



# **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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**GOVERNOR'S CONFIDENTIAL WORKING PAPERS**

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## *Introduction*

A little less than one year ago the economic downturn was accelerating, with the housing crash and financial crisis spreading to the broader economy. Job losses were mounting, placing additional stress on consumers who were already facing higher food and energy prices, tighter credit, and reduced wealth. While economic forecasts at the time included a recession, the contraction became much deeper than anticipated. With recent positive developments in the economy, most analysts consider it to be in recovery, albeit a sluggish one. The economy's prospects are still uncertain, with the risks to growth decidedly on the downside.

Due to the underperformance of revenue collections and continued economic uncertainty, the Governor ordered the Secretary of Finance in mid-June to produce interim economic and revenue forecasts, which were released in August. The economic forecast that best represented deliberations of the Governor's Advisory Board of Economists (GABE) and Governor's Advisory Council on Revenue Estimates (GACRE) was the June 2009 pessimistic alternative forecast from Global Insight. The interim economic outlook incorporated a more severe recession and later economic recovery than had been projected in the November 2008 forecast. As a result, total general fund revenues for fiscal year 2010 were reduced by \$1.2 billion in the August interim revenue forecast.

The GABE met in October to review Global Insight's September standard and pessimistic alternative forecasts, along with Economy.com's August standard forecast. The members were about evenly split between Global Insight's standard and alternative forecasts. The October standard forecast discussed in this book is very similar to the September standard considered by the GABE, while the October alternative scenario is somewhat more pessimistic than the September alternative forecast. The October standard economic outlook for the U.S. and Virginia supports the interim economic forecast for fiscal year 2010. While economic activity as measured by real GDP is significantly stronger, revenue model drivers such as employment and income are similar to interim estimates.

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 November standard forecast, total general fund revenues have been reduced an additional \$229.8 million in fiscal year 2010. Total general fund revenues are expected to fall 3.3 percent from fiscal year 2009.

Section 1 of this book contains a review of the national economic performance during fiscal year 2009. Following this review, summaries of Global Insight's October standard and alternative national outlooks are presented.

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Section 2 contains a review of Virginia's economic performance during fiscal year 2009. This is followed by a summary of the standard forecast developed by the Department of Taxation using the Global Insight November standard national forecast. The section closes with discussion of the alternative forecast for the Virginia economy.

Section 3 addresses fiscal year 2009 collections of general fund tax revenues and the November 2009 standard and alternative general fund revenue forecasts. Section 4 discusses nongeneral fund revenue collections and forecasts.

Historical and forecast economic data are contained in Appendix A. Historical general fund revenue data are contained 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 2009 compared with the official forecast, the November 2008 standard forecast provided by Global Insight and approved by the GABE and the GACRE. Following this review, two economic forecasts are presented for consideration: Global Insight's October 2009 standard forecast and the pessimistic alternative scenario.

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 2007 through fiscal year 2009. 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 1992 through fiscal year 2012.

### **Review of Fiscal Year 2009**

At the time of Global Insight's November 2008 standard forecast, the economic downturn was accelerating, with the housing crash and financial crisis spreading to the broader economy. Job losses were mounting. Consumer spending was constrained by the weak labor market, high energy and food prices, tighter credit, and lower stock market wealth. Although the forecast predicted a recession, the downturn became much deeper than anticipated.

Following is a summary of key assumptions included in Global Insight's November 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 2009.

- Real GDP fell 2.2 percent for the fiscal year, compared with the forecast of a 0.4 percent decline.
- Total nonagricultural employment fell 2.3 percent, more than twice the 1.0 percent drop predicted in the forecast. Manufacturing, construction, financial activities, and professional and business services experienced the greatest deterioration from the prior year and the greatest variance from forecast. With the exception of government, job growth in all sectors finished the year behind their respective forecasts.

## U.S. ECONOMY

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Table 1.1 - Fiscal Year 2009 U.S. Forecast Performance

	Forecast	Actual	Actual Minus Forecast
<u>Output, Income, and Spending (% Change)</u>			
Real GDP	(0.4)	(2.2)	(1.8)
Total Personal Income	3.1	(0.1)	(3.2)
Wages and Salaries (53%)	2.4	(1.3)	(3.7)
Average Wage	3.4	1.0	(2.4)
Real Consumer Spending	(0.7)	(1.4)	(0.7)
<u>Employment and Labor Markets (% Change)</u>			
Total Nonagricultural Employment	(1.0)	(2.3)	(1.3)
Construction (5%)	(5.8)	(9.6)	(3.8)
Manufacturing (10%)	(4.8)	(7.2)	(2.4)
Trade, Transportation, and Utilities (19%)	(2.2)	(3.1)	(0.9)
Information (2%)	(2.8)	(3.0)	(0.2)
Financial Activities (6%)	(1.4)	(3.2)	(1.8)
Professional and Business Services (13%)	(2.1)	(4.0)	(1.9)
Education and Health Services (14%)	3.0	2.6	(0.4)
Leisure and Hospitality (10%)	0.0	(1.5)	(1.5)
Other Services (4%)	1.5	(0.8)	(2.3)
Government (17%)	0.8	0.9	0.1
Unemployment Rate (%)	6.8	7.6	0.8
<u>Interest Rates (% Change)</u>			
3-Month Treasury Bills	0.9	0.6	(0.3)
30-Year Treasury Bonds	4.2	3.9	(0.3)
<u>Prices (% Change)</u>			
CPI	1.6	1.4	(0.2)
GDP Deflator	2.5	2.0	(0.5)

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

- Total personal income was essentially flat with the prior year level in fiscal year 2009 compared with the forecast of 3.1 percent growth. Similarly, wages and salaries fell 1.3 percent, 3.7 percentage points behind the forecast of 2.4 percent growth.
- Real consumer spending fell 1.4 percent in fiscal year 2009, lagging the forecast of a 0.7 percent decline.
- The actual increase in the CPI of 1.4 percent was close to expectations of 1.6 percent growth, while the GDP deflator increased 2.0 percent -- 0.5 percentage point lower than the predicted growth rate.

- Global Insight expected the Fed to trim the federal funds rate from 1.0 percent to 0.5 percent and hold it there throughout 2009. In December 2008, the Fed established a target range for the federal funds rate of 0.0 to 0.25 percent, where it remains. In addition, to provide greater support to mortgage lending and housing markets, the Fed engaged in various forms of easing credit, expanded its lending facilities, and provided guarantees on troubled assets.

### **The Global Insight U.S. Standard Forecast for Fiscal Years 2010 - 2012**

Due to the underperformance of revenue collections and continued economic uncertainty, the Governor ordered the Secretary of Finance in mid-June to produce interim economic and revenue forecasts, which were released in August. The economic forecast that best represented deliberations of the GABE and GACRE was the June 2009 pessimistic alternative forecast from Global Insight. Tables 1.2 and 1.3 compare this interim forecast with two other forecasts: Global Insight's October 2009 standard and pessimistic alternative forecasts.

At its October meeting, the GABE was presented with Global Insight's September standard and pessimistic alternative forecasts, along with Economy.com's August standard forecast. The members were about evenly split, with five choosing the Global Insight standard, five choosing the pessimistic alternative scenario, and one choosing an economic path somewhere in between. The October standard forecast discussed in this section is very similar to the September standard considered by the GABE, while the October pessimistic alternative is somewhat more pessimistic than the September alternative forecast. The October standard forecast is assigned a 60 percent probability of occurring.

According to Global Insight, the economy is recovering, having probably hit bottom in June. The ISM manufacturing index has risen above the expansionary 50 mark, home sales have improved and prices are stabilizing. Business equipment spending and exports are improving. However, with continuing job losses and tight credit impeding consumer spending, the recovery is expected to be slow and uneven.

The October 2009 standard forecast is substantially stronger than the June interim forecast. Following a decline of 0.7 percent in the second quarter, Global Insight expected real GDP growth to bounce back to 3.6 percent in the third quarter of this year (BEA's advance estimate was 3.5 percent), and then moderate to 1.8 percent in the first quarter of 2010. Real GDP is projected to grow 0.4 percent in fiscal year 2010, 2.3 percent in fiscal year 2011, and 3.5 percent in 2012 -- substantially higher than the interim forecast of a 3.0 percent decline in fiscal year 2010 and 1.0 percent and 2.9 percent growth in fiscal years 2011 and 2012.



## **U.S. ECONOMY**

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In its October forecast, Global Insight paints a less bleak picture of the job market than the interim forecast, although it is far from rosy. Payroll employment is expected to decline by 2.9 percent in fiscal year 2010, compared with the interim estimate of a 3.5 percent decline. While the interim forecast expected job losses to continue in fiscal year 2011, the October forecast expects growth of 1.0 percent, followed by 2.3 percent growth in fiscal year 2012. In the October forecast, the unemployment rate rises to 9.9 percent in fiscal year 2010, stays relatively flat at 9.7 percent in fiscal year 2011, and then falls to 9.0 percent in fiscal year 2012.

Consumers rebound more quickly in the October forecast. Real consumer spending is expected to grow 0.7 percent in fiscal year 2010, 2.2 percent in fiscal year 2011, and 2.4 percent in fiscal year 2012, significantly stronger than the interim forecast of a 0.7 percent decline in fiscal year 2010 and 0.8 and 0.5 percent growth in fiscal years 2011 and 2012.

Total personal income is expected to fall by 0.2 percent in fiscal year 2010, up from the interim forecast of a 0.9 percent decline. Income growth then picks up to 3.8 percent in fiscal year 2011 and 4.6 percent in fiscal year 2012. The largest component of personal income, wages and salaries, is expected to fall 2.1 percent in fiscal year 2010, compared with a 1.9 percent decline in the interim forecast. Growth of 3.5 percent and 4.4 percent is higher than the interim forecast over the following two fiscal years.

With little risk of inflation, the Fed is expected to keep the current federal funds target range of 0.0 percent to 0.25 percent through 2009, then begin to tighten in the third quarter of 2010.

### **Global Insight Pessimistic Alternative Forecast**

The October pessimistic alternative forecast (assigned a 20 percent probability) assumes that the cash for clunkers and first-time homebuyers' tax credit programs boost the economy in the second half, but lower consumer spending, weaker business investment, slower foreign growth, and weak productivity growth derail the advance.

This scenario assumes that the financial crisis worsens and continues into 2010. This recession is W-shaped and lasts 11 quarters. Credit markets remain tight, domestic spending contracts and the housing market falls further. Real GDP contracts 0.7 percent in 2010, then expands 0.3 percent in fiscal year 2011 and 2.6 percent in 2012. Employment and personal income growth are close to the June interim forecast. Growth in wages and salaries is even weaker than the June interim forecast.

**Table 1.2 - Fiscal Years 2007-2012 Interim and October 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>
<b>Output, Income, and Spending (% Change)</b>							
Real GDP	Interim (Jun '09)	2.0	2.4	(1.7)	(3.0)	1.0	2.9
	Oct Standard		2.2	(2.2)	0.4	2.3	3.5
	Oct Pessimistic				(0.7)	0.3	2.6
Total Personal Income	Interim (Jun '09)	6.5	5.3	1.6	(0.9)	1.3	4.4
	Oct Standard	6.5	4.5	(0.1)	(0.2)	3.8	4.6
	Oct Pessimistic				(0.8)	2.0	4.0
Wages and Salaries (53%)	Interim (Jun '09)	5.8	4.4	0.7	(1.9)	0.9	3.6
	Oct Standard	6.1	4.0	(1.3)	(2.1)	3.5	4.4
	Oct Pessimistic				(2.6)	1.8	3.6
Average Wage	Interim (Jun '09)	4.3	3.8	3.1	1.6	1.5	2.0
	Oct Standard	4.5	3.4	1.0	0.9	2.5	2.0
	Oct Pessimistic				0.8	2.2	2.0
Real Consumer Spending	Interim (Jun '09)	3.0	1.9	(1.3)	(0.7)	0.8	0.5
	Oct Standard		1.5	(1.4)	0.7	2.2	2.4
	Oct Pessimistic				0.2	0.5	0.7
<b>Interest Rates (%)</b>							
3-Month Treasury Bills	Interim (Jun '09)	4.9	2.9	0.6	0.3	1.1	3.9
	Oct Standard				0.2	1.2	2.9
	Oct Pessimistic				0.2	1.1	3.9
30-Year Treasury Bonds	Interim (Jun '09)	4.9	4.6	3.9	4.2	4.4	5.7
	Oct Standard				4.2	4.4	4.7
	Oct Pessimistic				4.0	4.3	5.6
<b>Prices (% Change)</b>							
CPI	Interim (Jun '09)	2.6	3.7	1.4	(0.9)	2.3	4.0
	Oct Standard				0.7	1.6	2.3
	Oct Pessimistic				0.2	1.9	3.6
GDP Deflator	Interim (Jun '09)	2.9	2.3	2.2	0.8	1.0	1.8
	Oct Standard				0.9	1.4	1.5
	Oct Pessimistic				1.0	1.3	1.9

The Interim forecast is Global Insight's June 2009 U.S. pessimistic alternative scenario.

The Oct Standard forecast is Global Insight's October 2009 U.S. standard forecast.

The Oct Pessimistic forecast is Global Insight's October 2009 U.S. pessimistic alternative scenario.

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**Table 1.3 - Fiscal Years 2007-2012 Interim and October Forecasts**  
U.S. Economic Forecasts - Employment and Labor Markets

		FY07	FY08	FY09	FY10	FY11	FY12
Employment and Labor Markets (% Change)							
Total Nonagricultural Employment	Interim (Jun '09)	1.4	0.6	(2.3)	(3.5)	(0.6)	1.6
	Oct Standard			(2.3)	(2.9)	1.0	2.3
	Oct Pessimistic				(3.3)	(0.3)	1.5
Construction (5%)	Interim (Jun '09)	1.7	(2.9)	(9.7)	(15.1)	(10.0)	2.4
	Oct Standard			(9.6)	(13.4)	(4.6)	5.2
	Oct Pessimistic				(13.7)	(7.7)	1.3
Manufacturing (10%)	Interim (Jun '09)	(1.2)	(2.3)	(7.2)	(13.4)	(6.2)	4.6
	Oct Standard			(7.2)	(9.0)	(1.4)	3.5
	Oct Pessimistic				(10.6)	(3.8)	3.9
Trade, Transportation, and Utilities (19%)	Interim (Jun '09)	1.2	0.6	(3.1)	(3.8)	(0.5)	(0.1)
	Oct Standard			(3.1)	(3.2)	0.7	1.9
	Oct Pessimistic				(3.7)	(0.9)	0.8
Financial Activities (6%)	Interim (Jun '09)	1.0	(1.2)	(3.2)	(3.5)	(1.9)	1.0
	Oct Standard			(3.2)	(4.0)	(0.4)	2.4
	Oct Pessimistic				(4.3)	(1.4)	0.9
Professional and Business Services (13%)	Interim (Jun '09)	3.0	1.0	(4.0)	(5.7)	3.2	8.4
	Oct Standard			(4.0)	(3.1)	5.8	6.7
	Oct Pessimistic				(4.1)	2.4	6.4
Education and Health Services (14%)	Interim (Jun '09)	2.6	3.0	2.6	3.1	4.2	1.5
	Oct Standard			2.6	1.9	3.2	2.2
	Oct Pessimistic				2.1	3.7	2.0
Leisure and Hospitality (10%)	Interim (Jun '09)	2.6	1.6	(1.4)	(0.2)	(1.0)	(1.4)
	Oct Standard			(1.5)	(0.8)	1.6	0.3
	Oct Pessimistic				(0.2)	1.7	(0.5)
Government (17%)	Interim (Jun '09)	1.0	1.2	0.8	(0.9)	(2.7)	(0.7)
	Oct Standard			0.9	(0.4)	(1.0)	0.1
	Oct Pessimistic				(0.7)	(2.4)	(0.5)
Unemployment Rate (%)	Interim (Jun '09)	4.5	5.0	7.6	10.7	11.4	10.8
	Oct Standard			7.6	9.9	9.7	9.0
	Oct Pessimistic				10.1	10.7	10.4

The Interim forecast is Global Insight's June 2009 U.S. pessimistic alternative scenario.

The Oct Standard forecast is Global Insight's October 2009 U.S. standard forecast.

The Oct Pessimistic forecast is Global Insight's October 2009 U.S. pessimistic alternative scenario.

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

## **Section 2**

### **The Virginia Economy**

#### **Introduction**

This section begins with a review of fiscal year 2009, comparing actual economic results in Virginia to the official forecast for the year. The official forecast for fiscal year 2009 was based on the November 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 and the GACRE. Following this review, the October standard and pessimistic alternative forecasts are presented.

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 2007 through fiscal year 2009. 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 1992 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 2008 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.

The forecast incorporates revised state personal income data released by the Bureau of Economic Analysis (BEA) on October 16, 2009. The release included significant downward revisions, especially for fiscal year 2009, offering a much different view of Virginia's recent economic performance than was presented to the GABE. However, the downward revisions were expected given the recent performance of withholding and sales tax collections, the two general fund revenue sources that most closely correspond to current economic activity in the Commonwealth.

## VIRGINIA ECONOMY

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**Table 2.1 - Fiscal Year 2009 Virginia Forecast Performance**

	Forecast	Actual	Actual Minus Forecast
<u>Income (% Change)</u>			
Total Personal Income	2.1	1.1	(1.0)
Wages and Salaries (56%)	2.6	0.7	(1.9)
Average Wage	3.2	2.0	(1.2)
Dividends, Interest, and Rent (17%)	1.0	(2.3)	(3.3)
Supplements to Wages and Salaries (14%)	3.0	4.1	1.1
Proprietor's Income (6%)	(0.7)	(3.8)	(3.1)
Net Transfer Payments (4%)	3.1	28.3	25.2
<u>Employment and Labor Markets (% Change)</u>			
Total Nonagricultural Employment	(0.6)	(1.3)	(0.7)
Construction and Mining (6%)	(3.5)	(10.1)	(6.6)
Manufacturing (7%)	(4.7)	(6.3)	(1.6)
Trade, Transportation, and Utilities (18%)	(2.5)	(2.0)	0.5
Information (2%)	(1.2)	(5.2)	(4.0)
Financial Activities (5%)	(1.8)	(4.0)	(2.2)
Professional and Business Services (17%)	2.2	(1.0)	(3.2)
Education and Health Services (12%)	2.8	4.8	2.0
Leisure and Hospitality (9%)	(0.1)	(0.3)	(0.2)
Other Services (5%)	2.9	(3.6)	(6.5)
Government (19%)	(1.6)	1.6	3.2
Unemployment Rate (%)	4.7	5.5	0.8

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

### **Review of Fiscal Year 2009**

In the official forecast, the Virginia economy was expected to contract slightly in fiscal year 2009, with the downturn in housing and its broad impact on other sectors of the economy resulting in job losses and weak income growth. The economy was expected to stagnate in fiscal year 2010, with growth in employment and income remaining below trend rates through fiscal year 2012. Overall, annual growth in key indicators was projected to follow a U-shape over the forecast horizon, with fiscal year 2009 the low point for employment and income.

Following is a review of key assumptions included in the November 2008 official forecast compared with the actual performance. Table 2.1 compares the official forecast and actual results for fiscal year 2009.

### Income

Prior to BEA's revision to state income data, Virginia's income statistics were somewhat better than forecast. The October release indicated that Virginia's major income variables actually trailed projected growth in fiscal year 2009. Total personal income increased 1.1 percent – a full percentage point below the forecast. Income from wages and salaries, which accounts for close to sixty percent of total personal income, grew 0.7 percent, almost two percentage points below the forecast of a 2.6 percent increase. Average wage growth of 2.0 percent was 1.2 percentage points below the forecast. Dividends, interest, and rental income fell 2.3 percent – well below projection – while net transfer payments rose 28.3 percent compared with the forecast of 3.1 percent growth.

