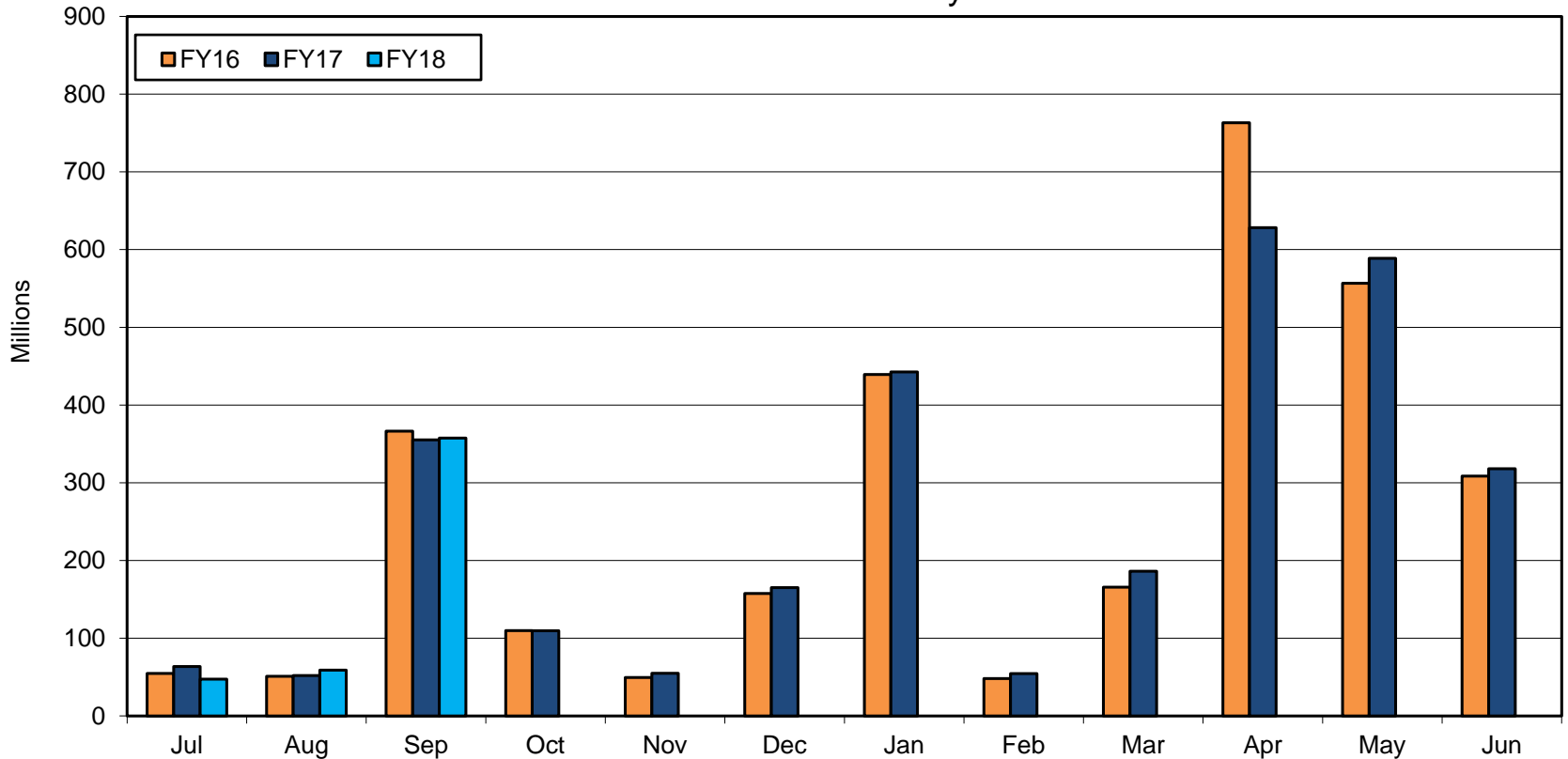


Monthly Growth:      6.7%      0.8%      5.0%

- Collections increased 5.0 percent in September with one less deposit day.
- Year-to-date, withholding collections increased 4.0 percent compared with the same period last year, ahead of the projected annual growth rate of 1.8 percent.

