



# **The Economic Outlook And Revenue Forecast Through Fiscal Year 2012**

**Prepared by the Virginia Department of Taxation  
for Review by the  
Governor's Advisory Council on Revenue Estimates**

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## *Introduction*

At their September 10, 2008 meeting, the Governor's Advisory Board of Economists (GABE) reviewed the U.S. and Virginia forecasts based on Global Insight's August standard U.S. economic forecast. The Board members unanimously approved the outlook for fiscal year 2009 and the majority approved fiscal year 2010. The GABE member's comments on the outlook for housing, consumer spending, and automobiles confirmed information obtained from attendees of two special meetings -- the Virginia Housing Market Outlook Meeting and the Consumer Spending/Auto Outlook Meeting.

Virginia's outlook has been revised downward from the January 2008 official forecast to reflect the deteriorating economic climate. Virginia's forecast anticipates a mild downturn in fiscal year 2009 followed by a sluggish rebound in fiscal year 2010. The downturn is expected to be milder than those experienced in the recessions of 1991 and 2001.

Two national and state forecasts are included in this publication: the national and state standard forecasts along with the national and state alternative low-growth forecasts.

The purpose of this meeting of the Governor's Advisory Council on Revenue Estimates is to evaluate and recommend a "most probable" path for the Virginia economy and general fund revenues.

In the September standard forecast, total general fund revenues for the 2008-2010 biennium have been reduced by \$2.0 billion (6.0 percent) from the official forecast.

Section 1 of this book contains a review of the national economic performance during fiscal year 2008. A summary of Global Insight's August standard national outlook is presented along with its alternative low-growth forecast.

Section 2 contains a review of Virginia's economic performance during fiscal year 2008. This is followed by a summary of the standard forecast developed by the Department of Taxation using the Global Insight August standard national forecast and approved by the GABE. The section closes with a discussion of the alternative forecast of the Virginia economy based on Global Insight's alternative low-growth scenario.

Section 3 addresses fiscal year 2008 collections of general fund revenues and the September forecast based on the standard and alternative economic forecasts.

Section 4 discusses fiscal year 2008 collections and revenue forecasts for the non-general fund.

Historical and forecast economic data are presented in Appendix A. Historical general fund revenue data are presented in Appendix B. Detailed econometric output for major revenue sources is presented in Appendix C.

**SECTION 1**  
**THE U.S. ECONOMY**



## Section 1 The U.S. Economy

### Introduction

This section reviews U.S. economic activity in fiscal year 2008 compared with the official forecast, the January 2008 standard forecast provided by Global Insight and approved by the GABE and the GACRE at their February meetings. Following this review, Global Insight's August 2008 standard economic forecast is summarized. The section concludes with an overview of the August 2008 alternative low-growth forecast from Global Insight.

Tabular data are presented throughout this section. More detailed tabular data are presented in the appendices. Appendix A-1 shows quarterly historical data for major forecast variables from fiscal year 2006 through fiscal year 2008. Appendix A-2 shows quarterly data for the two forecasts through fiscal year 2012. Appendix A-3 displays annual historical and forecast data from fiscal year 2002 through fiscal year 2012.

### Review of Fiscal Year 2008

In its January forecast, Global Insight considered the economy to be growing at a slow pace, though very weak, with the odds of falling into recession at 40 percent. The standard forecast expected the effects of the housing downturn and the shock of the subprime mortgage market to continue to restrain economic growth, although the fiscal stimulus package would counteract some of the dampening effects over the summer. Global Insight predicted very slow growth over the first part of the year, before picking up in the fourth quarter of 2008.

Following is a summary of key assumptions included in Global Insight's January 2008 standard forecast and how those assumptions fared over the fiscal year. Table 1.1 compares the official forecast and actual results for fiscal year 2008.

- Real GDP growth of 2.4 percent for the year was close to the forecast of 2.5 percent.
- The 0.7 percent increase in total nonagricultural employment was behind the Global Insight forecast of 1.0 percent. Job losses in manufacturing, construction, and financial activities were substantially larger than forecast.

## U.S. ECONOMY

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Table 1.1 - Fiscal Year 2008 U.S. Forecast Performance

	Forecast	Actual	Actual Minus Forecast
<u>Output, Income, and Spending (% Change)</u>			
Real GDP	2.5	2.4	(0.1)
Total Personal Income	5.6	5.4	(0.2)
Wages and Salaries (56%) *	4.9	4.7	(0.2)
Average Wage	3.9	4.0	0.1
Real Consumer Spending	2.4	2.0	(0.4)
<u>Employment and Labor Markets (% Change)</u>			
Total Nonagricultural Employment	1.0	0.7	(0.3)
Manufacturing (11%) *	(1.5)	(2.2)	(0.7)
Construction (6%)	(2.3)	(3.2)	(0.9)
Trade, Transportation, and Utilities (19%)	0.8	0.5	(0.3)
Information (2%)	1.0	(0.5)	(1.5)
Financial Activities (6%)	0.0	(1.0)	(1.0)
Professional and Business Services (13%)	1.7	1.3	(0.4)
Education and Health Services (13%)	3.1	3.0	(0.1)
Leisure and Hospitality (10%)	2.7	2.5	(0.2)
Other Services (4%)	0.9	0.8	(0.1)
Government (16%)	1.0	1.0	0.0
Unemployment Rate (%)	4.8	4.9	0.1
<u>Interest Rates (% Change)</u>			
3-Month Treasury Bills	3.4	2.9	(0.5)
30-Year Treasury Bonds	4.6	4.6	0.0
<u>Prices (% Change)</u>			
CPI	3.0	3.7	0.7
GDP Deflator	2.1	2.3	0.2

The forecast data are from the January 2008 Global Insight Standard outlook.

\* Represents the percentage share of total.

- Total personal income growth of 5.4 percent in fiscal year 2008 was slightly below the forecast of 5.6 percent. Similarly, wages and salaries grew 4.7 percent, just behind the forecast of 4.9 percent.
- Real consumer spending grew 2.0 percent in fiscal year 2008, lagging the forecast of 2.4 percent.

- Global Insight expected inflation to stabilize over the year. The actual increase in the CPI of 3.7 percent was above expectations of 3.0 percent, while the GDP deflator increased 2.3 percent -- 0.2 percentage point higher than the predicted growth rate.
- Global Insight expected the Fed to trim the federal funds rate with two 25-basis-point cuts in the first quarter, lowering the rate to 3.75 percent. The Fed cut the federal funds rate by 75 basis points at an emergency January intermeeting, then again by 25 basis points at its regular January meeting. Further cuts of 75 basis points in March and 25 points in April brought the rate to 2.00, where it remains.

### **The Global Insight U.S. Standard Forecast for Fiscal Years 2009 and 2010**

The August 2008 standard forecast anticipates a distinctly weaker economy than that depicted in the January forecast. According to Global Insight, the economy is suffering through a downturn that is likely to be milder than the 1990-1991 recession and at least as mild as the 2001 recession. Neither the housing downturn nor the financial crisis is over. Consumer spending is constrained by a weak labor market, high energy and food prices, tighter credit, and lower stock market wealth. The export outlook has been preventing a worse downturn; however, the sharp slowing of some foreign economies could dampen the export outlook. Tables 1.2 and 1.3 compare the August 2008 standard and alternative forecasts with the January 2008 official forecast.

Following slightly negative fourth quarter GDP growth, the economy has grown modestly over the first half of the year. The fiscal stimulus package probably postponed negative growth from the first half of this year to the end of the year. Global Insight now expects two quarters of negative real GDP growth -- in the fourth quarter of this year and first quarter of 2009. Real GDP is projected to grow 0.8 percent in fiscal year 2009 and 2.0 percent in fiscal year 2010, substantially lower than the January forecast of 2.0 percent and 2.9 percent.

In its August forecast, Global Insight lowered payroll employment growth from 0.9 and 1.3 percent in fiscal years 2009 and 2010 to a 0.4 percent decline in fiscal year 2009 and 0.5 percent growth in fiscal year 2010. The unemployment rate jumps to 5.9 percent in fiscal year 2009 and 6.1 percent in fiscal year 2010.

Consumer spending is expected to slow as the effects of the stimulus package recede. Real consumer spending is expected to grow 0.3 percent in fiscal year 2009 and 1.6 percent in fiscal year 2010, significantly weaker than the January forecast of 2.1 percent and 2.7 percent.

## **U.S. ECONOMY**

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Total personal income is expected to grow 3.3 percent and 4.1 percent in fiscal years 2009 and 2010, down from the January forecast of 4.7 and 5.1 percent. The largest component of personal income, wages and salaries, is expected to grow 3.4 percent and 3.9 percent over the next two fiscal years, a full percentage point lower than the January forecast.

Inflation should edge up in the coming months, but Global Insight expects it to be temporary as the economy slows considerably. The CPI is forecast to rise 4.8 percent in fiscal year 2009 and 1.6 percent in fiscal year 2010, compared with the January forecast of 1.5 percent and 1.9 percent. The Federal Reserve is not expected to raise interest rates before mid-2009.

### **The Global Insight Alternative Low-Growth Forecast**

The alternative low-growth forecast assumes that the housing downturn deepens and oil prices jump \$15 per barrel (from \$120 per barrel in the standard forecast to \$135 per barrel in the alternative forecast) above the baseline, sending the economy into a full-blown recession. Despite the full effects of the stimulus package occurring in the third quarter, real GDP falls. As the impact of the stimulus wears off, the economy contracts over two additional quarters. The recession included in this scenario is deeper than the 1991 and 2001 downturns.

**Table 1.2 - Fiscal Years 2007-2012 Official, August Standard, and August Alternative Forecasts**  
U.S. Economic Forecasts - Income and Other Indicators

		<u>FY07</u>	<u>FY08</u>	<u>FY09</u>	<u>FY10</u>	<u>FY11</u>	<u>FY12</u>
<u>Output, Income, and Spending (% Change)</u>							
Real GDP	Official (Jan '08)	2.1	2.5	2.0	2.9	2.8	2.8
	August Std.	2.0	2.4	0.8	2.0	3.1	3.1
	August Alt.			(0.7)	0.5	2.8	2.8
Total Personal Income	Official (Jan '08)	6.3	5.6	4.7	5.1	5.2	5.3
	August Std.	6.5	5.4	3.3	4.1	5.3	5.6
	August Alt.			2.8	3.2	5.5	6.5
Wages and Salaries (56%) *	Official (Jan '08)	5.9	4.9	4.5	4.8	4.9	5.0
	August Std.	5.8	4.7	3.4	3.9	4.9	5.2
	August Alt.			2.6	2.7	4.6	5.7
Average Wage	Official (Jan '08)	4.2	3.9	3.6	3.5	3.6	3.7
	August Std.	4.3	4.0	3.8	3.4	3.4	3.6
	August Alt.			3.7	3.0	3.4	3.9
Real Consumer Spending	Official (Jan '08)	3.0	2.4	2.1	2.7	2.9	3.0
	August Std.	3.0	2.0	0.3	1.6	3.0	3.0
	August Alt.			(0.8)	(0.1)	2.0	2.4
<u>Interest Rates (%)</u>							
3-Month Treasury Bills	Official (Jan '08)	4.9	3.4	3.3	4.4	4.6	4.6
	August Std.	4.9	2.9	1.8	3.4	4.6	4.6
	August Alt.			2.0	4.6	5.7	5.8
30-Year Treasury Bonds	Official (Jan '08)	4.9	4.6	4.6	5.4	5.6	5.6
	August Std.	4.9	4.6	4.3	5.0	5.8	5.8
	August Alt.			4.9	6.1	6.7	6.7
<u>Prices (% Change)</u>							
CPI	Official (Jan '08)	2.6	3.0	1.5	1.9	1.9	1.9
	August Std.	2.6	3.7	4.8	1.6	1.7	2.3
	August Alt.			5.7	2.3	2.4	3.0
GDP Deflator	Official (Jan '08)	2.9	2.1	1.7	1.8	2.0	2.0
	August Std.	2.9	2.3	2.4	1.9	2.1	2.0
	August Alt.			2.6	2.4	2.8	2.9

The Official forecast is Global Insight's January 2008 U.S. standard forecast.

The August Std. forecast is Global Insight's August 2008 U.S. standard forecast.

The August Alt. forecast is Global Insight's August 2008 U.S. alternative low-growth forecast.

\* Represents the percentage share of total.

## U.S. ECONOMY

**Table 1.3 - Fiscal Years 2007-2012 Official, August Standard, and August Alternative Forecasts**  
U.S. Economic Forecasts - Employment and Labor Markets

		<u>FY07</u>	<u>FY08</u>	<u>FY09</u>	<u>FY10</u>	<u>FY11</u>	<u>FY12</u>
<u>Employment and Labor Markets (% Change)</u>							
Total Nonagricultural Employment	Official (Jan '08)	1.6	1.0	0.9	1.3	1.3	1.2
	August Std.	1.4	0.7	(0.4)	0.5	1.4	1.6
	August Alt.			(1.0)	(0.3)	1.2	1.7
Construction (6%) *	Official (Jan '08)	1.6	(2.3)	(2.5)	0.1	2.7	2.9
	August Std.	1.6	(3.2)	(6.6)	(2.2)	1.7	3.9
	August Alt.			(9.3)	(6.9)	0.2	4.1
Trade, Transportation, and Utilities (19%)	Official (Jan '08)	0.8	0.8	1.0	1.4	0.8	0.9
	August Std.	1.2	0.5	(1.5)	0.8	1.1	0.5
	August Alt.			(2.5)	0.0	1.1	0.2
Financial Activities (6%)	Official (Jan '08)	2.0	0.0	1.2	2.1	1.8	0.7
	August Std.	1.0	(1.0)	(1.2)	0.6	2.1	2.1
	August Alt.			(2.4)	(1.5)	2.5	4.2
Professional and Business Services (13%)	Official (Jan '08)	2.8	1.7	3.0	3.9	3.4	2.7
	August Std.	3.0	1.3	(0.6)	3.1	5.2	4.2
	August Alt.			(3.0)	1.6	6.7	5.2
Education and Health Services (13%)	Official (Jan '08)	2.7	3.1	2.6	1.8	1.1	0.9
	August Std.	2.6	3.0	3.0	2.3	1.3	1.2
	August Alt.			3.2	3.1	1.4	1.3
Leisure and Hospitality (10%)	Official (Jan '08)	3.2	2.7	1.6	1.0	1.2	1.6
	August Std.	2.6	2.5	0.6	(0.4)	0.8	1.4
	August Alt.			1.2	(1.0)	(0.1)	0.2
Government (16%)	Official (Jan '08)	1.2	1.0	0.5	0.8	0.5	0.8
	August Std.	1.0	1.0	1.2	0.4	0.2	0.8
	August Alt.			0.4	(0.5)	(0.4)	0.8
Unemployment Rate (%)	Official (Jan '08)	4.5	4.8	5.2	5.0	4.9	4.7
	August Std.	4.5	4.9	5.9	6.1	5.7	5.3
	August Alt.			6.3	7.1	6.8	6.2

The Official forecast is Global Insight's January 2008 U.S. standard forecast.

The August Std. forecast is Global Insight's August 2008 U.S. standard forecast.

The August Alt. forecast is Global Insight's August 2008 U.S. alternative low-growth forecast.

\* Represents the percentage share of total.

**SECTION 2**  
**THE VIRGINIA ECONOMY**

## **Section 2**

### **The Virginia Economy**

#### **Introduction**

This section begins with a review of fiscal year 2008, comparing actual economic results in Virginia to the official forecast for the year. The official forecast for fiscal year 2008 was based on the January 2008 standard U.S. forecast of Global Insight and the corresponding Virginia forecast developed by the Department of Taxation, and incorporated input from the GABE at their February meeting. Following this review, the August 2008 standard forecast is presented. The August 2008 standard forecast was presented to the GABE at their meeting on September 10. GABE members unanimously approved the outlook for fiscal year 2009 and the majority approved fiscal year 2010. The section concludes with an overview of the August 2008 alternative low-growth forecast.

Tabular data are presented throughout this section. More detailed tabular data are presented in the appendices. Appendix A-1 shows quarterly historical data for major forecast variables from fiscal year 2006 through fiscal year 2008. Appendix A-2 shows quarterly data for the two forecasts through fiscal year 2012. Appendix A-3 displays annual historical and forecast data from fiscal year 2002 through fiscal year 2012.

The state and regional employment data used in the forecast are the result of a methodology which uses unemployment insurance tax records (ES-202) data to fine tune the current employment statistics (CES) survey data. To ensure that the most current Virginia employment data are used in the forecast, ES-202 data through the fourth quarter of calendar year 2007 have been incorporated into the CES employment data series. The revised employment series is then seasonally adjusted. This process yields a projection of the annual benchmark revisions that the Virginia Employment Commission will release early next calendar year.

#### **Review of Fiscal Year 2008**

##### **Overview**

The Virginia economy weakened more than expected over the course of fiscal year 2008. The slowdown in housing and higher energy prices had a significant impact on economic growth during the second half of the fiscal year. As a result, growth in total nonagricultural employment and income were slightly weaker than projected. Table 2.1 compares the official forecast and actual results for fiscal year 2008.



## VIRGINIA ECONOMY

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**Table 2.1 - Fiscal Year 2008 Virginia Forecast Performance**

	<u>Forecast</u>	<u>Actual</u>	<u>Actual Minus Forecast</u>
<u>Income (% Change) *</u>			
Total Personal Income	5.2	4.8	(0.4)
Wages and Salaries (58%) **	5.2	4.4	(0.8)
Average Wage	4.0	3.4	(0.6)
Dividends, Interest, and Rent (16%)	6.5	7.1	0.6
Supplements to Wages and Salaries (14%)	3.9	4.0	0.1
Proprietor's Income (6%)	3.4	0.8	(2.6)
<u>Employment and Labor Markets (% Change)</u>			
Total Nonagricultural Employment	1.1	0.9	(0.2)
Manufacturing (7%) **	(0.7)	(2.4)	(1.7)
Construction and Mining (7%)	(0.2)	(3.8)	(3.6)
Trade, Transportation, and Utilities (18%)	1.4	0.9	(0.5)
Information (2%)	0.2	(1.0)	(1.2)
Financial Activities (5%)	1.3	(1.9)	(3.2)
Professional and Business Services (17%)	2.2	2.3	0.1
Education and Health Services (11%)	0.7	4.2	3.5
Leisure and Hospitality (9%)	1.3	1.1	(0.2)
Other Services (5%)	0.3	2.0	1.7
Government (18%)	1.4	1.4	0.0
Unemployment Rate (%)	3.1	3.3	0.2

The forecast data are based on the January 2008 Global Insight Standard outlook and the corresponding Virginia state forecast developed by the Department of Taxation and incorporate recommendations of the GABE.

\* Based on three quarters of actual data and one quarter of forecast.

\*\* Represents the percentage share of total.

### Income

Virginia's income statistics were below projected growth in fiscal year 2008. Total personal income increased 4.8 percent — 0.4 percentage point below forecast. Income from wages and salaries, which accounts for close to sixty percent of total personal income, grew 4.4 percent, below the forecast of a 5.2 percent increase. Average wage growth of 3.4 percent was 0.6 percentage point below forecast. Dividends, interest, and rental income grew slightly stronger than projected while proprietor's income increased only 0.8, below the annual estimate of 3.4 percent growth.

## Employment

Employment growth was weaker than anticipated in fiscal year 2008. Year-over-year job growth of 0.9 percent was slightly below the annual forecast of 1.1 percent growth. Total nonagricultural employment increased by 33,900 jobs -- 7,600 fewer jobs than anticipated in the official forecast -- after increasing by 64,400 on average over the prior four fiscal years. As is typical, the services sector drove the majority of growth. The high-paying professional and business services sector added 15,000 jobs for the year; however, the rate of increase was off nearly one-third from that of the prior two fiscal years. Six out of ten employment sectors fell short of the annual forecast with the largest being construction and financial activities, the two sectors most-closely related to the housing industry. Taken together, employment related to the housing industry declined 3.0 percent (13,400 jobs) in fiscal year 2008.

On a regional basis, employment growth was strongest in the Northern Virginia and Richmond metro areas in fiscal year 2008. Table 2.4 on page 2-8 provides an overview of regional employment in Virginia. In Northern Virginia, which represents 35 percent of all jobs in the state, total employment increased by 1.3 percent (17,100 jobs) -- 50 percent of total state gains for the year. The housing slowdown hit Northern Virginia especially hard in fiscal year 2008, with the construction and financial activities sectors shedding 9,100 jobs for the year. The housing-related weakness was offset by continued gains in professional and business services employment. The area continued to benefit from its proximity to Washington, D.C., with a substantial amount of federal government contract funds flowing to area companies.

Employment in the Richmond-Petersburg MSA (17 percent of state employment) increased 1.0 percent (6,400 jobs) in fiscal year 2008. Gains were centered in the education and health services and trade, transportation, and utilities sectors. Despite the slowdown in housing, construction employment actually increased slightly for the year, the only region in the state to experience an increase. The financial activities sector shed 1,100 jobs during the year, the largest sector decline.

The Norfolk-Virginia Beach-Newport News MSA (20 percent of state employment) experienced employment growth of 0.5 percent in fiscal year 2008. The region had a gain of 4,000 jobs, with losses in manufacturing (down 2,000 jobs) and construction (down 1,700 jobs) offset by gains in the service sector. The continued deployment of many of the military personnel situated in the area remained a drag on growth. The tourism industry, long a staple of the area economy, added only 500 jobs in fiscal year 2008, one-fifth of the amount added on average over the prior three fiscal years.

Outside of the three major metro areas, the remainder of the state (28 percent of state employment) added 6,400 jobs in fiscal year 2008, growth of 0.6 percent. Gains in education and health services were partially offset by continued declines in manufacturing employment, primarily in Southwest Virginia. Housing-related employment declined by 2,100 jobs.

