

Mid-Session Revenue Review

A Briefing for Governor Northam



February 15, 2021

We are Recommending a FY21-22 Total General Fund Increase of \$730.2 Million – Now Here is Why....

- There has been no significant change to the national outlook since the December forecast was released.
- Sales tax model was updated to include all three quarters of 2020 sales tax data during the pandemic – including a robust holiday shopping season.
- All other changes reflect “money in the bank” adjustments.
- Recommend no change to individual income taxes as there are numerous unknowns on taxpayer behavior for filing, when significant rehiring may begin and non-wage income gains last year.

Preliminary Collections With the Midsession Forecast...

Summary of Fiscal Year 2021 Revenue Collections

Midsession Forecast

July through January

Percent Growth over Prior Year

<u>Major Source</u>	<u>As a % of Total Revenues</u>	<u>YTD Actual</u>	<u>Annual Estimate</u>	<u>Variance</u>	<u>Feb-Jun Req'd to Meet Est.</u>	<u>Prior Year Feb-Jun</u>
Withholding	61.4 %	0.4 %	2.7 %	(2.3) %	6.0 %	(0.6) %
Nonwithholding	17.7	28.2	4.4	23.8	(11.0)	(14.8)
Refunds	(9.8)	28.8	20.1	8.7	17.7	2.7
Net Individual	69.3	3.8	1.0	2.8	(2.8)	(6.9)
Sales	17.3	6.5	4.8	1.7	2.4	(2.3)
Corporate	5.8	39.3	27.4	11.9	15.9	(2.6)
Wills (Recordation)	2.7	36.8	24.4	12.4	6.8	19.1
Insurance	1.4	(14.0)	(12.7)	(1.3)	(12.4)	(7.1)
All Other Revenue	3.5	(10.6)	(4.0)	(6.6)	1.8	(0.5)
Total	100.0 %	5.9 %	3.0 %	2.9 %	(0.8) %	(5.2) %
Total less						
Nonwithholding	82.3 %	2.8 %	2.7 %	0.1 %	2.5 %	(1.6) %

Recommend A FY21 Change to the Revenue Forecast...

The December to February General Fund Forecast for Fiscal Year 2021

(Dollars in Millions)

2/3/2021

	Fiscal Year 2021					
				% Growth Over FY20		
	December	February	Change	December	February	
Withholding	\$13,739.6	\$13,739.6	\$0.0	2.7 %	2.7 %	
Nonwithholding	3,971.9	3,971.9	0.0	4.4	4.4	
Refunds	(2,198.8)	(2,198.8)	0.0	20.1	20.1	
Net Individual	\$15,512.7	\$15,512.7	\$0.0	1.0	1.0	
Sales	\$3,609.4	\$3,883.3	\$273.9	(2.6)	4.8	
Corporate	1,212.7	1,288.7	76.0	19.9	27.4	
Wills (Recordation)	549.3	601.3	52.0	13.6	24.4	
Insurance	333.9	314.9	(19.0)	(7.4)	(12.7)	
All Other Revenue	790.6	790.6	0.0	(4.0)	(4.0)	
Total Revenue	\$22,008.6	\$22,391.5	\$382.9	1.2 %	3.0 %	
A.B.C. Profits	\$139.5	\$139.5	\$0.0	1.5 %	1.5 %	
Sales Tax (0.375%)	394.4	421.6	27.2	(2.9)	3.8	
Transfers Per Act	105.4	105.4	0.0	(34.3)	(34.3)	
Total Transfers	\$639.3	\$666.5	\$27.2	(9.2) %	(5.3) %	
TOTAL GENERAL FUND	\$ <u>\$22,647.9</u>	\$ <u>\$23,058.0</u>	\$ <u>410.1</u>	<u>0.9 %</u>	<u>2.7 %</u>	

Recommend A FY22 Change to the Revenue Forecast...

The December to February General Fund Forecast for Fiscal Year 2022

(Dollars in Millions)