### Employment

Although modest job losses were expected, payroll employment fell much further than anticipated in fiscal year 2009. Employment fell 1.3 percent from the prior year, 0.7 percent below the annual forecast of a 0.6 percent decline. Total nonagricultural employment fell by 49,600 jobs – more than twice as many jobs as anticipated in the official forecast. Seven out of ten major employment sectors fell short of forecast.

In terms of the number of jobs, the largest variance was in the government sector, which was expected to lose 11,200 jobs, but instead gained 10,900. Professional and business services, typically the driver of growth, was expected to add 14,700 jobs in fiscal year 2009, but declined by 6,300. The construction sector experienced the largest employment loss, shedding 24,600 jobs, nearly triple the projected loss.

The three major metropolitan areas all lost more jobs than expected in fiscal year 2009. 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 fell by 0.5 percent (6,400 jobs) compared with the forecast of a 0.9 percent increase. The housing slowdown hit Northern Virginia hard again in fiscal year 2009, with the construction sector shedding 9,700 jobs for the year, about the same amount as were lost last year and far ahead of the projected loss of 3,600 jobs. Professional and business services grew much more slowly than anticipated. Government, trade, education and health services, and leisure and hospitality services all posted larger than expected gains.

The Norfolk-Virginia Beach-Newport News MSA (20 percent of state employment) also experienced a job loss of 2.0 percent, or 15,800 jobs, in fiscal year 2009, compared to the forecast of a 0.1 percent decline. As in the other regions, construction losses were underestimated in the forecast. It was projected that 1,500 construction jobs would be lost, but the actual number was 4,100. Similar to Northern Virginia, professional and business services was expected to grow, but employment in that sector declined. Employment in the tourism industry, long a staple of the area economy, was expected to remain relatively flat, but declined by 2.9 percent.

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Employment in the Richmond-Petersburg MSA (17 percent of state employment) fell 2.0 percent (12,400 jobs) in fiscal year 2009, close to the forecast of a 1.7 percent decline. The construction sector accounted for half of the loss (6,500 jobs) -- 5,100 more than expected. The financial activities sector and professional and business services both experienced larger losses than expected. Education and health services, projected to decline modestly, gained 6,000 jobs.

Outside of the three major metro areas, the remainder of the state (28 percent of state employment) shed 15,000 jobs in fiscal year 2009, less than the forecast of 23,300. Losses in construction and professional business services were larger than anticipated. Government employment, projected to fall by 7,600 jobs actually gained 4,600.

### Housing

The depression in housing continued to adversely affect Virginia's economic performance in fiscal year 2009. Based on data from the Virginia Association of Realtors (VAR), home sales in Virginia declined 2.3 percent in fiscal year 2009, the fourth consecutive annual decline. Sales volume for the year was down to 1998 levels. Volumes statewide have been suggesting a bottom; however, this is a phenomenon driven primarily by Northern Virginia, and more specifically Prince William County, where drastic price declines have fueled a surge in sales activity. As of the second quarter of 2009, the average sale price in Northern Virginia was down over \$150,000 from the peak of \$525,000 reached in the fourth quarter of 2005. Sales activity in Hampton Roads and Richmond declined at a double-digit rate for the third consecutive year in fiscal year 2009. For the state as a whole, housing prices extended their streak of consecutive quarterly declines to six, with all three major regions declining at nearly a double-digit rate during the second quarter of 2009. Overall, the average sale price in Virginia declined 12.3 percent in fiscal year 2009 and is now at its lowest level since mid-2004.

### **The October Standard Forecast for Fiscal Years 2010-2012**

Due to the underperformance of revenue collections and continued economic uncertainty, the Governor ordered the Secretary of Finance in mid-June to produce interim economic and revenue forecasts, which were released in August. The economic forecast that best represented deliberations of the GABE and GACRE was the June 2009 pessimistic alternative forecast. Tables 2.2 and 2.3 compare this interim forecast with two other forecasts: the October 2009 standard and pessimistic alternative forecasts.

In the interim forecast, the U-shaped growth path for the Virginia economy became longer and deeper, with annual growth in employment and income reaching a low point in fiscal year 2010. Annual employment growth was not expected to turn positive until fiscal year 2012. In the October 2009 standard forecast, the economy begins recovery earlier and grows a bit faster than in the interim forecast.



According to the October standard forecast, after declining 1.3 percent in fiscal year 2009, total nonagricultural employment is expected to fall 2.3 percent (85,300 jobs) in fiscal year 2010, close to the interim forecast. Further losses are expected in most major sectors, with positive growth in education and health services, leisure and hospitality services, and government. Employment growth turns positive in fiscal year 2011, growing 1.1 percent, followed by 2.1 percent growth in fiscal year 2012. This compares with a 0.4 percent decline in fiscal year 2011 and a 0.9 percent increase in fiscal year 2012 in the interim forecast.

The October standard forecast anticipates an unemployment rate of 7.3 percent in fiscal year 2010, the same as the standard. In fiscal years 2011 and 2012, however, it is expected to fall to 6.9 percent and 6.1 percent, respectively. The interim forecast had assumed the unemployment rate would rise to 7.7 percent in fiscal year 2011 and fall back to 7.2 percent in fiscal year 2012.

Total personal income growth is stronger than the interim forecast over the next two fiscal years, primarily due to stronger growth in supplements to wages and salaries and net transfer payments. Income from wages and salaries in the October forecast grows much more slowly than the interim forecast, 0.4 percent in fiscal year 2010, compared with 1.0 percent in the interim forecast. In fiscal year 2011, wages and salaries was revised up to 3.0 percent growth, twice the rate of growth in the interim estimate. Estimates for dividends, interest, and rental income and proprietor's income have been updated to reflect the projected performance of financial markets.

### **Global Insight Pessimistic Alternative Forecast**

In the Virginia pessimistic alternative forecast, a deeper housing recession, worse conditions in financial markets, and constrained consumer spending result in a more protracted economic slowdown in Virginia. Both employment and income growth are slightly below the October standard in fiscal year 2010 and a full percentage point lower in fiscal year 2011.

## VIRGINIA ECONOMY

**Table 2.2 - Fiscal Years 2007-2012 Interim and October 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>
Employment and Labor Markets (% Change)							
Total Nonagricultural Employment	Interim (Jun '09)	1.2	0.6	(1.4)	(2.1)	(0.4)	0.9
	Oct Standard		0.5	(1.3)	(2.3)	1.1	2.1
	Oct Pessimistic				(2.6)	(0.0)	1.2
Construction and Mining (6%)	Interim (Jun '09)	(1.6)	(4.9)	(10.2)	(11.3)	(5.8)	(0.5)
	Oct Standard		(5.0)	(10.1)	(11.9)	(5.1)	5.4
	Oct Pessimistic				(12.3)	(8.5)	1.2
Manufacturing (7%)	Interim (Jun '09)	(3.4)	(4.0)	(6.2)	(10.5)	(4.6)	3.9
	Oct Standard		(4.0)	(6.3)	(9.7)	(1.7)	4.0
	Oct Pessimistic				(11.5)	(4.3)	4.4
Trade, Transportation, and Utilities (18%)	Interim (Jun '09)	0.6	0.1	(2.7)	(3.8)	(1.2)	(0.5)
	Oct Standard		0.1	(2.0)	(2.5)	0.5	1.1
	Oct Pessimistic				(2.9)	(0.8)	0.4
Financial Activities (5%)	Interim (Jun '09)	0.6	(2.0)	(2.1)	(2.6)	(1.3)	0.7
	Oct Standard		(2.2)	(4.0)	(4.5)	(0.6)	3.4
	Oct Pessimistic				(5.0)	(2.0)	1.3
Professional and Business Services (17%)	Interim (Jun '09)	3.1	2.4	(0.8)	(3.9)	1.8	4.6
	Oct Standard		2.2	(1.0)	(2.8)	4.3	5.9
	Oct Pessimistic				(3.4)	1.5	5.0
Education and Health Services (12%)	Interim (Jun '09)	3.1	4.4	2.8	3.1	4.2	2.4
	Oct Standard		4.6	4.8	1.5	2.3	2.4
	Oct Pessimistic				1.8	2.8	2.2
Leisure and Hospitality (9%)	Interim (Jun '09)	2.4	1.8	(1.5)	(0.7)	(1.8)	(1.2)
	Oct Standard		1.7	(0.3)	1.2	1.3	0.2
	Oct Pessimistic				1.7	1.4	(0.4)
Government (19%)	Interim (Jun '09)	1.6	1.2	1.7	1.3	(1.0)	(0.2)
	Oct Standard		1.2	1.6	0.8	0.6	(1.0)
	Oct Pessimistic				0.7	0.4	(0.9)
Unemployment Rate (%)	Interim (Jun '09)	2.9	3.4	5.5	7.3	7.7	7.2
	Oct Standard		3.4	5.5	7.3	6.9	6.1
	Oct Pessimistic				7.5	7.7	7.3

The Interim forecast from the Department of Taxation is based on Global Insight's June 2009 U.S. pessimistic alternative scenario.

The Oct Standard forecast from the Department of Taxation is based on Global Insight's October 2009 U.S. standard forecast.

The Oct Pessimistic forecast from the Department of Taxation is based on Global Insight's October 2009 U.S. pessimistic alternative scenario.

**Table 2.3 - Fiscal Years 2007-2012 Interim and October Forecasts**  
Virginia Economic Forecasts - Income

		FY07	FY08	FY09	FY10	FY11	FY12
Income (% Change)							
Total Personal Income	Interim (Jun '09)	5.5	4.5	2.6	0.5	1.4	4.0
	Oct Standard	6.2	4.5	1.1	1.6	3.0	3.7
	Oct Pessimistic				1.3	2.0	3.4
Wages and Salaries (56%)	Interim (Jun '09)	5.1	4.4	2.8	1.0	1.5	3.4
	Oct Standard	5.2	3.9	0.7	0.4	3.0	3.7
	Oct Pessimistic				0.1	2.0	2.9
Average Wage	Interim (Jun '09)	3.8	3.8	4.3	3.2	1.9	2.5
	Oct Standard	4.0	3.4	2.0	2.7	1.9	1.6
	Oct Pessimistic				2.8	2.0	1.6
Dividends, Interest, and Rent (17%)	Interim (Jun '09)	8.8	3.6	(2.9)	(2.6)	0.2	8.3
	Oct Standard	12.5	6.2	(2.3)	(0.5)	2.7	5.1
	Oct Pessimistic				(1.7)	(0.7)	4.6
Supplements to Wages and Salaries (14%)	Interim (Jun '09)	3.8	4.1	4.8	3.2	2.7	3.7
	Oct Standard	4.1	3.5	4.1	5.5	4.3	5.4
	Oct Pessimistic				5.7	4.3	4.9
Proprietor's Income (6%)	Interim (Jun '09)	(0.5)	1.2	(0.9)	(5.6)	(2.0)	(9.2)
	Oct Standard	(0.9)	(1.9)	(3.8)	0.5	5.2	1.9
	Oct Pessimistic				0.3	4.8	1.4
Net Transfer Payments (4%)	Interim (Jun '09)	23.8	21.2	21.7	8.3	8.2	18.7
	Oct Standard	22.0	26.0	28.3	18.1	(5.8)	(3.6)
	Oct Pessimistic				19.5	(0.2)	4.0

The Interim forecast from the Department of Taxation is based on Global Insight's June 2009 U.S. pessimistic alternative scenario.

The Oct Standard forecast from the Department of Taxation is based on Global Insight's October 2009 U.S. standard forecast.

The Oct Pessimistic forecast from the Department of Taxation is based on Global Insight's October 2009 U.S. pessimistic alternative scenario.

## VIRGINIA ECONOMY

**Table 2.4 - Fiscal Years 2009-2012 October Standard Forecast**  
Virginia Economic Forecast - Regional Employment

		FY09	FY10	FY11	FY12
Region by Sector (% Change)					
Northern Virginia (35%) *	Total Nonagricultural Employment	(0.5)	(1.5)	0.6	1.9
	Construction and Mining (6%) **	(11.7)	(12.5)	(7.4)	7.2
	Trade, Transportation, and Utilities (16%)	(2.3)	(4.6)	(0.7)	1.1
	Financial Activities (5%)	(2.7)	(5.0)	(0.6)	3.5
	Professional and Business Services (27%)	0.9	(1.4)	2.7	4.7
	Education and Health Services (10%)	5.7	1.2	1.8	1.5
	Leisure and Hospitality (9%)	1.7	3.1	1.0	0.2
	Government (17%)	2.6	1.3	(0.7)	(1.2)
Hampton Roads (20%)	Total Nonagricultural Employment	(2.0)	(1.1)	1.8	1.6
	Construction and Mining (6%)	(8.8)	(8.8)	(3.4)	4.0
	Trade, Transportation, and Utilities (18%)	(4.0)	(1.4)	1.0	1.1
	Financial Activities (5%)	(6.4)	(4.3)	(0.6)	3.8
	Professional and Business Services (14%)	(0.4)	(2.9)	6.1	7.1
	Education and Health Services (12%)	2.8	3.4	1.1	2.0
	Leisure and Hospitality (11%)	(2.9)	(1.4)	1.4	0.3
	Government (21%)	0.8	2.3	3.3	(1.5)
Richmond (17%)	Total Nonagricultural Employment	(2.0)	(2.4)	1.5	2.5
	Construction and Mining (6%)	(14.5)	(16.0)	(5.1)	5.9
	Trade, Transportation, and Utilities (19%)	(1.2)	(3.6)	0.7	1.7
	Financial Activities (7%)	(6.7)	(3.0)	(0.5)	2.8
	Professional and Business Services (16%)	(2.8)	(2.1)	4.2	5.2
	Education and Health Services (13%)	7.8	4.9	3.5	4.1
	Leisure and Hospitality (8%)	(1.0)	(1.1)	1.5	0.3
	Government (18%)	(0.6)	2.4	1.7	0.2
Balance (28%)	Total Nonagricultural Employment	(1.4)	(4.2)	1.0	2.2
	Construction and Mining (6%)	(6.1)	(10.8)	(3.6)	4.1
	Trade, Transportation, and Utilities (19%)	(0.8)	(0.4)	1.2	0.7
	Financial Activities (4%)	(0.3)	(5.7)	(0.6)	3.3
	Professional and Business Services (9%)	(6.4)	(8.7)	8.9	9.8
	Education and Health Services (14%)	3.6	(1.2)	2.7	2.5
	Leisure and Hospitality (9%)	0.1	2.3	1.6	0.3
	Government (20%)	2.3	(1.8)	(0.7)	(1.0)

The Oct Standard forecast from the Department of Taxation is based on Global Insight's October 2009 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 2009 in Review**

In fiscal year 2009, total general fund revenues declined 9.2 percent to \$14,315.1 million, falling short of the official forecast (7.3 percent decline) by \$298.8 million. Adjusted for the repeal of the estate tax and transfers to transportation from insurance and recordation per HB 3202, year-to-date collections declined 7.3 percent compared with the forecast of a 5.3 percent decline. Total general fund revenues finished the year at the lowest level since fiscal year 2005. Table 3.1 on the following page compares actual revenue collections for fiscal year 2009 with the official forecast for the year.

Withholding and sales tax collections (83 percent of total general fund revenues), the two revenue sources most closely tied to economic activity in the Commonwealth, finished a combined 0.6 percent below forecast. Withholding tax collections slowed considerably during the second half of the year, reflecting the acceleration in layoff activity. Sales tax collections in the final quarter of fiscal year 2009 declined at the sharpest rate since 1991, driven by accelerated declines in taxable sales related to housing and department stores and slower growth at warehouse clubs, supercenters, and grocery stores. Taken together, the two sources fell short of expectations by \$73.4 million.

The three most volatile revenue sources -- individual nonwithholding, corporate income tax, and wills, suits, deeds, and contracts (primarily recordation tax receipts) -- finished a combined \$58.7 million below forecast, 1.8 percent below the annual forecast for the three sources. Individual nonwithholding and corporate income tax receipts fell short of their forecasts, while recordation tax collections declined less than anticipated. Insurance premiums tax collections were close to expectations.

The major driver of the fiscal year 2009 revenue shortfall was unexpected growth in individual refunds. Individual refunds exceeded the annual estimate by \$162.4 million. Compared to fiscal year 2008, the Department of Taxation issued 28.8 percent more refunds between April and June, with June's total 110.2 percent above the prior year. Taken together, the five major revenue sources finished \$296.9 million below the annual estimate, a forecast variance of 2.1 percent.

Collections of miscellaneous taxes and other revenues were \$1.9 million below the annual estimate, a forecast variance of 0.3 percent. A shortfall in interest income and fines was partially offset by unexpected gains in other minor sources.

# GENERAL FUND REVENUES

**Table 3.1**  
**Fiscal Year 2009 General Fund Collections: Actual and Forecast**  
(Dollars in Millions)

	Fiscal Year 2008		Fiscal Year 2009				% Growth Over FY 08	
	Actual	% Growth	Official Forecast	Actual	Forecast Variance Dollars	Percent	Official	Actual
<b>MAJOR TAX SOURCES</b>								
Corporate Income	\$ 807.9	(8.2) %	\$ 685.0	\$ 648.0	\$ (37.0)	(5.4) %	(15.2) %	(19.8) %
Individual Income Tax:								
Gross	11,794.7	3.9	11,502.3	11,448.5	(53.8)	(0.5)	(2.5)	(2.9)
Withholding	8,933.6	4.3	9,154.0	9,138.1	(15.9)	(0.2)	2.5	2.3
Nonwithholding	2,861.2	2.8	2,348.3	2,310.4	(37.9)	(1.6)	(17.9)	(19.2)
Refunds	(1,679.9)	7.7	(1,805.0)	(1,967.4)	(162.4)	9.0	7.4	17.1
Net	10,114.8	3.3	9,697.3	9,481.1	(216.2)	(2.2)	(4.1)	(6.3)
Insurance Company Premiums	396.9	3.1	257.5	255.0	(2.5)	(1.0)	(35.1)	(35.7)
State Sales & Use Tax	3,075.5	0.9	2,960.9	2,903.4	(57.5)	(1.9)	(3.7)	(5.6)
Wills, Suits, Deeds, & Contract Fees	456.3	(21.7)	298.1	314.3	16.2	5.4	(34.7)	(31.1)
<b>Total Major Tax Sources</b>	<b>\$ 14,851.4</b>	<b>1.1 %</b>	<b>\$ 13,898.8</b>	<b>\$ 13,601.9</b>	<b>\$ (296.9)</b>	<b>(2.1) %</b>	<b>(6.4) %</b>	<b>(8.4) %</b>
<b>MISCELLANEOUS TAXES AND OTHER REVENUES</b>								
Alcoholic Beverage State Tax	\$ 125.3	5.6 %	\$ 131.0	\$ 129.6	\$ (1.4)	(1.0) %	4.5 %	3.4 %
Bank Franchise Tax	13.8	9.6	13.3	22.5	9.2	68.9	(3.4)	63.1
Beer & Beverage Excise Tax	43.5	0.9	43.9	43.6	(0.3)	(0.7)	0.9	0.2
Corporate Franchise & Charter Fees	47.0	(1.9)	43.2	49.4	6.2	14.4	(8.2)	5.1
Excess & Other Fees from Officers	(24.4)	26.5	(22.0)	(17.1)	4.9	(22.1)	9.7	29.6
Estate & Gifts	153.4	0.3	0.0	6.0	6.0	n/a	(100.0)	(96.1)
Institutional Revenues	7.6	5.9	7.5	6.4	(1.1)	(14.6)	(1.2)	(15.7)
Interest & Rents	189.7	7.6	121.1	104.6	(16.5)	(13.7)	(36.2)	(44.9)
Licenses & Permits	4.6	(4.6)	4.6	4.3	(0.3)	(6.5)	(0.2)	(6.6)
Miscellaneous Taxes and Penalties	222.0	(4.8)	229.8	221.1	(8.7)	(3.8)	3.5	(0.4)
Other Miscellaneous Revenues	36.5	21.4	49.9	51.6	1.7	3.3	36.6	41.2
Public Service GR / Consumption Tax	96.4	9.6	92.8	91.3	(1.5)	(1.6)	(3.7)	(5.2)
<b>Total Misc. Taxes and Other Revenues</b>	<b>\$ 915.5</b>	<b>3.8 %</b>	<b>\$ 715.1</b>	<b>\$ 713.2</b>	<b>\$ (1.9)</b>	<b>(0.3) %</b>	<b>(21.9) %</b>	<b>(22.1) %</b>
<b>TOTAL GF REVENUES</b>	<b>\$ 15,767.0</b>	<b>1.3 %</b>	<b>\$ 14,613.9</b>	<b>\$ 14,315.1</b>	<b>\$ (298.8)</b>	<b>(2.0) %</b>	<b>(7.3) %</b>	<b>(9.2) %</b>
<b>TRANSFERS</b>								
A.B.C. Profits	\$ 36.1	31.0 %	\$ 36.6	\$ 44.1	\$ 7.5	20.5 %	1.4 %	22.2 %
Lottery Proceeds Fund	458.2	5.4	0.0	0.0	0.0	n/a	(100.0)	(100.0)
Sales Tax (0.25%)	226.7	0.7	222.1	213.4	(8.7)	(3.9)	(2.0)	(5.8)
Transfers Per Appropriations Act	91.6	(11.1)	148.2	149.0	0.8	0.5	61.8	62.7
<b>Total Transfers</b>	<b>\$ 812.5</b>	<b>(0.9) %</b>	<b>\$ 406.9</b>	<b>\$ 406.5</b>	<b>\$ (0.4)</b>	<b>(0.1) %</b>	<b>(49.9) %</b>	<b>(50.0) %</b>
<b>TOTAL GENERAL FUND</b>	<b>\$ 16,579.5</b>	<b>1.2 %</b>	<b>\$ 15,020.8</b>	<b>\$ 14,721.6</b>	<b>\$ (299.2)</b>	<b>(2.0) %</b>	<b>(9.4) %</b>	<b>(11.2) %</b>

The Official forecast is based on the November 2008 Global Insight Standard outlook and the corresponding Virginia state forecast developed by the Department of Taxation and incorporates revenue collections data through January and actions of the 2009 General Assembly. HB 3202 (2007 Acts of Assembly -- Chapter 896) required 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.