## **VIRGINIA ECONOMY**

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### Housing

Based on data from the Virginia Association of Realtors (VAR), home sales in Virginia declined 19.7 percent in fiscal year 2008. Sales volume for the year was down to 1998 levels. On a regional basis, Northern Virginia declined 14.1 percent, the smallest annual decline of three large metro areas. Hampton Roads declined 19.2 percent while the Richmond metro area declined 23.2 percent. However, the relative improvement in the rate of decline in Northern Virginia was supported entirely by a near 10 percent decline in the average sale price in fiscal year 2008. As of the second quarter of 2008, the average sale price in Northern Virginia was down over \$100,000 from the peak of \$525,000 reached in the third quarter of 2005. Overall, the average sale price in Virginia declined 2.7 percent in fiscal year 2008 and is now at its lowest level since the end of 2004.

### **The August Standard Forecast for Fiscal Years 2009 and 2010**

The economic slowdown that took hold during the second half of fiscal year 2008 is expected to continue into fiscal year 2009. The statewide slowdown in housing, weaker trends in employment and income data, and the updated U.S. macroeconomic outlook point to a stagnation of the Virginia economy during the current fiscal year. Tables 2.2 and 2.3 compare the August 2008 standard Virginia forecast and alternative forecasts with the January 2008 GABE official forecast. The August standard forecast is based on the Global Insight August 2008 standard U.S. forecast and uses the Department of Taxation's Virginia regional econometric model. The GABE reviewed and approved the August standard forecast for fiscal year 2009 and fiscal year 2010. The January 2008 GABE official forecast is based on the Global Insight January 2008 standard U.S. forecast and incorporates recommendations from the GABE for slightly weaker growth in Virginia.

In the August standard forecast, employment is expected to decline 0.1 percent in fiscal year 2009, in line with the forecast of a mild national recession. The weakness is almost entirely related to the downward spiral in housing. Taken together, employment in the construction and financial activities sectors is expected to decline 3.0 percent in fiscal year 2009. The fallout in housing and its effect on the broader economy is expected to constrain consumer spending, leading to a decline in trade employment. Continued gains in the service sector will forestall large declines in total employment.

In fiscal year 2010, total employment is expected to increase 0.8 percent, indicative of a sluggish recovery. The primary drivers of the below-trend growth are continued job losses in construction and sub-2.0 percent growth in professional and business services. The standard forecast for fiscal year 2010 is in stark contrast to the official forecast, which expected trend growth in fiscal year 2010 following a period of slower economic growth.

The income estimates from the August 2008 standard forecast are representative of the experience of the most recent economic recession in fiscal year 2002. Total personal income is expected to increase 3.2 percent in fiscal year 2009 and 3.7 percent in fiscal year

2010 compared with the official forecast of 5.4 percent and 6.2 percent, respectively. Income from wages and salaries has been revised down by 1.5 percentage points in each of the next two years, with an increase of 3.3 percent in fiscal year 2009 and 4.4 percent in fiscal year 2010. Estimates for dividends, interest, and rental income and proprietor's income have been updated to reflect the projected performance of financial markets.

Economic growth in Virginia will be slowed by the housing downturn. This is particularly true in Northern Virginia, where the real estate slump has been more severe than the rest of the state. The greatest risk to the standard forecast is a deepening in the downturn in the housing market. Because of this, the Secretary of Finance convened a meeting of housing industry experts to review current trends and discuss the outlook for the U.S. and Virginia. The general consensus among the attendees was that the housing market will not recover until the mortgage market recovers, which will not be before the third quarter of 2009. Most agreed that the pace of recovery would be sluggish, with no significant price appreciation until late-2009 or early-2010.

In summary, the August standard forecast expects the Virginia economy to stagnate in fiscal year 2009. The downturn in the housing market will lead to declines in employment and weak income growth. However, Virginia's economy is expected to hold up better than it did during the fiscal year 1992 and fiscal year 2002 contractions due to continued gains in the professional and business services sector. The economy is expected to rebound at a sluggish rate in fiscal year 2010 as the housing market stabilizes.

### **The Global Insight Alternative Low-Growth Forecast**

In the Virginia alternative low-growth forecast, a deeper housing recession, high oil prices, and deteriorating conditions in financial markets result in a more protracted economic slowdown in Virginia. Employment declines 0.6 percent in fiscal year 2009 and stagnates in fiscal year 2010, similar but still slightly better than the employment situation during the last recession and post-recession year in fiscal years 2002 and 2003. Both personal income and wages and salaries are over one-half a percentage point below the standard outlook for this fiscal year and next.

## VIRGINIA ECONOMY

**Table 2.2 - Fiscal Years 2007-2012 Official, August Standard, and August Alternative Forecasts**  
Virginia Economic Forecasts - Employment and Labor Markets

		<u>FY07</u>	<u>FY08</u>	<u>FY09</u>	<u>FY10</u>	<u>FY11</u>	<u>FY12</u>
<u>Employment and Labor Markets (% Change)</u>							
Total Nonagricultural Employment	Official (Jan '08)	1.4	1.1	1.0	1.8	1.2	0.7
	August Std.	1.2	0.9	(0.1)	0.8	1.4	1.5
	August Alt.			(0.6)	0.0	1.3	1.8
Construction and Mining (7%) *	Official (Jan '08)	(0.1)	(0.2)	0.4	1.8	2.2	1.3
	August Std.	(1.5)	(3.8)	(4.3)	(1.7)	1.7	3.8
	August Alt.			(7.0)	(6.4)	0.2	4.0
Trade, Transportation, and Utilities (18%)	Official (Jan '08)	1.1	1.4	1.0	1.1	0.7	0.3
	August Std.	0.7	0.9	(1.6)	1.3	0.8	(0.2)
	August Alt.			(2.6)	0.8	1.2	(0.6)
Financial Activities (5%)	Official (Jan '08)	1.1	1.3	1.9	2.5	1.7	0.3
	August Std.	0.6	(1.9)	(1.4)	1.2	3.5	3.1
	August Alt.			(2.9)	(1.7)	4.0	6.3
Professional and Business Services (17%)	Official (Jan '08)	3.1	2.2	2.1	4.5	2.8	1.3
	August Std.	3.1	2.3	3.3	1.9	3.8	3.3
	August Alt.			1.3	0.2	4.5	4.4
Education and Health Services (11%)	Official (Jan '08)	4.0	0.7	1.8	1.3	0.8	0.8
	August Std.	3.0	4.2	2.8	2.8	1.5	1.4
	August Alt.			3.0	3.8	1.6	1.6
Leisure and Hospitality (9%)	Official (Jan '08)	2.6	1.3	1.5	1.7	1.4	1.2
	August Std.	2.4	1.1	0.5	(0.4)	0.7	1.3
	August Alt.			1.0	(0.9)	(0.1)	0.1
Government (18%)	Official (Jan '08)	1.2	1.4	0.4	1.0	0.0	0.5
	August Std.	1.7	1.4	(1.6)	1.4	0.4	0.5
	August Alt.			(1.6)	1.5	0.5	0.8
Unemployment Rate (%)	Official (Jan '08)	3.0	3.1	2.7	2.7	2.7	2.7
	August Std.	3.0	3.3	4.0	4.1	3.9	3.5
	August Alt.			4.3	4.9	4.6	4.2

The Official forecast from the Department of Taxation is based on Global Insight's January 2008 standard forecast and incorporates recommendations of the GABE.

The August Std. forecast from the Department of Taxation is based on Global Insight's August 2008 U.S. standard forecast.

The August Alt. forecast from the Department of Taxation is based on Global Insight's August 2008 U.S. alternative low-growth forecast.

\* Represents the percentage share of total.

**Table 2.3 - Fiscal Years 2007-2012 Official, August Standard, and August Alternative Forecasts**  
Virginia Economic Forecasts - Income

		<u>FY07</u>	<u>FY08</u>	<u>FY09</u>	<u>FY10</u>	<u>FY11</u>	<u>FY12</u>
<u>Income (% Change) *</u>							
Total Personal Income	Official (Jan '08)	5.0	5.2	5.4	6.2	5.1	4.6
	August Std.	4.9	4.8	3.2	3.7	4.4	4.8
	August Alt.			2.6	3.0	4.6	5.6
Wages and Salaries (58%) **	Official (Jan '08)	5.0	5.2	4.8	5.9	4.8	4.3
	August Std.	4.9	4.4	3.3	4.4	4.2	4.6
	August Alt.			2.8	3.6	4.1	5.2
Average Wage	Official (Jan '08)	3.5	4.0	3.7	4.0	3.6	3.5
	August Std.	3.6	3.4	3.4	3.6	2.8	3.1
	August Alt.			3.4	3.6	2.7	3.3
Dividends, Interest, and Rent (16%)	Official (Jan '08)	4.3	6.5	7.7	9.4	8.3	6.3
	August Std.	4.3	7.1	3.7	3.0	7.4	6.8
	August Alt.			3.9	1.8	8.4	8.6
Supplements to Wages and Salaries (14%)	Official (Jan '08)	4.6	3.9	4.7	6.7	4.9	4.5
	August Std.	4.4	4.0	3.0	4.3	4.4	5.1
	August Alt.			3.1	4.2	4.1	5.1
Proprietor's Income (6%)	Official (Jan '08)	(0.4)	3.4	7.5	3.4	2.3	2.6
	August Std.	(0.6)	0.8	3.2	2.7	(0.7)	0.7
	August Alt.			(5.6)	(5.6)	(3.0)	1.3

The Official forecast from the Department of Taxation is based on Global Insight's January 2008 standard forecast and incorporates recommendations of the GABE.

The August Std. forecast from the Department of Taxation is based on Global Insight's August 2008 U.S. standard forecast.

The August Alt. forecast from the Department of Taxation is based on Global Insight's August 2008 U.S. alternative low-growth forecast.

\* FY08 based on three quarters of actual data and one quarter of forecast.

\*\* Represents the percentage share of total.

## VIRGINIA ECONOMY

**Table 2.4 - Fiscal Years 2007-2010 August Standard Forecast**  
Virginia Economic Forecast - Regional Employment

		<u>FY07</u>	<u>FY08</u>	<u>FY09</u>	<u>FY10</u>
<u>Region by Sector (% Change)</u>					
Northern Virginia (35%) *	Total Nonagricultural Employment	1.6	1.3	1.4	1.0
	Construction and Mining (6%) **	(4.0)	(7.0)	(5.4)	(2.0)
	Trade, Transportation, and Utilities (16%)	(0.4)	0.8	(2.2)	1.5
	Financial Activities (5%)	(0.1)	(3.9)	(0.7)	0.9
	Professional and Business Services (27%)	3.7	3.1	5.6	1.3
	Education and Health Services (9%)	3.7	4.3	5.0	3.7
	Leisure and Hospitality (9%)	1.9	2.3	1.9	(0.4)
	Government (16%)	2.6	1.9	(1.4)	2.2
Hampton Roads (20%)	Total Nonagricultural Employment	0.8	0.5	0.3	1.1
	Construction and Mining (6%)	(2.1)	(3.4)	(3.7)	(1.8)
	Trade, Transportation, and Utilities (19%)	0.6	0.5	(1.8)	1.1
	Financial Activities (5%)	3.0	0.3	(2.3)	0.9
	Professional and Business Services (13%)	0.4	1.1	4.0	2.9
	Education and Health Services (12%)	2.9	3.9	3.6	2.8
	Leisure and Hospitality (11%)	2.2	0.6	0.9	(0.4)
	Government (20%)	1.4	0.4	(0.4)	1.8
Richmond (17%)	Total Nonagricultural Employment	1.9	1.0	(1.3)	0.7
	Construction and Mining (7%)	1.6	1.0	(3.8)	(2.0)
	Trade, Transportation, and Utilities (19%)	2.2	1.8	(2.3)	1.2
	Financial Activities (7%)	(1.0)	(2.4)	0.7	0.8
	Professional and Business Services (16%)	4.0	1.1	(0.5)	1.9
	Education and Health Services (12%)	3.9	4.1	(1.1)	2.4
	Leisure and Hospitality (8%)	3.6	1.3	0.6	(0.4)
	Government (18%)	1.0	1.5	0.0	1.0
Balance (28%)	Total Nonagricultural Employment	0.7	0.6	(1.5)	0.2
	Construction and Mining (6%)	0.5	(3.1)	(3.6)	(1.2)
	Trade, Transportation, and Utilities (19%)	1.0	0.7	(0.4)	1.1
	Financial Activities (4%)	1.5	0.1	(4.2)	2.8
	Professional and Business Services (9%)	2.8	2.1	(1.8)	3.0
	Education and Health Services (13%)	1.9	4.4	2.5	2.1
	Leisure and Hospitality (9%)	2.8	(0.3)	(1.8)	(0.4)
	Government (19%)	1.5	1.7	(3.6)	0.4

The August Std. forecast from the Department of Taxation is based on Global Insight's August 2008 U.S. standard forecast.

\* Represents the percentage share of Virginia.

\*\* Represents the percentage share of total employment within the region.

**SECTION 3  
GENERAL FUND  
REVENUES**



## **Section 3 General Fund Revenues**

### **Fiscal Year 2008 in Review**

In fiscal year 2008, total general fund revenues rose by 1.3 percent to \$15,767.0 million, exceeding the official forecast (1.2 percent growth) by \$15.9 million. Table 3.1 compares actual revenues for fiscal year 2008 with the official forecast. The official revenue forecast was based on the January 2008 Global Insight standard forecast, the corresponding Virginia economic forecast developed by the Department of Taxation, and reflects actions of the 2008 General Assembly.

Collections in four of the five major sources -- individual income tax, sales tax, recordation tax, and insurance premiums tax -- fell short of their forecasts. A significant surplus in collections of corporate income tax and some minor revenue sources offset the shortfall.

Withholding and sales tax collections (76 percent of total general fund revenues), the two revenue sources most closely tied to economic activity in the Commonwealth, finished a combined 0.8 percent below forecast. Taken together, the two sources were \$98.2 million short of their forecast.

The three most volatile revenue sources -- individual nonwithholding, corporate income tax, and wills, suits, deeds, and contracts (primarily recordation tax receipts) finished a combined \$60.0 million above forecast, 1.5 percent ahead of the annual forecast for the three sources. A surplus of \$108.8 million in corporate income tax receipts was partially offset by shortfalls of \$9.6 million in nonwithholding payments and \$39.2 million in recordation tax receipts. Collections of insurance premiums tax finished \$21.5 million below forecast. Taken together, the five major revenue sources finished \$29.3 million below the annual estimate, a forecast variance of 0.2 percent.

Collections of miscellaneous taxes and other revenues were \$45.1 million above the estimate in fiscal year 2008, a forecast variance of 5.2 percent. Greater-than-expected collections of inheritance, gift, and estate taxes and interest income drove the large forecast variance.

# GENERAL FUND REVENUES

**Table 3.1**  
**Fiscal Year 2008 General Fund Collections: Actual and Forecast**  
(Dollars in Millions)

	Fiscal Year 2007		Fiscal Year 2008					
	Actual	% Growth	Official Forecast	Actual	Forecast Dollars	Variance Percent	% Growth Over FY 07	
							Official	Actual
<b>MAJOR TAX SOURCES</b>								
Corporate Income	\$ 879.6	1.4 %	\$ 699.1	\$ 807.9	\$ 108.8	15.6 %	(20.5) %	(8.2) %
Individual Income Tax:								
Gross	11,347.4	7.6	11,881.7	11,794.7	(86.9)	(0.7)	4.7	3.9
Withholding	8,565.5	6.4	9,010.9	8,933.6	(77.3)	(0.9)	5.2	4.3
Nonwithholding	2,782.0	11.6	2,870.8	2,861.2	(9.6)	(0.3)	3.2	2.8
Refunds	(1,559.8)	21.6	(1,710.4)	(1,679.9)	30.5	(1.8)	9.7	7.7
Net	9,787.6	5.6	10,171.3	10,114.8	(56.4)	(0.6)	3.9	3.3
Insurance Company Premiums	384.9	3.0	418.4	396.9	(21.5)	(5.1)	8.7	3.1
State Sales & Use Tax	3,049.1	8.4	3,096.4	3,075.5	(20.9)	(0.7)	1.6	0.9
Wills, Suits, Deeds, & Contract Fees	582.9	(16.1)	495.5	456.3	(39.2)	(7.9)	(15.0)	(21.7)
<b>Total Major Tax Sources</b>	<b>\$ 14,684.1</b>	<b>4.8 %</b>	<b>\$ 14,880.7</b>	<b>\$ 14,851.4</b>	<b>\$ (29.3)</b>	<b>(0.2) %</b>	<b>1.3 %</b>	<b>1.1 %</b>
<b>MISCELLANEOUS TAXES AND OTHER REVENUES</b>								
Alcoholic Beverage State Tax	\$ 118.7	7.9 %	\$ 126.0	\$ 125.3	\$ (0.7)	(0.5) %	6.1 %	5.6 %
Bank Franchise Tax	12.6	2.0	13.1	13.8	0.7	5.2	4.2	9.6
Beer & Beverage Excise Tax	43.1	0.4	44.0	43.5	(0.5)	(1.1)	2.0	0.9
Corporate Franchise & Charter Fees	47.9	3.4	47.9	47.0	(0.9)	(1.8)	(0.1)	(1.9)
Excess & Other Fees from Officers	(33.1)	20.3	(29.6)	(24.4)	5.3	(17.7)	10.7	26.5
Estate & Gifts	152.9	(4.7)	118.5	153.4	34.9	29.4	(22.5)	0.3
Institutional Revenues	7.2	(12.9)	7.5	7.6	0.1	1.2	4.6	5.9
Interest & Rents	176.2	50.9	170.1	189.7	19.6	11.5	(3.5)	7.6
Licenses & Permits	4.8	1.3	5.0	4.6	(0.4)	(7.9)	3.5	(4.6)
Miscellaneous Taxes and Penalties	233.4	1.2	242.5	222.0	(20.5)	(8.4)	3.9	(4.8)
Other Miscellaneous Revenues	30.1	(25.2)	37.4	36.5	(0.9)	(2.4)	24.3	21.4
Public Service GR / Consumption Tax	88.0	(2.3)	88.0	96.4	8.4	9.5	0.0	9.6
<b>Total Misc. Taxes and Other Revenues</b>	<b>\$ 881.7</b>	<b>7.4 %</b>	<b>\$ 870.4</b>	<b>\$ 915.5</b>	<b>\$ 45.1</b>	<b>5.2 %</b>	<b>(1.3) %</b>	<b>3.8 %</b>
<b>TOTAL GF REVENUES</b>	<b>\$ 15,565.8</b>	<b>4.9 %</b>	<b>\$ 15,751.1</b>	<b>\$ 15,767.0</b>	<b>\$ 15.9</b>	<b>0.1 %</b>	<b>1.2 %</b>	<b>1.3 %</b>
<b>TRANSFERS</b>								
A.B.C. Profits	\$ 27.6	(8.3) %	\$ 34.3	\$ 36.1	\$ 1.8	5.2 %	24.5 %	31.0 %
Lottery Proceeds Fund	434.9	(4.2)	462.2	458.2	(4.0)	(0.9)	6.3	5.4
Sales Tax (0.25%)	225.2	3.7	228.8	226.7	(2.1)	(0.9)	1.6	0.7
Transfers Per Appropriations Act	132.6	(6.2)	96.6	91.6	(5.0)	(5.2)	(27.2)	(30.9)
<b>Total Transfers</b>	<b>\$ 820.3</b>	<b>(5.2) %</b>	<b>\$ 821.9</b>	<b>\$ 812.5</b>	<b>\$ (9.4)</b>	<b>(1.1) %</b>	<b>0.2 %</b>	<b>(0.9) %</b>
<b>TOTAL GENERAL FUND</b>	<b>\$ 16,386.1</b>	<b>4.4 %</b>	<b>\$ 16,573.0</b>	<b>\$ 16,579.5</b>	<b>\$ 6.5</b>	<b>0.0 %</b>	<b>1.1 %</b>	<b>1.2 %</b>

The Official forecast is based on the January 2008 Global Insight Standard outlook and the corresponding Virginia state forecast developed by the Department of Taxation and reflects actions of the 2008 General Assembly.

Table 3.2 provides an evolutionary perspective of the fiscal year 2008 forecasts, used by the Governor and General Assembly, in terms of their variance from actual collections. The variance ranged from 4.0 percent in the April 2007 forecast to 0.2 percent in the April 2008 forecast. The fiscal year 2008 forecast was the second most accurate estimate of the last 25 years, trailing only the fiscal year 2000 forecast.

## GENERAL FUND REVENUES

**Table 3.2**  
**Actual Collections Over (Under) the Forecast**  
**Percent Variance**

	April 23 2008 Official	Dec 17 2007 Introduced	April 4 2007 Official	Dec 15 2006 Introduced	Oct 25 2006 Official	Dec 16 2005 Introduced
<b>Major Tax Sources (95%)</b>						
Corporate Income (5%)	15.6 %	8.0 %	1.6 %	1.6 %	3.5 %	1.5 %
Individual Income (64%)	(0.6)	(2.9)	(3.8)	(3.8)	(0.7)	(0.4)
Insurance Company Premiums (3%)	(5.1)	(1.6)	(3.5)	(3.5)	(9.8)	(9.8)
State Sales & Use Tax (20%)	(0.7)	(1.9)	(5.5)	(5.5)	(7.0)	(7.1)
Wills, Suits, Deeds & Contracts (3%)	(7.9)	(12.3)	(17.8)	(17.8)	(31.4)	(31.4)
Total Major Tax Sources	(0.2) %	(2.5) %	(4.4) %	(4.4) %	(3.4) %	(3.4) %
<b>Miscellaneous Taxes &amp; Other Revenues (5%)</b>	5.2 %	6.6 %	1.6 %	1.7 %	7.4 %	8.5 %
<b>Total Revenues</b>	0.1 %	(2.0) %	(4.0) %	(4.0) %	(2.9) %	(2.8) %

Numbers in parentheses immediately following each source indicate collections as a percentage of total general fund revenues.

The April 23, 2008 forecast is based on the January 2008 Global Insight Standard outlook and the corresponding Virginia forecast developed by the Department of Taxation and reflects actions of the 2008 General Assembly.

The December 17, 2007 forecast is based on the October 2007 Global Insight Standard outlook and the corresponding Virginia forecast developed by the Department of Taxation and accompanied the Governor's Budget Bill.