# Nonwithholding Tax Collections

FY16-FY18 Monthly



- The first individual estimated payment in fiscal year 2018 was due in September. Total monthly nonwithholding collections increased 0.6 percent.
- Year-to-date, collections through the first quarter of fiscal year 2018 were \$463.8 million compared with \$470.8 million in the same period last year, a decrease of 1.5 percent and behind the annual estimate of a 7.0 percent increase.

## **Individual Income Tax Refunds**

- Not a significant month.
- Through September, TAX has issued \$126.7 million in individual refunds compared with \$114.9 million in the same period last year, a 10.3 percent increase as compared to the annual estimate of 4.4 percent growth.

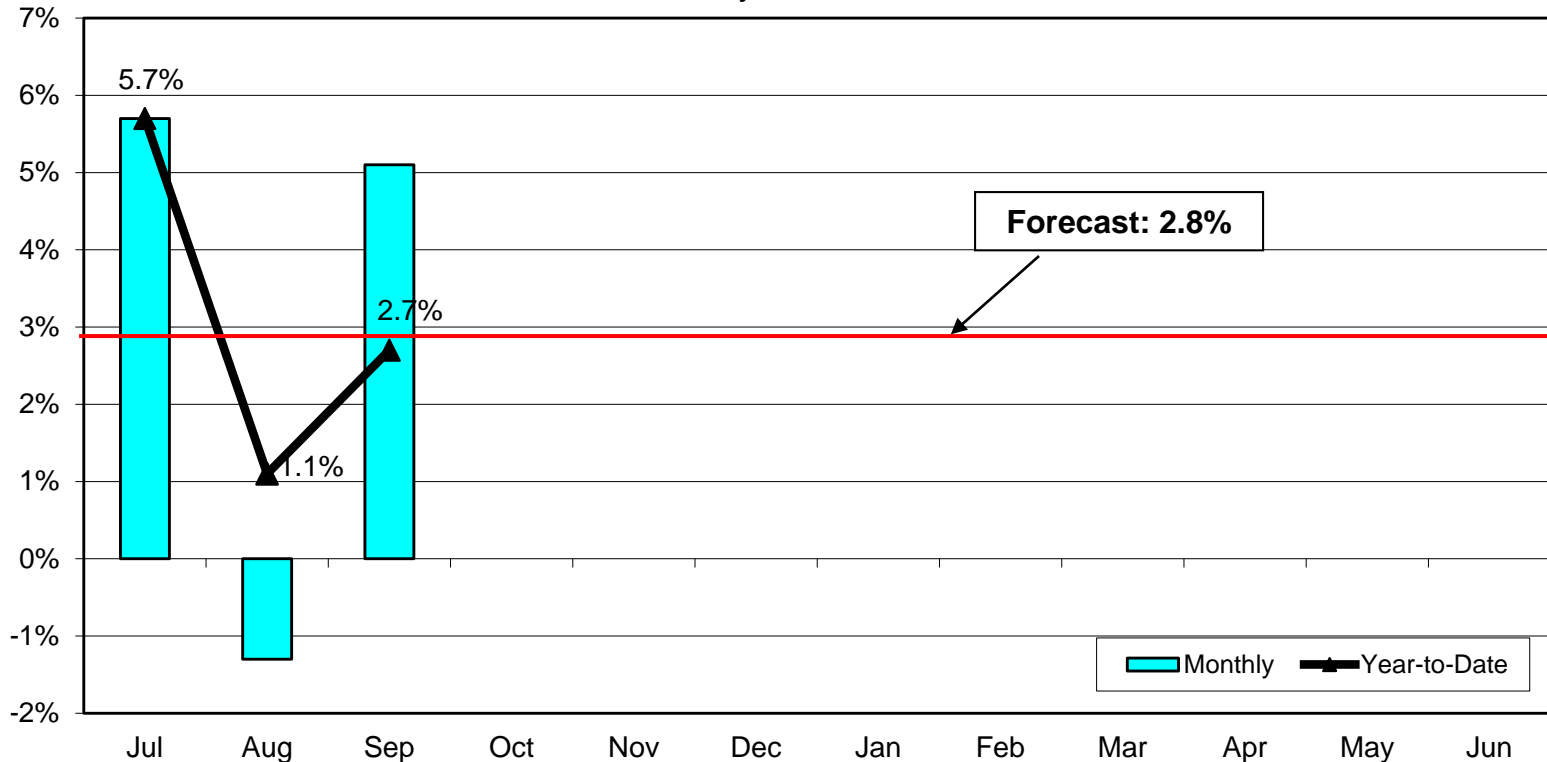
## **Net Individual Income Tax**

- Through the first three months of the fiscal year, collections of net individual income tax increased 2.9 percent from the same period last year, ahead of the annual estimate of a 2.6 percent growth.



## Growth in Sales Tax Collections

### FY18 Monthly and Year-to-Date



Monthly Growth: 5.7% -1.3% 5.0%

- Collections of sales and use taxes, reflecting mainly August sales, increased 5.0 percent in September.
- On a year-to-date basis, collections increased 2.7 percent, behind the annual estimate of 2.8 percent growth.

## Net Corporate Income Tax Collections

- Like nonwithholding, September is a significant month in corporate income tax collections since the first estimated payment for the fiscal year is due.
  - Collections in corporate income tax increased 20.8 percent in September.
  - This increase appears to be broad-based.
- Through the first quarter of fiscal year 2018, collections in this source have increased 27.9 percent, ahead of the annual estimate of 1.6 percent growth.
  - Fewer refunds issued in this quarter are responsible for almost half of the net increase; however, significant refunding occurs in October and November.