Table 3.2 provides an evolutionary perspective of the fiscal year 2009 forecast, used by the Governor and General Assembly, in terms of their variance from actual collections. The variance ranged from 13.8 percent in the December 2007 forecast to 2.0 percent in the April 2009 forecast.

## GENERAL FUND REVENUES

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

	April 8 2009 <u>Official</u>		December 17 2008 <u>Introduced</u>		April 23 2008 <u>Official</u>		December 17 2007 <u>Introduced</u>
<b>Major Tax Sources (95%)</b>							
Corporate Income (5%)	(5.4)	%	(5.4)	%	(8.2)	%	(12.9)
Individual Income (66%)	(2.2)		(5.6)		(12.0)		(14.5)
Insurance Company Premiums (2%)	(1.0)		(1.0)		(13.5)		(10.3)
State Sales & Use Tax (20%)	(1.9)		(3.6)		(10.0)		(12.0)
Wills, Suits, Deeds & Contracts (2%)	5.4		5.4		(17.5)		(30.1)
<b>Total Major Tax Sources</b>	(2.1)	%	(4.9)	%	(11.6)	%	(14.3)
<b>Miscellaneous Taxes &amp; Other Revenues (5%)</b>	(0.3)	%	(0.7)	%	1.1	%	(4.5)
<b>Total Revenues</b>	(2.0)	%	(4.7)	%	(11.0)	%	(13.8)

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

The April 8, 2009 Official forecast is based on the November 2008 Global Insight Standard outlook and the corresponding Virginia state forecast developed by the Department of Taxation and reflects actions of the 2009 General Assembly, Chapter 781.

The December 17, 2008 Introduced forecast is based on the November 2008 Global Insight Standard outlook and the corresponding Virginia state forecast developed by the Department of Taxation and accompanied the Governor's Budget Bill.

The April 23, 2008 Official 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, Chapter 879.

The December 17, 2007 Introduced 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 August Interim General Fund Forecast for Fiscal Years 2010 through 2012**

Due to the underperformance of revenue collections and continued economic uncertainty, the Governor ordered the Secretary of Finance in mid-June to conduct a reforecast of revenues. As part of the reestimation process, the Governor's Advisory Board of Economists (GABE) met July 14, 2009 to discuss the economic outlook for fiscal year 2010 and the next biennium. Recommendations from the Board, primarily downward adjustments to employment and income growth over the next three fiscal years, were incorporated into the Global Insight June 2009 standard economic outlook. The June 2009 GABE economic forecast and associated revenue forecast were presented to the Governor's Advisory Council on Revenue Estimates (GACRE) on August 5, 2009. The GACRE was more pessimistic than the baseline scenario. As a result, the interim revenue forecast relied on a blend of the standard and pessimistic outlooks. However, over 80% of general fund revenues (withholding, sales, and corporate income tax) were based on the pessimistic alternative scenario. Governor Kaine released the interim revenue forecast on August 19, 2009, announcing reductions of \$1.2 billion for fiscal year 2010.



## **GENERAL FUND REVENUES**

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### **The November Standard General Fund Forecast for Fiscal Years 2010 through 2012**

Table 3.3 on the following pages provides a comparison of the November 2009 standard revenue forecast for fiscal year 2010 with the August interim revenue forecast and the outlook for the next biennium. In the November standard forecast, total general fund revenues have been reduced an additional \$229.8 million in fiscal year 2010. Total general fund revenues are expected to fall 3.3 percent from fiscal year 2009. Combined with the 9.2 percent decline in fiscal year 2009, total general fund revenues are projected to experience a two-year contraction of 12.2 percent, with fiscal year 2010 collections at the lowest level since fiscal year 2005. Revenues are projected to recover over fiscal years 2011 and 2012, with annual growth averaging 4.4 percent. However, even with this modest recovery, total general fund revenues in fiscal year 2012 are expected to be below fiscal year 2007 levels.

The November standard forecast is based on the October economic outlook and revenue collections through the first four months of fiscal year 2010. As expected, most major revenue sources were below year-ago levels through the first third of the year. However, the largest component of general fund revenues, individual income tax withholding, was significantly behind expectations. Collections of withholding tax declined 3.9 percent through October, reflecting the acceleration in layoff activity and stagnant wage conditions in the Commonwealth. Combined with the reduced outlook for wages and salaries, withholding has been reduced \$178.4 million from the interim forecast. Individual refunds, another component of net individual income tax, have continued to outpace expectations. Activity through October, reflecting primarily high-income extension returns, illustrates the magnitude of the financial crisis last October. The outlook for individual refunds has been increased \$45.3 million to reflect current trends.

Outside of withholding and refunds, model results, year-to-date collection trends, and recent economic indicators are mixed as it relates to other major revenue sources. Consumer confidence, financial markets, and corporate profitability have all improved since the interim forecast was completed. Model results confirmed this point, with small upward revisions to sales tax, individual nonwithholding, and corporate income tax revenues. However, revenue trends through October, while close to expectations, paint an uncertain picture. As a result, the interim forecast for other major revenue sources remains the “best” forecast at this time.

### **Alternative General Fund Revenue Forecast**

Table 3.4 on the following pages provides a comparison of the November pessimistic alternative revenue forecast for fiscal year 2010 with the August interim revenue forecast and the alternative outlook for fiscal years 2011 and 2012. Overall, the deeper economic downturn reduces total general fund revenues for fiscal year 2010 by \$344.5 million, an annual decline from fiscal year 2009 of 4.1 percent. The recovery is much weaker than the standard outlook in fiscal year 2011, with annual growth of 2.5 percent followed by a 5.1 percent increase in fiscal year 2012.

# GENERAL FUND REVENUES

**Table 3.3**  
**The August Interim and November Standard General Fund Forecast for Fiscal Year 2010**  
(Dollars in Millions)

November 23, 2009

	Fiscal Year 2010					2008-2010 Biennium		
	Interim Forecast	November Forecast	Change	% Growth Over FY 09 Interim	% Growth Over FY 09 November	Interim Forecast	November Forecast	Change
<b>MAJOR TAX SOURCES</b>								
Corporate Income	\$ 662.2	\$ 662.2	\$ 0.0	2.2 %	2.2 %	\$ 1,310.2	\$ 1,310.2	\$ 0.0
Individual Income Tax:								
Gross	11,255.2	11,076.8	(178.4)	(1.7)	(3.2)	22,703.7	22,525.3	(178.4)
Withholding	9,331.8	9,153.4	(178.4)	2.1	0.2	18,469.9	18,291.5	(178.4)
Nonwithholding	1,923.4	1,923.4	0.0	(16.8)	(16.8)	4,233.8	4,233.8	0.0
Refunds	(1,944.4)	(1,989.7)	(45.3)	(1.2)	1.1	(3,911.8)	(3,957.1)	(45.3)
Net	9,310.8	9,087.1	(223.7)	(1.8)	(4.2)	18,791.9	18,568.2	(223.7)
Insurance Company Premiums	255.5	255.5	0.0	0.2	0.2	510.5	510.5	0.0
State Sales & Use Tax	2,892.0	2,877.9	(14.1)	(0.4)	(0.9)	5,795.4	5,781.3	(14.1)
Wills, Suits, Deeds, & Contract Fees	284.0	284.0	0.0	(9.6)	(9.6)	598.3	598.3	0.0
<b>Total Major Tax Sources</b>	<b>\$ 13,404.5</b>	<b>\$ 13,166.7</b>	<b>\$ (237.8)</b>	<b>(1.5) %</b>	<b>(3.2) %</b>	<b>\$ 27,006.4</b>	<b>\$ 26,768.6</b>	<b>\$ (237.8)</b>
<b>MISCELLANEOUS TAXES AND OTHER REVENUES</b>								
Alcoholic Beverage State Tax	\$ 136.7	\$ 131.4	\$ (5.3)	5.5 %	1.4 %	\$ 266.3	\$ 261.0	\$ (5.3)
Bank Franchise Tax	13.7	20.0	6.3	(39.0)	(11.0)	36.2	42.5	6.3
Beer & Beverage Excise Tax	44.3	43.4	(0.9)	1.6	(0.5)	87.9	87.0	(0.9)
Corporate Franchise & Charter Fees	44.4	46.2	1.8	(10.1)	(6.5)	93.8	95.6	1.8
Excess & Other Fees from Officers	(15.7)	(8.1)	7.6	8.4	52.8	(32.8)	(25.2)	7.6
Estate & Gifts	0.0	0.0	0.0	n/a	n/a	6.0	6.0	0.0
Institutional Revenues	7.5	5.9	(1.6)	17.2	(7.8)	13.9	12.3	(1.6)
Interest & Rents	101.1	98.1	(3.0)	(3.3)	(6.2)	205.7	202.7	(3.0)
Licenses & Permits	4.6	4.2	(0.4)	7.0	(2.3)	8.9	8.5	(0.4)
Miscellaneous Taxes and Penalties	211.9	213.9	2.0	(4.2)	(3.2)	433.0	435.0	2.0
Other Miscellaneous Revenues	32.5	33.3	0.8	(37.0)	(35.4)	84.1	84.9	0.8
Public Service GR / Consumption Tax	93.9	94.6	0.7	2.8	3.6	185.2	185.9	0.7
<b>Total Misc. Taxes and Other Revenues</b>	<b>\$ 674.9</b>	<b>\$ 682.9</b>	<b>\$ 8.0</b>	<b>(5.4) %</b>	<b>(4.2) %</b>	<b>\$ 1,388.1</b>	<b>\$ 1,396.1</b>	<b>\$ 8.0</b>
<b>TOTAL GF REVENUES</b>	<b>\$ 14,079.4</b>	<b>\$ 13,849.6</b>	<b>\$ (229.8)</b>	<b>(1.6) %</b>	<b>(3.3) %</b>	<b>\$ 28,394.5</b>	<b>\$ 28,164.7</b>	<b>\$ (229.8)</b>
<b>TRANSFERS</b>								
A.B.C. Profits	\$ 37.0	\$ 40.5	\$ 3.5	(16.1) %	(8.2) %	\$ 81.1	\$ 84.6	\$ 3.5
Sales Tax (0.25%)	203.1	204.5	1.4	(4.8)	(4.2)	416.5	417.9	1.4
Transfers Per Appropriations Act	175.2	175.2	0.0	17.6	17.6	324.2	324.2	0.0
<b>Total Transfers</b>	<b>\$ 415.3</b>	<b>\$ 420.2</b>	<b>\$ 4.9</b>	<b>2.2 %</b>	<b>3.4 %</b>	<b>\$ 821.8</b>	<b>\$ 826.7</b>	<b>\$ 4.9</b>
<b>TOTAL GENERAL FUND</b>	<b>\$ 14,494.7</b>	<b>\$ 14,269.8</b>	<b>\$ (224.9)</b>	<b>(1.5) %</b>	<b>(3.1) %</b>	<b>\$ 29,216.3</b>	<b>\$ 28,991.4</b>	<b>\$ (224.9)</b>

The August Interim forecast is based on the June 2009 Global Insight Standard outlook and the corresponding Virginia state forecast developed by the Department of Taxation and reflects recommendations of the GABE and GACRE.

The November Standard forecast is based on the October 2009 Global Insight Standard outlook and the corresponding Virginia state forecast developed by the Department of Taxation.

# GENERAL FUND REVENUES

**Table 3.3**  
**The November Standard General Fund Forecast for Fiscal Years 2011-2012**  
(Dollars in Millions)

November 23, 2009

	Fiscal Year 2011		Fiscal Year 2012		2010-2012 Biennium	
	November Forecast	% Growth Over FY 10	November Forecast	% Growth Over FY 11	November Forecast	% Growth Over 08-10
<b>MAJOR TAX SOURCES</b>						
Corporate Income	\$ 737.4	11.4 %	\$ 813.3	10.3 %	\$ 1,550.7	18.4 %
Individual Income Tax:						
Gross	11,511.7	3.9	11,973.4	4.0	23,485.1	4.3
Withholding	9,404.4	2.7	9,710.6	3.3	19,115.0	4.5
Nonwithholding	2,107.3	9.6	2,262.8	7.4	4,370.1	3.2
Refunds	<u>(1,912.0)</u>	<u>(3.9)</u>	<u>(1,892.0)</u>	<u>(1.0)</u>	<u>(3,804.0)</u>	<u>(3.9)</u>
Net	9,599.7	5.6	10,081.4	5.0	19,681.1	6.0
Insurance Company Premiums	274.4	7.4	292.2	6.5	566.6	11.0
State Sales & Use Tax	2,846.7	(1.1)	2,940.4	3.3	5,787.1	0.1
Wills, Suits, Deeds, & Contract Fees	<u>284.0</u>	<u>0.0</u>	<u>284.0</u>	<u>0.0</u>	<u>568.0</u>	<u>(5.1)</u>
Total Major Tax Sources	\$ 13,742.2	4.4 %	\$ 14,411.3	4.9 %	\$ 28,153.5	5.2 %
<b>MISCELLANEOUS TAXES AND OTHER REVENUES</b>						
Alcoholic Beverage State Tax	\$ 134.6	2.4 %	\$ 137.9	2.5 %	\$ 272.5	4.4 %
Bank Franchise Tax	15.0	(25.0)	10.0	(33.3)	25.0	(41.1)
Beer & Beverage Excise Tax	43.4	0.0	43.4	0.0	86.8	(0.2)
Corporate Franchise & Charter Fees	46.2	0.0	46.2	0.0	92.4	(3.4)
Excess & Other Fees from Officers	(9.5)	(17.3)	(9.5)	0.0	(19.0)	24.7
Estate & Gifts	0.0	n/a	0.0	n/a	0.0	n/a
Institutional Revenues	5.9	0.0	5.9	0.0	11.8	(4.1)
Interest & Rents	73.1	(25.5)	94.4	29.1	167.5	(17.3)
Licenses & Permits	4.2	0.0	4.2	0.0	8.4	(1.2)
Miscellaneous Taxes and Penalties	218.4	2.1	223.5	2.3	441.9	1.6
Other Miscellaneous Revenues	31.8	(4.5)	31.8	0.0	63.6	(25.0)
Public Service GR / Consumption Tax	<u>94.2</u>	<u>(0.4)</u>	<u>94.2</u>	<u>0.0</u>	<u>188.4</u>	<u>1.3</u>
Total Misc. Taxes and Other Revenues	\$ 657.3	(3.7) %	\$ 682.0	3.8 %	\$ 1,339.3	(4.1) %
<b>TOTAL GF REVENUES</b>	<b>\$ 14,399.5</b>	<b>4.0 %</b>	<b>\$ 15,093.3</b>	<b>4.8 %</b>	<b>\$ 29,492.8</b>	<b>4.7 %</b>
<b>TRANSFERS</b>						
A.B.C. Profits	\$ 40.9	1.0 %	\$ 41.4	1.2 %	\$ 82.3	(2.7) %
Sales Tax (0.25%)	208.9	2.2	215.8	3.3	424.7	1.6
Transfers Per Appropriations Act	<u>88.6</u>	<u>(49.4)</u>	<u>91.6</u>	<u>3.4</u>	<u>180.2</u>	<u>(44.4)</u>
Total Transfers	\$ 338.4	(19.5) %	\$ 348.8	3.1 %	\$ 687.2	(16.9) %
<b>TOTAL GENERAL FUND</b>	<b>\$ 14,737.9</b>	<b>3.3 %</b>	<b>\$ 15,442.1</b>	<b>4.8 %</b>	<b>\$ 30,180.0</b>	<b>4.1 %</b>

The November Standard forecast is based on the October 2009 Global Insight Standard outlook and the corresponding Virginia state forecast developed by the Department of Taxation.