The April 4, 2007 forecast is based on the October 2006 Global Insight Standard outlook and the corresponding Virginia forecast developed by the Department of Taxation and reflects actions of the 2007 General Assembly, Chapter 847.

The December 15, 2006 forecast is based on the October 2006 Global Insight Standard outlook and the corresponding Virginia forecast developed by the Department of Taxation and accompanied the Governor's Budget Bill.

The October 25, 2006 forecast is based on the October 2005 Global Insight Standard outlook and the corresponding Virginia forecast developed by the Department of Taxation and reflects actions of the 2006 General Assembly Special Session I, Chapter 10.

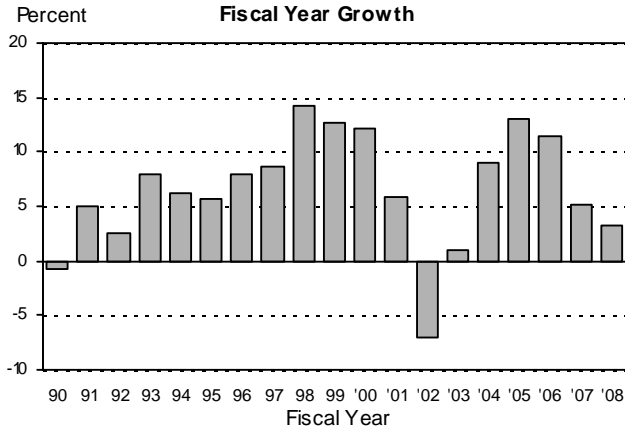
The December 16, 2005 forecast is based on the October 2005 Global Insight Standard outlook and the corresponding Virginia forecast developed by the Department of Taxation and accompanied the Governor's Budget Bill.

### **Individual Income Taxes**

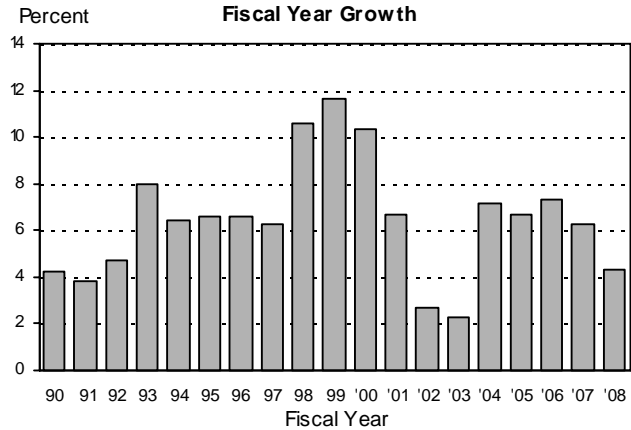
Collections of net individual income taxes grew 3.3 percent in fiscal year 2008, below the annual estimate of 3.9 percent growth. Annual collections were \$56.4 million below the official forecast. The significant slowdown in growth between fiscal year 2007 and fiscal year 2008 was attributable to slowing growth in both payment components of individual income tax, withholding and nonwithholding. On the positive side, the Commonwealth issued less in individual refunds than projected. The chart on the next page illustrates the growth in net individual income tax payments since fiscal year 1990.

## GENERAL FUND REVENUES

**Figure 3.1**  
**Net Individual Income Tax**  
**Fiscal Year Growth**



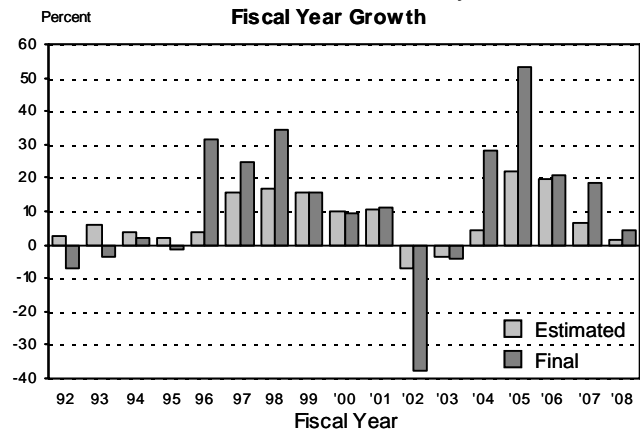
**Figure 3.2**  
**Withholding Tax**  
**Fiscal Year Growth**



**Withholding:** In fiscal year 2008, withholding receipts increased by 4.3 percent, 0.9 percentage point behind the annual estimate. Collections lagged the forecast by \$77.3 million. Growth in this source slowed substantially in fiscal year 2008 from the 6.9 percent average over the last four fiscal years. Continued strength in payments from federal contractors and firms in the professional and business services sector was offset by declines in the housing and finance industries.

**Nonwithholding:** Collections of nonwithholding were in line with expectations in fiscal year 2008, growing 2.8 percent compared with the forecast of 3.2 percent growth. Growth slowed significantly in 2008 from the 19.0 percent average over the last four years as the weakness in financial markets dampened non-wage income.

**Figure 3.3**  
**Individual Estimated and Final Payments**  
**Fiscal Year Growth**

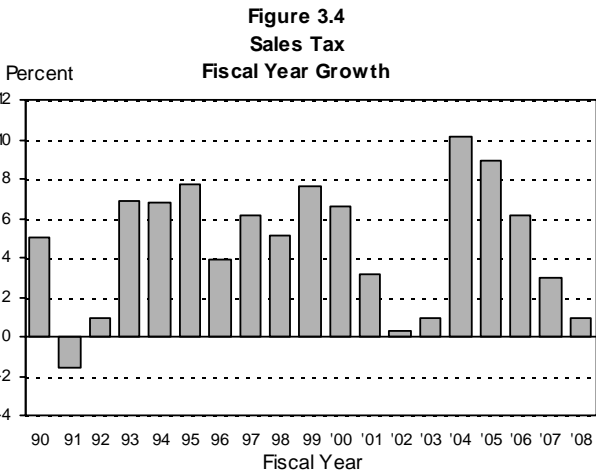


**Refunds:** Individual refund processing was below expectations in fiscal year 2008, lagging the annual estimate by \$30.5 million. Growth of 7.7 percent was 1.8 percent below the annual estimate, and was attributable to lower-than-anticipated claims of the land preservation tax credit.

**GENERAL FUND REVENUES**

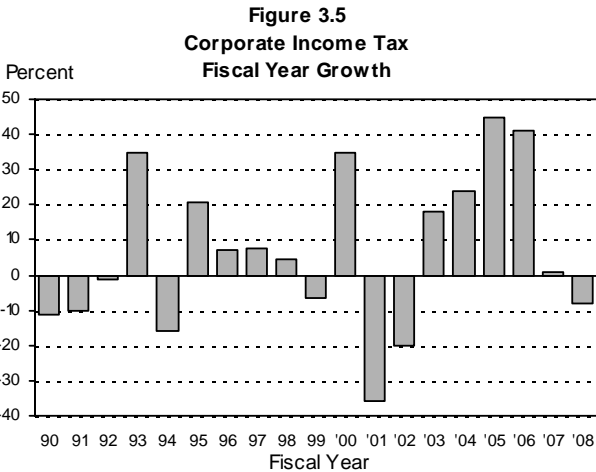
**Sales Taxes**

Collections of sales and use taxes grew 0.9 percent in fiscal year 2008, 0.7 percentage point below the annual estimate, a \$20.9 million shortfall. Housing-related sales led the weakness in growth for the year. Taxable sales from department stores and restaurants, two sectors dependent on discretionary income, were flat. Adjusting for higher food prices, sales at grocery stores, warehouse clubs, and supercenters were flat to negative in fiscal year 2008.



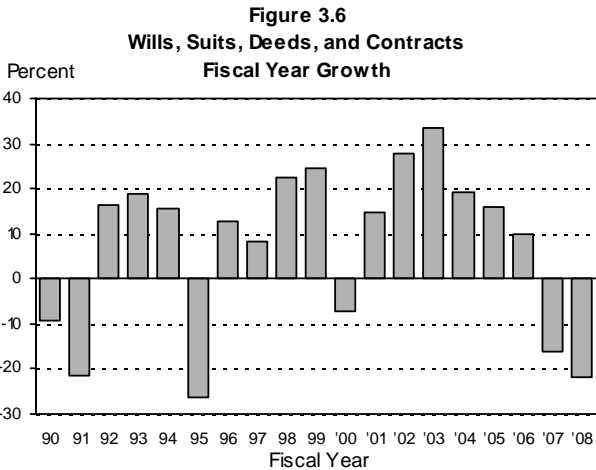
**Corporate Income Taxes**

The forecast anticipated a 20.5 percent decline in this source in fiscal year 2008, but corporate income tax receipts did not fall as far as anticipated, finishing \$108.8 million above the annual estimate with only an 8.2 percent decline. As expected, payments attributable to housing and finance fell substantially. Unexpected growth in payments, particularly from federal contractors and firms in the energy sector, drove the surplus.



**Wills, Suits, Deeds & Contract Fees**

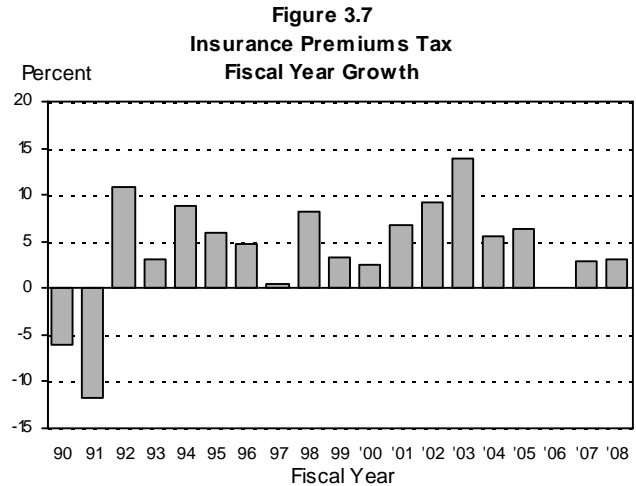
Collections in wills, suits, deeds, and contracts (primarily recordation tax receipts) declined 21.7 percent in fiscal year 2008, following a 16.1 percent drop in fiscal year 2007, well below the forecast of a 15.0 percent decline. From fiscal year 2001 to fiscal year 2006, recordation tax receipts increased with the boom in the housing market, growing an average of 20.6 percent per year. The downturn in the housing market has resulted in declines in volume and prices, increasing the drag on recordation tax collections in fiscal year 2008.



## GENERAL FUND REVENUES

### Insurance Premiums Taxes

Collections of taxes on the premiums of insurance companies were \$396.9 million in fiscal year 2008, \$21.5 million below the forecast. Net receipts grew by 3.1 percent compared with the forecasted growth rate of 8.7 percent.



### Miscellaneous Taxes and Other Revenues

Taken together, all other revenue sources were \$45.1 million above expectations for fiscal year 2008, increasing 3.8 percent compared with the annual estimate of a 1.3 percent decline. Collections of the volatile inheritance, gift, and estate tax finished the year \$34.9 million above the forecast.

Interest income was \$19.6 million ahead of projections for the year. The majority of the surplus (\$16.6 million) was attributable to interest on delinquent taxes, with the remainder due to interest on state money. Most other minor revenue sources finished the year either close to or below their respective forecasts.

### The September Standard General Fund Forecast for Fiscal Years 2009 through 2012

Table 3.3 provides a comparison of the September 2008 standard revenue forecast with the official forecast underlying the current Appropriation Act and six-year financial plan.

In the September standard forecast, total general fund revenues for the 2008-2010 biennium have been reduced by \$2.0 billion (6.0 percent) from the official forecast. Revenues are expected to decline 3.2 percent in fiscal year 2009. However, fiscal year 2009 collections are being depressed due to the repeal of the estate tax and the impact of Chapter 896 (HB 3202), requiring the Comptroller to transfer one-third of prior year insurance company premiums and \$0.03 of recordation tax to various transportation funds beginning in fiscal year 2009. Adjusted for these items, total general fund revenues are projected to decline 1.1 percent in fiscal year 2009, significantly weaker than the official forecast of 4.2 percent growth. Total general fund revenues are projected to increase 5.0 percent in fiscal year 2010, slower than the official forecast of 6.8 percent growth.

# GENERAL FUND REVENUES

**Table 3.3**  
**The Official and September Standard General Fund Forecast for Fiscal Year 2009**  
(Dollars in Millions)

September 23, 2008

	Fiscal Year 2008		Fiscal Year 2009			% Growth Over FY 08	
	Actual	% Growth	Official Forecast	September Forecast	Change	Official	September
<b>MAJOR TAX SOURCES</b>							
Corporate Income	\$ 807.9	(8.2) %	\$ 706.0	\$ 687.1	\$ (18.9)	(12.6) %	(14.9) %
Individual Income Tax:							
Gross	11,794.7	3.9	12,563.7	11,974.6	(589.1)	6.5	1.5
Withholding	8,933.6	4.3	9,506.5	9,228.4	(278.1)	6.4	3.3
Nonwithholding	2,861.2	2.8	3,057.2	2,746.2	(311.0)	6.9	(4.0)
Refunds	<u>(1,679.9)</u>	<u>7.7</u>	<u>(1,786.8)</u>	<u>(1,794.4)</u>	<u>(7.6)</u>	<u>6.4</u>	<u>6.8</u>
Net	10,114.8	3.3	10,776.9	10,180.2	(596.7)	6.5	0.6
Insurance Company Premiums	396.9	3.1	294.8	257.5	(37.3)	(25.7)	(35.1)
State Sales & Use Tax	3,075.5	0.9	3,225.7	3,072.5	(153.2)	4.9	(0.1)
Wills, Suits, Deeds, & Contract Fees	<u>456.3</u>	<u>(21.7)</u>	<u>380.8</u>	<u>367.4</u>	<u>(13.4)</u>	<u>(16.6)</u>	<u>(19.5)</u>
Total Major Tax Sources	\$ 14,851.4	1.1 %	\$ 15,384.3	\$ 14,564.7	\$ (819.6)	3.6 %	(1.9) %
<b>MISCELLANEOUS TAXES AND OTHER REVENUES</b>							
Alcoholic Beverage State Tax	\$ 125.3	5.6 %	\$ 131.0	\$ 131.0	\$ 0.0	4.5 %	4.5 %
Bank Franchise Tax	13.8	9.6	13.5	13.3	(0.2)	(2.0)	(3.4)
Beer & Beverage Excise Tax	43.5	0.9	44.0	43.9	(0.1)	1.1	0.9
Corporate Franchise & Charter Fees	47.0	(1.9)	47.9	43.2	(4.7)	1.8	(8.2)
Excess & Other Fees from Officers	(24.4)	26.5	(28.1)	(22.0)	6.1	(15.4)	9.7
Estate & Gifts	153.4	0.3	0.0	0.0	0.0	(100.0)	(100.0)
Institutional Revenues	7.6	5.9	7.5	7.5	0.0	(1.2)	(1.2)
Interest & Rents	189.7	7.6	122.4	116.4	(6.0)	(35.5)	(38.6)
Licenses & Permits	4.6	(4.6)	5.0	4.6	(0.4)	8.5	(0.2)
Miscellaneous Taxes and Penalties	222.0	(4.8)	240.5	229.4	(11.1)	8.3	3.3
Other Miscellaneous Revenues	36.5	21.4	33.1	36.5	3.5	(9.5)	(0.1)
Public Service GR / Consumption Tax	<u>96.4</u>	<u>9.6</u>	<u>88.9</u>	<u>92.4</u>	<u>3.5</u>	<u>(7.8)</u>	<u>(4.1)</u>
Total Misc. Taxes and Other Revenues	\$ 915.5	3.8 %	\$ 705.7	\$ 696.2	\$ (9.5)	(22.9) %	(24.0) %
<b>TOTAL GF REVENUES</b>	<b>\$ 15,767.0</b>	<b>1.3 %</b>	<b>\$ 16,089.9</b>	<b>\$ 15,260.9</b>	<b>\$ (829.0)</b>	<b>2.0 %</b>	<b>(3.2) %</b>
<b>TRANSFERS</b>							
A.B.C. Profits	\$ 36.1	31.0 %	\$ 34.6	\$ 34.6	\$ 0.0	(4.1) %	(4.1) %
Lottery Proceeds Fund	458.2	5.4	0.0	0.0	0.0	(100.0)	(100.0)
Sales Tax (0.25%)	226.7	(11.1)	243.9	229.2	(14.7)	7.6	1.1
Transfers Per Appropriations Act	<u>91.6</u>	<u>(30.9)</u>	<u>106.3</u>	<u>106.3</u>	<u>0.0</u>	<u>16.0</u>	<u>16.0</u>
Total Transfers	\$ 812.5	(0.9) %	\$ 384.8	\$ 370.1	\$ (14.7)	(52.6) %	(54.5) %
<b>TOTAL GENERAL FUND</b>	<b>\$ 16,579.5</b>	<b>1.2 %</b>	<b>\$ 16,474.7</b>	<b>\$ 15,631.0</b>	<b>\$ (843.7)</b>	<b>(0.6) %</b>	<b>(5.7) %</b>

The Official forecast is based on the January 2008 Global Insight Standard outlook and the corresponding Virginia state forecast developed by the Department of Taxation and reflects actions of the 2008 General Assembly.

The September Standard forecast is based on the August 2008 Global Insight Standard outlook and the corresponding Virginia state forecast developed by the Department of Taxation.

Chapter 896 (HB 3202) requires the Comptroller to deposit one-third of insurance company premiums tax collected in the most recently ended fiscal year and the revenues collected from \$0.03 of the recordation tax to various transportation funds beginning in FY09.

# GENERAL FUND REVENUES

**Table 3.3**  
**The Official and September Standard General Fund Forecast for Fiscal Year 2010**  
(Dollars in Millions)

September 23, 2008

	Fiscal Year 2010						2008-2010 Biennium		
	Official Forecast	September Forecast	Change	% Growth Over FY 09		Official Forecast	September Forecast	Change	
				Official	September				
<b>MAJOR TAX SOURCES</b>									
Corporate Income	\$ 728.2	\$ 748.2	\$ 20.0	3.1 %	8.9 %	\$ 1,434.2	\$ 1,435.3	\$ 1.1	
Individual Income Tax:									
Gross	13,421.0	12,541.4	(879.5)	6.8	4.7	25,984.7	24,516.0	(1,468.7)	
Withholding	10,105.4	9,643.7	(461.7)	6.3	4.5	19,611.9	18,872.1	(739.8)	
Nonwithholding	3,315.6	2,897.7	(417.9)	8.4	5.5	6,372.8	5,643.9	(728.9)	
Refunds	(1,827.5)	(1,850.1)	(22.6)	2.3	3.1	(3,614.3)	(3,644.5)	(30.2)	
Net	11,593.5	10,691.3	(902.2)	7.6	5.0	22,370.4	20,871.5	(1,498.9)	
Insurance Company Premiums	317.3	283.1	(34.2)	7.6	9.9	612.2	540.6	(71.6)	
State Sales & Use Tax	3,391.2	3,178.2	(213.0)	5.1	3.4	6,616.9	6,250.7	(366.2)	
Wills, Suits, Deeds, & Contract Fees	415.1	385.8	(29.3)	9.0	5.0	795.9	753.2	(42.7)	
Total Major Tax Sources	\$ 16,445.3	\$ 15,286.6	\$ (1,158.7)	6.9 %	5.0 %	\$ 31,829.5	\$ 29,851.3	\$ (1,978.2)	
<b>MISCELLANEOUS TAXES AND OTHER REVENUES</b>									
Alcoholic Beverage State Tax	\$ 136.0	\$ 136.7	\$ 0.7	3.8 %	4.4 %	\$ 267.0	\$ 267.7	\$ 0.7	
Bank Franchise Tax	13.9	13.7	(0.2)	3.0	3.0	27.4	27.0	(0.4)	
Beer & Beverage Excise Tax	44.0	44.3	0.3	0.0	0.9	88.0	88.2	0.2	
Corporate Franchise & Charter Fees	47.9	44.4	(3.5)	0.0	2.8	95.8	87.6	(8.2)	
Excess & Other Fees from Officers	(30.6)	(23.1)	7.5	(8.9)	(5.0)	(58.7)	(45.1)	13.6	
Estate & Gifts	0.0	0.0	0.0	n/a	n/a	0.0	0.0	0.0	
Institutional Revenues	7.5	7.5	0.0	0.0	0.0	15.0	15.0	0.0	
Interest & Rents	149.4	143.4	(6.0)	22.1	23.2	271.8	259.8	(12.0)	
Licenses & Permits	5.0	4.6	(0.4)	0.0	0.0	10.0	9.2	(0.8)	
Miscellaneous Taxes and Penalties	248.9	234.2	(14.7)	3.5	2.1	489.4	463.6	(25.8)	
Other Miscellaneous Revenues	32.1	34.7	2.6	(2.9)	(4.9)	65.2	71.2	6.1	
Public Service GR / Consumption Tax	90.7	93.5	2.8	2.0	1.2	179.6	185.9	6.3	
Total Misc. Taxes and Other Revenues	\$ 744.8	\$ 733.9	\$ (10.9)	5.5 %	5.4 %	\$ 1,450.5	\$ 1,430.1	\$ (20.4)	
<b>TOTAL GF REVENUES</b>	<b>\$ 17,190.1</b>	<b>\$ 16,020.5</b>	<b>\$ (1,169.6)</b>	<b>6.8 %</b>	<b>5.0 %</b>	<b>\$ 33,280.0</b>	<b>\$ 31,281.4</b>	<b>\$ (1,998.6)</b>	
<b>TRANSFERS</b>									
A.B.C. Profits	\$ 34.5	\$ 34.5	\$ 0.0	(0.3) %	(0.3) %	\$ 69.1	\$ 69.1	\$ 0.0	
Lottery Proceeds Fund	0.0	0.0	0.0	n/a	n/a	0.0	0.0	0.0	
Sales Tax (0.25%)	257.7	236.9	(20.8)	5.7	3.4	501.6	466.1	(35.5)	
Transfers Per Appropriations Act	95.3	95.3	0.0	(10.3)	(10.3)	201.6	201.6	0.0	
Total Transfers	\$ 387.5	\$ 366.7	\$ (20.8)	0.7 %	(0.9) %	\$ 772.3	\$ 736.8	\$ (35.5)	
<b>TOTAL GENERAL FUND</b>	<b>\$ 17,577.6</b>	<b>\$ 16,387.2</b>	<b>\$ (1,190.4)</b>	<b>6.7 %</b>	<b>4.8 %</b>	<b>\$ 34,052.3</b>	<b>\$ 32,018.2</b>	<b>\$ (2,034.1)</b>	

The Official forecast is based on the January 2008 Global Insight Standard outlook and the corresponding Virginia state forecast developed by the Department of Taxation and reflects actions of the 2008 General Assembly.