- Through the first quarter, 30.1 percent of the projected fiscal year's net corporate payments have been received.
  - This is ahead of the historical average of 24.7 percent.

# Recordation and Insurance Premiums Tax

## Recordation

- In September, collections decreased 7.8 percent compared to last year. Year-to-date collections have decreased 2.3 percent compared to last year, behind the forecast of 3.4 percent growth.

## Insurance

- Monthly collections of insurance premiums are being transferred to the Transportation Trust Fund per Chapter 896, 2007 Acts of the Assembly, until the required amount of \$168.0 million has been booked.
  - Adjusted for this transfer, collections have increased 6.0 percent through the first quarter of fiscal year 2018 from the same period last year, close to expectations of 7.0 percent growth.

# Summary of Fiscal Year 2018 Revenue Collections

July through September

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>Oct-Jun Req'd</u> <u>to Meet Est.</u>	<u>Prior Year</u> <u>Oct-Jun</u>
Withholding	63.1 %	4.0 %	1.8 %	2.2 %	1.1 %	5.5 %
Nonwithholding	16.8	(1.5)	7.0	(8.5)	8.6	(1.9)
Refunds	(10.1)	10.3	4.4	5.9	4.1	2.8
Net Individual	69.8	2.9	2.6	0.3	2.5	4.0
Sales	18.0	2.7	2.8	(0.1)	2.8	2.3
Corporate	4.4	27.9	1.6	26.3	(6.6)	9.1
Wills (Recordation)	2.1	(2.3)	3.4	(5.7)	5.6	4.3
Insurance	1.9	n/a	7.0	n/a	7.0	0.5
All Other Revenue	3.9	7.4	2.3	5.1	1.3	0.7
<b>Total</b>	<b>100.0 %</b>	<b>4.1 %</b>	<b>2.7 %</b>	<b>1.4 %</b>	<b>2.3 %</b>	<b>3.6 %</b>

# Summary of Fiscal Year 2018 Revenue Collections

## July through September

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	4,382.3	-	-	-	-	-	-	-	-	-
% of Estimate		6.2%	13.4%	22.8%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

## Next Steps

- Joint Advisory Board of Economists (JABE) – Met on October 11<sup>th</sup>.
- Governor’s Advisory Council on Revenue Estimates (GACRE) – Meets on November 20<sup>th</sup>.