# GENERAL FUND REVENUES

**Table 3.4**  
**The August Interim and November Pessimistic Alternative General Fund Forecast for Fiscal Year 2010**  
(Dollars in Millions)

November 23, 2009

	Fiscal Year 2010				2008-2010 Biennium			
	Interim Forecast	Nov Alt Forecast	Change	% Growth Over FY 09 Interim	Nov Alt	Interim Forecast	Nov Alt Forecast	Change
<b>MAJOR TAX SOURCES</b>								
Corporate Income	\$ 662.2	\$ 634.1	\$ (28.1)	2.2 %	(2.2) %	\$ 1,310.2	\$ 1,282.1	\$ (28.1)
Individual Income Tax:								
Gross	11,255.2	11,047.9	(207.3)	(1.7)	(3.5)	22,703.7	22,496.4	(207.3)
Withholding	9,331.8	9,134.3	(197.5)	2.1	(0.0)	18,469.9	18,272.4	(197.5)
Nonwithholding	1,923.4	1,913.6	(9.8)	(16.8)	(17.2)	4,233.8	4,224.0	(9.8)
Refunds	(1,944.4)	(2,035.1)	(90.7)	(1.2)	3.4	(3,911.8)	(4,002.5)	(90.7)
Net	9,310.8	9,012.8	(298.0)	(1.8)	(4.9)	18,791.9	18,493.9	(298.0)
Insurance Company Premiums	255.5	248.5	(7.0)	0.2	(2.6)	510.5	503.5	(7.0)
State Sales & Use Tax	2,892.0	2,873.5	(18.5)	(0.4)	(1.0)	5,795.4	5,776.9	(18.5)
Wills, Suits, Deeds, & Contract Fees	284.0	283.1	(0.9)	(9.6)	(9.9)	598.3	597.4	(0.9)
<b>Total Major Tax Sources</b>	<b>\$ 13,404.5</b>	<b>\$ 13,052.0</b>	<b>\$ (352.5)</b>	<b>(1.5) %</b>	<b>(4.0) %</b>	<b>\$ 27,006.4</b>	<b>\$ 26,653.9</b>	<b>\$ (352.5)</b>
<b>MISCELLANEOUS TAXES AND OTHER REVENUES</b>								
Alcoholic Beverage State Tax	\$ 136.7	\$ 131.4	\$ (5.3)	5.5 %	1.4 %	\$ 266.3	\$ 261.0	\$ (5.3)
Bank Franchise Tax	13.7	20.0	6.3	(39.0)	(11.0)	36.2	42.5	6.3
Beer & Beverage Excise Tax	44.3	43.4	(0.9)	1.6	(0.5)	87.9	87.0	(0.9)
Corporate Franchise & Charter Fees	44.4	46.2	1.8	(10.1)	(6.5)	93.8	95.6	1.8
Excess & Other Fees from Officers	(15.7)	(8.1)	7.6	8.4	52.8	(32.8)	(25.2)	7.6
Estate & Gifts	0.0	0.0	0.0	n/a	n/a	6.0	6.0	0.0
Institutional Revenues	7.5	5.9	(1.6)	17.2	(7.8)	13.9	12.3	(1.6)
Interest & Rents	101.1	98.1	(3.0)	(3.3)	(6.2)	205.7	202.7	(3.0)
Licenses & Permits	4.6	4.2	(0.4)	7.0	(2.3)	8.9	8.5	(0.4)
Miscellaneous Taxes and Penalties	211.9	213.9	2.0	(4.2)	(3.2)	433.0	435.0	2.0
Other Miscellaneous Revenues	32.5	33.3	0.8	(37.0)	(35.4)	84.1	84.9	0.8
Public Service GR / Consumption Tax	93.9	94.6	0.7	2.8	3.6	185.2	185.9	0.7
<b>Total Misc. Taxes and Other Revenues</b>	<b>\$ 674.9</b>	<b>\$ 682.9</b>	<b>\$ 8.0</b>	<b>(5.4) %</b>	<b>(4.2) %</b>	<b>\$ 1,388.1</b>	<b>\$ 1,396.1</b>	<b>\$ 8.0</b>
<b>TOTAL GF REVENUES</b>	<b>\$ 14,079.4</b>	<b>\$ 13,734.9</b>	<b>\$ (344.5)</b>	<b>(1.6) %</b>	<b>(4.1) %</b>	<b>\$ 28,394.5</b>	<b>\$ 28,050.0</b>	<b>\$ (344.5)</b>
<b>TRANSFERS</b>								
A.B.C. Profits	\$ 37.0	\$ 40.5	\$ 3.5	(16.1) %	(8.2) %	\$ 81.1	\$ 84.6	\$ 3.5
Sales Tax (0.25%)	203.1	204.1	1.0	(4.8)	(4.4)	416.5	417.5	1.0
Transfers Per Appropriations Act	175.2	175.2	0.0	17.6	17.6	324.2	324.2	0.0
<b>Total Transfers</b>	<b>\$ 415.3</b>	<b>\$ 419.8</b>	<b>\$ 4.5</b>	<b>2.2 %</b>	<b>3.3 %</b>	<b>\$ 821.8</b>	<b>\$ 826.3</b>	<b>\$ 4.5</b>
<b>TOTAL GENERAL FUND</b>	<b>\$ 14,494.7</b>	<b>\$ 14,154.7</b>	<b>\$ (340.0)</b>	<b>(1.5) %</b>	<b>(3.9) %</b>	<b>\$ 29,216.3</b>	<b>\$ 28,876.3</b>	<b>\$ (340.0)</b>

The August Interim forecast is based on the June 2009 Global Insight Standard outlook and the corresponding Virginia state forecast developed by the Department of Taxation and reflects recommendations of the GABE and GACRE.

The November Pessimistic Alternative forecast is based on the October 2009 Global Insight Pessimistic Alternative outlook and the corresponding Virginia state forecast developed by the Department of Taxation.

# GENERAL FUND REVENUES

**Table 3.4**  
**The November Pessimistic Alternative General Fund Forecast for Fiscal Years 2011-2012**  
(Dollars in Millions)

November 23, 2009

	Fiscal Year 2011		Fiscal Year 2012		2010-2012 Biennium	
	Nov Alt Forecast	% Growth Over FY 10	Nov Alt Forecast	% Growth Over FY 11	Nov Alt Forecast	% Growth Over 08-10
<b>MAJOR TAX SOURCES</b>						
Corporate Income	\$ 695.8	9.7 %	\$ 776.0	11.5 %	\$ 1,471.8	14.8 %
Individual Income Tax:						
Gross	11,277.7	2.1	11,761.4	4.3	23,039.1	2.4
Withholding	9,336.0	2.2	9,618.0	3.0	18,954.0	3.7
Nonwithholding	1,941.7	1.5	2,143.4	10.4	4,085.1	(3.3)
Refunds	<u>(1,916.2)</u>	<u>(5.8)</u>	<u>(1,875.7)</u>	<u>(2.1)</u>	<u>(3,791.9)</u>	<u>(5.3)</u>
Net	9,361.5	3.9	9,885.7	5.6	19,247.2	4.1
Insurance Company Premiums	267.6	7.7	282.3	5.5	549.9	9.2
State Sales & Use Tax	2,809.6	(2.2)	2,889.3	2.8	5,698.9	(1.4)
Wills, Suits, Deeds, & Contract Fees	<u>283.1</u>	<u>0.0</u>	<u>283.1</u>	<u>0.0</u>	<u>566.2</u>	<u>(5.2)</u>
Total Major Tax Sources	\$ 13,417.6	2.8 %	\$ 14,116.4	5.2 %	\$ 27,534.0	3.3 %
<b>MISCELLANEOUS TAXES AND OTHER REVENUES</b>						
Alcoholic Beverage State Tax	\$ 134.6	2.4 %	\$ 137.9	2.5 %	\$ 272.5	4.4 %
Bank Franchise Tax	15.0	(25.0)	10.0	(33.3)	25.0	(41.1)
Beer & Beverage Excise Tax	43.4	0.0	43.4	0.0	86.8	(0.2)
Corporate Franchise & Charter Fees	46.2	0.0	46.2	0.0	92.4	(3.4)
Excess & Other Fees from Officers	(9.5)	(17.3)	(9.5)	0.0	(19.0)	24.7
Estate & Gifts	0.0	n/a	0.0	n/a	0.0	n/a
Institutional Revenues	5.9	0.0	5.9	0.0	11.8	(4.1)
Interest & Rents	73.1	(25.5)	94.4	29.1	167.5	(17.3)
Licenses & Permits	4.2	0.0	4.2	0.0	8.4	(1.2)
Miscellaneous Taxes and Penalties	218.4	2.1	223.5	2.3	441.9	1.6
Other Miscellaneous Revenues	31.8	(4.5)	31.8	0.0	63.6	(25.0)
Public Service GR / Consumption Tax	<u>94.2</u>	<u>(0.4)</u>	<u>94.2</u>	<u>0.0</u>	<u>188.4</u>	<u>1.3</u>
Total Misc. Taxes and Other Revenues	\$ 657.3	(3.7) %	\$ 682.0	3.8 %	\$ 1,339.3	(4.1) %
<b>TOTAL GF REVENUES</b>	<b>\$ 14,074.9</b>	<b>2.5 %</b>	<b>\$ 14,798.4</b>	<b>5.1 %</b>	<b>\$ 28,873.3</b>	<b>2.9 %</b>
<b>TRANSFERS</b>						
A.B.C. Profits	\$ 40.9	1.0 %	\$ 41.4	1.2 %	\$ 82.3	(2.7) %
Sales Tax (0.25%)	206.2	1.0	212.1	2.9	418.3	0.2
Transfers Per Appropriations Act	<u>88.6</u>	<u>(49.4)</u>	<u>91.6</u>	<u>3.4</u>	<u>180.2</u>	<u>(44.4)</u>
Total Transfers	\$ 335.7	(20.0) %	\$ 345.1	2.8 %	\$ 680.8	(17.6) %
<b>TOTAL GENERAL FUND</b>	<b>\$ 14,410.6</b>	<b>1.8 %</b>	<b>\$ 15,143.5</b>	<b>5.1 %</b>	<b>\$ 29,554.1</b>	<b>2.3 %</b>

The November Pessimistic Alternative forecast is based on the October 2009 Global Insight Pessimistic Alternative outlook and the corresponding Virginia state forecast developed by the Department of Taxation.

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**GENERAL FUND REVENUES****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>FY10</b>	<b>FY11</b>	<b>FY12</b>
<b>CORPORATE INCOME TAX</b>			
C. 781, 2009 - Captive REIT	5.0	10.0	10.0
C. 781, 2009 - TAX Compliance Initiatives	2.3	2.9	3.1
<b>INDIVIDUAL INCOME TAX</b>			
C. 3, 2006 - Cap Land Preservation Tax Credit (Total Cost)	(150.0)	(125.0)	(150.0)
C. 847, 2007 - IRS Tax Conformity	(3.0)	14.8	14.6
C. 879, 2008 - IRS Tax Conformity	(4.1)		
C. 781, 2009 - IRS Tax Conformity	0.0	11.9	10.1
C. 781, 2009 - TAX Compliance Initiatives	13.3	16.2	17.1
C. 781, 2009 - TAX Amnesty	19.0		
<b>STATE SALES AND USE TAX</b>			
C. 781, 2009 - TAX Compliance Initiatives	2.8	3.7	3.9
C. 781, 2009 - Bi-monthly sales tax remittance program	83.7		
C. 781, 2009 - TAX Amnesty	9.5		
<b>WILLS, SUITS, DEEDS, AND CONTRACTS</b>			
C. 847, 2007 - \$.03 of Recordation Tax to Transportation	(33.5)	(33.5)	(33.5)
<b>INSURANCE PREMIUMS TAX</b>			
C. 847, 2007 - 1/3 of Insurance Premiums Tax to Transportation	(129.1)	(128.2)	(134.2)
<b>ESTATE TAXES</b>			
C. 3, 2006 - Repeal Estate Tax	(140.0)	(140.0)	(140.0)
<b>INTEREST</b>			
C. 781, 2009 - Interest from nongeneral fund	10.0		
C. 781, 2009 - Enhance bank services	2.6		
C. 781, 2009 - TAX Compliance Initiatives	1.5	1.7	1.8
C. 781, 2009 - TAX Amnesty	9.5		
<b>FINES, FORFEITURES, AND FEES</b>			
C. 781, 2009 - TAX Compliance Initiatives	1.8	2.2	2.3

**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 and recordation taxes, 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 Fuel 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,
- a 3 percent Vehicle Sales and Use Tax,
- licensing fees,
- one-half cent State Retail Sales Tax,
- three cents of the State Recordation Tax,
- one-third of State Insurance Premiums Tax,
- International Registration Plan Fees,
- interest earnings, and
- other miscellaneous taxes and fees.

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



## NON-GENERAL FUND REVENUES

### Fiscal Year 2009 In Review

Table 4.1 compares actual collections in fiscal year 2009 to the official forecast for the Commonwealth Transportation Fund (CTF). Total transportation revenues totaled approximately \$2.3 billion, a decline of \$63.9 million over last year. Revenue collections fell by 2.7 percent as compared to the official forecast of a 1.5 percent decline, resulting in a forecast variance of 1.2 percent. The deficit in fiscal year 2009 collections can be attributed to a record-low year in motor vehicle sales and the slump in retail sales due to the ongoing economic recession.

Adjusted for transfers to the CTF from insurance premiums and recordation taxes per HB3202 (2007), annual collections declined 9.8 percent. Adjusted fiscal year 2009's collections were equivalent to the fiscal year 2004 level of revenue collections.

**Table 4.1**  
**Commonwealth Transportation Revenues**  
**Actual Collections Compared to the Official Forecast for Fiscal Year 2009**  
**(Millions of Dollars)**

Revenue Sources	FY2008 Actual	FY2009 Actual	FY2009 Forecast	Percent Change 2008-2009		Forecast Variance	
				Actual	Forecast	Amount	Percent
Motor Fuels Tax	\$ 851.2	\$ 827.9	\$ 830.9	-2.7%	-2.4%	\$ (3.0)	-0.4%
Road Use Tax	9.7	9.4	9.4	-3.5%	-3.5%	-	0.0%
Vehicle Sales Tax	541.7	413.2	430.1	-23.7%	-20.6%	(16.9)	-3.9%
Vehicle Licenses	242.1	241.6	239.2	-0.2%	-1.2%	2.4	1.0%
State Sales Tax	524.9	499.4	514.5	-4.9%	-2.0%	(15.1)	-2.9%
Recordation Tax	-	35.7	35.4	n/a	n/a	n/a	n/a
Priority Transportation Fund	20.0	20.0	20.0	0.0%	0.0%	-	0.0%
Insurance Premiums Tax	-	132.3	132.3	n/a	n/a	n/a	n/a
Int'l Registration Plan	74.1	59.0	51.4	-20.4%	-30.6%	7.6	14.8%
Interest Earnings	62.1	27.7	30.7	-55.4%	-50.6%	(3.0)	-9.8%
Rental Tax	31.3	29.1	30.2	-7.0%	-3.5%	(1.1)	-3.6%
Aviation Fuels Tax	2.1	2.1	2.0	0.0%	-6.0%	0.1	6.3%
Miscellaneous	14.9	12.9	13.2	-13.4%	-11.4%	(0.3)	-2.3%
<b>TOTAL</b>	<b>\$ 2,374.2</b>	<b>\$ 2,310.3</b>	<b>\$ 2,339.3</b>	<b>-2.7%</b>	<b>-1.5%</b>	<b>\$ (29.0)</b>	<b>-1.2%</b>

*As required by Section 33.1-23.03:8A(2) of the Code of Virginia, all revenues that exceed the official forecast are deposited into the Priority Transportation Fund.*

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## NON-GENERAL FUND REVENUES

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Revenues from motor fuels taxes (36 percent of the CTF) fell short of the forecast by \$3.0 million in fiscal year 2009. Motor fuels tax collections declined by 2.7 percent in fiscal year 2009. The average price of gasoline has fallen by 36 percent over the last 12 months. Despite the strong decline in prices, demand for motor fuels has fallen sharply as the deepest recession since the 1930's severely constrained consumption. In the first half of calendar year 2009, consumption of liquid fuels in the U.S. fell by 6.3 percent, the steepest decline on record. Monthly average motor gasoline consumption in June 2009 showed an increase over the same month from the prior year for the first time since September 2007. In Virginia, gasoline consumption was flat in fiscal year 2009.

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. In Virginia, diesel fuel consumption declined by 7.6 percent in fiscal year 2009.

Revenues from the motor vehicle sales and use tax (18 percent of the CTF) fell by 23.7 percent in fiscal year 2009, the largest annual decline on record. Sales of both new and used vehicles fell precipitously in fiscal year 2009. New car sales fell by 27.5 percent. The volume of new car sales in fiscal year 2009 was equivalent to the fiscal year 1992 level. Used car sales fell by 10.8 percent, the largest single yearly decline. In addition, the average sales price of a used vehicle fell by 9.8 percent.

Revenues from the transportation share of the state retail sales tax (22 percent of the CTF) declined by 4.9 percent, more than double the anticipated decline of 2.0 percent.

Motor vehicle license fees (11 percent of the CTF) were \$2.4 million ahead of the forecast in fiscal year 2009.

International Registration Plan fees (3 percent of the CTF), the registration fees paid by interstate motor carriers, declined by 20.4 percent in fiscal year 2009. These fees, paid by all trucks driving through the Commonwealth, are based on vehicle weight and the miles traveled in Virginia.

Collectively, all other taxes and revenues (10 percent of the CTF) were \$4.0 million below the forecast in fiscal year 2009.

## **NON-GENERAL FUND REVENUES**

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

#### **Motor Fuel Consumption**

Gasoline consumption was flat in fiscal year 2009 compared to the official forecast of a 2.9 percent decline. Diesel fuel consumption fell by 8.1 percent, compared to the forecast of a 5.5 percent decline.

In fiscal year 2009, the average price of gasoline fell by 34% from its high of \$4.12 a gallon in July, 2008 to around \$2.70 a gallon by the end of the fiscal year. 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. Although the price of gasoline declined considerably from its record-high levels, the economic recession curtailed demand.

The Energy Information Administration forecasts total consumption of liquid fuels and other petroleum products decreasing by about 3.7 percent in 2009. During the first half of the year, consumption declined by almost 6.3 percent from the same period last year, one of the steepest declines on record. The year-over-year projected decline in petroleum consumption slows to 1.1 percent in the second half of 2009 as economic recovery begins to take hold.

The price of West Texas Intermediate (WTI) crude oil is expected to average about \$70 per barrel this winter (October-March), a \$19 increase over last winter. The forecast for average WTI prices rises gradually to about \$75 per barrel by December 2010 as U.S. and world economic conditions improve. The monthly average regular-grade gasoline retail price is projected to fall to an average of \$2.44 per gallon for the last 3 months of the year. Higher projected crude oil prices in 2010 lead to an expected increase in regular-grade gasoline prices to an average of \$2.65 per gallon next year. Projected diesel fuel retail prices will average \$2.60 during the fourth quarter of 2009 in the forecast, as the winter heating fuel season begins.

**Table 4.2**  
**Motor Fuel Consumption**  
**History and Forecast, Fiscal Years 2009 - 2012**  
**(Percent Growth)**

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Taxable Gallons - Gasoline				
Official	(2.9)	1.6	(1.5)	(0.1)
Standard	0.0	0.7	0.4	0.1
Alternative	0.0	(0.8)	(3.3)	(1.8)
Taxable Gallons - Diesel				
Official	(5.5)	(0.4)	0.4	0.1
Standard	(8.1)	(3.8)	4.8	5.2
Alternative	(8.1)	(7.0)	(3.5)	(2.0)

**Vehicle Sales**

The official forecast anticipated the steepest decline over the last thirty years in car sales. New vehicle sales were worse than the dismal forecast for fiscal year 2009. New car sales fell by 27.5 percent and used car sales fell by 10.8 percent.

Table 4.3 shows the official and November 2009 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.

**Table 4.3**  
**Virginia Vehicle Market**  
**History and Forecast, Fiscal Years 2009 - 2012**  
**(Percent Growth)**

		Fiscal Years		
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
New Taxable Titles				
Official	(21.7)	10.7	1.9	0.3
Standard	(27.5)	(8.3)	13.6	5.7
Alternative	(27.5)	(17.9)	10.0	15.9
Used Taxable Titles				
Official	(13.2)	(2.4)	8.3	10.0
Standard	(10.8)	(1.7)	2.7	3.6
Alternative	(10.8)	(4.6)	(3.0)	5.9

**New Taxable Titles:** In fiscal year 2009, approximately 273,500 new vehicles were titled in Virginia, a decline of about 103,900 from fiscal year 2008. The official forecast anticipated a decline of about 82,000 new cars. Fiscal year 2009's new car sales fell to a level last seen in fiscal year 1992.

The November forecast expects a further decline of 8.3 percent in fiscal year 2009. Although the federal government's Cash for Clunkers program did provide a temporary spike in new vehicle sales, it is assumed that most of these sales would have taken place regardless over the course of 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.

The new vehicle market faces strong headwinds over the remainder of the fiscal year. Labor market conditions remain bleak; although the pace of job cuts is abating, there is little new hiring that is taking place. Credit conditions remain tight and consumer confidence remains depressed as well. As far as businesses, large businesses have not yet increased their purchases of vehicles, and rental companies are holding onto vehicles longer.