The September Standard forecast is based on the August 2008 Global Insight Standard outlook and the corresponding Virginia state forecast developed by the Department of Taxation.

Chapter 896 (HB 3202) requires the Comptroller to deposit one-third of insurance company premiums tax collected in the most recently ended fiscal year and the revenues collected from \$0.03 of the recordation tax to various transportation funds beginning in FY09.



# GENERAL FUND REVENUES

**Table 3.3**  
**The Official and September Standard General Fund Forecast for Fiscal Year 2011**  
(Dollars in Millions)

September 23, 2008

	Fiscal Year 2011				
	Official Forecast	September Forecast	Change	% Growth Over FY 10	
				Official	September
<b>MAJOR TAX SOURCES</b>					
Corporate Income	\$ 736.7	\$ 774.6	\$ 37.9	1.2 %	3.5 %
Individual Income Tax:					
Gross	14,167.1	13,232.9	(934.2)	5.6	5.5
Withholding	10,601.4	10,083.6	(517.8)	4.9	4.6
Nonwithholding	3,565.7	3,149.3	(416.4)	7.5	8.7
Refunds	<u>(1,848.3)</u>	<u>(1,875.1)</u>	<u>(26.8)</u>	1.1	1.4
Net	12,318.8	11,357.8	(961.0)	6.3	6.2
Insurance Company Premiums	325.6	298.3	(27.3)	2.6	5.4
State Sales & Use Tax	3,557.7	3,306.6	(251.1)	4.9	4.0
Wills, Suits, Deeds, & Contract Fees	<u>409.7</u>	<u>385.8</u>	<u>(23.9)</u>	<u>(1.3)</u>	<u>0.0</u>
Total Major Tax Sources	\$ 17,348.5	\$ 16,123.1	\$ (1,225.4)	5.5 %	5.5 %
<b>MISCELLANEOUS TAXES AND OTHER REVENUES</b>					
Alcoholic Beverage State Tax	\$ 136.0	\$ 136.7	\$ 0.7	0.0 %	0.0 %
Bank Franchise Tax	13.9	14.1	0.2	0.0	2.9
Beer & Beverage Excise Tax	44.0	44.3	0.3	0.0	0.0
Corporate Franchise & Charter Fees	47.9	44.9	(3.0)	0.0	1.1
Excess & Other Fees from Officers	(30.6)	(23.1)	7.5	0.0	0.0
Estate & Gifts	0.0	0.0	0.0	n/a	n/a
Institutional Revenues	7.5	7.5	0.0	0.0	0.0
Interest & Rents	160.3	144.3	(16.0)	7.3	0.6
Licenses & Permits	5.0	4.6	(0.4)	0.0	0.0
Miscellaneous Taxes and Penalties	248.9	236.0	(12.9)	0.0	0.8
Other Miscellaneous Revenues	32.1	34.7	2.6	0.0	0.0
Public Service GR / Consumption Tax	<u>90.7</u>	<u>94.5</u>	<u>3.8</u>	<u>0.0</u>	<u>1.1</u>
Total Misc. Taxes and Other Revenues	\$ 755.7	\$ 738.5	\$ (17.2)	1.5 %	0.6 %
<b>TOTAL GF REVENUES</b>	<b>\$ 18,104.1</b>	<b>\$ 16,861.6</b>	<b>\$ (1,242.5)</b>	<b>5.3 %</b>	<b>5.3 %</b>
<b>TRANSFERS</b>					
A.B.C. Profits	\$ 34.5	\$ 34.5	\$ 0.0	0.0 %	0.0 %
Lottery Proceeds Fund	0.0	0.0	0.0	n/a	n/a
Sales Tax (0.25%)	263.0	246.4	(16.6)	2.1	4.0
Transfers Per Appropriations Act	<u>80.4</u>	<u>80.4</u>	<u>0.0</u>	<u>(15.6)</u>	<u>(15.6)</u>
Total Transfers	\$ 377.9	\$ 361.3	\$ (16.6)	(2.5) %	(1.5) %
<b>TOTAL GENERAL FUND</b>	<b>\$ 18,482.0</b>	<b>\$ 17,222.9</b>	<b>\$ (1,259.1)</b>	<b>5.1 %</b>	<b>5.1 %</b>

The Official forecast is based on the January 2008 Global Insight Standard outlook and the corresponding Virginia state forecast developed by the Department of Taxation and reflects actions of the 2008 General Assembly.

The September Standard forecast is based on the August 2008 Global Insight Standard outlook and the corresponding Virginia state forecast developed by the Department of Taxation.

# GENERAL FUND REVENUES

**Table 3.3**  
**The Official and September Standard General Fund Forecast for Fiscal Year 2012**  
(Dollars in Millions)

September 23, 2008

	Fiscal Year 2012					2010-2012 Biennium		
	Official Forecast	September Forecast	Change	% Growth Over FY 11		Official Forecast	September Forecast	Change
				Official	September			
<b>MAJOR TAX SOURCES</b>								
Corporate Income	\$ 729.4	\$ 783.1	\$ 53.7	(1.0) %	1.1 %	\$ 1,466.1	\$ 1,557.7	\$ 91.6
Individual Income Tax:								
Gross	14,879.7	13,930.9	(948.8)	5.0	5.3	29,046.8	27,163.8	(1,883.0)
Withholding	11,086.8	10,580.7	(506.1)	4.6	4.9	21,688.2	20,664.3	(1,023.9)
Nonwithholding	3,792.9	3,350.2	(442.7)	6.4	6.4	7,358.6	6,499.5	(859.1)
Refunds	(1,939.9)	(1,905.6)	34.3	5.0	1.6	(3,788.2)	(3,780.7)	7.5
Net	12,939.8	12,025.3	(914.5)	5.0	5.9	25,258.6	23,383.1	(1,875.5)
Insurance Company Premiums	340.3	313.4	(26.9)	4.5	5.1	665.9	611.7	(54.2)
State Sales & Use Tax	3,712.1	3,453.5	(258.6)	4.3	4.4	7,269.8	6,760.1	(509.7)
Wills, Suits, Deeds, & Contract Fees	408.5	385.8	(22.7)	(0.3)	0.0	818.2	771.6	(46.6)
Total Major Tax Sources	\$ 18,130.1	\$ 16,961.1	\$ (1,169.0)	4.5 %	5.2 %	\$ 35,478.6	\$ 33,084.2	\$ (2,394.4)
<b>MISCELLANEOUS TAXES AND OTHER REVENUES</b>								
Alcoholic Beverage State Tax	\$ 136.0	\$ 136.7	\$ 0.7	0.0 %	0.0 %	\$ 272.0	\$ 273.4	\$ 1.4
Bank Franchise Tax	13.9	14.5	0.6	0.0	2.8	27.8	28.6	0.8
Beer & Beverage Excise Tax	44.0	44.3	0.3	0.0	0.0	88.0	88.6	0.6
Corporate Franchise & Charter Fees	47.9	44.9	(3.0)	0.0	0.0	95.8	89.8	(6.0)
Excess & Other Fees from Officers	(30.6)	(23.1)	7.5	0.0	0.0	(61.2)	(46.2)	15.0
Estate & Gifts	0.0	0.0	0.0	n/a	n/a	0.0	0.0	0.0
Institutional Revenues	7.5	7.5	0.0	0.0	0.0	15.0	15.0	0.0
Interest & Rents	160.3	144.3	(16.0)	0.0	0.0	320.6	288.6	(32.0)
Licenses & Permits	5.0	4.6	(0.4)	0.0	0.0	10.0	9.2	(0.8)
Miscellaneous Taxes and Penalties	248.9	237.7	(11.2)	0.0	0.7	497.7	473.7	(24.0)
Other Miscellaneous Revenues	32.1	34.7	2.6	0.0	0.0	64.2	69.4	5.2
Public Service GR / Consumption Tax	90.7	95.4	4.7	0.0	1.0	181.4	189.9	8.5
Total Misc. Taxes and Other Revenues	\$ 755.7	\$ 741.5	\$ (14.2)	0.0 %	0.4 %	\$ 1,511.3	\$ 1,480.0	\$ (31.3)
<b>TOTAL GF REVENUES</b>	<b>\$ 18,885.8</b>	<b>\$ 17,702.6</b>	<b>\$ (1,183.2)</b>	<b>4.3 %</b>	<b>5.0 %</b>	<b>\$ 36,989.9</b>	<b>\$ 34,564.2</b>	<b>\$ (2,425.7)</b>
<b>TRANSFERS</b>								
A.B.C. Profits	\$ 34.5	\$ 34.5	\$ 0.0	0.0 %	0.0 %	\$ 69.0	\$ 69.0	\$ 0.0
Lottery Proceeds Fund	0.0	0.0	0.0	n/a	n/a	0.0	0.0	0.0
Sales Tax (0.25%)	274.4	257.3	(17.1)	4.3	4.4	537.4	503.7	(33.7)
Transfers Per Appropriations Act	80.4	80.4	0.0	0.0	0.0	160.8	160.8	0.0
Total Transfers	\$ 389.3	\$ 372.2	\$ (17.1)	3.0 %	3.0 %	\$ 767.2	\$ 733.5	\$ (33.7)
<b>TOTAL GENERAL FUND</b>	<b>\$ 19,275.1</b>	<b>\$ 18,074.8</b>	<b>\$ (1,200.3)</b>	<b>4.3 %</b>	<b>4.9 %</b>	<b>\$ 37,757.1</b>	<b>\$ 35,297.7</b>	<b>\$ (2,459.4)</b>

The Official forecast is based on the January 2008 Global Insight Standard outlook and the corresponding Virginia state forecast developed by the Department of Taxation and reflects actions of the 2008 General Assembly.

The September Standard forecast is based on the August 2008 Global Insight Standard outlook and the corresponding Virginia state forecast developed by the Department of Taxation.

In the September standard forecast, 75 percent of the downward revision to total revenues is related to changes in net individual income tax (67 percent of total revenues). The reduction is evenly split between the two payment components of net individual income tax -- withholding (60 percent of total revenues) and nonwithholding (18 percent of total revenues). The downward revision to withholding reflects the weaker outlook for wages and salaries while the reductions to nonwithholding reflect the distress in financial markets and the downturn in non-wage income.

Sales tax collections (20 percent of total revenues) account for 18 percent of the downward revision. The reduction to the sales tax forecast is based on the weaker outlook for personal income and is supported by current collection trends. The collapse of the housing industry and its effect on the consumer sector has led to persistent declines in monthly collections. Comments from the housing and consumer spending/auto outlook meetings and GABE members suggest consumer spending will remain sluggish.

The remaining portion of the downward revision is primarily attributable to reductions in wills, suits, deeds, and contracts (primarily recordation taxes) and insurance premiums tax. Recordation tax collections continue to fall with the downturn in housing despite eroding a significant portion of their base over the last two fiscal years. Based on comments from the housing and consumer spending/auto outlook meetings and GABE members, it is unlikely that this source will begin to turn around before next fall, in line with the updated forecast for weaker growth. The updated outlook for insurance reflects the shortfall in fiscal year 2008 and the trend to slower economic growth.

### **The Alternative Low-Growth General Fund Revenue Forecast**

Table 3.4 provides a comparison of the September 2008 alternative low-growth revenue forecast with the official forecast. In the September alternative low-growth forecast, total general fund revenues for the 2008-2010 biennium have been reduced by \$2.9 billion (9.0 percent) from the official forecast. Revenues are expected to decline 3.1 percent in fiscal year 2009 after adjusting for the repeal of the estate tax and general fund transfers to transportation. Total general fund revenues are projected to increase only 3.1 percent in fiscal year 2010.

# GENERAL FUND REVENUES

**Table 3.4**  
**The Official and September Alternative Low-Growth General Fund Forecast for Fiscal Year 2009**  
(Dollars in Millions)

September 23, 2008

	Fiscal Year 2008		Fiscal Year 2009			% Growth Over FY 08	
	Actual	% Growth	Official Forecast	September Forecast	Change	Official	September
<b>MAJOR TAX SOURCES</b>							
Corporate Income	\$ 807.9	(8.2) %	\$ 706.0	\$ 650.8	\$ (55.2)	(12.6) %	(19.4) %
Individual Income Tax:							
Gross	11,794.7	3.9	12,563.7	11,768.4	(795.3)	6.5	(0.2)
Withholding	8,933.6	4.3	9,506.5	9,233.7	(272.8)	6.4	3.4
Nonwithholding	2,861.2	2.8	3,057.2	2,534.7	(522.5)	6.9	(11.4)
Refunds	(1,679.9)	7.7	(1,786.8)	(1,777.3)	9.5	6.4	5.8
Net	10,114.8	3.3	10,776.9	9,991.1	(785.8)	6.5	(1.2)
Insurance Company Premiums	396.9	3.1	294.8	244.4	(50.4)	(25.7)	(38.4)
State Sales & Use Tax	3,075.5	0.9	3,225.7	3,057.4	(168.3)	4.9	(0.6)
Wills, Suits, Deeds, & Contract Fees	456.3	(21.7)	380.8	317.7	(63.1)	(16.6)	(30.4)
Total Major Tax Sources	\$ 14,851.4	1.1 %	\$ 15,384.3	\$ 14,261.4	\$ (1,122.9)	3.6 %	(4.0) %
<b>MISCELLANEOUS TAXES AND OTHER REVENUES</b>							
Alcoholic Beverage State Tax	\$ 125.3	5.6 %	\$ 131.0	\$ 131.0	\$ 0.0	4.5 %	4.5 %
Bank Franchise Tax	13.8	9.6	13.5	13.3	(0.2)	(2.0)	(3.4)
Beer & Beverage Excise Tax	43.5	0.9	44.0	43.9	(0.1)	1.1	0.9
Corporate Franchise & Charter Fees	47.0	(1.9)	47.9	43.2	(4.7)	1.8	(8.2)
Excess & Other Fees from Officers	(24.4)	26.5	(28.1)	(22.0)	6.1	(15.4)	9.7
Estate & Gifts	153.4	0.3	0.0	0.0	0.0	(100.0)	(100.0)
Institutional Revenues	7.6	5.9	7.5	7.5	0.0	(1.2)	(1.2)
Interest & Rents	189.7	7.6	122.4	116.4	(6.0)	(35.5)	(38.6)
Licenses & Permits	4.6	(4.6)	5.0	4.6	(0.4)	8.5	(0.2)
Miscellaneous Taxes and Penalties	222.0	(4.8)	240.5	229.4	(11.1)	8.3	3.3
Other Miscellaneous Revenues	36.5	21.4	33.1	36.5	3.5	(9.5)	(0.1)
Public Service GR / Consumption Tax	96.4	9.6	88.9	92.4	3.5	(7.8)	(4.1)
Total Misc. Taxes and Other Revenues	\$ 915.5	3.8 %	\$ 705.7	\$ 696.2	\$ (9.5)	(22.9) %	(24.0) %
<b>TOTAL GF REVENUES</b>	<b>\$ 15,767.0</b>	<b>1.3 %</b>	<b>\$ 16,089.9</b>	<b>\$ 14,957.6</b>	<b>\$ (1,132.3)</b>	<b>2.0 %</b>	<b>(5.1) %</b>
<b>TRANSFERS</b>							
A.B.C. Profits	\$ 36.1	31.0 %	\$ 34.6	\$ 34.6	\$ 0.0	(4.1) %	(4.1) %
Lottery Proceeds Fund	458.2	5.4	0.0	0.0	0.0	(100.0)	(100.0)
Sales Tax (0.25%)	226.7	(11.1)	243.9	225.6	(18.3)	7.6	(0.5)
Transfers Per Appropriations Act	91.6	(30.9)	106.3	106.3	0.0	16.0	16.0
Total Transfers	\$ 812.5	(0.9) %	\$ 384.8	\$ 366.5	\$ (18.3)	(52.6) %	(54.9) %
<b>TOTAL GENERAL FUND</b>	<b>\$ 16,579.5</b>	<b>1.2 %</b>	<b>\$ 16,474.7</b>	<b>\$ 15,324.1</b>	<b>\$ (1,150.6)</b>	<b>(0.6) %</b>	<b>(7.6) %</b>

The Official forecast is based on the January 2008 Global Insight Standard outlook and the corresponding Virginia state forecast developed by the Department of Taxation and reflects actions of the 2008 General Assembly.

The September Alternative Low Growth forecast is based on the August 2008 Global Insight Alternative Low Growth outlook and the corresponding Virginia state forecast developed by the Department of Taxation.

Chapter 896 (HB 3202) requires the Comptroller to deposit one-third of insurance company premiums tax collected in the most recently ended fiscal year and the revenues collected from \$0.03 of the recordation tax to various transportation funds beginning in FY09.

# GENERAL FUND REVENUES

**Table 3.4**  
**The Official and September Alternative Low-Growth General Fund Forecast for Fiscal Year 2010**  
(Dollars in Millions)

September 23, 2008

	Fiscal Year 2010						2008-2010 Biennium		
	Official Forecast	September Forecast	Change	% Growth Over FY 09		Official Forecast	September Forecast	Change	
				Official	September				
<b>MAJOR TAX SOURCES</b>									
Corporate Income	\$ 728.2	\$ 702.1	\$ (26.1)	3.1 %	7.9 %	\$ 1,434.2	\$ 1,352.9	\$ (81.3)	
Individual Income Tax:									
Gross	13,421.0	12,114.3	(1,306.7)	6.8	2.9	25,984.7	23,882.7	(2,102.0)	
Withholding	10,105.4	9,616.9	(488.5)	6.3	4.2	19,611.9	18,850.6	(761.3)	
Nonwithholding	3,315.6	2,497.4	(818.2)	8.4	(1.5)	6,372.8	5,032.1	(1,340.7)	
Refunds	(1,827.5)	(1,807.8)	19.7	2.3	1.7	(3,614.3)	(3,585.1)	29.2	
Net	11,593.5	10,306.5	(1,287.0)	7.6	3.2	22,370.4	20,297.6	(2,072.8)	
Insurance Company Premiums	317.3	270.6	(46.7)	7.6	10.7	612.2	515.0	(97.2)	
State Sales & Use Tax	3,391.2	3,139.6	(251.6)	5.1	2.7	6,616.9	6,197.0	(419.9)	
Wills, Suits, Deeds, & Contract Fees	415.1	272.4	(142.7)	9.0	(14.3)	795.9	590.1	(205.8)	
Total Major Tax Sources	\$ 16,445.3	\$ 14,691.2	\$ (1,754.1)	6.9 %	3.0 %	\$ 31,829.5	\$ 28,952.6	\$ (2,876.9)	
<b>MISCELLANEOUS TAXES AND OTHER REVENUES</b>									
Alcoholic Beverage State Tax	\$ 136.0	\$ 136.7	\$ 0.7	3.8 %	4.4 %	\$ 267.0	\$ 267.7	\$ 0.7	
Bank Franchise Tax	13.9	13.7	(0.2)	3.0	3.0	27.4	27.0	(0.4)	
Beer & Beverage Excise Tax	44.0	44.3	0.3	0.0	0.9	88.0	88.2	0.2	
Corporate Franchise & Charter Fees	47.9	44.4	(3.5)	0.0	2.8	95.8	87.6	(8.2)	
Excess & Other Fees from Officers	(30.6)	(23.1)	7.5	(8.9)	(5.0)	(58.7)	(45.1)	13.6	
Estate & Gifts	0.0	0.0	0.0	n/a	n/a	0.0	0.0	0.0	
Institutional Revenues	7.5	7.5	0.0	0.0	0.0	15.0	15.0	0.0	
Interest & Rents	149.4	143.4	(6.0)	22.1	23.2	271.8	259.8	(12.0)	
Licenses & Permits	5.0	4.6	(0.4)	0.0	0.0	10.0	9.2	(0.8)	
Miscellaneous Taxes and Penalties	248.9	234.2	(14.7)	3.5	2.1	489.4	463.6	(25.8)	
Other Miscellaneous Revenues	32.1	34.7	2.6	(2.9)	(4.9)	65.2	71.2	6.1	
Public Service GR / Consumption Tax	90.7	93.5	2.8	2.0	1.2	179.6	185.9	6.3	
Total Misc. Taxes and Other Revenues	\$ 744.8	\$ 733.9	\$ (10.9)	5.5 %	5.4 %	\$ 1,450.5	\$ 1,430.1	\$ (20.4)	
<b>TOTAL GF REVENUES</b>	<b>\$ 17,190.1</b>	<b>\$ 15,425.1</b>	<b>\$ (1,765.0)</b>	<b>6.8 %</b>	<b>3.1 %</b>	<b>\$ 33,280.0</b>	<b>\$ 30,382.7</b>	<b>\$ (2,897.3)</b>	
<b>TRANSFERS</b>									
A.B.C. Profits	\$ 34.5	\$ 34.5	\$ 0.0	(0.3) %	(0.3) %	\$ 69.1	\$ 69.1	\$ 0.0	
Lottery Proceeds Fund	0.0	0.0	0.0	n/a	n/a	0.0	0.0	0.0	
Sales Tax (0.25%)	257.7	231.6	(26.1)	5.7	2.7	501.6	457.2	(44.4)	
Transfers Per Appropriations Act	95.3	95.3	0.0	(10.3)	(10.3)	201.6	201.6	0.0	
Total Transfers	\$ 387.5	\$ 361.4	\$ (26.1)	0.7 %	(1.4) %	\$ 772.3	\$ 727.9	\$ (44.4)	
<b>TOTAL GENERAL FUND</b>	<b>\$ 17,577.6</b>	<b>\$ 15,786.5</b>	<b>\$ (1,791.1)</b>	<b>6.7 %</b>	<b>3.0 %</b>	<b>\$ 34,052.3</b>	<b>\$ 31,110.6</b>	<b>\$ (2,941.7)</b>	

The Official forecast is based on the January 2008 Global Insight Standard outlook and the corresponding Virginia state forecast developed by the Department of Taxation and reflects actions of the 2008 General Assembly.