February 3, 2021

	Fiscal Year 2022						2020-2022 Biennium		
	December	February	Change	% Growth Over FY21		December	February	Change	
				December	February				
Withholding	\$14,245.9	\$14,245.9	\$0.0	3.7 %	3.7 %	\$27,985.5	\$27,985.5	\$0.0	
Nonwithholding	3,985.4	3,985.4	0.0	0.3	0.3	7,957.3	7,957.3	0.0	
Refunds	(2,130.0)	(2,130.0)	0.0	(3.1)	(3.1)	(4,328.8)	(4,328.8)	0.0	
Net Individual	\$16,101.3	\$16,101.3	\$0.0	3.8	3.8	\$31,614.0	\$31,614.0	\$0.0	
Sales	\$3,705.7	\$3,997.1	\$291.4	2.7	2.9	\$7,315.1	\$7,880.4	\$565.3	
Corporate	1,289.6	1,289.6	0.0	6.3	0.1	2,502.3	2,578.3	76.0	
Wills (Recordation)	467.0	467.0	0.0	(15.0)	(22.3)	1,016.3	1,068.3	52.0	
Insurance	360.8	360.9	0.0	8.1	14.6	694.7	675.8	(19.0)	
All Other Revenue	805.0	805.0	0.0	1.8	1.8	1,595.6	1,595.6	0.0	
Total Revenue	\$22,729.4	\$23,020.9	\$291.4	3.3 %	2.8 %	\$44,738.0	\$45,412.4	\$674.3	
A.B.C. Profits	\$132.7	\$132.7	\$0.0	(4.9) %	(4.9) %	\$272.2	\$272.2	\$0.0	
Sales Tax (0.375%)	405.1	433.8	28.7	2.7	2.9	799.5	855.4	55.9	
Transfers Per Act	103.7	103.7	0.0	(1.6)	(1.6)	209.1	209.1	0.0	
Total Transfers	\$641.5	\$670.2	\$28.7	0.3 %	0.6 %	\$1,280.8	\$1,336.7	\$55.9	
TOTAL GENERAL FUND	\$23,370.9	\$23,691.1	\$320.1	3.2 %	2.7 %	\$46,018.8	\$46,749.1	\$730.2	

FY21-28 Sales Tax Distribution Updated...

February 2021 Standard Forecast

Sales Tax Education Distribution

	FY21	FY22	FY23	Forecast		FY26	FY27	FY28
				FY24	FY25			
(1) Sales Tax Collections								
(2) Plus Accelerated Sales Tax (July 2019 received in June 2019)								
(3) Less: Accelerated Sales Tax (received in June 2020 that should have been collected in July 2020).								
(4) Less: Food Sales Tax (at 1.0%)								
(5) Less: ABC Sales Tax								
(5a) Add Back 0.01 diversion & 0.25% to transfers								
(6) Equals: Economic-base Sales Tax -- FY20 ACTUAL								
(7) Apply: Economic-base Sales Tax Forecast Growth Rates *	4.1%	2.9%	2.9%	2.4%	5.1%	4.8%	2.8%	3.2%
(8) Equals: Economic-base Sales Tax -- FORECAST	3,875.0	3,987.4	4,103.0	4,201.5	4,415.8	4,627.7	4,757.3	4,909.5
(9) Plus: Tax Policy Actions (see below)	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
(10) Equals: Economic-base Forecast with Tax Policy Actions	3,875.6	3,988.0	4,103.6	4,202.1	4,416.4	4,628.3	4,757.9	4,910.1
(11) Taxable Sales Base (divide by 3.25%)	119,249.8	122,707.5	126,265.5	129,295.4	135,888.5	142,410.3	146,397.3	151,081.4
(12) Multiply: by 1-June%	91.17%	91.17%	91.17%	91.17%	91.17%	91.17%	91.17%	91.17%
(12) Equals: \$ Distribution August-June (July-May collections)	108,725.1	111,877.7	115,121.6	117,884.2	123,895.4	129,841.6	133,476.7	137,747.4
(12) Plus: Prior June (distributed in July)	9,651.8	10,524.7	10,829.8	11,143.8	11,411.3	11,993.1	12,568.7	12,920.6
(13) Lagged Taxable Sales	118,377.0	122,402.3	125,951.5	129,028.0	135,306.7	141,834.7	146,045.4	150,668.0
(14) 1% Education from General Sales	1,183.8	1,224.0	1,259.5	1,290.3	1,353.1	1,418.3	1,460.5	1,506.7
(15) 1% Education from Food Sales	180.7	186.0	191.4	195.9	205.9	215.8	221.9	229.0
(16) 1/8% Education from General Sales	148.0	153.0	157.4	161.3	169.1	177.3	182.6	188.3
(17) EDUCATION DISTRIBUTION (1%)	1,364.5	1,410.0	1,450.9	1,486.2	1,559.0	1,634.2	1,682.3	1,735.6
(18) EDUCATION DISTRIBUTION (1/8%)	148.0	153.0	157.4	161.3	169.1	177.3	182.6	188.3
(19) TOTAL EDUCATION DISTRIBUTION (1 & 1/8%)	1,512.5	1,563.0	1,608.3	1,647.5	1,728.1	1,811.5	1,864.9	1,923.9
(20) Net 0.375% General Sales Tax Increase (2004 GA) -- Transfer on GF Table	421.6	433.8	446.4	457.1	480.4	503.4	517.5	534.1
(Note .25%)	281.0	289.2	297.6	304.7	320.3	335.6	345.0	356.1
Diversion Calculation	119.2	122.7	126.3	129.3	135.9	142.4	146.4	151.1
Additional 0.125% Transfer for Education	140.5	144.6	148.8	152.4	160.1	167.8	172.5	178.0