## **NON-GENERAL FUND REVENUES**

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Used Taxable Titles: About one million used cars were sold in Virginia in fiscal year 2009, a decline of 10.8 percent. The fiscal year 2009 decline was the largest annual decline over the last thirty years. Used car sales generally follow a sales pattern similar to new car sales. High unemployment rates and the uncertainty surrounding the availability of credit, particularly access to credit for subprime buyers, are expected to result in another slow year for used vehicle sales.

### **November 2009 Commonwealth Transportation Fund Forecast**

Table 4.4 on the following pages presents a comparison of the November 2009 standard forecast and the August 2009 Interim forecast.

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 interim forecast, total state taxes and fees are \$5.9 million lower in fiscal year 2010. Fiscal years 2011 and 2012 show similar marginal changes in the November forecast. Fiscal year 2010 revenue collections are estimated to decline 2.8 percent, marking the first time that Commonwealth Transportation Fund revenues are expected to decline for two consecutive years.

The motor fuels tax is the single largest revenue source in the Commonwealth Transportation Fund and is expected to decline by 1.8 percent in fiscal year 2010 and increase by 2.2 percent in fiscal year 2011.

Motor vehicle sales and use tax collections are expected to fall by 4.9 percent in fiscal year 2010 and increase by 7.4 percent in fiscal year 2011.

State retail sales and use tax revenues are expected to drop again in fiscal year 2010 followed by a sluggish rebound in fiscal year 2011.

## NON-GENERAL FUND REVENUES

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

	Fiscal Year 2009		Fiscal Year 2010				
	Actual	% Growth	Interim Forecast	November Forecast	Change	% Growth over FY 09	
						Interim	November
<b>Highway Maintenance &amp; Operating Fund</b>							
Motor Fuels Tax	\$ 721.1	(2.5) %	\$ 713.8	\$ 709.3	\$ (4.5)	(1.0) %	(1.6) %
Road Tax	1.6	33.3	1.0	1.5	0.5	37.5	6.3
Motor Vehicle Sales And Use Tax	269.7	(24.0)	241.1	253.2	12.1	(10.6)	(6.1)
Motor Vehicle License Fees	220.0	(0.4)	221.0	218.7	(2.3)	0.5	(0.6)
International Registration Plan	58.8	(20.6)	59.0	58.6	(0.4)	0.3	(0.3)
Recordation Tax (1 cent)	11.9	n/a	11.2	11.2	0.0	(5.9)	(5.9)
Miscellaneous	12.9	(13.4)	13.2	12.7	(0.5)	2.3	(1.6)
<b>Total State Taxes and Fees (HMOF)</b>	<b>\$ 1,296.1</b>	<b>(7.8) %</b>	<b>\$ 1,260.3</b>	<b>\$ 1,265.2</b>	<b>\$ 4.9</b>	<b>(2.8) %</b>	<b>(2.4) %</b>
<b>Transportation Trust Fund</b>							
Motor Fuels Tax	\$ 106.9	(4.3) %	\$ 103.3	\$ 104.0	\$ 0.7	(3.4) %	(2.7) %
Priority Transportation Trust Fund	152.3	661.5	149.1	149.1	0.0	(2.1)	(2.1)
Base	20.0	0.0	20.0	20.0	0.0	0.0	0.0
Insurance Premiums Tax (1/3)	132.3	n/a	129.1	129.1	0.0	(2.4)	(2.4)
Road Tax	7.9	(7.5)	8.4	7.1	(1.3)	6.3	(10.1)
Motor Vehicle Sales And Use Tax	143.5	(23.1)	132.4	139.6	7.2	(7.7)	(2.7)
Motor Vehicle License Fees	21.6	1.2	20.9	21.2	0.3	(3.2)	(1.9)
Retail Sales and Use Tax	499.4	(4.9)	478.4	478.3	(0.1)	(4.2)	(4.2)
Recordation Tax (2 cents)	23.8	n/a	22.3	22.3	0.0	(6.3)	(6.3)
Interest Earnings	27.7	(55.4)	41.2	23.9	(17.3)	48.7	(13.7)
Rental Tax	29.1	(7.0)	27.6	27.3	(0.3)	(5.2)	(6.2)
Aviation Fuels Tax	2.1	0.0	2.1	2.1	0.0	(1.3)	(1.3)
<b>Total State Taxes and Fees (TTF)</b>	<b>\$ 1,014.2</b>	<b>4.7 %</b>	<b>\$ 985.7</b>	<b>\$ 974.9</b>	<b>\$ (10.8)</b>	<b>(2.8) %</b>	<b>(3.9) %</b>
<b>Total HMOF And TTF</b>							
Motor Fuels Tax	\$ 828.0	(2.7) %	\$ 817.1	\$ 813.3	\$ (3.8)	(1.3) %	(1.8) %
Priority Transportation Trust Fund	152.3	661.5	149.1	149.1	0.0	(2.1)	(2.1)
Base	20.0	0.0	20.0	20.0	0.0	0.0	0.0
Insurance Premiums Tax (1/3)	132.3	n/a	129.1	129.1	0.0	(2.4)	(2.4)
Road Tax	9.5	(2.4)	9.4	8.6	(0.8)	(1.1)	(9.5)
Motor Vehicle Sales and Use Tax	413.2	(23.7)	373.5	392.8	19.3	(9.6)	(4.9)
Motor Vehicle License Fees	241.6	(0.2)	241.9	239.9	(2.0)	0.1	(0.7)
International Registration Plan	58.8	(20.6)	59.0	58.6	(0.4)	0.3	(0.3)
Retail Sales and Use Tax	499.4	(4.9)	478.4	478.3	(0.1)	(4.2)	(4.2)
Recordation Tax (3 cents)	35.7	n/a	33.5	33.5	0.0	(6.2)	(6.2)
Interest Earnings	27.7	(55.4)	41.2	23.9	(17.3)	48.7	(13.7)
Rental Tax	29.1	(7.0)	27.6	27.3	(0.3)	(5.2)	(6.2)
Aviation Fuels Tax	2.1	0.0	2.1	2.1	0.0	(1.3)	(1.3)
Miscellaneous	12.9	(13.4)	13.2	12.7	(0.5)	2.3	(1.6)
<b>Total State Taxes and Fees</b>	<b>\$ 2,310.3</b>	<b>(2.7) %</b>	<b>\$ 2,246.0</b>	<b>\$ 2,240.1</b>	<b>\$ (5.9)</b>	<b>(2.8) %</b>	<b>(3.0) %</b>
<b>Transfers per the Appropriations Act</b>							
Priority Transportation Trust Fund	0.0	n/a	\$ 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	0.0	(100.0)	0.0	0.0	0.0	n/a	n/a
<b>Total Transfers</b>	<b>0.0</b>	<b>(100.0)</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>2,310.3</b>	<b>(7.0)</b>	<b>\$ 2,246.0</b>	<b>\$ 2,240.1</b>	<b>\$ (5.9)</b>	<b>(2.8) %</b>	<b>(3.0) %</b>

# NON-GENERAL FUND REVENUES

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

	Fiscal Year 2011				
	Interim Forecast	November Forecast	Change	% Growth over FY 10	
				Interim	November
<b>Highway Maintenance &amp; Operating Fund</b>					
Motor Fuels Tax	\$ 719.2	\$ 726.3	\$ 7.1	0.8 %	2.4 %
Road Tax	1.0	0.5	(0.5)	0.0	(66.7)
Motor Vehicle Sales And Use Tax	260.9	272.7	11.8	8.2	7.7
Motor Vehicle License Fees	225.0	221.3	(3.7)	1.8	1.2
International Registration Plan	59.0	60.3	1.3	0.0	2.9
Recordation Tax (1 cent)	11.2	11.2	0.0	0.0	0.0
Miscellaneous	13.2	12.7	(0.5)	0.0	0.0
<b>Total State Taxes and Fees (HMOF)</b>	<b>\$ 1,289.5</b>	<b>\$ 1,305.0</b>	<b>\$ 15.5</b>	<b>2.3 %</b>	<b>3.1 %</b>
<b>Transportation Trust Fund</b>					
Motor Fuels Tax	\$ 104.2	\$ 104.9	\$ 0.7	0.9 %	0.9 %
Priority Transportation Trust Fund	148.2	148.2	0.0	(0.6)	(0.6)
Base	20.0	20.0	0.0	0.0	0.0
Insurance Premiums Tax (1/3)	128.2	128.2	0.0	(0.7)	(0.7)
Road Tax	8.5	7.5	(1.0)	1.2	5.6
Motor Vehicle Sales And Use Tax	142.3	149.3	7.0	7.5	6.9
Motor Vehicle License Fees	21.3	21.2	(0.1)	1.9	0.0
Retail Sales and Use Tax	478.0	488.6	10.6	(0.1)	2.2
Recordation Tax (2 cents)	22.3	22.3	0.0	0.0	0.0
Interest Earnings	45.7	30.6	(15.1)	10.9	28.0
Rental Tax	26.9	26.7	(0.2)	(2.5)	(2.2)
Aviation Fuels Tax	2.0	2.1	0.1	(3.0)	0.0
<b>Total State Taxes and Fees (TTF)</b>	<b>\$ 999.4</b>	<b>\$ 1,001.4</b>	<b>\$ 2.0</b>	<b>1.4 %</b>	<b>2.7 %</b>
<b>Total HMOF And TTF</b>					
Motor Fuels Tax	\$ 823.4	\$ 831.2	\$ 7.8	0.8 %	2.2 %
Priority Transportation Trust Fund	148.2	148.2	0.0	(0.6)	(0.6)
Base	20.0	20.0	0.0	0.0	0.0
Insurance Premiums Tax (1/3)	128.2	128.2	0.0	(0.7)	(0.7)
Road Tax	9.5	8.0	(1.5)	1.1	(7.0)
Motor Vehicle Sales and Use Tax	403.2	422.0	18.8	8.0	7.4
Motor Vehicle License Fees	246.3	242.5	(3.8)	1.8	1.1
International Registration Plan	59.0	60.3	1.3	0.0	2.9
Retail Sales and Use Tax	478.0	488.6	10.6	(0.1)	2.2
Recordation Tax (3 cents)	33.5	33.5	0.0	0.0	0.0
Interest Earnings	45.7	30.6	(15.1)	10.9	28.0
Rental Tax	26.9	26.7	(0.2)	(2.5)	(2.2)
Aviation Fuels Tax	2.0	2.1	0.1	(3.0)	0.0
Miscellaneous	13.2	12.7	(0.5)	0.0	0.0
<b>Total State Taxes and Fees</b>	<b>\$ 2,288.9</b>	<b>\$ 2,306.4</b>	<b>\$ 17.5</b>	<b>1.9 %</b>	<b>3.0 %</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>\$ 2,288.9</b>	<b>\$ 2,306.4</b>	<b>\$ 17.5</b>	<b>1.9 %</b>	<b>3.0 %</b>

## NON-GENERAL FUND REVENUES

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

	Fiscal Year 2012				
	Interim Forecast	November Forecast	Change	% Growth over FY 11	
				Interim	November
<b>Highway Maintenance &amp; Operating Fund</b>					
Motor Fuels Tax	\$ 723.0	\$ 735.3	\$ 12.3	0.5 %	1.2 %
Road Tax	1.0	0.3	(0.7)	0.0	(40.0)
Motor Vehicle Sales And Use Tax	289.1	288.9	(0.2)	10.8	5.9
Motor Vehicle License Fees	228.8	222.2	(6.6)	1.7	0.4
International Registration Plan	59.0	62.0	3.0	0.0	2.8
Recordation Tax (1 cent)	11.2	11.2	0.0	0.0	0.0
Miscellaneous	13.2	12.7	(0.5)	0.0	0.0
<b>Total State Taxes and Fees (HMOF)</b>	<b>\$ 1,325.3</b>	<b>\$ 1,332.6</b>	<b>\$ 7.3</b>	<b>2.8 %</b>	<b>2.1 %</b>
<b>Transportation Trust Fund</b>					
Motor Fuels Tax	\$ 104.7	\$ 105.5	\$ 0.8	0.5 %	0.6 %
Priority Transportation Trust Fund	154.0	154.2	0.2	3.9	4.0
Base	20.0	20.0	0.0	0.0	0.0
Insurance Premiums Tax (1/3)	134.0	134.2	0.2	4.5	4.7
Road Tax	8.5	7.9	(0.6)	0.0	5.3
Motor Vehicle Sales And Use Tax	156.4	157.4	1.0	9.9	5.4
Motor Vehicle License Fees	21.6	21.3	(0.3)	1.4	0.5
Retail Sales and Use Tax	495.4	504.4	9.0	3.6	3.2
Recordation Tax (2 cents)	22.3	22.3	0.0	0.0	0.0
Interest Earnings	42.6	28.7	(13.9)	(6.8)	(6.2)
Rental Tax	27.2	26.9	(0.3)	1.1	0.7
Aviation Fuels Tax	2.0	2.1	0.1	(1.8)	0.0
<b>Total State Taxes and Fees (TTF)</b>	<b>\$ 1,034.7</b>	<b>\$ 1,030.7</b>	<b>\$ (4.0)</b>	<b>3.5 %</b>	<b>2.9 %</b>
<b>Total HMOF And TTF</b>					
Motor Fuels Tax	\$ 827.7	\$ 840.8	\$ 13.1	0.5 %	1.2 %
Priority Transportation Trust Fund	154.0	154.2	0.2	3.9	4.0
Base	20.0	20.0	0.0	0.0	0.0
Insurance Premiums Tax (1/3)	134.0	134.2	0.2	4.5	4.7
Road Tax	9.5	8.2	(1.3)	0.0	2.5
Motor Vehicle Sales and Use Tax	445.5	446.3	0.8	10.5	5.8
Motor Vehicle License Fees	250.4	243.5	(6.9)	1.7	0.4
International Registration Plan	59.0	62.0	3.0	0.0	2.8
Retail Sales and Use Tax	495.4	504.4	9.0	3.6	3.2
Recordation Tax (3 cents)	33.5	33.5	0.0	0.0	0.0
Interest Earnings	42.6	28.7	(13.9)	(6.8)	(6.2)
Rental Tax	27.2	26.9	(0.3)	1.1	0.7
Aviation Fuels Tax	2.0	2.1	0.1	(1.8)	0.0
Miscellaneous	13.2	12.7	(0.5)	0.0	0.0
<b>Total State Taxes and Fees</b>	<b>\$ 2,360.0</b>	<b>\$ 2,363.3</b>	<b>\$ 3.3</b>	<b>3.1 %</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>\$ 2,360.0</b>	<b>\$ 2,363.3</b>	<b>\$ 3.3</b>	<b>3.1 %</b>	<b>2.5 %</b>



## **NON-GENERAL FUND REVENUES**

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### **The Alternative Forecast**

Table 4.5 on the following pages compares the August 2009 Interim and November alternative low growth Commonwealth Transportation Fund forecasts. Under the alternative forecast, total state taxes and fees are expected to be \$54.2 million lower in fiscal year 2010 and \$100.5 million and \$46.9 million lower in fiscal years 2011 and 2012, respectively.

This forecast is based on an economic scenario in which the financial crisis worsens, prolonging the deep recession. The recession is W-shaped and lasts 11 quarters.

## NON-GENERAL FUND REVENUES

**Table 4.5**  
**The November Alternative Commonwealth Transportation Fund Forecast for Fiscal Year 2010**  
**(Dollars in Millions)**

	Fiscal Year 2009		Fiscal Year 2010				
	Actual	% Growth	Interim Forecast	November Forecast	Change	% Growth over FY 09	
						Interim	November
<b>Highway Maintenance &amp; Operating Fund</b>							
Motor Fuels Tax	\$ 721.1	(2.5) %	\$ 713.8	\$ 695.9	\$ (17.9)	(1.0) %	(3.5) %
Road Tax	1.6	33.3	1.0	1.1	0.1	37.5	31.3
Motor Vehicle Sales And Use Tax	269.7	(24.0)	241.1	236.2	(4.9)	(10.6)	(12.4)
Motor Vehicle License Fees	220.0	(0.4)	221.0	217.3	(3.7)	0.5	(1.2)
International Registration Plan	58.8	(20.6)	59.0	55.4	(3.6)	0.3	(5.8)
Recordation Tax (1 cent)	11.9	n/a	11.2	11.2	0.0	(5.9)	(5.9)
Miscellaneous	12.9	(13.4)	13.2	12.7	(0.5)	2.3	(1.6)
<b>Total State Taxes and Fees (HMOF)</b>	<b>\$ 1,296.1</b>	<b>(7.8) %</b>	<b>\$ 1,260.3</b>	<b>\$ 1,229.8</b>	<b>\$ (30.5)</b>	<b>(2.8) %</b>	<b>(5.1) %</b>
<b>Transportation Trust Fund</b>							
Motor Fuels Tax	\$ 106.9	(4.3) %	\$ 103.3	\$ 102.3	\$ (1.0)	(3.4) %	(4.3) %
Priority Transportation Trust Fund Base	152.3	661.5	149.1	149.1	0.0	(2.1)	(2.1)
Insurance Premiums Tax (1/3)	20.0	0.0	20.0	20.0	0.0	0.0	0.0
Road Tax	132.3	n/a	129.1	129.1	0.0	(2.4)	(2.4)
Motor Vehicle Sales And Use Tax	7.9	(7.5)	8.4	6.9	(1.5)	6.3	(12.7)
Motor Vehicle License Fees	143.5	(23.1)	132.4	130.0	(2.4)	(7.7)	(9.4)
Retail Sales and Use Tax	21.6	1.2	20.9	21.2	0.3	(3.2)	(1.9)
Recordation Tax (2 cents)	499.4	(4.9)	478.4	477.5	(0.9)	(4.2)	(4.4)
Interest Earnings	23.8	n/a	22.3	22.3	0.0	(6.3)	(6.3)
Rental Tax	27.7	(55.4)	41.2	23.9	(17.3)	48.7	(13.7)
Aviation Fuels Tax	29.1	(7.0)	27.6	26.7	(0.9)	(5.2)	(8.2)
<b>Total State Taxes and Fees (TTF)</b>	<b>\$ 1,014.2</b>	<b>4.7 %</b>	<b>\$ 985.7</b>	<b>\$ 962.0</b>	<b>\$ (23.7)</b>	<b>(2.8) %</b>	<b>(5.1) %</b>
<b>Total HMOF And TTF</b>							
Motor Fuels Tax	\$ 828.0	(2.7) %	\$ 817.1	\$ 798.2	\$ (18.9)	(1.3) %	(3.6) %
Priority Transportation Trust Fund Base	152.3	661.5	149.1	149.1	0.0	(2.1)	(2.1)
Insurance Premiums Tax (1/3)	20.0	0.0	20.0	20.0	0.0	0.0	0.0
Road Tax	132.3	n/a	129.1	129.1	0.0	(2.4)	(2.4)
Motor Vehicle Sales and Use Tax	9.5	(2.4)	9.4	8.0	(1.4)	(1.1)	(15.8)
Motor Vehicle License Fees	413.2	(23.7)	373.5	366.2	(7.3)	(9.6)	(11.4)
International Registration Plan	241.6	(0.2)	241.9	238.5	(3.4)	0.1	(1.3)
Retail Sales and Use Tax	58.8	(20.6)	59.0	55.4	(3.6)	0.3	(5.8)
Recordation Tax (3 cents)	499.4	(4.9)	478.4	477.5	(0.9)	(4.2)	(4.4)
Interest Earnings	35.7	n/a	33.5	33.5	0.0	(6.2)	(6.2)
Rental Tax	27.7	(55.4)	41.2	23.9	(17.3)	48.7	(13.7)
Aviation Fuels Tax	29.1	(7.0)	27.6	26.7	(0.9)	(5.2)	(8.2)
Miscellaneous	2.1	0.0	2.1	2.1	0.0	(1.3)	(1.3)
<b>Total State Taxes and Fees</b>	<b>\$ 2,310.3</b>	<b>(2.7) %</b>	<b>\$ 2,246.0</b>	<b>\$ 2,191.8</b>	<b>\$ (54.2)</b>	<b>(2.8) %</b>	<b>(5.1) %</b>
<b>Transfers per the Appropriations Act</b>							
Priority Transportation Trust Fund	0.0	n/a	\$ 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	0.0	(100.0)	0.0	0.0	0.0	n/a	n/a
<b>Total Transfers</b>	<b>0.0</b>	<b>(100.0)</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>2,310.3</b>	<b>(7.0)</b>	<b>\$ 2,246.0</b>	<b>\$ 2,191.8</b>	<b>\$ (54.2)</b>	<b>(2.8) %</b>	<b>(5.1) %</b>