The September Alternative Low Growth forecast is based on the August 2008 Global Insight Alternative Low Growth outlook and the corresponding Virginia state forecast developed by the Department of Taxation.

Chapter 896 (HB 3202) requires the Comptroller to deposit one-third of insurance company premiums tax collected in the most recently ended fiscal year and the revenues collected from \$0.03 of the recordation tax to various transportation funds beginning in FY09.

# GENERAL FUND REVENUES

**Table 3.4**  
**The Official and September Alternative Low-Growth General Fund Forecast for Fiscal Year 2011**  
(Dollars in Millions)

September 23, 2008

	Fiscal Year 2011				
	Official Forecast	September Forecast	Change	% Growth Over FY 10 Official	September
<b>MAJOR TAX SOURCES</b>					
Corporate Income	\$ 736.7	\$ 776.0	\$ 39.3	1.2 %	10.5 %
Individual Income Tax:					
Gross	14,167.1	12,795.8	(1,371.3)	5.6	5.6
Withholding	10,601.4	10,072.7	(528.7)	4.9	4.7
Nonwithholding	3,565.7	2,723.1	(842.6)	7.5	9.0
Refunds	<u>(1,848.3)</u>	<u>(1,824.8)</u>	<u>23.5</u>	<u>1.1</u>	<u>0.9</u>
Net	12,318.8	10,971.0	(1,347.8)	6.3	6.4
Insurance Company Premiums	325.6	287.1	(38.5)	2.6	6.1
State Sales & Use Tax	3,557.7	3,271.2	(286.5)	4.9	4.2
Wills, Suits, Deeds, & Contract Fees	<u>409.7</u>	<u>272.4</u>	<u>(137.3)</u>	<u>(1.3)</u>	<u>0.0</u>
Total Major Tax Sources	\$ 17,348.5	\$ 15,577.7	\$ (1,770.8)	5.5 %	6.0 %
<b>MISCELLANEOUS TAXES AND OTHER REVENUES</b>					
Alcoholic Beverage State Tax	\$ 136.0	\$ 136.7	\$ 0.7	0.0 %	0.0 %
Bank Franchise Tax	13.9	14.1	0.2	0.0	2.9
Beer & Beverage Excise Tax	44.0	44.3	0.3	0.0	0.0
Corporate Franchise & Charter Fees	47.9	44.9	(3.0)	0.0	1.1
Excess & Other Fees from Officers	(30.6)	(23.1)	7.5	0.0	0.0
Estate & Gifts	0.0	0.0	0.0	n/a	n/a
Institutional Revenues	7.5	7.5	0.0	0.0	0.0
Interest & Rents	160.3	144.3	(16.0)	7.3	0.6
Licenses & Permits	5.0	4.6	(0.4)	0.0	0.0
Miscellaneous Taxes and Penalties	248.9	236.0	(12.9)	0.0	0.8
Other Miscellaneous Revenues	32.1	34.7	2.6	0.0	0.0
Public Service GR / Consumption Tax	<u>90.7</u>	<u>94.5</u>	<u>3.8</u>	<u>0.0</u>	<u>1.1</u>
Total Misc. Taxes and Other Revenues	\$ 755.7	\$ 738.5	\$ (17.2)	1.5 %	0.6 %
<b>TOTAL GF REVENUES</b>	<b>\$ 18,104.1</b>	<b>\$ 16,316.2</b>	<b>\$ (1,787.9)</b>	<b>5.3 %</b>	<b>5.8 %</b>
<b>TRANSFERS</b>					
A.B.C. Profits	\$ 34.5	\$ 34.5	\$ 0.0	0.0 %	0.0 %
Lottery Proceeds Fund	0.0	0.0	0.0	n/a	n/a
Sales Tax (0.25%)	263.0	241.2	(21.8)	2.1	4.1
Transfers Per Appropriations Act	<u>80.4</u>	<u>80.4</u>	<u>0.0</u>	<u>(15.6)</u>	<u>(15.6)</u>
Total Transfers	\$ 377.9	\$ 356.1	\$ (21.8)	(2.5) %	(1.5) %
<b>TOTAL GENERAL FUND</b>	<b>\$ 18,482.0</b>	<b>\$ 16,672.3</b>	<b>\$ (1,809.7)</b>	<b>5.1 %</b>	<b>5.6 %</b>

The Official forecast is based on the January 2008 Global Insight Standard outlook and the corresponding Virginia state forecast developed by the Department of Taxation and reflects actions of the 2008 General Assembly.

The September Alternative Low Growth forecast is based on the August 2008 Global Insight Alternative Low Growth outlook and the corresponding Virginia state forecast developed by the Department of Taxation.

# GENERAL FUND REVENUES

**Table 3.4**  
**The Official and September Alternative Low-Growth General Fund Forecast for Fiscal Year 2012**  
(Dollars in Millions)

September 23, 2008

	Fiscal Year 2012					2010-2012 Biennium		
	Official Forecast	September Forecast	Change	% Growth Over FY 11		Official Forecast	September Forecast	Change
				Official	September			
<b>MAJOR TAX SOURCES</b>								
Corporate Income	\$ 729.4	\$ 809.5	\$ 80.1	(1.0) %	4.3 %	\$ 1,466.1	\$ 1,585.5	\$ 119.4
Individual Income Tax:								
Gross	14,879.7	13,573.3	(1,306.4)	5.0	6.1	29,046.8	26,369.1	(2,677.7)
Withholding	11,086.8	10,628.0	(458.8)	4.6	5.5	21,688.2	20,700.7	(987.5)
Nonwithholding	3,792.9	2,945.3	(847.6)	6.4	8.2	7,358.6	5,668.4	(1,690.2)
Refunds	(1,939.9)	(1,860.8)	79.1	5.0	2.0	(3,788.2)	(3,685.6)	102.6
Net	12,939.8	11,712.5	(1,227.3)	5.0	6.8	25,258.6	22,683.5	(2,575.1)
Insurance Company Premiums	340.3	304.9	(35.4)	4.5	6.2	665.9	592.0	(73.9)
State Sales & Use Tax	3,712.1	3,440.9	(271.2)	4.3	5.2	7,269.8	6,712.1	(557.7)
Wills, Suits, Deeds, & Contract Fees	408.5	272.4	(136.1)	(0.3)	0.0	818.2	544.8	(273.4)
Total Major Tax Sources	\$ 18,130.1	\$ 16,540.2	\$ (1,589.9)	4.5 %	6.2 %	\$ 35,478.6	\$ 32,117.9	\$ (3,360.7)
<b>MISCELLANEOUS TAXES AND OTHER REVENUES</b>								
Alcoholic Beverage State Tax	\$ 136.0	\$ 136.7	\$ 0.7	0.0 %	0.0 %	\$ 272.0	\$ 273.4	\$ 1.4
Bank Franchise Tax	13.9	14.5	0.6	0.0	2.8	27.8	28.6	0.8
Beer & Beverage Excise Tax	44.0	44.3	0.3	0.0	0.0	88.0	88.6	0.6
Corporate Franchise & Charter Fees	47.9	44.9	(3.0)	0.0	0.0	95.8	89.8	(6.0)
Excess & Other Fees from Officers	(30.6)	(23.1)	7.5	0.0	0.0	(61.2)	(46.2)	15.0
Estate & Gifts	0.0	0.0	0.0	n/a	n/a	0.0	0.0	0.0
Institutional Revenues	7.5	7.5	0.0	0.0	0.0	15.0	15.0	0.0
Interest & Rents	160.3	144.3	(16.0)	0.0	0.0	320.6	288.6	(32.0)
Licenses & Permits	5.0	4.6	(0.4)	0.0	0.0	10.0	9.2	(0.8)
Miscellaneous Taxes and Penalties	248.9	237.7	(11.2)	0.0	0.7	497.7	473.7	(24.0)
Other Miscellaneous Revenues	32.1	34.7	2.6	0.0	0.0	64.2	69.4	5.2
Public Service GR / Consumption Tax	90.7	95.4	4.7	0.0	1.0	181.4	189.9	8.5
Total Misc. Taxes and Other Revenues	\$ 755.7	\$ 741.5	\$ (14.2)	0.0 %	0.4 %	\$ 1,511.3	\$ 1,480.0	\$ (31.3)
<b>TOTAL GF REVENUES</b>	<b>\$ 18,885.8</b>	<b>\$ 17,281.7</b>	<b>\$ (1,604.1)</b>	<b>4.3 %</b>	<b>5.9 %</b>	<b>\$ 36,989.9</b>	<b>\$ 33,597.9</b>	<b>\$ (3,392.0)</b>
<b>TRANSFERS</b>								
A.B.C. Profits	\$ 34.5	\$ 34.5	\$ 0.0	0.0 %	0.0 %	\$ 69.0	\$ 69.0	\$ 0.0
Lottery Proceeds Fund	0.0	0.0	0.0	n/a	n/a	0.0	0.0	0.0
Sales Tax (0.25%)	274.4	253.7	(20.7)	4.3	5.2	537.4	494.9	(42.5)
Transfers Per Appropriations Act	80.4	80.4	0.0	0.0	0.0	160.8	160.8	0.0
Total Transfers	\$ 389.3	\$ 368.6	\$ (20.7)	3.0 %	3.5 %	\$ 767.2	\$ 724.7	\$ (42.5)
<b>TOTAL GENERAL FUND</b>	<b>\$ 19,275.1</b>	<b>\$ 17,650.3</b>	<b>\$ (1,624.8)</b>	<b>4.3 %</b>	<b>5.9 %</b>	<b>\$ 37,757.1</b>	<b>\$ 34,322.6</b>	<b>\$ (3,434.5)</b>

The Official forecast is based on the January 2008 Global Insight Standard outlook and the corresponding Virginia state forecast developed by the Department of Taxation and reflects actions of the 2008 General Assembly.

The September Alternative Low Growth forecast is based on the August 2008 Global Insight Alternative Low Growth outlook and the corresponding Virginia state forecast developed by the Department of Taxation.

## GENERAL FUND REVENUES

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### Legislative Changes Affecting the Forecast

Table 3.5 below lists the legislative and policy changes that affect the revenue forecast.

**Table 3.5**  
**Summary of Recent Legislation Affecting General Fund Revenues**  
**(Millions of Dollars)**

	<b>FY09</b>	<b>FY10</b>	<b>FY11</b>	<b>FY12</b>
<b>CORPORATE INCOME TAX</b>				
C. 879, 2008 - Worker Retraining Credit	2.5	2.5		
<b>INDIVIDUAL INCOME TAX</b>				
C. 3, 2006 - Cap Land Preservation Tax Credit (Total Cost)	(190.0)	(200.0)	(150.0)	(100.0)
C. 847, 2007 - IRS Tax Conformity	(0.8)	(3.3)	14.8	14.6
C.847, 2007 - Increase Filing Threshold/Personal Exemption	(27.1)	(26.9)	(27.2)	(27.3)
C. 847, 2007 - IRS Tax Conformity	0.2	0.4		
C. 879, 2008 - IRS Tax Conformity	(3.5)	(4.1)		
<b>STATE SALES AND USE TAX</b>				
C. 847, 2007 - Sales Tax Exemption for Hurricane Preparedness	(1.6)	(1.7)	(1.8)	(1.8)
C. 847, 2007 - Sales Tax Holiday for Energy Efficient Appliances	(0.1)	(0.1)	(0.1)	(0.1)
C. 879, 2008 - Economic Development Incentives	(1.5)	(0.9)		
<b>WILLS, SUITS, DEEDS, AND CONTRACTS</b>				
C. 847, 2007 - \$0.03 of Recordation Tax to Transportation	(43.8)	(46.0)	(46.0)	(46.0)
<b>INSURANCE PREMIUMS TAX</b>				
C. 847, 2007 - 1/3 of Insurance Premiums Tax to Transportation	(132.3)	(129.9)	(137.7)	(145.3)
<b>ESTATE TAXES</b>				
C. 3, 2006 - Repeal Estate Tax	(155.5)	(155.5)	(155.5)	(155.5)



**SECTION 4  
NON-GENERAL FUND  
REVENUES**

## **Section 4 Non-General Fund Revenues**

### **Transportation Revenues**

Most state taxes and fees used to finance the state's transportation programs are deposited into two funds: the Highway Maintenance and Operating Fund (HMOF) and the Transportation Trust Fund (TTF). Maintenance and operating costs are financed by the HMOF, which consists of the traditional highway user taxes and fees. Construction costs are financed by the TTF, a fund created in 1986 by a special session of the General Assembly. The TTF consists of dedicated portions of highway user taxes and fees as well as a portion of the state sales tax, interest earnings, and several miscellaneous sources. Within the Transportation Trust Fund is the Priority Transportation Fund (PTF) which was created in the 2000 legislative session. The PTF consists of Motor Fuels Tax revenues which are derived from the implementation of new procedures for taxing motor fuel at the terminal rack, insurance premiums, and interest payments.

Revenues used for the Commonwealth's transportation program are derived from the following taxes and fees:

- Motor Fuels and Road Use Taxes,
- 3 percent Vehicle Sales and Use Tax,
- licensing fees,
- one-half cent State Retail Sales Tax,
- International Registration Plan Fees,
- interest earnings, and
- other miscellaneous taxes and fees.

In addition, federal, local, and toll revenues are used to finance transportation programs. These revenue sources, however, do not determine the fiscal capacity of the State's transportation program and, therefore, will not be addressed here. Instead, the discussion will focus on revenues from state sources.

## **NON-GENERAL FUND REVENUES**

### **Fiscal Year 2008 In Review**

Table 4.1 compares actual collections in fiscal year 2008 to the official forecast for the Commonwealth Transportation Fund (CTF). Total transportation revenues totaled approximately \$2.4 billion, an increase of \$59.2 million over last year. Revenue collections grew by 2.6 percent. Total collections ended \$34.4 million below the official forecast, a variance of -1.4 percent. The increased revenues in fiscal year 2008 collections can be attributed to higher vehicle registration fees, the increase in the excise tax for diesel fuel, and increased penalties for overweight vehicles that were part of House Bill 3202 (2007). Adjusting for the increased fees, revenue collections in fiscal year 2008 were \$47.5 million less than fiscal year 2007 collections.

**Table 4.1**  
**Commonwealth Transportation Revenues**  
**Actual Collections Compared to the Official Forecast for Fiscal Year 2008**  
**(Millions of Dollars)**

Revenue Sources	FY2007 Actual	FY2008 Actual	FY2008 Forecast	Percent Change 2007-2008		Forecast Variance	
				Actual	Forecast	Amount	Percent
Motor Fuels Tax	\$ 850.3	\$ 851.2	\$ 883.5	0.1%	3.9%	\$ (32.3)	-3.7%
Road Use Tax	7.1	9.7	8.1	37.1%	14.1%	1.6	20.2%
Vehicle Sales Tax	597.6	541.7	568.3	-9.4%	-4.9%	(26.6)	-4.7%
Vehicle Licenses	169.4	242.1	253.1	42.9%	49.4%	(11.0)	-4.3%
State Sales Tax	517.3	524.9	517.8	1.5%	0.1%	7.1	1.4%
Priority Transportation Fund	20.0	20.0	20.0	0.0%	0.0%	-	0.0%
Int'l Registration Plan	54.0	74.1	64.5	37.2%	19.4%	9.6	14.9%
Interest Earnings	53.9	62.1	43.5	15.2%	-19.3%	18.6	42.8%
Rental Tax	30.8	31.3	31.6	1.6%	2.6%	(0.3)	-0.9%
Aviation Fuels Tax	2.2	2.1	2.4	-3.3%	9.1%	(0.3)	-11.4%
Miscellaneous	12.3	14.9	15.8	21.1%	28.5%	(0.9)	-5.7%
<b>TOTAL</b>	<b>\$ 2,314.9</b>	<b>\$ 2,374.1</b>	<b>\$ 2,408.6</b>	<b>2.6%</b>	<b>4.0%</b>	<b>\$ (34.4)</b>	<b>-1.4%</b>

The shortfall in fiscal year 2008 collections can be attributed to a slowdown in motor fuels sales and a dismal year for motor vehicle sales. Stronger than expected growth in retail sales and interest earnings offset some of the variance in motor fuels and motor vehicle sales tax receipts.

Revenues from motor fuels taxes (36 percent of the CTF) fell short of the forecast by \$32.3 million in fiscal year 2008. The average price of gasoline increased by about 28 percent in fiscal year 2008 (on a quarter over quarter basis), with a sixty cent spike in average

prices between the third and fourth quarters of fiscal year 2008. From July 2004 to July 2008, the average price of a gallon of gasoline increased 103 percent. Although the motor fuels tax is levied on a per gallon basis, the price for petroleum products affects the amount of fuel consumed. The demand for motor fuels is relatively inelastic; however, as prices remain elevated, consumers adjust their consumption patterns. The impact of high prices on demand is becoming more evident. Americans drove 4.7 percent less, or 12.2 billion miles fewer, in June 2008 than June 2007, according to data from the Federal Highway Administration. During the first quarter of 2008, motorists consumed nearly 400 million fewer gallons of gasoline, or about 1.3 percent less than during the same period in 2007, and 7 percent less – or 318 million gallons – of diesel. As motorists drive fewer miles and in more fuel-efficient vehicles, less revenue is generated for the Commonwealth Transportation Fund through gasoline and diesel sales.

Diesel fuel consumption reflects a different market than gasoline. Most diesel fuel is purchased and consumed by motor carriers, and reflects movement of freight through the state rather than commuter passenger travel. Motor carriers may purchase fuel in a state because fuel tax rates are lower than in other states. Motor carriers respond to the general economy more than passenger traffic. They tend to travel more miles when the economy is in expansion than when the economy is in recession. Motor carriers are also able to pass a portion of increases in diesel costs to their customers.

Revenues from the motor vehicle sales and use tax (23 percent of the CTF) fell by 9.4 percent in fiscal year 2008, the largest annual decline since fiscal year 1991. Sales of both new and used vehicles fell significantly in fiscal year 2008. New car sales fell by 11.0 percent and used car sales fell by 5.3 percent. In addition, the average sales price of both new and used vehicles declined.

Revenues from the transportation share of the state retail sales tax (22 percent of the CTF) increased by 1.5 percent, exceeding the forecast by 1.4 percent.

Motor vehicle license fees (10 percent of the CTF) were \$11.0 million below the forecast in fiscal year 2008. Fiscal year 2008 collections reflect the increased registration fees imposed on July 1, 2007.

International Registration Plan fees (3 percent of the CTF), the registration fees paid by interstate motor carriers, increased by 37.2 percent in fiscal year 2008. These fees, paid by all trucks driving through the Commonwealth, are based on vehicle weight and the miles traveled in Virginia. Fiscal year 2008 collections reflect the increased registration fees imposed on motor carriers beginning July 1, 2007.

Collectively, all other taxes and revenues (6 percent of the CTF) were \$18.7 million above the forecast in fiscal year 2008. Most of the surplus in the minor revenue sources was a result of higher than anticipated interest earnings.

## **NON-GENERAL FUND REVENUES**

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### **Outlook for Key Tax Base Variables**

#### **Motor Fuel Consumption**

Gasoline consumption declined by 0.4 percent in fiscal year 2008 compared to the official forecast of a 1.6 percent increase. Diesel fuel consumption fell by 2.8 percent, considerably lagging the forecast of 2.8 percent growth. (Fiscal year 2008 motor fuels consumption figures are based on three quarters of actual data and one quarter estimated.)

In fiscal year 2008, the average price of gasoline increased by 28.3 percent on a quarterly basis over the previous year. In economic terms, the consumer reaction to gasoline price increases can be broken down into scale and substitution effects. The demand for gasoline is relatively inelastic in the short-term and involves mainly a reduction in discretionary travel and changes in driving and maintenance habits. If gasoline prices remain high, motorists trade in their larger vehicles for more fuel-efficient models, seek alternative transportation (carpool and public transportation), and move closer to where they work and shop.

Analysis of the short-run price elasticity does however provide some insight into long-run behavior. The long-run response to gasoline price increases is the sum of short-run changes (miles driven) and long-run changes (fuel economy of the vehicle fleet). Although the short-run response to the recent spike in motor fuels prices has been a historic reduction in miles driven, past results suggest that consumers today are less responsive in adjusting miles driven to increases in gasoline price. This component seems unlikely to change significantly for long-run behavior. This is because factors that may contribute to inelastic short-run price elasticities such as land use, employment patterns and transit infrastructure typically evolve on timescales greater than those considered in long-run decisions. In terms of vehicle fuel economy, consumers may respond to higher gasoline prices in the long-run by purchasing more fuel efficient vehicles. However, if consumers in the period from 2001 to 2006 were purchasing more fuel efficient vehicles in response to higher gasoline prices, one would expect to see at least a portion of this effect in the short-run elasticity. Research suggests it takes years for higher gas prices to meaningfully damp consumption.

Motor fuels consumption is expected to fall over the near-term. Total U.S. petroleum consumption is projected to decline by 610,000 bbl/d, or about 3 percent, in 2008 based on prospects for a weaker economy and high crude oil and product prices continuing into 2009.

The monthly average price of West Texas Intermediate (WTI) crude oil decreased from over \$133 per barrel in June and July to about \$117 per barrel in August, reflecting expectations of a slowdown in world petroleum demand growth. WTI, which averaged \$72 per barrel in 2007, is projected to average \$116 per barrel in 2008. Projected stronger growth in world petroleum demand is expected to increase the annual average WTI price to \$126 per barrel in 2009. Retail gasoline prices are expected to average \$3.73/gallon in the second half of the year, and to run in the \$3.50-3.80 region over the next five years.

The forecast for motor fuels consumption shown in Table 4.2 assumes that crude oil prices will average between \$100 to \$125 a barrel over the forecast horizon. However, all risks are skewed to the upside.

**Table 4.2**  
**Motor Fuel Consumption**  
**History and Forecast, Fiscal Years 2008 - 2012**  
**(Percent Growth)**

	<u>2008</u>	<u>2009</u>	<u>Fiscal Years</u>		
			<u>2010</u>	<u>2011</u>	<u>2012</u>
Taxable Gallons - Gasoline					
Official	1.6	3.2	0.9	2.3	1.9
Standard	(0.4)	(3.4)	1.4	2.5	1.9
Alternative	(0.4)	(4.7)	(0.4)	1.9	2.1
Taxable Gallons - Diesel					
Official	2.8	2.6	3.0	2.6	2.5
Standard	(2.8)	(8.2)	3.3	1.8	1.5
Alternative	(2.8)	(10.1)	(1.2)	1.6	1.5

## Vehicle Sales

The official forecast was based on further deterioration in the new and used vehicle market. Both new and used vehicle sales suffered a decline in fiscal year 2008. New car sales fell by 11.0 percent and used car sales fell by 5.3 percent.

Table 4.3 on the following page shows the official and September 2008 forecast for new and used vehicles. The discussion of the vehicle sales outlook is divided into two sections: new taxable titles and used taxable titles.

New Taxable Titles: In fiscal year 2008, approximately 377,400 new vehicles were titled in Virginia, a decline of about 46,500 from fiscal year 2007. The official forecast anticipated a decline of about 34,900 new cars.

The September forecast expects a further decline of 10.6 percent in fiscal year 2009 and a slight uptick in fiscal year 2010. Vehicle sales are being affected by the downturn in the housing market and the rising energy costs in a number of ways.

First, employment and income trends, the most important drivers of vehicle sales, have weakened. Second, credit problems in the mortgage market are spilling over to other debt, such as auto loans. This is then affecting the ability to purchase new vehicles. Third, declining

## NON-GENERAL FUND REVENUES

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**Table 4.3**  
**Virginia Vehicle Market**  
**History and Forecast, Fiscal Years 2008 - 2012**  
**(Percent Growth)**

	Fiscal Years				
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
New Taxable Titles					
Official	(8.2)	(1.7)	(3.1)	0.3	3.7
Standard	(11.0)	(10.6)	4.0	2.7	1.8
Alternative	(1.3)	(4.7)	(9.6)	1.5	6.0
Avg Price - New Vehicles					
Official	1.3	2.6	2.6	2.5	2.4
Standard	(0.4)	(3.2)	2.9	2.4	1.8
Used Taxable Titles					
Official	(4.3)	1.0	3.6	(2.2)	(0.5)
Standard	(5.3)	(4.6)	1.5	3.4	2.3
Alternative	(2.3)	(2.5)	(2.3)	3.2	4.3
Avg Price - Used Vehicles					
Official	2.0	2.0	2.0	2.0	2.0
Standard	(1.5)	(2.5)	0.9	2.3	2.3

house prices are affecting the ability to purchase vehicles by reducing available home equity that would be used to finance other consumer purchases and by reducing the wealth effect, which had contributed to overall spending in recent years. Finally, spiking motor fuels prices are causing a spiral in the value of SUV's and pickup trucks resulting in many customers not being able to trade-in their used vehicle for a new one since the trade-in value is now significantly less than the amount they owe on the car loan. In addition, the turnover from higher priced vehicles to lower priced, more fuel efficient vehicles is lowering the average sales price of a new car.

Used Taxable Titles: Over 1.1 million used cars were sold in Virginia in fiscal year 2008, a decline of 5.3 percent from fiscal year 2007. Used car sales generally follow a sales pattern similar to new car sales. Higher interest rates, the uncertainty surrounding the availability of credit, and higher fuel costs are expected to result in a decline of 4.6 percent in fiscal year 2009.

**September 2008 Commonwealth Transportation Fund Forecast**

Table 4.4 on the following pages presents a comparison of the September 2008 forecast and the current official forecast which was prepared in February 2008.

During the 2007 session of the General Assembly, House Bill 3202 was passed by both houses of the General Assembly and signed into law by the Governor. House Bill 3202 provided a considerable influx of new revenues into the Commonwealth Transportation Fund. Motor vehicle license fees, motor fuels taxes, and miscellaneous revenues have been adjusted to reflect these new revenues. In addition, House Bill 3202 provided for one-third of the insurance premiums tax and 3 cents (of the 25 cents) of the recordation tax to be deposited into the Commonwealth Transportation Fund beginning in fiscal year 2009.

As compared to the official forecast, total state taxes and fees are \$186.2 million lower in fiscal year 2009 and \$204.0 million lower in fiscal year 2010. Fiscal year 2009 is estimated to increase 3.1 percent and growth for fiscal years 2010 is expected to be 2.2 percent. Adjusting for the impact of House Bill 3202, collections are projected to decline 5.2 percent in fiscal year 2009 and increase 2.4 percent in fiscal year 2010.

Most of the downward revisions over the next two fiscal years can be attributed to a slowdown in auto and retail sales and lower demand for motor fuels.

The motor fuels tax is the single largest revenue source in the Commonwealth Transportation Fund and is expected to decline by 2.4 percent in fiscal year 2009 and increase by 0.7 percent in fiscal year 2010.

Motor vehicle sales and use tax collections are expected to fall by 10.2 percent in fiscal year 2009 and increase by 4.7 percent in fiscal year 2010.

State retail sales and use tax revenues are expected to exhibit slower growth in fiscal year 2009 followed by a sluggish rebound in fiscal year 2010.



# NON-GENERAL FUND REVENUES

**Table 4.4**  
**The Official and September Commonwealth Transportation Fund Forecast for Fiscal Year 2009**  
(Dollars in Millions)

	Fiscal Year 2008		Fiscal Year 2009				
	Actual	% Growth	Official	September	Change	% Growth over FY 08	
			Forecast	Forecast		Official	September
<b>Highway Maintenance &amp; Operating Fund</b>							
Motor Fuels Tax	\$ 739.5	(0.4) %	\$ 779.5	\$ 723.3	\$ (56.2)	5.4 %	(2.2) %
Road Tax	1.2	192.3	(1.7)	1.0	2.7	241.7	16.7
Motor Vehicle Sales And Use Tax	355.1	(8.9)	374.5	315.7	(58.8)	5.5	(11.1)
Motor Vehicle License Fees	220.8	49.0	236.3	223.4	(12.9)	7.0	1.2
International Registration Plan	74.1	37.2	66.6	72.2	5.6	(10.1)	(2.6)
Abusive Driver Fees	0.0	n/a	0.0	0.0	0.0	n/a	n/a
Recordation Tax (1 cent)	0.0	n/a	15.3	14.6	(0.7)	n/a	n/a
Miscellaneous	14.9	21.1	15.8	13.2	(2.6)	6.0	(11.4)
<b>Total State Taxes and Fees (HMOF)</b>	<b>\$ 1,405.5</b>	<b>4.4 %</b>	<b>\$ 1,486.3</b>	<b>\$ 1,363.4</b>	<b>\$ (122.9)</b>	<b>5.7 %</b>	<b>(3.0) %</b>
<b>Transportation Trust Fund</b>							
Motor Fuels Tax	\$ 111.7	3.9 %	\$ 113.1	\$ 107.2	\$ (5.9)	1.3 %	(4.0) %
Priority Transportation Trust Fund	20.0	0.0	159.5	152.3	(7.2)	697.5	661.5
Base	20.0	0.0	20.0	20.0	0.0	0.0	0.0
Insurance Premiums Tax (1/3)	0.0	n/a	139.5	132.3	(7.2)	n/a	n/a
Road Tax	8.5	1.6	8.5	8.4	(0.1)	(0.4)	(1.6)
Motor Vehicle Sales And Use Tax	186.7	(10.1)	202.5	171.0	(31.5)	8.5	(8.4)
Motor Vehicle License Fees	21.3	0.7	21.9	21.1	(0.8)	2.6	(1.2)
Retail Sales and Use Tax	524.9	1.5	540.1	524.9	(15.2)	2.9	0.0
Recordation Tax (2 cents)	0.0	n/a	30.6	29.2	(1.4)	n/a	n/a
Interest Earnings	62.1	15.2	37.2	38.6	1.4	(40.1)	(37.8)
Rental Tax	31.3	1.6	32.3	30.2	(2.1)	3.2	(3.5)
Aviation Fuels Tax	2.1	(3.3)	2.6	2.0	(0.6)	22.2	(3.8)
<b>Total State Taxes and Fees (TTF)</b>	<b>\$ 968.7</b>	<b>(0.0) %</b>	<b>\$ 1,148.3</b>	<b>\$ 1,085.0</b>	<b>\$ (63.3)</b>	<b>18.5 %</b>	<b>12.0 %</b>
<b>Total HMOF And TTF</b>							
Motor Fuels Tax	\$ 851.2	0.1 %	\$ 892.6	\$ 830.5	\$ (62.1)	4.9 %	(2.4) %
Priority Transportation Trust Fund	20.0	0.0	159.5	152.3	(7.2)	697.5	661.5
Base	20.0	0.0	20.0	20.0	0.0	0.0	0.0
Insurance Premiums Tax (1/3)	0.0	n/a	139.5	132.3	(7.2)	n/a	n/a
Road Tax	9.7	37.1	6.8	9.4	2.6	(30.2)	(3.5)
Motor Vehicle Sales and Use Tax	541.7	(9.3)	577.0	486.7	(90.3)	6.5	(10.2)
Motor Vehicle License Fees	242.1	42.9	258.2	244.5	(13.7)	6.6	1.0
International Registration Plan	74.1	37.2	66.6	72.2	5.6	(10.1)	(2.6)
Abusive Driver Fees	0.0	n/a	0.0	0.0	0.0	n/a	n/a
Retail Sales and Use Tax	524.9	1.5	540.1	524.9	(15.2)	2.9	0.0
Recordation Tax (3 cents)	0.0	n/a	45.9	43.8	(2.1)	n/a	n/a
Interest Earnings	62.1	15.2	37.2	38.6	1.4	(40.1)	(37.8)
Rental Tax	31.3	1.6	32.3	30.2	(2.1)	3.2	(3.5)
Aviation Fuels Tax	2.1	(3.3)	2.6	2.0	(0.6)	22.2	(3.8)
Miscellaneous	14.9	21.1	15.8	13.2	(2.6)	6.0	(11.4)
<b>Total State Taxes and Fees</b>	<b>\$ 2,374.2</b>	<b>2.6 %</b>	<b>\$ 2,634.6</b>	<b>\$ 2,448.4</b>	<b>\$ (186.2)</b>	<b>11.0 %</b>	<b>3.1 %</b>
<b>Transfers per the Appropriations Act</b>							
Priority Transportation Trust Fund	0.0	(100.0)	\$ 0.0	\$ 0.0	\$ 0.0	n/a %	n/a %
General Fund Transfer	0.0	n/a	0.0	0.0	0.0	n/a	n/a
Retail Sales Tax - AST Retention	0.0	n/a	0.0	0.0	0.0	n/a	n/a
Increased Registration Fees	0.0	n/a	0.0	0.0	0.0	n/a	n/a
Auto Insurance Premiums Tax	109.8	6.9	0.0	0.0	0.0	(100.0)	(100.0)
<b>Total Transfers</b>	<b>109.8</b>	<b>(82.8)</b>	<b>\$ 0.0</b>	<b>\$ 0.0</b>	<b>\$ 0.0</b>	<b>(100.0)</b>	<b>(100.0) %</b>
<b>Total Transportation Fund</b>	<b>2,484.0</b>	<b>(15.9)</b>	<b>\$ 2,634.6</b>	<b>\$ 2,448.4</b>	<b>\$ (186.2)</b>	<b>6.1 %</b>	<b>(1.4) %</b>

The Official forecast is based on the January 2008 Global Insight Standard outlook and the corresponding Virginia state forecast developed by the Department of Taxation and adjusted for actions of the 2008 General Assembly session.  
The September forecast is based on the August 2008 Global Insight Standard outlook and the corresponding Virginia state forecast.

## NON-GENERAL FUND REVENUES

**Table 4.4**  
**The Official and September Commonwealth Transportation Fund Forecast for Fiscal Year 2010**  
**(Dollars in Millions)**

	Fiscal Year 2010				
	Official Forecast	September Forecast	Change	% Growth over FY 09	
				Official	September
<b>Highway Maintenance &amp; Operating Fund</b>					
Motor Fuels Tax	\$ 791.2	\$ 727.0	\$ (64.2)	1.5 %	0.5 %
Road Tax	(2.9)	1.0	3.9	70.6	0.0
Motor Vehicle Sales And Use Tax	384.4	330.9	(53.5)	2.6	4.8
Motor Vehicle License Fees	240.9	226.7	(14.2)	1.9	1.5
International Registration Plan	68.7	74.5	5.8	3.2	3.2
Abusive Driver Fees	0.0	0.0	0.0	n/a	n/a
Recordation Tax (1 cent)	16.7	15.3	(1.4)	9.2	4.8
Miscellaneous	15.9	13.2	(2.7)	0.6	0.0
<b>Total State Taxes and Fees (HMOF)</b>	<b>\$ 1,514.9</b>	<b>\$ 1,388.6</b>	<b>\$ (126.3)</b>	<b>1.9 %</b>	<b>1.8 %</b>
<b>Transportation Trust Fund</b>					
Motor Fuels Tax	\$ 114.4	\$ 108.9	\$ (5.5)	1.1 %	1.6 %
Priority Transportation Trust Fund	164.8	149.9	(14.9)	3.3	(1.6)
Base	20.0	20.0	0.0	0.0	0.0
Insurance Premiums Tax (1/3)	144.8	129.9	(14.9)	3.8	(1.8)
Road Tax	8.4	8.5	0.1	(1.2)	1.2
Motor Vehicle Sales And Use Tax	207.0	178.7	(28.3)	2.2	4.5
Motor Vehicle License Fees	22.3	21.3	(1.0)	1.8	0.9
Retail Sales and Use Tax	567.6	542.5	(25.1)	5.1	3.3
Recordation Tax (2 cents)	33.3	30.7	(2.6)	8.8	5.0
Interest Earnings	38.2	41.2	3.0	2.7	6.7
Rental Tax	33.3	30.5	(2.8)	3.1	1.0
Aviation Fuels Tax	2.6	2.0	(0.6)	0.0	(0.5)
<b>Total State Taxes and Fees (TTF)</b>	<b>\$ 1,191.9</b>	<b>\$ 1,114.2</b>	<b>\$ (77.7)</b>	<b>3.8 %</b>	<b>2.7 %</b>
<b>Total HMOF And TTF</b>					
Motor Fuels Tax	\$ 905.6	\$ 835.9	\$ (69.7)	1.5 %	0.7 %
Priority Transportation Trust Fund	164.8	149.9	(14.9)	3.3	(1.6)
Base	20.0	20.0	0.0	0.0	0.0
Insurance Premiums Tax (1/3)	144.8	129.9	(14.9)	3.8	(1.8)
Road Tax	5.5	9.5	4.0	(19.1)	1.1
Motor Vehicle Sales and Use Tax	591.4	509.6	(81.8)	2.5	4.7
Motor Vehicle License Fees	263.2	248.0	(15.2)	1.9	1.4
International Registration Plan	68.7	74.5	5.8	3.2	3.2
Abusive Driver Fees	0.0	0.0	0.0	n/a	n/a
Retail Sales and Use Tax	567.6	542.5	(25.1)	5.1	3.3
Recordation Tax (3 cents)	50.0	46.0	(4.0)	8.9	4.9
Interest Earnings	38.2	41.2	3.0	2.7	6.7
Rental Tax	33.3	30.5	(2.8)	3.1	1.0
Aviation Fuels Tax	2.6	2.0	(0.6)	0.0	(0.5)
Miscellaneous	15.9	13.2	(2.7)	0.6	0.0
<b>Total State Taxes and Fees</b>	<b>\$ 2,706.8</b>	<b>\$ 2,502.8</b>	<b>\$ (204.0)</b>	<b>2.7 %</b>	<b>2.2 %</b>
<b>Transfers per the Appropriations Act</b>					
Priority Transportation Trust Fund	\$ 0.0	\$ 0.0	\$ 0.0	n/a %	n/a %
General Fund Transfer	0.0	0.0	0.0	n/a	n/a
Retail Sales Tax - AST Retention	0.0	0.0	0.0	n/a	n/a
Increased Registration Fees	0.0	0.0	0.0	n/a	n/a
Auto Insurance Premiums Tax	0.0	0.0	0.0	n/a	n/a
<b>Total Transfers</b>	<b>\$ 0.0</b>	<b>\$ 0.0</b>	<b>\$ 0.0</b>	<b>n/a %</b>	<b>n/a %</b>
<b>Total Transportation Fund</b>	<b>\$ 2,706.8</b>	<b>\$ 2,502.8</b>	<b>\$ (204.0)</b>	<b>2.7 %</b>	<b>2.2 %</b>

The Official forecast is based on the January 2008 Global Insight Standard outlook and the corresponding Virginia state forecast developed by the Department of Taxation and adjusted for actions of the 2008 General Assembly session.  
The September forecast is based on the August 2008 Global Insight Standard outlook and the corresponding Virginia state forecast.

# NON-GENERAL FUND REVENUES

**Table 4.4**  
**The Official and September Commonwealth Transportation Fund Forecast for Fiscal Year 2011**  
**(Dollars in Millions)**

	Fiscal Year 2011				
	Official Forecast	September Forecast	Change	% Growth over FY 10	
				Official	September
<b>Highway Maintenance &amp; Operating Fund</b>					
Motor Fuels Tax	\$ 810.5	\$ 744.8	\$ (65.7)	2.4 %	2.4 %
Road Tax	(3.3)	1.0	4.3	13.8	0.0
Motor Vehicle Sales And Use Tax	389.5	349.0	(40.5)	1.3	5.5
Motor Vehicle License Fees	241.6	227.3	(14.3)	0.3	0.3
International Registration Plan	70.9	76.8	6.0	3.1	3.1
Abusive Driver Fees	0.0	0.0	0.0	n/a	n/a
Recordation Tax (1 cent)	16.5	15.3	(1.2)	(1.2)	0.0
Miscellaneous	16.0	13.2	(2.8)	0.6	0.0
<b>Total State Taxes and Fees (HMOF)</b>	<b>\$ 1,541.7</b>	<b>\$ 1,427.4</b>	<b>\$ (114.2)</b>	<b>1.8 %</b>	<b>2.8 %</b>
<b>Transportation Trust Fund</b>					
Motor Fuels Tax	\$ 117.1	\$ 111.5	\$ (5.6)	2.4 %	2.4 %
Priority Transportation Trust Fund	174.0	157.7	(16.3)	5.6	5.2
Base	20.0	20.0	0.0	0.0	0.0
Insurance Premiums Tax (1/3)	154.0	137.7	(16.3)	6.4	6.0
Road Tax	8.3	8.5	0.2	(1.2)	0.0
Motor Vehicle Sales And Use Tax	209.8	187.7	(22.1)	1.4	5.0
Motor Vehicle License Fees	22.4	21.4	(1.0)	0.4	0.5
Retail Sales and Use Tax	595.4	564.0	(31.4)	4.9	4.0
Recordation Tax (2 cents)	32.9	30.7	(2.2)	(1.2)	0.0
Interest Earnings	36.9	48.8	11.9	(3.4)	18.4
Rental Tax	34.4	30.9	(3.5)	3.3	1.3
Aviation Fuels Tax	2.6	2.1	(0.5)	0.0	5.1
<b>Total State Taxes and Fees (TTF)</b>	<b>\$ 1,233.8</b>	<b>\$ 1,163.4</b>	<b>\$ (70.4)</b>	<b>3.5 %</b>	<b>4.4 %</b>
<b>Total HMOF And TTF</b>					
Motor Fuels Tax	\$ 927.6	\$ 856.3	\$ (71.3)	2.4 %	2.4 %
Priority Transportation Trust Fund	174.0	157.7	(16.3)	5.6	5.2
Base	20.0	20.0	0.0	0.0	0.0
Insurance Premiums Tax (1/3)	154.0	137.7	(16.3)	6.4	6.0
Road Tax	5.0	9.5	4.5	(9.1)	0.0
Motor Vehicle Sales and Use Tax	599.3	536.7	(62.6)	1.3	5.3
Motor Vehicle License Fees	264.0	248.7	(15.3)	0.3	0.3
International Registration Plan	70.9	76.8	6.0	3.1	3.1
Abusive Driver Fees	0.0	0.0	0.0	n/a	n/a
Retail Sales and Use Tax	595.4	564.0	(31.4)	4.9	4.0
Recordation Tax (3 cents)	49.4	46.0	(3.4)	(1.2)	0.0
Interest Earnings	36.9	48.8	11.9	(3.4)	18.4
Rental Tax	34.4	30.9	(3.5)	3.3	1.3
Aviation Fuels Tax	2.6	2.1	(0.5)	0.0	5.1
Miscellaneous	16.0	13.2	(2.8)	0.6	0.0
<b>Total State Taxes and Fees</b>	<b>\$ 2,775.5</b>	<b>\$ 2,590.8</b>	<b>\$ (184.7)</b>	<b>2.5 %</b>	<b>3.5 %</b>
<b>Transfers per the Appropriations Act</b>					
Priority Transportation Trust Fund	\$ 0.0	\$ 0.0	\$ 0.0	n/a %	n/a %
General Fund Transfer	0.0	0.0	0.0	n/a	n/a
Retail Sales Tax - AST Retention	0.0	0.0	0.0	n/a	n/a
Increased Registration Fees	0.0	0.0	0.0	n/a	n/a
Auto Insurance Premiums Tax	0.0	0.0	0.0	n/a	n/a
<b>Total Transfers</b>	<b>\$ 0.0</b>	<b>\$ 0.0</b>	<b>\$ 0.0</b>	<b>n/a %</b>	<b>n/a %</b>
<b>Total Transportation Fund</b>	<b>\$ 2,775.5</b>	<b>\$ 2,590.8</b>	<b>\$ (184.7)</b>	<b>2.5 %</b>	<b>3.5 %</b>

The Official forecast is based on the January 2008 Global Insight Standard outlook and the corresponding Virginia state forecast developed by the Department of Taxation and adjusted for actions of the 2008 General Assembly session.  
The September forecast is based on the August 2008 Global Insight Standard outlook and the corresponding Virginia state forecast.