# NON-GENERAL FUND REVENUES

**Table 4.5**  
**The November Alternative Commonwealth Transportation Fund Forecast for Fiscal Year 2011**  
**(Dollars in Millions)**

	Fiscal Year 2011				
	Interim	November	Change	% Growth over FY 10	
	Forecast	Forecast		Interim	November
<b>Highway Maintenance &amp; Operating Fund</b>					
Motor Fuels Tax	\$ 719.2	\$ 679.4	\$ (39.8)	0.8 %	(2.4) %
Road Tax	1.0	0.1	(0.9)	0.0	(90.9)
Motor Vehicle Sales And Use Tax	260.9	242.8	(18.1)	8.2	2.8
Motor Vehicle License Fees	225.0	218.6	(6.4)	1.8	0.6
International Registration Plan	59.0	55.4	(3.6)	0.0	0.0
Recordation Tax (1 cent)	11.2	11.2	0.0	0.0	0.0
Miscellaneous	13.2	12.7	(0.5)	0.0	0.0
<b>Total State Taxes and Fees (HMOF)</b>	<b>\$ 1,289.5</b>	<b>\$ 1,220.2</b>	<b>\$ (69.3)</b>	<b>2.3 %</b>	<b>(0.8) %</b>
<b>Transportation Trust Fund</b>					
Motor Fuels Tax	\$ 104.2	\$ 98.9	\$ (5.3)	0.9 %	(3.3) %
Priority Transportation Trust Fund	148.2	145.9	(2.3)	(0.6)	(2.1)
Base	20.0	20.0	0.0	0.0	0.0
Insurance Premiums Tax (1/3)	128.2	125.9	(2.3)	(0.7)	(2.5)
Road Tax	8.5	6.7	(1.8)	1.2	(2.9)
Motor Vehicle Sales And Use Tax	142.3	133.3	(9.0)	7.5	2.5
Motor Vehicle License Fees	21.3	20.8	(0.5)	1.9	(1.9)
Retail Sales and Use Tax	478.0	482.3	4.3	(0.1)	1.0
Recordation Tax (2 cents)	22.3	22.3	0.0	0.0	0.0
Interest Earnings	45.7	30.6	(15.1)	10.9	28.0
Rental Tax	26.9	25.3	(1.6)	(2.5)	(5.2)
Aviation Fuels Tax	2.0	2.1	0.1	(3.0)	0.0
<b>Total State Taxes and Fees (TTF)</b>	<b>\$ 999.4</b>	<b>\$ 968.2</b>	<b>\$ (31.2)</b>	<b>1.4 %</b>	<b>0.6 %</b>
<b>Total HMOF And TTF</b>					
Motor Fuels Tax	\$ 823.4	\$ 778.3	\$ (45.1)	0.8 %	(2.5) %
Priority Transportation Trust Fund	148.2	145.9	(2.3)	(0.6)	(2.1)
Base	20.0	20.0	0.0	0.0	0.0
Insurance Premiums Tax (1/3)	128.2	125.9	(2.3)	(0.7)	(2.5)
Road Tax	9.5	6.8	(2.7)	1.1	(15.0)
Motor Vehicle Sales and Use Tax	403.2	376.1	(27.1)	8.0	2.7
Motor Vehicle License Fees	246.3	239.4	(6.9)	1.8	0.4
International Registration Plan	59.0	55.4	(3.6)	0.0	0.0
Retail Sales and Use Tax	478.0	482.3	4.3	(0.1)	1.0
Recordation Tax (3 cents)	33.5	33.5	0.0	0.0	0.0
Interest Earnings	45.7	30.6	(15.1)	10.9	28.0
Rental Tax	26.9	25.3	(1.6)	(2.5)	(5.2)
Aviation Fuels Tax	2.0	2.1	0.1	(3.0)	0.0
Miscellaneous	13.2	12.7	(0.5)	0.0	0.0
<b>Total State Taxes and Fees</b>	<b>\$ 2,288.9</b>	<b>\$ 2,188.4</b>	<b>\$ (100.5)</b>	<b>1.9 %</b>	<b>(0.2) %</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>\$ 2,288.9</b>	<b>\$ 2,188.4</b>	<b>\$ (100.5)</b>	<b>1.9 %</b>	<b>(0.2) %</b>

## NON-GENERAL FUND REVENUES

**Table 4.5**  
**The November Alternative Commonwealth Transportation Fund Forecast for Fiscal Year 2012**  
**(Dollars in Millions)**

	Fiscal Year 2012				
	Interim	November	Change	% Growth over FY 11	
	Forecast	Forecast		Interim	November
<b>Highway Maintenance &amp; Operating Fund</b>					
Motor Fuels Tax	\$ 723.0	\$ 680.8	\$ (42.2)	0.5 %	0.2 %
Road Tax	1.0	0.1	(0.9)	0.0	0.0
Motor Vehicle Sales And Use Tax	289.1	310.3	21.2	10.8	27.8
Motor Vehicle License Fees	228.8	219.5	(9.3)	1.7	0.4
International Registration Plan	59.0	58.0	(1.0)	0.0	4.7
Recordation Tax (1 cent)	11.2	11.2	0.0	0.0	0.0
Miscellaneous	13.2	12.7	(0.5)	0.0	0.0
<b>Total State Taxes and Fees (HMOF)</b>	<b>\$ 1,325.3</b>	<b>\$ 1,292.6</b>	<b>\$ (32.7)</b>	<b>2.8 %</b>	<b>5.9 %</b>
<b>Transportation Trust Fund</b>					
Motor Fuels Tax	\$ 104.7	\$ 99.2	\$ (5.5)	0.5 %	0.3 %
Priority Transportation Trust Fund	154.0	151.2	(2.8)	3.9	3.6
Base	20.0	20.0	0.0	0.0	0.0
Insurance Premiums Tax (1/3)	134.0	131.2	(2.8)	4.5	4.2
Road Tax	8.5	6.6	(1.9)	0.0	(1.5)
Motor Vehicle Sales And Use Tax	156.4	167.8	11.4	9.9	25.9
Motor Vehicle License Fees	21.6	20.9	(0.7)	1.4	0.5
Retail Sales and Use Tax	495.4	495.7	0.3	3.6	2.8
Recordation Tax (2 cents)	22.3	22.3	0.0	0.0	0.0
Interest Earnings	42.6	28.7	(13.9)	(6.8)	(6.2)
Rental Tax	27.2	26.0	(1.2)	1.1	2.8
Aviation Fuels Tax	2.0	2.1	0.1	(1.8)	0.0
<b>Total State Taxes and Fees (TTF)</b>	<b>\$ 1,034.7</b>	<b>\$ 1,020.5</b>	<b>\$ (14.2)</b>	<b>3.5 %</b>	<b>5.4 %</b>
<b>Total HMOF And TTF</b>					
Motor Fuels Tax	\$ 827.7	\$ 780.0	\$ (47.7)	0.5 %	0.2 %
Priority Transportation Trust Fund	154.0	151.2	(2.8)	3.9	3.6
Base	20.0	20.0	0.0	0.0	0.0
Insurance Premiums Tax (1/3)	134.0	131.2	(2.8)	4.5	4.2
Road Tax	9.5	6.7	(2.8)	0.0	(1.5)
Motor Vehicle Sales and Use Tax	445.5	478.1	32.6	10.5	27.1
Motor Vehicle License Fees	250.4	240.4	(10.0)	1.7	0.4
International Registration Plan	59.0	58.0	(1.0)	0.0	4.7
Retail Sales and Use Tax	495.4	495.7	0.3	3.6	2.8
Recordation Tax (3 cents)	33.5	33.5	0.0	0.0	0.0
Interest Earnings	42.6	28.7	(13.9)	(6.8)	(6.2)
Rental Tax	27.2	26.0	(1.2)	1.1	2.8
Aviation Fuels Tax	2.0	2.1	0.1	(1.8)	0.0
Miscellaneous	13.2	12.7	(0.5)	0.0	0.0
<b>Total State Taxes and Fees</b>	<b>\$ 2,360.0</b>	<b>\$ 2,313.1</b>	<b>\$ (46.9)</b>	<b>3.1 %</b>	<b>5.7 %</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>\$ 2,360.0</b>	<b>\$ 2,313.1</b>	<b>\$ (46.9)</b>	<b>3.1 %</b>	<b>5.7 %</b>

## **NON-GENERAL FUND REVENUES**

### **ABC Revenues and Profits Fiscal Year 2009**

In fiscal year 2009, ABC's total income, excluding state tax receipts, was \$576.0 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 2006 through 2009. 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 2006-2009 (\$ millions)**

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
<b>Total Revenue*</b>	497.9	527.1	555.0	576.0
<b>Cost of Goods &amp; Total Operating Expenses</b>	404.6	432.7	451.6	464.5
<b>Net ABC Profit</b>	93.3	94.4	103.4	111.5
<b>Transfer to the General Fund:</b>				
<b>Reimbursement for Appropriations as provided by the Acts of the Assembly</b>	66.5	66.2	66.2	67.6
<b>Net Profits for Distribution</b>	26.8	28.2	37.2	43.9

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

### **ABC Revenues and Profit Forecast for 2010-2012**

Comparisons of ABC's performance in fiscal year 2008, estimated performance for fiscal year 2009, and actual performance in fiscal year 2009, are included in Table 4.7.

**Table 4.7**  
**A Comparison of Fiscal Year 2008 Results to Fiscal Year 2009 Estimated and Actual Results, (\$ millions)**

	<u>FY09 Actual</u>	<u>FY08 Est.</u>	<u>FY09 Actual</u>	<u>\$ Var.</u>	<u>% Var.</u>	<u>FY08 v. FY09</u>	
						<u>Estimate</u>	<u>Actual</u>
<b>Total Store Sales*</b>	641.2	670.0	665.5	(4.5)	-0.7%	28.8	24.3
<b>Net ABC Profit for Distribution</b>	37.2	34.6	43.9	9.3	26.9%	(2.6)	6.7
<b>State Tax Revenue**</b>	125.3	110.6	129.8	19.2	17.4%	(14.7)	4.5

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

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

## NON-GENERAL FUND REVENUES

Fiscal Year 2009 compared to 2008 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 2009 results for store sales, profits for distribution and state tax revenues along with the 2010 through 2012 forecasts. Profit forecasts in Table 4.8 are net of any transfers mandated by the Appropriations Act.

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

	<u>Actual</u>	<u>Forecast</u>		
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Total ABC Store Sales: (1)	665.5	675.0	694.8	714.3
Adjusted Net Profits for Distribution: (2) (3)	43.9	40.5	40.9	41.4
ABC State Tax Revenues:(1)				
Spirits	109.8	111.4	114.6	117.9
Wine (4)	19.7	20.0	20.0	20.0
Total Tax Revenue:	129.5	131.4	134.6	137.9

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

(2) Does not include appropriation transfers mandated by Virginia Acts of Assembly

(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 excludes statutory transfers

ABC's profit forecast is a factor of two elements: sales performance and trends in expenses. In both cases, forecasts beyond fiscal year 2010 are more prone to forecast error given the uncertainty with the economy and impacts on customer behavior and ABC's cost structure.

In fiscal year 2010, ABC expects sales to continue to grow, but at a much slower rate than in previous years. This is due to a general slowdown in Virginia's economy combined with a reduced growth rate in new locations during the fiscal year. Uncontrollable factors such as holiday season sales and sales from mixed beverage licensees (restaurants) have the potential to significantly impact the accuracy of ABC's sales forecast. Currently, ABC is experiencing slight growth in retail sales but a five percent decline in restaurant sales.

On the expense side, ABC is faced with mandated salary and benefit costs, energy inflation, automatic rent escalation, telecommunication and technology costs and growth in credit card discount fees that are all very difficult to influence in the short run. Personnel costs account for

## **NON-GENERAL FUND REVENUES**

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57 percent of ABC non-merchandise expenditures, 17 percent are for continuous charges such as rent and utilities, 12 percent are for contractual services such as shipping product to stores and telecommunications, and 14 percent are for miscellaneous expenses such as depreciation and credit card discount fees. In fiscal years 2010 and 2011, increases in expenditures are exacerbated by the need to make significant infrastructure improvements in order to comply with data security standards mandated by the Payment Card Industry. Changes in salary and benefit cost rates mandated by the Appropriations Act can also significantly impact the accuracy of ABC's expense forecasts.

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

During fiscal year 2009, ABC contributed \$111.5 million of net profits to the Commonwealth, and collected \$184.3 million of taxes on store sales, wine, and beer and an additional \$26.2 million of general sales tax totaling \$322 million.

While net ABC profits are generally earmarked for deposit in the General Fund, 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 \$67.6 million in fiscal year 2009. These appropriations are charged against net ABC profits before being transferred to the General Fund.

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. This issue is exacerbated at year-end when ABC must estimate fourth quarter profits and make the transfer in advance of year-end closing.

**Virginia Lottery**

Each fiscal year, the Lottery makes periodic transfers of 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, computer gaming contract fees, 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 2009**

The Virginia Lottery transferred net proceeds of \$439.1 million to the Lottery Proceeds Fund for fiscal year 2009. The Lottery also transferred \$1.1 million for debt set-off to the Department of Taxation and \$13.3 million from unclaimed prizes to the Literary Fund.

Sales for fiscal year 2009 were \$1.4 billion, a decline of \$20.8 million (-1.5 percent) from fiscal year 2008, and \$25.7 million (-2 percent) less than the fiscal year 2009 forecast. Net income was \$9.0 million (+2 percent) more than forecast for the fiscal year, primarily because of unusually low prize expense rates.

**Forecast Overview - Fiscal Years 2010 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 US 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 2010, 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 \$813.9 million, or 58.3 percent of sales; retailer compensation is forecast to be \$78.8 million, or 5.7 percent of sales. This forecast takes into account current trends and simulation models



## **NON-GENERAL FUND REVENUES**

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for jackpot progressions and sales, and statistically expected prize expense rates. The estimated \$430.2 million net income plus the \$8.9 million of residual fiscal year 2009 profits transferred in fiscal year 2010 brings the total expected transfers to the Lottery Proceeds Fund for FY2010 to \$439.1 million.

For the 2010-2012 biennium, the Lottery expects that sales and net income will remain near fiscal year 2010 levels, or \$1.4 billion in sales creating revenue for the Lottery Proceeds Fund of \$430.2 million each year.

### **Sales Projections for Fiscal Years 2010 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 experience minimal overall growth for the current year and subsequent biennia 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 14 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.

Escalating efforts to expand multi-state jackpot game offerings among all U.S. Lottery states have led to recent breakthrough agreements between the two major consortia – Mega Millions and Powerball – that may lead to further product offerings with a national jackpot. These initiatives have experienced many interruptions and setbacks over the years, and there are no anticipated revenues in the current forecast for any of these potential future products. If such products become available for sale in Virginia, a forecast adjustment will be made at that time.

### **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 more significantly.

### **Other Products**

Since fiscal year 2007, the Lottery has 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.

## **NON-GENERAL FUND REVENUES**

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### **Net Income for Fiscal Years 2010 through 2012**

The Lottery is forecasting net income of \$430.2 million for fiscal year 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 5.5 percent - 6.0 percent of total sales.

The Virginia Lottery, celebrating its 21<sup>st</sup> year in fiscal year 2010, 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, retailer recruitment and expansion initiatives, and crucial marketing endeavors.

### **Ongoing Risks to the Forecast**

There are always a number of ongoing risks associated with the Virginia Lottery's forecast that could significantly affect the Lottery's transfer to the Lottery Proceeds Fund. The first is luck. Since the basis of many of the Lottery's products is a random drawing, in the relatively short period of one year, a wide range of outcomes can occur. If the Lottery experiences unusually high payouts in its daily games in any given year, sales may be higher than projected, but income lower simply due to players winning more money. Conversely, a prolonged period of low payouts can lead to higher current profit margin, but dampen players' enthusiasm and reduce future sales and profits.

A second risk is the prospect that North Carolina, as it further develops its lottery operation, will launch product offerings not available in Virginia. Prior to the inception of the North Carolina Education Lottery, approximately 10 percent of Virginia Lottery sales were to residents of North Carolina. Since inception, that percentage has declined to about 5 percent, meaning that the other 5 percent of sales were lost. Virginia may continue to experience a further erosion of sales to North Carolinians because their lottery increased the percentage of sales returned in prizes in 2008, eliminating the competitive advantage that Virginia had. Also, if North Carolina was to introduce different products than those available in Virginia, the impact on Virginia Lottery sales and revenues could be more than anticipated in this current forecast. Specifically, the offering of internet gaming, video lottery, or other non-traditional products in North Carolina could cause a more significant decline in Virginia lottery revenues.

A third risk is the prospect of the Lottery being constrained even further in its ability to launch, promote and support products. For example, if the advertising budget were reduced to sub-optimal levels, sales would suffer. It is likely that some products will need to be repositioned or relaunched in the marketplace. Advertising funds are necessary to ensure this is effective.

**Unemployment Insurance Trust Fund**

The current 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. Much higher unemployment caused UI tax collections to fall below the projection by \$13.3 million, or 3.9 percent, in fiscal year 2009 (see Table 4.9). Despite lower tax revenues and much higher benefits, interest revenues were below the projection by only \$0.7 million, or 2.5 percent, because the interest rate on the Trust Fund was slightly 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' increase in tax revenue in fiscal years 2010—2012 reflects increases in the four year moving average of benefit charges and in the pool tax rate and a decrease in the Fund Balance Factor. In the Baseline Scenario, pool taxes of 0.43 percent, 0.75 percent, and 0.91 percent are projected for Calendar Years 2010—2012 respectively. A fund-building tax is imposed in Calendar Years 2010—2012. The decline in interest revenues to zero is the result of the trust fund being depleted. In the pessimistic Alternate Scenario, pool taxes of 0.43 percent, 0.78 percent, and 0.96 percent are projected for Calendar Years 2010—2012 respectively. A fund-building tax is imposed in Calendar Years 2010—2012. Tax revenues are lower in 2010 in the Alternate Scenario because employment is lower. Due to higher benefit payments in the Alternate Scenario, average benefit ratios are higher for Calendar Years 2011 and 2012. This, combined with the higher pool tax rates, produces higher tax revenue than the Baseline Scenario for fiscal years 2011 and 2012. The Alternate Scenario produces the same interest revenue as the Baseline Scenario because both their balances are depleted.