## NON-GENERAL FUND REVENUES

**Table 4.4**  
**The Official and September Commonwealth Transportation Fund Forecast for Fiscal Year 2012**  
**(Dollars in Millions)**

	Fiscal Year 2012				
	Official Forecast	September Forecast	Change	% Growth over FY 11	
				Official	September
<b>Highway Maintenance &amp; Operating Fund</b>					
Motor Fuels Tax	\$ 827.5	\$ 754.1	\$ (73.4)	2.1 %	1.2 %
Road Tax	(3.8)	1.0	4.8	15.2	0.0
Motor Vehicle Sales And Use Tax	404.2	361.0	(43.2)	3.8	3.4
Motor Vehicle License Fees	243.0	228.4	(14.6)	0.6	0.5
International Registration Plan	73.0	79.1	6.1	3.0	3.0
Abusive Driver Fees	0.0	0.0	0.0	n/a	n/a
Recordation Tax (1 cent)	16.4	15.3	(1.1)	(0.6)	0.0
Miscellaneous	16.1	13.2	(2.9)	0.6	0.0
<b>Total State Taxes and Fees (HMOF)</b>	<b>\$ 1,576.4</b>	<b>\$ 1,452.1</b>	<b>\$ (124.3)</b>	<b>2.3 %</b>	<b>1.7 %</b>
<b>Transportation Trust Fund</b>					
Motor Fuels Tax	\$ 119.3	\$ 113.6	\$ (5.7)	1.9 %	1.9 %
Priority Transportation Trust Fund	179.9	165.3	(14.6)	3.4	4.8
Base	20.0	20.0	0.0	0.0	0.0
Insurance Premiums Tax (1/3)	159.9	145.3	(14.6)	3.8	5.5
Road Tax	8.3	8.6	0.3	0.0	1.2
Motor Vehicle Sales And Use Tax	217.7	193.7	(24.0)	3.8	3.2
Motor Vehicle License Fees	22.4	21.5	(0.9)	0.0	0.5
Retail Sales and Use Tax	621.1	588.7	(32.4)	4.3	4.4
Recordation Tax (2 cents)	32.8	30.7	(2.1)	(0.3)	0.0
Interest Earnings	35.0	47.1	12.1	(5.1)	(3.5)
Rental Tax	35.6	31.4	(4.2)	3.5	1.6
Aviation Fuels Tax	2.6	2.2	(0.4)	0.0	4.0
<b>Total State Taxes and Fees (TTF)</b>	<b>\$ 1,274.7</b>	<b>\$ 1,202.9</b>	<b>\$ (71.8)</b>	<b>3.3 %</b>	<b>3.4 %</b>
<b>Total HMOF And TTF</b>					
Motor Fuels Tax	\$ 946.8	\$ 867.7	\$ (79.1)	2.1 %	1.3 %
Priority Transportation Trust Fund	179.9	165.3	(14.6)	3.4	4.8
Base	20.0	20.0	0.0	0.0	0.0
Insurance Premiums Tax (1/3)	159.9	145.3	(14.6)	3.8	5.5
Road Tax	4.5	9.6	5.1	(10.0)	1.1
Motor Vehicle Sales and Use Tax	621.9	554.7	(67.2)	3.8	3.4
Motor Vehicle License Fees	265.4	249.9	(15.5)	0.5	0.5
International Registration Plan	73.0	79.1	6.1	3.0	3.0
Abusive Driver Fees	0.0	0.0	0.0	n/a	n/a
Retail Sales and Use Tax	621.1	588.7	(32.4)	4.3	4.4
Recordation Tax (3 cents)	49.2	46.0	(3.2)	(0.4)	0.0
Interest Earnings	35.0	47.1	12.1	(5.1)	(3.5)
Rental Tax	35.6	31.4	(4.2)	3.5	1.6
Aviation Fuels Tax	2.6	2.2	(0.4)	0.0	4.0
Miscellaneous	16.1	13.2	(2.9)	0.6	0.0
<b>Total State Taxes and Fees</b>	<b>\$ 2,851.1</b>	<b>\$ 2,655.0</b>	<b>\$ (196.1)</b>	<b>2.7 %</b>	<b>2.5 %</b>
<b>Transfers per the Appropriations Act</b>					
Priority Transportation Trust Fund	\$ 0.0	\$ 0.0	\$ 0.0	n/a %	n/a %
General Fund Transfer	0.0	0.0	0.0	n/a	n/a
Retail Sales Tax - AST Retention	0.0	0.0	0.0	n/a	n/a
Increased Registration Fees	0.0	0.0	0.0	n/a	n/a
Auto Insurance Premiums Tax	0.0	0.0	0.0	n/a	n/a
<b>Total Transfers</b>	<b>\$ 0.0</b>	<b>\$ 0.0</b>	<b>\$ 0.0</b>	<b>n/a %</b>	<b>n/a %</b>
<b>Total Transportation Fund</b>	<b>\$ 2,851.1</b>	<b>\$ 2,655.0</b>	<b>\$ (196.1)</b>	<b>2.7 %</b>	<b>2.5 %</b>

The Official forecast is based on the January 2008 Global Insight Standard outlook and the corresponding Virginia state forecast developed by the Department of Taxation and adjusted for actions of the 2008 General Assembly session.  
The September forecast is based on the August 2008 Global Insight Standard outlook and the corresponding Virginia state forecast.

## **NON-GENERAL FUND REVENUES**

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### **The Alternative Forecast**

Table 4.5 on the following pages compares the official and September alternative low growth Commonwealth Transportation Fund forecasts. Under the alternative forecast, total state taxes and fees are expected to be \$234.7 million lower in fiscal year 2009 and \$295.7 million lower in fiscal year 2010 than the official forecast.

This forecast is based on an economic scenario in which the housing recession deepens even more than in the standard outlook and drags the whole economy into a three quarter recession.

## NON-GENERAL FUND REVENUES

**Table 4.5**  
**The Official and September Low Growth Transportation Fund Forecast for Fiscal Year 2009**  
**(Dollars in Millions)**

	Fiscal Year 2008		Fiscal Year 2009				
	Actual	% Growth	Official Forecast	September Forecast	Change	% Growth over FY 08	
						Official	September
<b>Highway Maintenance &amp; Operating Fund</b>							
Motor Fuels Tax	\$ 739.5	(0.4) %	\$ 779.5	\$ 706.7	\$ (72.8)	5.4 %	(4.4) %
Road Tax	1.2	192.3	(1.7)	1.0	2.7	241.7	16.7
Motor Vehicle Sales And Use Tax	355.1	(8.9)	374.5	304.7	(69.8)	5.5	(14.2)
Motor Vehicle License Fees	220.8	49.0	236.3	218.5	(17.8)	7.0	(1.0)
International Registration Plan	74.1	37.2	66.6	72.2	5.6	(10.1)	(2.6)
Abusive Driver Fees	0.0	n/a	0.0	0.0	0.0	n/a	n/a
Recordation Tax (1 cent)	0.0	n/a	15.3	12.6	(2.7)	n/a	n/a
Miscellaneous	14.9	21.1	15.8	13.2	(2.6)	6.0	(11.4)
<b>Total State Taxes and Fees (HMOF)</b>	<b>\$ 1,405.5</b>	<b>4.4 %</b>	<b>\$ 1,486.3</b>	<b>\$ 1,328.9</b>	<b>\$ (157.4)</b>	<b>5.7 %</b>	<b>(5.5) %</b>
<b>Transportation Trust Fund</b>							
Motor Fuels Tax	\$ 111.7	3.9 %	\$ 113.1	\$ 105.3	\$ (7.8)	1.3 %	(5.7) %
Priority Transportation Trust Fund	20.0	0.0	159.5	152.3	(7.2)	697.5	661.5
Base	20.0	0.0	20.0	20.0	0.0	0.0	0.0
Insurance Premiums Tax (1/3)	0.0	n/a	139.5	132.3	(7.2)	n/a	n/a
Road Tax	8.5	1.6	8.5	8.4	(0.1)	(0.4)	(1.6)
Motor Vehicle Sales And Use Tax	186.7	(10.1)	202.5	165.6	(36.9)	8.5	(11.3)
Motor Vehicle License Fees	21.3	0.7	21.9	21.1	(0.8)	2.6	(1.2)
Retail Sales and Use Tax	524.9	1.5	540.1	522.3	(17.8)	2.9	(0.5)
Recordation Tax (2 cents)	0.0	n/a	30.6	25.2	(5.4)	n/a	n/a
Interest Earnings	62.1	15.2	37.2	38.6	1.4	(40.1)	(37.8)
Rental Tax	31.3	1.6	32.3	30.2	(2.1)	3.2	(3.5)
Aviation Fuels Tax	2.1	(3.3)	2.6	2.0	(0.6)	22.2	(3.8)
<b>Total State Taxes and Fees (TTF)</b>	<b>\$ 968.7</b>	<b>(0.0) %</b>	<b>\$ 1,148.3</b>	<b>\$ 1,071.0</b>	<b>\$ (77.3)</b>	<b>18.5 %</b>	<b>10.6 %</b>
<b>Total HMOF And TTF</b>							
Motor Fuels Tax	\$ 851.2	0.1 %	\$ 892.6	\$ 812.0	\$ (80.6)	4.9 %	(4.6) %
Priority Transportation Trust Fund	20.0	0.0	159.5	152.3	(7.2)	697.5	661.5
Base	20.0	0.0	20.0	20.0	0.0	0.0	0.0
Insurance Premiums Tax (1/3)	0.0	n/a	139.5	132.3	(7.2)	n/a	n/a
Road Tax	9.7	37.1	6.8	9.4	2.6	(30.2)	(3.5)
Motor Vehicle Sales and Use Tax	541.7	(9.3)	577.0	470.3	(106.7)	6.5	(13.2)
Motor Vehicle License Fees	242.1	42.9	258.2	239.6	(18.6)	6.6	(1.1)
International Registration Plan	74.1	37.2	66.6	72.2	5.6	(10.1)	(2.6)
Abusive Driver Fees	0.0	n/a	0.0	0.0	0.0	n/a	n/a
Retail Sales and Use Tax	524.9	1.5	540.1	522.3	(17.8)	2.9	(0.5)
Recordation Tax (3 cents)	0.0	n/a	45.9	37.8	(8.1)	n/a	n/a
Interest Earnings	62.1	15.2	37.2	38.6	1.4	(40.1)	(37.8)
Rental Tax	31.3	1.6	32.3	30.2	(2.1)	3.2	(3.5)
Aviation Fuels Tax	2.1	(3.3)	2.6	2.0	(0.6)	22.2	(3.8)
Miscellaneous	14.9	21.1	15.8	13.2	(2.6)	6.0	(11.4)
<b>Total State Taxes and Fees</b>	<b>\$ 2,374.2</b>	<b>2.6 %</b>	<b>\$ 2,634.6</b>	<b>\$ 2,399.9</b>	<b>\$ (234.7)</b>	<b>11.0 %</b>	<b>1.1 %</b>
<b>Transfers per the Appropriations Act</b>							
Priority Transportation Trust Fund	0.0	(100.0)	\$ 0.0	\$ 0.0	\$ 0.0	n/a %	n/a %
General Fund Transfer	0.0	n/a	0.0	0.0	0.0	n/a	n/a
Retail Sales Tax - AST Retention	0.0	n/a	0.0	0.0	0.0	n/a	n/a
Increased Registration Fees	0.0	n/a	0.0	0.0	0.0	n/a	n/a
Auto Insurance Premiums Tax	109.8	6.9	0.0	0.0	0.0	(100.0)	(100.0)
<b>Total Transfers</b>	<b>109.8</b>	<b>(82.8)</b>	<b>\$ 0.0</b>	<b>\$ 0.0</b>	<b>\$ 0.0</b>	<b>(100.0)</b>	<b>(100.0) %</b>
<b>Total Transportation Fund</b>	<b>2,484.0</b>	<b>(15.9)</b>	<b>\$ 2,634.6</b>	<b>\$ 2,399.9</b>	<b>\$ (234.7)</b>	<b>6.1 %</b>	<b>(3.4) %</b>

The Official forecast is based on the January 2008 Global Insight Standard outlook and the corresponding Virginia state forecast developed by the Department of Taxation and adjusted for actions of the 2008 General Assembly session.

The September low growth forecast is based on the August 2008 Global Insight low growth outlook and the corresponding Virginia state forecast.

# NON-GENERAL FUND REVENUES

**Table 4.5**  
**The Official and September Low Growth Transportation Fund Forecast for Fiscal Year 2010**  
**(Dollars in Millions)**

	Fiscal Year 2010				
	Official Forecast	September Forecast	Change	% Growth over FY 09	
				Official	September
<b>Highway Maintenance &amp; Operating Fund</b>					
Motor Fuels Tax	\$ 791.2	\$ 702.2	\$ (89.0)	1.5 %	(0.6) %
Road Tax	(2.9)	1.0	3.9	70.6	0.0
Motor Vehicle Sales And Use Tax	384.4	308.6	(75.8)	2.6	1.3
Motor Vehicle License Fees	240.9	221.7	(19.2)	1.9	1.5
International Registration Plan	68.7	74.5	5.8	3.2	3.2
Abusive Driver Fees	0.0	0.0	0.0	n/a	n/a
Recordation Tax (1 cent)	16.7	10.8	(5.9)	9.2	(14.3)
Miscellaneous	15.9	13.2	(2.7)	0.6	0.0
<b>Total State Taxes and Fees (HMOF)</b>	<b>\$ 1,514.9</b>	<b>\$ 1,332.0</b>	<b>\$ (182.9)</b>	<b>1.9 %</b>	<b>0.2 %</b>
<b>Transportation Trust Fund</b>					
Motor Fuels Tax	\$ 114.4	\$ 104.9	\$ (9.5)	1.1 %	(0.4) %
Priority Transportation Trust Fund	164.8	145.6	(19.2)	3.3	(4.4)
Base	20.0	20.0	0.0	0.0	0.0
Insurance Premiums Tax (1/3)	144.8	125.6	(19.2)	3.8	(5.1)
Road Tax	8.4	8.5	0.1	(1.2)	1.2
Motor Vehicle Sales And Use Tax	207.0	167.5	(39.5)	2.2	1.1
Motor Vehicle License Fees	22.3	21.3	(1.0)	1.8	0.9
Retail Sales and Use Tax	567.6	536.1	(31.5)	5.1	2.6
Recordation Tax (2 cents)	33.3	21.5	(11.8)	8.8	(14.7)
Interest Earnings	38.2	41.2	3.0	2.7	6.7
Rental Tax	33.3	30.5	(2.8)	3.1	1.0
Aviation Fuels Tax	2.6	2.0	(0.6)	0.0	(0.5)
<b>Total State Taxes and Fees (TTF)</b>	<b>\$ 1,191.9</b>	<b>\$ 1,079.1</b>	<b>\$ (112.8)</b>	<b>3.8 %</b>	<b>0.8 %</b>
<b>Total HMOF And TTF</b>					
Motor Fuels Tax	\$ 905.6	\$ 807.1	\$ (98.5)	1.5 %	(0.6) %
Priority Transportation Trust Fund	164.8	145.6	(19.2)	3.3	(4.4)
Base	20.0	20.0	0.0	0.0	0.0
Insurance Premiums Tax (1/3)	144.8	125.6	(19.2)	3.8	(5.1)
Road Tax	5.5	9.5	4.0	(19.1)	1.1
Motor Vehicle Sales and Use Tax	591.4	476.1	(115.3)	2.5	1.2
Motor Vehicle License Fees	263.2	243.0	(20.2)	1.9	1.4
International Registration Plan	68.7	74.5	5.8	3.2	3.2
Abusive Driver Fees	0.0	0.0	0.0	n/a	n/a
Retail Sales and Use Tax	567.6	536.1	(31.5)	5.1	2.6
Recordation Tax (3 cents)	50.0	32.3	(17.7)	8.9	(14.6)
Interest Earnings	38.2	41.2	3.0	2.7	6.7
Rental Tax	33.3	30.5	(2.8)	3.1	1.0
Aviation Fuels Tax	2.6	2.0	(0.6)	0.0	(0.5)
Miscellaneous	15.9	13.2	(2.7)	0.6	0.0
<b>Total State Taxes and Fees</b>	<b>\$ 2,706.8</b>	<b>\$ 2,411.1</b>	<b>\$ (295.7)</b>	<b>2.7 %</b>	<b>0.5 %</b>
<b>Transfers per the Appropriations Act</b>					
Priority Transportation Trust Fund	\$ 0.0	\$ 0.0	\$ 0.0	n/a %	n/a %
General Fund Transfer	0.0	0.0	0.0	n/a	n/a
Retail Sales Tax - AST Retention	0.0	0.0	0.0	n/a	n/a
Increased Registration Fees	0.0	0.0	0.0	n/a	n/a
Auto Insurance Premiums Tax	0.0	0.0	0.0	n/a	n/a
<b>Total Transfers</b>	<b>\$ 0.0</b>	<b>\$ 0.0</b>	<b>\$ 0.0</b>	<b>n/a %</b>	<b>n/a %</b>
<b>Total Transportation Fund</b>	<b>\$ 2,706.8</b>	<b>\$ 2,411.1</b>	<b>\$ (295.7)</b>	<b>2.7 %</b>	<b>0.5 %</b>

The Official forecast is based on the January 2008 Global Insight Standard outlook and the corresponding Virginia state forecast developed by the Department of Taxation and adjusted for actions of the 2008 General Assembly session.

The September low growth forecast is based on the August 2008 Global Insight low growth outlook and the corresponding Virginia state forecast.

## NON-GENERAL FUND REVENUES

**Table 4.5**  
**The Official and September Low Growth Transportation Fund Forecast for Fiscal Year 2011**  
**(Dollars in Millions)**

	Fiscal Year 2011				
	Official Forecast	September Forecast	Change	% Growth over FY 10	
				Official	September
<b>Highway Maintenance &amp; Operating Fund</b>					
Motor Fuels Tax	\$ 810.5	\$ 706.2	\$ (104.3)	2.4 %	0.6 %
Road Tax	(3.3)	1.0	4.3	13.8	0.0
Motor Vehicle Sales And Use Tax	389.5	332.1	(57.4)	1.3	7.6
Motor Vehicle License Fees	241.6	222.3	(19.3)	0.3	0.3
International Registration Plan	70.9	76.8	6.0	3.1	3.1
Abusive Driver Fees	0.0	0.0	0.0	n/a	n/a
Recordation Tax (1 cent)	16.5	10.8	(5.7)	(1.2)	0.0
Miscellaneous	16.0	13.2	(2.8)	0.6	0.0
<b>Total State Taxes and Fees (HMOF)</b>	<b>\$ 1,541.7</b>	<b>\$ 1,362.4</b>	<b>\$ (179.2)</b>	<b>1.8 %</b>	<b>2.3 %</b>
<b>Transportation Trust Fund</b>					
Motor Fuels Tax	\$ 117.1	\$ 106.9	\$ (10.2)	2.4 %	1.9 %
Priority Transportation Trust Fund	174.0	152.1	(21.9)	5.6	4.5
Base	20.0	20.0	0.0	0.0	0.0
Insurance Premiums Tax (1/3)	154.0	132.1	(21.9)	6.4	5.2
Road Tax	8.3	8.5	0.2	(1.2)	0.0
Motor Vehicle Sales And Use Tax	209.8	179.3	(30.5)	1.4	7.0
Motor Vehicle License Fees	22.4	21.4	(1.0)	0.4	0.5
Retail Sales and Use Tax	595.4	558.1	(37.3)	4.9	4.1
Recordation Tax (2 cents)	32.9	21.5	(11.4)	(1.2)	0.0
Interest Earnings	36.9	48.8	11.9	(3.4)	18.4
Rental Tax	34.4	30.9	(3.5)	3.3	1.3
Aviation Fuels Tax	2.6	2.1	(0.5)	0.0	5.1
<b>Total State Taxes and Fees (TTF)</b>	<b>\$ 1,233.8</b>	<b>\$ 1,129.6</b>	<b>\$ (104.2)</b>	<b>3.5 %</b>	<b>4.7 %</b>
<b>Total HMOF And TTF</b>					
Motor Fuels Tax	\$ 927.6	\$ 813.1	\$ (114.5)	2.4 %	0.7 %
Priority Transportation Trust Fund	174.0	152.1	(21.9)	5.6	4.5
Base	20.0	20.0	0.0	0.0	0.0
Insurance Premiums Tax (1/3)	154.0	132.1	(21.9)	6.4	5.2
Road Tax	5.0	9.5	4.5	(9.1)	0.0
Motor Vehicle Sales and Use Tax	599.3	511.4	(87.9)	1.3	7.4
Motor Vehicle License Fees	264.0	243.7	(20.3)	0.3	0.3
International Registration Plan	70.9	76.8	6.0	3.1	3.1
Abusive Driver Fees	0.0	0.0	0.0	n/a	n/a
Retail Sales and Use Tax	595.4	558.1	(37.3)	4.9	4.1
Recordation Tax (3 cents)	49.4	32.3	(17.1)	(1.2)	0.0
Interest Earnings	36.9	48.8	11.9	(3.4)	18.4
Rental Tax	34.4	30.9	(3.5)	3.3	1.3
Aviation Fuels Tax	2.6	2.1	(0.5)	0.0	5.1
Miscellaneous	16.0	13.2	(2.8)	0.6	0.0
<b>Total State Taxes and Fees</b>	<b>\$ 2,775.5</b>	<b>\$ 2,492.1</b>	<b>\$ (283.4)</b>	<b>2.5 %</b>	<b>3.4 %</b>
<b>Transfers per the Appropriations Act</b>					
Priority Transportation Trust Fund	\$ 0.0	\$ 0.0	\$ 0.0	n/a %	n/a %
General Fund Transfer	0.0	0.0	0.0	n/a	n/a
Retail Sales Tax - AST Retention	0.0	0.0	0.0	n/a	n/a
Increased Registration Fees	0.0	0.0	0.0	n/a	n/a
Auto Insurance Premiums Tax	0.0	0.0	0.0	n/a	n/a
<b>Total Transfers</b>	<b>\$ 0.0</b>	<b>\$ 0.0</b>	<b>\$ 0.0</b>	<b>n/a %</b>	<b>n/a %</b>
<b>Total Transportation Fund</b>	<b>\$ 2,775.5</b>	<b>\$ 2,492.1</b>	<b>\$ (283.4)</b>	<b>2.5 %</b>	<b>3.4 %</b>

The Official forecast is based on the January 2008 Global Insight Standard outlook and the corresponding Virginia state forecast developed by the Department of Taxation and adjusted for actions of the 2008 General Assembly session.

The September low growth forecast is based on the August 2008 Global Insight low growth outlook and the corresponding Virginia state forecast.



# NON-GENERAL FUND REVENUES

**Table 4.5**  
**The Official and September Low Growth Transportation Fund Forecast for Fiscal Year 2012**  
**(Dollars in Millions)**

	Fiscal Year 2012				
	Official Forecast	September Forecast	Change	% Growth over FY 11	
				Official	September
<b>Highway Maintenance &amp; Operating Fund</b>					
Motor Fuels Tax	\$ 827.5	\$ 715.7	\$ (111.8)	2.1 %	1.3 %
Road Tax	(3.8)	1.0	4.8	15.2	0.0
Motor Vehicle Sales And Use Tax	404.2	347.2	(57.0)	3.8	4.5
Motor Vehicle License Fees	243.0	223.4	(19.6)	0.6	0.5
International Registration Plan	73.0	79.1	6.1	3.0	3.0
Abusive Driver Fees	0.0	0.0	0.0	n/a	n/a
Recordation Tax (1 cent)	16.4	10.8	(5.6)	(0.6)	0.0
Miscellaneous	16.1	13.2	(2.9)	0.6	0.0
Total State Taxes and Fees (HMOF)	\$ 1,576.4	\$ 1,390.4	\$ (186.0)	2.3 %	2.1 %
<b>Transportation Trust Fund</b>					
Motor Fuels Tax	\$ 119.3	\$ 109.0	\$ (10.3)	1.9 %	2.0 %
Priority Transportation Trust Fund	179.9	159.7	(20.2)	3.4	5.0
Base	20.0	20.0	0.0	0.0	0.0
Insurance Premiums Tax (1/3)	159.9	139.7	(20.2)	3.8	5.8
Road Tax	8.3	8.6	0.3	0.0	1.2
Motor Vehicle Sales And Use Tax	217.7	186.8	(30.9)	3.8	4.2
Motor Vehicle License Fees	22.4	21.5	(0.9)	0.0	0.5
Retail Sales and Use Tax	621.1	586.6	(34.5)	4.3	5.1
Recordation Tax (2 cents)	32.8	21.5	(11.3)	(0.3)	0.0
Interest Earnings	35.0	47.1	12.1	(5.1)	(3.5)
Rental Tax	35.6	31.4	(4.2)	3.5	1.6
Aviation Fuels Tax	2.6	2.2	(0.4)	0.0	4.0
Total State Taxes and Fees (TTF)	\$ 1,274.7	\$ 1,174.4	\$ (100.3)	3.3 %	4.0 %
<b>Total HMOF And TTF</b>					
Motor Fuels Tax	\$ 946.8	\$ 824.7	\$ (122.1)	2.1 %	1.4 %
Priority Transportation Trust Fund	179.9	159.7	(20.2)	3.4	5.0
Base	20.0	20.0	0.0	0.0	0.0
Insurance Premiums Tax (1/3)	159.9	139.7	(20.2)	3.8	5.8
Road Tax	4.5	9.6	5.1	(10.0)	1.1
Motor Vehicle Sales and Use Tax	621.9	534.0	(87.9)	3.8	4.4
Motor Vehicle License Fees	265.4	244.9	(20.5)	0.5	0.5
International Registration Plan	73.0	79.1	6.1	3.0	3.0
Abusive Driver Fees	0.0	0.0	0.0	n/a	n/a
Retail Sales and Use Tax	621.1	586.6	(34.5)	4.3	5.1
Recordation Tax (3 cents)	49.2	32.3	(16.9)	(0.4)	0.0
Interest Earnings	35.0	47.1	12.1	(5.1)	(3.5)
Rental Tax	35.6	31.4	(4.2)	3.5	1.6
Aviation Fuels Tax	2.6	2.2	(0.4)	0.0	4.0
Miscellaneous	16.1	13.2	(2.9)	0.6	0.0
<b>Total State Taxes and Fees</b>	<b>\$ 2,851.1</b>	<b>\$ 2,564.8</b>	<b>\$ (286.2)</b>	<b>2.7 %</b>	<b>2.9 %</b>
<b>Transfers per the Appropriations Act</b>					
Priority Transportation Trust Fund	\$ 0.0	\$ 0.0	\$ 0.0	n/a %	n/a %
General Fund Transfer	0.0	0.0	0.0	n/a	n/a
Retail Sales Tax - AST Retention	0.0	0.0	0.0	n/a	n/a
Increased Registration Fees	0.0	0.0	0.0	n/a	n/a
Auto Insurance Premiums Tax	0.0	0.0	0.0	n/a	n/a
Total Transfers	\$ 0.0	\$ 0.0	\$ 0.0	n/a %	n/a %
<b>Total Transportation Fund</b>	<b>\$ 2,851.1</b>	<b>\$ 2,564.8</b>	<b>\$ (286.2)</b>	<b>2.7 %</b>	<b>2.9 %</b>

The Official forecast is based on the January 2008 Global Insight Standard outlook and the corresponding Virginia state forecast developed by the Department of Taxation and adjusted for actions of the 2008 General Assembly session.  
The September low growth forecast is based on the August 2008 Global Insight low growth outlook and the corresponding Virginia state forecast.

## NON-GENERAL FUND REVENUES

### ABC Revenues and Profits for Fiscal Year 2008

In fiscal year 2008, ABC's total income, excluding state tax receipts, was \$555.0 million. Gross sales of alcoholic beverages in the retail stores accounted for 96.5 percent of this income. The remaining 3.5 percent of income was generated largely through the Department's regulatory and licensing activities. Table 4.6 shows ABC's revenues, costs, and profits for fiscal years 2005 through 2008. Along with the net ABC profits, Table 4.6 also shows transfers required by the Acts of the Assembly and net profits for distribution transferred to the General Fund.

**Table 4.6**  
**Department of Alcoholic Beverage Control Components of the Enterprise Fund**  
**Revenues, Expenses, and Disbursements, Fiscal Years 2005 - 2008 (\$ millions)**

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
<b>Total Revenue*</b>	\$ 465.1	\$ 497.9	\$ 527.1	\$ 555.0
<b>Cost of Goods &amp; Total Operating Expenses</b>	373.1	404.6	432.7	451.6
<b>Net ABC Profit</b>	92.0	93.3	94.4	103.4
<b>Transfer to the General Fund:</b>				
<b>Reimbursement for Appropriations as provided by the Acts of the Assembly</b>	66.5	66.5	66.2	66.2
<b>Net Profits for Distribution</b>	\$ 25.5	\$ 26.8	\$ 28.2	\$ 37.2

\*These revenue figures exclude receipts collected under the state tax on alcoholic beverages or the general sales tax.

### ABC Revenues and Profit Forecast for 2008-2010

Comparisons of ABC's performance in fiscal year 2007, estimated performance for fiscal year 2008, and actual performance in fiscal year 2008, are included in Table 4.7.

**Table 4.7**  
**A Comparison of Fiscal Year 2007 Results to Fiscal Year 2008 Estimated and Actual Results (\$ millions)**

	<u>FY07 Actual</u>	<u>FY08 Estimate</u>	<u>FY08 Actual</u>	<u>\$ Variance</u>	<u>% Variance</u>	<u>FY07 v FY08</u>	
						<u>Estimate</u>	<u>Actual</u>
<b>Total Store Sales*</b>	607.3	648.0	641.2	(6.8)	-1.0%	40.7	33.9
<b>Net ABC Profit for Distribution</b>	28.2	34.3	37.2	2.9	8.5%	6.1	9.0
<b>State Tax Revenue**</b>	118.7	126.3	125.3	(1.0)	-0.8%	7.6	6.6

\*These figures include state tax on alcoholic beverages and exclude the general sales tax collected at ABC stores.

\*\*State Tax Revenue revised to not include \$9.9m wine liter tax transferred to MHMRSAS.

## **NON-GENERAL FUND REVENUES**

Fiscal Year 2008 compared to 2007 shows an increase in sales, an increase in net ABC profits for distribution, and an increase in state tax revenue. Table 4.8 contains fiscal year 2008 results for store sales, profits for distribution, and state tax revenues along with the 2009 through 2010 forecasts. Profit forecasts in Table 4.8 are net of any transfers mandated by the Appropriation Act, which were increased in 2009 and 2010.

**Table 4.8**  
**Forecast of ABC Store Sales, ABC State Tax on Alcohol, And Net Profit for Distribution (\$ millions)**

	<u>Actual</u>		<u>Forecast</u>		
	<u>2008</u>		<u>2009</u>	<u>2010</u>	
Total ABC Store Sales: (1)	\$	641.2	\$	670.0 \$	700.0
Adjusted Net Profits for Distribution: (2) (3)		37.2		36.6	37.0
ABC State Tax Revenues:(1)					
Spirits		105.7		110.6	115.5
Wine (4)		<u>19.7</u>		<u>20.4</u>	<u>21.2</u>
Total Tax Revenue:	\$	125.4	\$	131.0 \$	136.7

(1) Excludes the 5 percent general sales tax and lottery sales

(2) Does not include appropriation transfers mandated by Virginia Acts of Assembly which increased by \$1.5M in FY 2009 and 2010

(3) ABC develops forecasts on an accrual basis. The transfer of profits occurs on a cash basis. Variances often occur at year end when ABC has to transfer estimated profits on June 30th

(4) Wine figure includes state as well as local transfer (includes localities share) but excludes statutory transfers to DMHMRSAS (\$9.9M)

### **Distribution of ABC Profits and ABC State Tax Revenues**

During fiscal year 2008, ABC contributed \$103.4 million of net profits to the Commonwealth, and collected \$179.6 million of taxes on store sales, wine, and beer and an additional \$24.9 million of general sales tax totaling \$307.9 million.

Certain appropriations have been made by the General Assembly to recover alcohol-related program costs. Such programs are the Department of Mental Health, Mental Retardation, Substance Abuse Services' programs for the treatment of alcoholics as well as testing services and the Breathalyzer Training Program. The transfers for these programs and others were \$66.2 million in fiscal year 2008. These appropriations are charged against net ABC profits before being transferred to the General Fund. Chapter 879, 2008 Acts of the Assembly, increases the transfers to \$67.6 million in 2009 and \$67.7 million in 2010.

In any given time period, amounts transferred to the General Fund will not correspond to net ABC profit earned, due to a 50 day interval before the profits are transferred to the Fund.

**Virginia Lottery**

At the end of each fiscal year, the Lottery transfers its net income, or sales minus expenses plus other income, to the Lottery Proceeds Fund. Expenses are comprised of prizes to players, commissions to retailers, ticket printing and distribution, and administrative operating costs. The primary drivers of the net income transferred are sales of lottery products and prizes paid to players.

**Actual Results - Fiscal Year 2008**

The Virginia Lottery transferred net proceeds of \$455.3 million to the Lottery Proceeds Fund for fiscal year 2008. The Lottery also transferred \$1.1 million for debt set-off to the Department of Taxation and \$10.5 million from unclaimed prizes to the Literary Fund.

Sales for fiscal year 2008 were \$1.386 billion, an increase of \$24.1 million (+1.8 percent) from fiscal year 2007, but \$12.6 million (-0.9 percent) less than the fiscal year 2008 forecast. Net income was \$3.7 million (-0.8 percent) lower than the target in the Appropriation Act.

**Forecast Overview - Fiscal Years 2009 to 2012**

The Virginia Lottery developed its sales and revenue forecasts based upon a variety of baseline assumptions, including:

- the economic outlook as endorsed by the Governor's Advisory Board of Economists, in particular with respect to long-term interest rates and U.S. Treasury-issued bond yields;
- continued lottery gaming competition from North Carolina, which began in the fourth quarter of fiscal year 2006 and is expected to continue with new and enhanced product offerings throughout the current and future years;
- no legislatively-mandated change in the overall compensation rate paid to retailers offering Lottery products;
- no new constraints on the Lottery's sales and marketing efforts, including the ability to advertise products and establish prizes paid to players; and
- no new, non-traditional product-line offerings.

For fiscal year 2009, the Lottery is projecting sales of \$1.4 billion and net income (turnover to the Lottery Proceeds Fund) of \$430.2 million. Prize expense is estimated to be \$808.3 million, or 58.1 percent of sales; retailer compensation is forecast to be \$78.6 million, or 5.7 percent of sales. This forecast takes into account the overall slowdown in the growth of Virginia's scratch ticket product, and the estimated sales reduction anticipated from the continued competitive product offerings from the North Carolina Education Lottery. The estimated \$430.2 million net income plus the \$0.3 million of residual fiscal year 2008 profits transferred in fiscal year 2009 brings the total expected transfers to the Lottery Proceeds Fund for fiscal year 2009 to \$430.5 million.

## **NON-GENERAL FUND REVENUES**

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For fiscal years 2010 through 2012, the Lottery expects that sales and net income will remain near fiscal year 2009 levels, of \$1.4 billion, creating revenue for the Lottery Proceeds Fund of \$430.2 million.

### **Sales Projections for Fiscal Years 2009 through 2012**

For each fiscal year forecast, the Lottery total forecast is the sum of sales forecasts developed by the Lottery for each of its products. The methodology for each estimate is dependent upon the nature of the product. The data used in our models include such factors as: experiences of other U.S. and Canadian lotteries, variability of prize percentage, economic variables such as predicted interest rates, seasonal factors, promotions, product life cycle, and the Lottery's future plans for each of the products.

#### ***Scratch Games***

Scratch games account for half of total lottery sales. Sales of scratch games are expected to continue to experience minimal overall growth for the current and subsequent biennium as players continue to support the variety of games offered in Virginia. The key to the maintenance and growth of scratch sales over the forecast horizon will be actively managing our comprehensive portfolio of games at various price levels.

#### ***The Jackpot-Style Games: Mega Millions and Win for Life***

About 12 percent of the Lottery's sales come from jackpot-style games - those games offering top prizes in the millions of dollars. The Lottery now offers two such games: Win for Life and Mega Millions. "Luck of the draw" plays a major role in the sales performance of Mega Millions. Drawings of random numbers determine whether the jackpot prize is won or whether it "rolls" and continues to grow. High jackpots increase levels of play. Conversely, high frequency of jackpot winners means less jackpot growth and lower sales. Since drawings of random numbers determine the frequency of jackpot wins, which is a large determinant of sales levels for these games, there is inherently a large degree of uncertainty in any forecast for these large jackpot games.

Another key determinant of sales levels for these games is the prevailing interest rate. The Lottery invests the prize pool for each jackpot prize in U.S. Treasury Bonds to create the necessary income stream. At a given level of sales and resulting cash pool, the higher the yield of the bonds, the higher an annuity jackpot prize may be advertised. Higher advertised jackpots lead to higher sales. Thus in periods of high interest rates, jackpots grow relatively quickly and sales are stable. In periods of low interest rates, jackpots grow slowly and sales decline. Current bond yields continue to be very low.

Win for Life, the other jackpot-style game offered in Virginia, offers a fixed prize to players without regard to the number of winners resulting from any single drawing. The grand prize is a fixed weekly payment to a winner for the remainder of the winner's natural life. This prize has been highly appealing to players when offered on a scratch ticket; offering the prize as a guaranteed prize for a bi-weekly drawing game also appealed to players during qualitative testing. Since the game's inception in March 2006, it has become clear that player awareness of this game offering is key to its success.

### ***Daily Games***

The Lottery's other drawing games – those games sold through the network of Lottery computer terminals and where winners are determined by a random drawing – collectively referred to as “daily games,” are Pick 3, Pick 4 and Cash 5. Daily games comprise about a third of total Lottery sales. Each of these products operates on approximately the same profit margin. While Pick 3 and Pick 4 are very mature products, sales are forecast to continue increasing slightly. Some play is expected to continue to shift from Pick 3 to Pick 4 over time. Cash 5 is expected to continue to exhibit stable to slightly declining sales, an unusual phenomenon and contrary to the experiences of other U.S. lotteries that have seen their Cash 5 sales decline.

### ***Other Products***

Beginning in fiscal year 2007, the Lottery offered two new products to players: the limited-time offering of raffle tickets, and a new line of “fast play” style games. Raffle style games offer a fixed number of tickets for sale, and each ticket has an equal chance to win predetermined prizes. Fast play style games are offered for sale through retailer terminals, and offer an instant-win experience for consumers.

### **Net Income for Fiscal Years 2009 through 2012**

The Lottery is forecasting net income of \$430.2 million for each fiscal year 2009 and 2010, as well as each year in the next biennium. The Lottery's largest expense, prizes to players, is expected to increase slightly over this period as players continue to buy more of the higher price point scratch games, which pay a higher portion of sales back in prizes. Retailers should continue to earn commissions and incentives equal to about 5.7 percent of sales. Operating expenses are projected to remain low, forecast to stabilize around 5.8 percent - 6.0 percent of total sales.

The Virginia Lottery, celebrating its 20<sup>th</sup> year in fiscal year 2009, with its current product mix, has reached the maturity stage. Virginia continues to support sustaining sales and net income through innovations in existing products, ongoing operating efficiencies, and crucial marketing endeavors.

## **NON-GENERAL FUND REVENUES**

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### **Unemployment Insurance Trust Fund**

The unemployment benefit financing system, put in place in 1981, calculates an employer's tax liability by computing the ratio of benefit charges to taxable wages for the last four fiscal years. An appropriate tax rate, subject to a maximum and minimum, is then assigned based on the employer's benefit ratio. A determining factor of tax schedules is the fund balance factor -- a ratio related to the Trust Fund's solvency level. Generally, a lower fund balance factor means higher tax schedules.

The Unemployment Insurance (UI) Trust Fund also may receive tax revenues from two other sources -- the pool tax and the fund-building tax. The pool tax is an additive tax imposed on all employers to cover those benefits that cannot be charged to a particular employer because the employer is inactive or the employer is already subject to the maximum tax. When the fund balance factor exceeds 50 percent, interest income is used to offset these benefit charges. The fund-building tax of 0.2 percent is added to each employer's tax rate unless the fund balance factor exceeds 50 percent. Higher unemployment caused UI tax collections to fall below the projection by \$8.9 million, or 2.4 percent, in fiscal year 2008. Despite lower tax revenues and higher benefits, interest revenues were above the projection by \$4.0 million, or 11.7 percent, because the interest rate on the Trust Fund was higher than expected.

### **Discussion of Forecast**

The estimates in Tables 4.9 and 4.10 represent projections from the Unemployment Insurance Benefit Financing Model. The current estimates' decrease in tax revenue in fiscal year 2009 reflects lower employment and declines in the four year moving average of benefit charges and in the pool tax rate. The increase in fiscal years 2010-2012 is the result of an increase in benefit charges and a decrease in the Fund Balance Factor. In the Baseline Scenario, pool taxes of 0.10 percent, 0.20 percent, 0.24 percent, and 0.27 percent are projected for Calendar Years 2009-2012 respectively. A fund-building tax is imposed in Calendar Years 2010-2012. The changes in interest revenues are the result of declining trust fund balances. In the Stagflation Alternate Scenario, pool taxes of 0.10 percent, 0.21 percent, 0.26 percent, and 0.30 percent are projected for Calendar Years 2009-2012 respectively. A fund-building tax is imposed in Calendar Years 2010-2012. Due to higher benefit payments in the Alternate Scenario, average benefit ratios are higher. This, combined with the higher pool tax rates, produces higher tax revenue than the Baseline Scenario for fiscal years 2010-2012. The Alternate Scenario's higher benefit payments also produce lower interest revenue through lower balances.

## NON-GENERAL FUND REVENUES

**TABLE 4.9**  
**Financial Forecasts Fiscal Years 2009, 2010, 2011, and 2012**  
**Baseline Scenario (Global Insight STANDARD)**  
**(Millions of Dollars)**

Revenue Source	Fiscal Year 2009		Fiscal Year 2010		Fiscal Year 2011		Fiscal Year 2012	
	Standard Estimate	% Change From Actual Fiscal Year 2008	Standard Estimate	% Change From Estimated Fiscal Year 2009	Standard Estimate	% Change From Estimated Fiscal Year 2010	Standard Estimate	% Change From Estimated Fiscal Year 2011
Unemployment Insurance Tax	\$ 340.7	-4.0%	\$ 454.9	33.5%	\$ 570.2	25.3%	\$ 628.0	10.1%
Interest on Trust Fund	\$ 28.4	-25.8%	\$ 17.3	-39.1%	\$ 16.2	-6.4%	\$ 24.3	50.0%
Total Revenue	\$ 369.1	-6.2%	\$ 472.2	27.9%	\$ 586.4	24.2%	\$ 652.3	11.2%

**TABLE 4.10**  
**Financial Forecasts Fiscal Years 2009, 2010, 2011, and 2012**  
**Alternate Scenario (Global Insight STAGFLATION)**  
**(Millions of Dollars)**

Revenue Source	Fiscal Year 2009		Fiscal Year 2010		Fiscal Year 2011		Fiscal Year 2012	
	Stagflation Estimate	% Change From Actual Fiscal Year 2008	Stagflation Estimate	% Change From Estimated Fiscal Year 2009	Stagflation Estimate	% Change From Estimated Fiscal Year 2010	Stagflation Estimate	% Change From Estimated Fiscal Year 2011
Unemployment Insurance Tax	\$ 338.6	-4.6%	\$ 458.5	35.4%	\$ 580.6	26.6%	\$ 661.5	13.9%
Interest on Trust Fund	\$ 28.0	-26.9%	\$ 14.7	-47.5%	\$ 10.8	-26.5%	\$ 17.1	58.3%
Total Revenue	\$ 366.6	-6.8%	\$ 473.2	29.1%	\$ 591.4	25.0%	\$ 678.6	14.7%