## NON-GENERAL FUND REVENUES

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

Revenue Source	Fiscal Year 2010		Fiscal Year 2011		Fiscal Year 2012	
	Standard Estimate	% Change From Actual Fiscal Year 2009	Standard Estimate	% Change From Estimated Fiscal Year 2010	Standard Estimate	% Change From Estimated Fiscal Year 2011
Unemployment Insurance Tax	505.7	54.5%	746.1	47.5%	921.8	23.5%
Interest on Trust Fund	2.8	-89.9%	-	-100.0%	-	N/A
Total Revenue	508.5	43.2%	746.1	46.7%	921.8	23.5%

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

Revenue Source	Fiscal Year 2010		Fiscal Year 2011		Fiscal Year 2012	
	Standard Estimate	% Change From Actual Fiscal Year 2009	Standard Estimate	% Change From Estimated Fiscal Year 2010	Standard Estimate	% Change From Estimated Fiscal Year 2011
Unemployment Insurance Tax	503.3	53.7%	752.4	49.5%	944.2	25.5%
Interest on Trust Fund	2.8	-89.9%	-	-100.0%	-	N/A
Total Revenue	506.1	42.5%	752.4	48.7%	944.2	25.5%

# **APPENDIX A ECONOMIC DATA**

TABLE A.1 - QUARTERLY NATIONAL AND VIRGINIA ECONOMIC VARIABLES

	History											
	2006 3	2006 4	2007 1	2007 2	2007 3	2007 4	2008 1	2008 2	2008 3	2008 4	2009 1	2009 2
Real Gross Domestic Product, Billions \$, SAAR	12,965.9	13,060.7	13,099.9	13,204.0	13,321.1	13,391.2	13,366.9	13,415.3	13,324.6	13,141.9	12,925.4	12,901.5
Annualized % Change	0.1	3.0	1.2	3.2	3.6	2.1	(0.7)	1.5	(2.7)	(5.4)	(6.4)	(0.7)
% Change from Prior Year's Quarter	2.2	2.4	1.4	1.9	2.7	2.5	2.0	1.6	0.0	(1.9)	(3.3)	(3.8)
Real Consumer Spending, Billions \$, SAAR	9,090.7	9,181.6	9,265.1	9,291.5	9,335.6	9,363.6	9,349.6	9,351.0	9,267.7	9,195.3	9,209.2	9,189.0
Annualized % Change	2.5	4.1	3.7	1.1	1.9	1.2	(0.6)	0.1	(3.5)	(3.1)	0.6	(0.9)
% Change from Prior Year's Quarter	2.5	3.3	3.1	2.8	2.7	2.0	0.9	0.6	(0.7)	(1.8)	(1.5)	(1.7)
U.S. Personal Income, Billions \$, SAAR	11,336.9	11,504.8	11,706.9	11,823.4	11,945.6	12,100.3	12,142.2	12,292.9	12,286.6	12,233.5	11,952.7	11,971.8
Annualized % Change	4.8	6.1	7.2	4.0	4.2	5.3	1.4	5.1	(0.2)	(1.7)	(8.9)	0.6
% Change from Prior Year's Quarter	7.2	7.1	6.2	5.5	5.4	5.2	3.7	4.0	2.9	1.1	(1.6)	(2.6)
Virginia Personal Income, Millions \$, SAAR	317,271.0	320,708.0	328,885.0	331,332.0	335,040.0	337,410.0	339,770.0	344,077.0	345,189.0	345,285.0	339,761.0	340,692.0
Annualized % Change	4.0	4.4	10.6	3.0	4.6	2.9	2.8	5.2	1.3	0.1	(6.2)	1.1
% Change from Prior Year's Quarter	6.9	6.5	6.1	5.5	5.6	5.2	3.3	3.8	3.0	2.3	(0.0)	(1.0)
Virginia Wages and Salaries, Millions \$, SAAR	179,009.0	181,730.0	187,329.0	187,794.0	189,146.0	190,445.0	191,992.0	192,966.0	194,457.0	194,585.0	191,069.0	189,794.0
Annualized % Change	2.2	6.2	12.9	1.0	2.9	2.8	3.3	2.0	3.1	0.3	(7.0)	(2.6)
% Change from Prior Year's Quarter	4.5	5.5	5.3	5.5	5.7	4.8	2.5	2.8	2.8	2.2	(0.5)	(1.6)
Virginia Dividends, Interest, and Rent, Millions \$, SAAR	54,351.0	54,785.0	55,962.0	57,550.0	58,960.0	59,584.0	58,832.0	59,007.0	59,834.0	59,119.0	56,588.0	55,406.0
Annualized % Change	11.1	3.2	8.9	11.8	10.2	4.3	(5.0)	1.2	5.7	(4.7)	(16.1)	(8.1)
% Change from Prior Year's Quarter	17.4	12.8	11.5	8.7	8.5	8.8	5.1	2.5	1.5	(0.8)	(3.8)	(6.1)
Virginia Total Proprietor's Income, Millions \$, SAAR	23,011.0	23,045.0	22,607.0	22,639.0	22,516.0	22,414.0	22,377.0	22,232.0	22,316.0	21,873.0	21,093.0	20,854.0
Annualized % Change	(3.7)	0.6	(7.4)	0.6	(2.2)	(1.8)	(0.7)	(2.6)	1.5	(7.7)	(13.5)	(4.5)
% Change from Prior Year's Quarter	1.6	0.2	(2.8)	(2.5)	(2.2)	(2.7)	(1.0)	(1.8)	(0.9)	(2.4)	(5.7)	(6.2)

SAAR: Seasonally Adjusted at Annual Rates  
SA: Seasonally Adjusted

TABLE A.1 - QUARTERLY NATIONAL AND VIRGINIA ECONOMIC VARIABLES

	History											
	2006 3	2006 4	2007 1	2007 2	2007 3	2007 4	2008 1	2008 2	2008 3	2008 4	2009 1	2009 2
Total U.S. Employment, Millions, SA	136.3	136.8	137.3	137.6	137.6	137.6	137.9	137.5	137.0	135.7	133.7	132.1
Annualized % Change	1.1	1.4	1.5	0.9	0.1	1.2	(0.2)	(1.3)	(1.5)	(3.7)	(5.9)	(4.5)
% Change from Prior Year's Quarter	1.6	1.6	1.4	1.2	1.0	0.9	0.5	(0.0)	(0.4)	(1.6)	(3.1)	(3.9)
Virginia Total Nonag. Employment, Thousands, SA	3,725.5	3,739.4	3,754.7	3,762.4	3,760.0	3,769.1	3,771.5	3,757.3	3,761.9	3,724.8	3,694.0	3,678.7
Annualized % Change	(0.1)	1.5	1.6	0.8	(0.3)	1.0	0.3	(1.5)	0.5	(3.9)	(3.3)	(1.7)
% Change from Prior Year's Quarter	1.3	1.3	1.1	1.0	0.9	0.8	0.4	(0.1)	0.1	(1.2)	(2.1)	(2.1)
CPI, All Urban, 2000=100, SA	2.0	2.0	2.0	2.1	2.1	2.1	2.1	2.2	2.2	2.1	2.1	2.1
Annualized % Change	3.6	(1.0)	3.9	4.2	2.4	5.8	4.5	4.5	6.2	(8.3)	(2.4)	1.3
% Change from Prior Year's Quarter	3.3	1.9	2.4	2.6	2.3	4.0	4.2	4.3	5.2	1.5	(0.2)	(0.9)
Refiner's Acquisition Cost of Oil, \$ per Barrel	65.1	54.5	54.0	62.5	71.4	84.0	91.2	117.1	113.9	55.1	40.4	56.8
Quarterly Change	0.6	(10.6)	(0.5)	8.5	8.9	12.6	7.2	25.9	(3.2)	(58.8)	(14.7)	16.4
Change from Prior Year's Quarter	7.3	0.6	(2.2)	(2.1)	6.3	29.4	37.2	54.6	42.5	(28.9)	(50.8)	(60.3)
Before-Tax Corporate Profits, Billions \$, SAAR	1,865.1	1,790.7	1,747.6	1,808.6	1,758.2	1,783.1	1,620.8	1,593.5	1,576.6	1,060.1	1,246.5	1,337.1
Annualized % Change	10.3	(15.0)	(9.3)	14.7	(10.7)	5.8	(31.7)	(6.6)	(4.2)	(79.6)	91.2	32.4
% Change from Prior Year's Quarter	13.6	2.5	(3.7)	(0.6)	(5.7)	(0.4)	(7.3)	(11.9)	(10.3)	(40.5)	(23.1)	(16.1)
S&P 500 Stock Market Index, Level	1,288.4	1,389.5	1,425.3	1,496.4	1,490.8	1,494.1	1,350.2	1,371.6	1,251.9	909.8	809.3	892.2
Annualized % Change	2.1	35.3	10.7	21.5	(1.5)	0.9	(33.3)	6.5	(30.6)	(72.1)	(37.4)	47.7
% Change from Prior Year's Quarter	5.2	12.9	11.1	16.7	15.7	7.5	(5.3)	(8.3)	(16.0)	(39.1)	(40.1)	(35.0)
30-Year Treasury Bonds, Level	5.0	4.7	4.8	5.0	4.9	4.6	4.4	4.6	4.4	3.7	3.5	4.2
Quarterly Change	(0.1)	(0.3)	0.1	0.2	(0.0)	(0.3)	(0.2)	0.2	(0.1)	(0.8)	(0.2)	0.7
Change from Prior Year's Quarter	0.6	0.1	0.2	(0.1)	(0.0)	(0.1)	(0.4)	(0.4)	(0.5)	(0.9)	(1.0)	(0.4)

SAAR: Seasonally Adjusted at Annual Rates  
SA: Seasonally Adjusted



**TABLE A.2 - QUARTERLY NATIONAL AND VIRGINIA ECONOMIC VARIABLES**

	October Standard Forecast												
	2009 3	2009 4	2010 1	2010 2	2010 3	2010 4	2011 1	2011 2	2011 3	2011 4	2012 1	2012 2	
<b>Real Gross Domestic Product,</b>													
Billions \$, SAAR	13,014.6	13,097.9	13,155.3	13,214.5	13,286.6	13,374.6	13,466.7	13,585.4	13,708.8	13,829.7	13,959.7	14,091.2	
Annualized % Change	3.6	2.6	1.8	1.8	2.2	2.7	2.8	3.6	3.7	3.6	3.8	3.8	
% Change from Prior Year's Quarter	(2.3)	(0.3)	1.8	2.4	2.1	2.1	2.4	2.8	3.2	3.4	3.7	3.7	
<b>Real Consumer Spending,</b>													
Billions \$, SAAR	9,254.8	9,262.3	9,287.3	9,323.9	9,401.3	9,465.8	9,508.9	9,551.7	9,612.5	9,683.2	9,741.5	9,804.9	
Annualized % Change	2.9	0.3	1.1	1.6	3.4	2.8	1.8	1.8	2.6	3.0	2.4	2.6	
% Change from Prior Year's Quarter	(0.1)	0.7	0.8	1.5	1.6	2.2	2.4	2.4	2.2	2.3	2.4	2.7	
<b>U.S. Personal Income,</b>													
Billions \$, SAAR	11,959.4	12,021.9	12,127.4	12,248.9	12,378.5	12,485.2	12,593.5	12,721.5	12,870.7	13,019.3	13,192.8	13,381.5	
Annualized % Change	(0.4)	2.1	3.6	4.1	4.3	3.5	3.5	4.1	4.8	4.7	5.4	5.8	
% Change from Prior Year's Quarter	(2.7)	(1.7)	1.5	2.3	3.5	3.9	3.8	3.9	4.0	4.3	4.8	5.2	
<b>Virginia Personal Income,</b>													
Millions \$, SAAR	344,318.8	346,464.4	349,529.1	352,038.9	354,546.7	356,922.5	360,091.4	362,253.6	365,671.9	369,649.4	374,026.8	378,189.8	
Annualized % Change	4.3	2.5	3.6	2.9	2.9	2.7	3.6	2.4	3.8	4.4	4.8	4.5	
% Change from Prior Year's Quarter	(0.3)	0.3	2.9	3.3	3.0	3.0	3.0	2.9	3.1	3.6	3.9	4.4	
<b>Virginia Wages and Salaries,</b>													
Millions \$, SAAR	191,669.6	192,127.2	193,792.8	195,259.4	197,153.6	198,330.8	199,898.5	200,959.4	203,158.7	205,510.0	207,627.2	209,567.7	
Annualized % Change	4.0	1.0	3.5	3.1	3.9	2.4	3.2	2.1	4.5	4.7	4.2	3.8	
% Change from Prior Year's Quarter	(1.4)	(1.3)	1.4	2.9	2.9	3.2	3.2	2.9	3.0	3.6	3.9	4.3	
<b>Virginia Dividends, Interest, and Rent,</b>													
Millions \$, SAAR	56,184.3	56,932.8	57,882.3	58,758.2	58,954.5	58,596.4	58,988.5	59,515.0	60,328.3	61,295.3	62,516.9	63,879.8	
Annualized % Change	5.7	5.4	6.8	6.2	1.3	(2.4)	2.7	3.6	5.6	6.6	8.2	9.0	
% Change from Prior Year's Quarter	(6.1)	(3.7)	2.3	6.1	4.9	2.9	1.9	1.3	2.3	4.6	6.0	7.3	
<b>Virginia Total Proprietor's Income,</b>													
Millions \$, SAAR	21,236.3	21,516.0	21,747.9	22,062.0	22,238.5	22,691.2	23,014.3	23,143.9	23,193.1	23,225.0	23,217.6	23,202.6	
Annualized % Change	7.5	5.4	4.4	5.9	3.2	8.4	5.8	2.3	0.9	0.6	(0.1)	(0.3)	
% Change from Prior Year's Quarter	(4.8)	(1.6)	3.1	5.8	4.7	5.5	5.8	4.9	4.3	2.4	0.9	0.3	

SAAR: Seasonally Adjusted at Annual Rates  
SA: Seasonally Adjusted

TABLE A.2 - QUARTERLY NATIONAL AND VIRGINIA ECONOMIC VARIABLES

	October Standard Forecast											
	2009 3	2009 4	2010 1	2010 2	2010 3	2010 4	2011 1	2011 2	2011 3	2011 4	2012 1	2012 2
Total U.S. Employment, Millions, SA	131.2	130.6	130.4	130.7	131.1	131.7	132.3	133.1	133.9	134.6	135.5	136.4
Annualized % Change	(2.8)	(1.8)	(0.6)	0.7	1.3	1.8	1.9	2.4	2.4	2.4	2.5	2.7
% Change from Prior Year's Quarter	(4.2)	(3.8)	(2.4)	(1.1)	(0.1)	0.8	1.4	1.8	2.1	2.3	2.4	2.5
Virginia Total Nonag. Employment, Thousands, SA	3,639.2	3,624.8	3,624.9	3,629.2	3,647.4	3,662.9	3,677.7	3,691.1	3,711.8	3,733.5	3,755.8	3,779.1
Annualized % Change	(4.2)	(1.6)	0.0	0.5	2.0	1.7	1.6	1.5	2.3	2.4	2.4	2.5
% Change from Prior Year's Quarter	(3.3)	(2.7)	(1.9)	(1.3)	0.2	1.1	1.5	1.7	1.8	1.9	2.1	2.4
CPI, All Urban, 2000=100, SA	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.3	2.3
Annualized % Change	3.6	2.1	(0.3)	1.0	2.0	2.0	2.5	2.5	2.6	2.1	2.1	1.7
% Change from Prior Year's Quarter	(1.5)	1.1	1.7	1.6	1.2	1.2	1.9	2.3	2.4	2.4	2.3	2.1
Refiner's Acquisition Cost of Oil, \$ per Barrel	64.6	65.8	60.3	59.4	62.2	65.0	67.9	70.7	73.5	75.0	76.0	76.9
Quarterly Change	7.8	1.1	(5.4)	(0.9)	2.8	2.8	2.9	2.8	2.8	1.6	1.0	0.9
Change from Prior Year's Quarter	(49.3)	10.7	19.9	2.6	(2.4)	(0.7)	7.5	11.3	11.3	10.0	8.2	6.3
Before-Tax Corporate Profits, Billions \$, SAAR	1,487.9	1,517.4	1,547.6	1,551.5	1,556.5	1,587.4	1,715.6	1,767.0	1,800.2	1,818.5	1,816.4	1,821.7
Annualized % Change	53.3	8.2	8.2	1.0	1.3	8.2	36.4	12.5	7.7	4.1	(0.5)	1.2
% Change from Prior Year's Quarter	(5.6)	43.1	24.2	16.0	4.6	4.6	10.9	13.9	15.7	14.6	5.9	3.1
S&P 500 Stock Market Index, Level	996.7	1,030.0	1,032.7	1,058.8	1,084.5	1,109.8	1,134.8	1,160.2	1,186.3	1,212.1	1,237.7	1,263.4
Annualized % Change	55.7	14.0	1.0	10.5	10.1	9.7	9.3	9.3	9.3	9.0	8.7	8.6
% Change from Prior Year's Quarter	(20.4)	13.2	27.6	18.7	8.8	7.7	9.9	9.6	9.4	9.2	9.1	8.9
30-Year Treasury Bonds, Level	4.3	4.1	4.2	4.2	4.3	4.4	4.5	4.5	4.5	4.6	4.7	4.9
Quarterly Change	0.2	(0.2)	0.1	0.0	0.1	0.1	0.1	0.0	(0.0)	0.1	0.1	0.2
Change from Prior Year's Quarter	(0.1)	0.4	0.7	0.0	(0.1)	0.3	0.3	0.3	0.2	0.2	0.2	0.4

SAAR: Seasonally Adjusted at Annual Rates  
SA: Seasonally Adjusted

**TABLE A.2 - QUARTERLY NATIONAL AND VIRGINIA ECONOMIC VARIABLES**

**October Pessimistic Alternative Scenario**

	2009 3	2009 4	2010 1	2010 2	2010 3	2010 4	2011 1	2011 2	2011 3	2011 4	2012 1	2012 2
<b>Real Gross Domestic Product,</b>												
Billions \$, SAAR	12,993.2	13,004.6	12,987.9	12,954.5	12,948.0	12,989.7	13,037.0	13,123.8	13,217.7	13,305.0	13,410.0	13,508.2
Annualized % Change	2.9	0.4	(0.5)	(1.0)	(0.2)	1.3	1.5	2.7	2.9	2.7	3.2	3.0
% Change from Prior Year's Quarter	(2.5)	(1.0)	0.5	0.4	(0.3)	(0.1)	0.4	1.3	2.1	2.4	2.9	2.9
<b>Real Consumer Spending,</b>												
Billions \$, SAAR	9,250.7	9,233.0	9,228.0	9,223.5	9,257.1	9,286.9	9,288.8	9,290.0	9,306.4	9,330.3	9,351.3	9,379.9
Annualized % Change	2.7	(0.8)	(0.2)	(0.2)	1.5	1.3	0.1	0.1	0.7	1.0	0.9	1.2
% Change from Prior Year's Quarter	(0.2)	0.4	0.2	0.4	0.1	0.6	0.7	0.7	0.5	0.5	0.7	1.0
<b>U.S. Personal Income,</b>												
Billions \$, SAAR	11,937.2	11,980.4	12,046.9	12,112.4	12,171.2	12,217.9	12,274.9	12,374.4	12,510.2	12,646.5	12,824.1	13,016.5
Annualized % Change	(1.2)	1.5	2.2	2.2	2.0	1.5	1.9	3.3	4.5	4.4	5.7	6.1
% Change from Prior Year's Quarter	(2.8)	(2.1)	0.8	1.2	2.0	2.0	1.9	2.2	2.8	3.5	4.5	5.2
<b>Virginia Personal Income,</b>												
Millions \$, SAAR	343,952.1	345,918.7	348,437.0	350,275.8	351,696.0	353,046.8	355,257.7	356,880.1	360,147.2	363,932.1	368,320.0	372,494.0
Annualized % Change	3.9	2.3	2.9	2.1	1.6	1.5	2.5	1.8	3.7	4.3	4.9	4.6
% Change from Prior Year's Quarter	(0.4)	0.2	2.6	2.8	2.3	2.1	2.0	1.9	2.4	3.1	3.7	4.4
<b>Virginia Wages and Salaries,</b>												
Millions \$, SAAR	191,594.4	191,942.8	193,242.4	194,132.9	195,368.4	196,018.9	197,077.6	197,662.1	199,449.9	201,327.7	203,063.9	204,751.5
Annualized % Change	3.8	0.7	2.7	1.9	2.6	1.3	2.2	1.2	3.7	3.8	3.5	3.4
% Change from Prior Year's Quarter	(1.5)	(1.4)	1.1	2.3	2.0	2.1	2.0	1.8	2.1	2.7	3.0	3.6
<b>Virginia Dividends, Interest, and Rent,</b>												
Millions \$, SAAR	55,823.4	56,454.0	57,096.1	57,621.5	57,156.1	56,122.7	55,965.7	56,243.5	57,097.0	58,169.2	59,528.9	61,082.7
Annualized % Change	3.0	4.6	4.6	3.7	(3.2)	(7.0)	(1.1)	2.0	6.2	7.7	9.7	10.9
% Change from Prior Year's Quarter	(6.7)	(4.5)	0.9	4.0	2.4	(0.6)	(2.0)	(2.4)	(0.1)	3.6	6.4	8.6
<b>Virginia Total Proprietor's Income,</b>												
Millions \$, SAAR	21,223.7	21,499.8	21,713.6	21,977.4	22,121.9	22,557.1	22,869.1	22,977.9	22,988.6	22,976.1	22,937.8	22,898.3
Annualized % Change	7.3	5.3	4.0	4.9	2.7	8.1	5.6	1.9	0.2	(0.2)	(0.7)	(0.7)
% Change from Prior Year's Quarter	(4.9)	(1.7)	2.9	5.4	4.2	4.9	5.3	4.6	3.9	1.9	0.3	(0.3)

SAAR: Seasonally Adjusted at Annual Rates

SA: Seasonally Adjusted

**TABLE A.2 - QUARTERLY NATIONAL AND VIRGINIA ECONOMIC VARIABLES**

**October Pessimistic Alternative Scenario**

	2009 3	2009 4	2010 1	2010 2	2010 3	2010 4	2011 1	2011 2	2011 3	2011 4	2012 1	2012 2
Total U.S. Employment, Millions, SA	131.2	130.3	129.8	129.6	129.4	129.6	129.8	130.3	130.8	131.4	132.0	132.8
Annualized % Change	(2.8)	(2.7)	(1.6)	(0.7)	(0.4)	0.4	0.7	1.5	1.6	1.7	2.0	2.3
% Change from Prior Year's Quarter	(4.2)	(4.0)	(2.9)	(1.9)	(1.3)	(0.6)	0.0	0.5	1.1	1.4	1.7	1.9
Virginia Total Nonag. Employment, Thousands, SA	3,639.2	3,619.7	3,612.0	3,606.1	3,611.2	3,615.7	3,620.3	3,625.5	3,639.0	3,654.1	3,669.9	3,687.4
Annualized % Change	(4.2)	(2.1)	(0.8)	(0.7)	0.6	0.5	0.5	0.6	1.5	1.7	1.7	1.9
% Change from Prior Year's Quarter	(3.3)	(2.8)	(2.2)	(2.0)	(0.8)	(0.1)	0.2	0.5	0.8	1.1	1.4	1.7
CPI, All Urban, 2000=100, SA	2.2	2.2	2.1	2.2	2.2	2.2	2.2	2.2	2.2	2.3	2.3	2.3
Annualized % Change	3.6	0.0	(1.1)	1.1	2.4	2.7	3.6	3.7	4.1	3.9	3.0	2.6
% Change from Prior Year's Quarter	(1.6)	0.6	1.0	0.9	0.6	1.3	2.5	3.1	3.5	3.8	3.7	3.4
Refiner's Acquisition Cost of Oil, \$ per Barrel	64.6	55.3	47.4	48.5	53.3	59.1	66.9	73.8	81.6	89.1	90.1	91.0
Quarterly Change	7.8	(9.3)	(7.9)	1.1	4.8	5.8	7.9	6.8	7.8	7.6	1.0	0.9
Change from Prior Year's Quarter	(49.3)	0.3	7.0	(8.3)	(11.3)	3.8	19.5	25.3	28.3	30.0	23.2	17.3
Before-Tax Corporate Profits, Billions \$, SAAR	1,455.4	1,419.5	1,425.0	1,381.8	1,360.3	1,398.0	1,521.0	1,566.4	1,597.4	1,615.6	1,604.7	1,604.1
Annualized % Change	40.4	(9.5)	1.6	(11.6)	(6.1)	11.5	40.1	12.5	8.2	4.6	(2.6)	(0.2)
% Change from Prior Year's Quarter	(7.7)	33.9	14.3	3.3	(6.5)	(1.5)	6.7	13.4	17.4	15.6	5.5	2.4
S&P 500 Stock Market Index, Level	996.7	929.0	887.7	895.7	932.0	967.6	1,001.7	1,046.0	1,090.4	1,129.5	1,161.6	1,186.1
Annualized % Change	55.7	(24.5)	(16.6)	3.7	17.2	16.2	14.9	18.9	18.1	15.2	11.9	8.7
% Change from Prior Year's Quarter	(20.4)	2.1	9.7	0.4	(6.5)	4.2	12.8	16.8	17.0	16.7	16.0	13.4
30-Year Treasury Bonds, Level	4.3	3.8	3.9	3.9	4.0	4.0	4.5	4.9	5.1	5.4	5.8	6.2
Quarterly Change	0.2	(0.5)	0.1	0.1	0.0	0.0	0.5	0.4	0.2	0.3	0.3	0.5
Change from Prior Year's Quarter	(0.1)	0.1	0.4	(0.2)	(0.4)	0.1	0.6	0.9	1.1	1.5	1.3	1.3

SAAR: Seasonally Adjusted at Annual Rates

SA: Seasonally Adjusted

TABLE A.3 - ANNUAL NATIONAL AND VIRGINIA ECONOMIC VARIABLES

	History											
	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	
Real Gross Domestic Product, Billions \$, SAAR	8,287.1	8,523.5	8,870.7	9,093.8	9,433.9	9,854.4	10,283.5	10,779.9	11,226.0	11,347.2	11,553.0	
% Change	3.4	2.9	4.1	2.5	3.7	4.5	4.4	4.8	4.1	1.1	1.8	
Fiscal Year	8,127.1	8,416.3	8,687.5	8,994.4	9,239.8	9,639.3	10,059.8	10,530.4	11,033.9	11,317.7	11,434.2	
% Change	1.6	3.6	3.2	3.5	2.7	4.3	4.4	4.7	4.8	2.6	1.0	
Real Consumer Spending, Billions \$, SAAR	5,505.7	5,701.2	5,918.9	6,079.0	6,291.2	6,523.4	6,865.5	7,240.9	7,608.1	7,813.9	8,021.9	
% Change	3.4	3.5	3.8	2.7	3.5	3.7	5.2	5.5	5.1	2.7	2.7	
Fiscal Year	5,397.2	5,602.5	5,814.0	5,998.5	6,185.5	6,391.8	6,684.2	7,055.1	7,437.2	7,719.3	7,923.2	
% Change	1.6	3.8	3.8	3.2	3.1	3.3	4.6	5.5	5.4	3.8	2.6	
U.S. Personal Income, Billions \$, SAAR	5,347.3	5,568.1	5,874.8	6,200.9	6,591.6	7,000.8	7,525.4	7,910.9	8,559.4	8,883.3	9,060.1	
% Change	6.3	4.1	5.5	5.6	6.3	6.2	7.5	5.1	8.2	3.8	2.0	
Fiscal Year	5,176.7	5,458.0	5,713.3	6,054.2	6,381.3	6,790.6	7,261.1	7,716.6	8,234.3	8,772.9	8,958.0	
% Change	4.8	5.4	4.7	6.0	5.4	6.4	6.9	6.3	6.7	6.5	2.1	
Virginia Personal Income, Millions \$, SAAR	139,900.5	146,272.8	153,653.8	160,469.5	169,000.8	179,653.5	191,710.8	204,585.8	220,845.3	239,102.8	245,781.5	
% Change	6.1	4.6	5.0	4.4	5.3	6.3	6.7	6.7	7.9	8.3	2.8	
Fiscal Year	135,242.8	143,223.3	149,703.0	157,632.0	164,179.3	174,154.3	185,300.0	198,338.3	212,401.8	231,733.3	241,823.0	
% Change	4.2	5.9	4.5	5.3	4.2	6.1	6.4	7.0	7.1	9.1	4.4	
Virginia Wages and Salaries, Millions \$, SAAR	79,370.0	82,644.8	86,650.8	90,751.3	96,170.5	103,273.3	111,600.5	120,502.3	131,677.5	138,722.8	140,626.3	
% Change	5.6	4.1	4.8	4.7	6.0	7.4	8.1	8.0	9.3	5.4	1.4	
Fiscal Year	76,714.3	80,973.3	84,729.5	88,911.0	93,073.3	99,635.8	107,046.3	116,487.5	125,849.0	136,597.3	138,942.5	
% Change	3.0	5.6	4.6	4.9	4.7	7.1	7.4	8.8	8.0	8.5	1.7	
Virginia Dividends, Interest, and Rent, Millions \$, SAAR	25,388.0	26,217.8	28,373.8	29,314.5	31,117.0	33,036.5	35,425.0	35,603.5	39,100.5	41,439.8	41,226.8	
% Change	1.6	3.3	8.2	3.3	6.1	6.2	7.2	0.5	9.8	6.0	(0.5)	
Fiscal Year	25,143.0	25,872.5	26,879.0	29,195.3	30,022.3	32,090.0	34,303.3	35,534.0	37,289.8	40,366.5	41,595.3	
% Change	2.1	2.9	3.9	8.6	2.8	6.9	6.9	3.6	4.9	8.3	3.0	
Virginia Total Proprietor's Income, Millions \$, SAAR	7,035.8	7,707.5	7,820.3	8,584.3	9,055.5	9,747.0	10,461.3	11,513.3	12,669.0	17,774.5	18,459.8	
% Change	10.8	9.5	1.5	9.8	5.5	7.6	7.3	10.1	10.0	40.3	3.9	
Fiscal Year	6,643.0	7,394.5	7,809.3	8,128.5	8,883.5	9,346.5	10,100.5	10,945.0	12,048.8	15,525.8	17,857.0	
% Change	4.8	11.3	5.6	4.1	9.3	5.2	8.1	8.4	10.1	28.9	15.0	

SAAR: Seasonally Adjusted at Annual Rates  
SA: Seasonally Adjusted

TABLE A.3 - ANNUAL NATIONAL AND VIRGINIA ECONOMIC VARIABLES

	History										October Standard Forecast		
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012			
Real Gross Domestic Product, Billions \$, SAAR	11,840.7	12,263.8	12,638.4	12,976.3	13,254.1	13,312.2	12,984.9	13,257.7	13,647.6	14,148.4			
% Change	2.5	3.6	3.1	2.7	2.1	0.4	(2.5)	2.1	2.9	3.7			
Fiscal Year	11,644.9	12,079.9	12,458.9	12,827.6	13,082.6	13,373.6	13,073.4	13,120.6	13,428.3	13,897.4			
% Change	1.8	3.7	3.1	3.0	2.0	2.2	(2.2)	0.4	2.3	3.5			
Real Consumer Spending, Billions \$, SAAR	8,247.6	8,532.7	8,819.0	9,073.5	9,313.9	9,290.9	9,228.8	9,369.6	9,589.1	9,831.0			
% Change	2.8	3.5	3.4	2.9	2.6	(0.2)	(0.7)	1.5	2.3	2.5			
Fiscal Year	8,113.2	8,397.8	8,683.0	8,943.9	9,207.2	9,349.9	9,215.3	9,282.1	9,481.9	9,710.5			
% Change	2.4	3.5	3.4	3.0	2.9	1.5	(1.4)	0.7	2.2	2.4			
U.S. Personal Income, Billions \$, SAAR	9,378.2	9,937.3	10,485.9	11,268.1	11,894.1	12,238.8	11,976.4	12,310.0	12,801.3	13,468.9			
% Change	3.5	6.0	5.5	7.5	5.6	2.9	(2.1)	2.8	4.0	5.2			
Fiscal Year	9,179.3	9,631.0	10,211.9	10,887.3	11,593.0	12,120.3	12,111.2	12,089.4	12,544.7	13,116.1			
% Change	2.5	4.9	6.0	6.6	6.5	4.5	(0.1)	(0.2)	3.8	4.6			
Virginia Personal Income, Millions \$, SAAR	257,927.8	275,167.0	294,173.3	315,565.3	333,166.8	343,580.3	342,809.0	353,259.3	364,416.6	379,708.2			
% Change	4.9	6.7	6.9	7.3	5.6	3.1	(0.2)	3.0	3.2	4.2			
Fiscal Year	250,477.3	266,270.8	284,615.3	305,568.0	324,549.0	339,074.3	342,731.8	348,087.8	358,453.6	371,884.5			
% Change	3.6	6.3	6.9	7.4	6.2	4.5	1.1	1.6	3.0	3.7			
Virginia Wages and Salaries, Millions \$, SAAR	147,586.5	158,884.3	169,298.0	179,165.0	188,678.5	193,500.0	191,164.9	196,134.1	202,381.6	210,004.7			
% Change	4.9	7.7	6.6	5.8	5.3	2.6	(1.2)	2.6	3.2	3.8			
Fiscal Year	143,159.0	153,020.0	164,460.3	174,852.3	183,965.5	191,137.3	192,476.3	193,212.3	199,085.6	206,465.9			
% Change	3.0	6.9	7.5	6.3	5.2	3.9	0.7	0.4	3.0	3.7			
Virginia Dividends, Interest, and Rent, Millions \$, SAAR	41,964.5	42,741.8	46,015.8	53,066.8	58,014.0	59,198.0	56,277.8	58,547.9	60,031.8	64,440.5			
% Change	1.8	1.9	7.7	15.3	9.3	2.0	(4.9)	4.0	2.5	7.3			
Fiscal Year	41,374.0	42,233.5	43,882.8	49,499.3	55,662.0	59,095.8	57,736.8	57,439.4	59,013.6	62,005.1			
% Change	(0.5)	2.1	3.9	12.8	12.5	6.2	(2.3)	(0.5)	2.7	5.1			
Virginia Total Proprietor's Income, Millions \$, SAAR	18,676.3	21,085.5	22,444.3	23,133.5	22,544.0	22,199.5	21,174.8	22,184.9	23,144.1	23,178.7			
% Change	1.2	12.9	6.4	3.1	(2.5)	(1.5)	(4.6)	4.8	4.3	0.1			
Fiscal Year	18,490.3	19,833.0	21,830.3	23,032.5	22,825.5	22,384.8	21,534.0	21,640.6	22,772.0	23,209.6			
% Change	3.5	7.3	10.1	5.5	(0.9)	(1.9)	(3.8)	0.5	5.2	1.9			

SAAR: Seasonally Adjusted at Annual Rates  
SA: Seasonally Adjusted

TABLE A.3 - ANNUAL NATIONAL AND VIRGINIA ECONOMIC VARIABLES

	History										Pessimistic Alternative Scenario			
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2009	2010	2011	2012
Real Gross Domestic Product, Billions \$, SAAR	11,840.7	12,263.8	12,638.4	12,976.3	13,254.1	13,312.2	12,956.2	12,970.0	13,170.9	13,550.0	(2.7)	0.1	1.5	2.9
% Change	2.5	3.6	3.1	2.7	2.1	0.4								
Fiscal Year	11,644.9	12,079.9	12,458.9	12,827.6	13,082.6	13,373.6	13,073.4	12,985.0	13,024.6	13,360.2	(2.2)	(0.7)	0.3	2.6
% Change	1.8	3.7	3.1	3.0	2.0	2.2								
Real Consumer Spending, Billions \$, SAAR	8,247.6	8,532.7	8,819.0	9,073.5	9,313.9	9,290.9	9,220.5	9,248.9	9,303.9	9,391.7	(0.8)	0.3	0.6	0.9
% Change	2.8	3.5	3.4	2.9	2.6	(0.2)								
Fiscal Year	8,113.2	8,397.8	8,683.0	8,943.9	9,207.2	9,349.9	9,215.3	9,233.8	9,280.7	9,342.0	(1.4)	0.2	0.5	0.7
% Change	2.4	3.5	3.4	3.0	2.9	1.5								
U.S. Personal Income, Billions \$, SAAR	9,378.2	9,937.3	10,485.9	11,268.1	11,894.1	12,238.8	11,960.5	12,137.1	12,451.5	13,105.8	(2.3)	1.5	2.6	5.3
% Change	3.5	6.0	5.5	7.5	5.6	2.9								
Fiscal Year	9,179.3	9,631.0	10,211.9	10,887.3	11,593.0	12,120.3	12,111.2	12,019.2	12,259.6	12,749.3	(0.1)	(0.8)	2.0	4.0
% Change	2.5	4.9	6.0	6.6	6.5	4.5								
Virginia Personal Income, Millions \$, SAAR	257,927.8	275,167.0	294,173.3	315,565.3	333,166.8	343,580.3	342,580.9	350,863.9	359,054.3	374,081.3	(0.3)	2.4	2.3	4.2
% Change	4.9	6.7	6.9	7.3	5.6	3.1								
Fiscal Year	250,477.3	266,270.8	284,615.3	305,568.0	324,549.0	339,074.3	342,731.8	347,145.9	354,220.1	366,223.3	1.1	1.3	2.0	3.4
% Change	3.6	6.3	6.9	7.4	6.2	4.5								
Virginia Wages and Salaries, Millions \$, SAAR	147,586.5	158,884.3	169,298.0	179,165.0	188,678.5	193,500.0	191,100.0	194,690.7	198,879.3	205,112.4	(1.2)	1.9	2.2	3.1
% Change	4.9	7.7	6.6	5.8	5.3	2.6								
Fiscal Year	143,159.0	153,020.0	164,460.3	174,852.3	183,965.5	191,137.3	192,476.3	192,728.1	196,531.8	202,148.2	0.7	0.1	2.0	2.9
% Change	3.0	6.9	7.5	6.3	5.2	3.9								
Virginia Dividends, Interest, and Rent, Millions \$, SAAR	41,964.5	42,741.8	46,015.8	53,066.8	58,014.0	59,198.0	56,067.9	56,999.1	56,868.8	61,754.1	(5.3)	1.7	(0.2)	8.6
% Change	1.8	1.9	7.7	15.3	9.3	2.0								
Fiscal Year	41,374.0	42,233.5	43,882.8	49,499.3	55,662.0	59,095.8	57,736.8	56,748.7	56,372.0	58,969.4	(2.3)	(1.7)	(0.7)	4.6
% Change	(0.5)	2.1	3.9	12.8	12.5	6.2								
Virginia Total Proprietor's Income, Millions \$, SAAR	18,676.3	21,085.5	22,444.3	23,133.5	22,544.0	22,199.5	21,167.6	22,092.5	22,952.9	22,865.7	(4.6)	4.4	3.9	(0.4)
% Change	1.2	12.9	6.4	3.1	(2.5)	(1.5)								
Fiscal Year	18,490.3	19,833.0	21,830.3	23,032.5	22,825.5	22,384.8	21,534.0	21,603.6	22,631.5	22,950.2	(3.8)	0.3	4.8	1.4
% Change	3.5	7.3	10.1	5.5	(0.9)	(1.9)								

SAAR: Seasonally Adjusted at Annual Rates  
SA: Seasonally Adjusted

TABLE A.3 - ANNUAL NATIONAL AND VIRGINIA ECONOMIC VARIABLES

	History										
	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Total U.S. Employment, Millions, SA	108.7 0.3 108.3 (0.6)	110.8 2.0 109.6 1.2	114.3 3.1 112.4 2.6	117.3 2.6 116.0 3.2	119.7 2.0 118.4 2.0	122.8 2.6 121.2 2.4	125.9 2.6 124.4 2.6	129.0 2.4 127.4 2.4	131.8 2.2 130.6 2.5	131.8 0.0 132.3 1.3	130.3 (1.1) 130.9 (1.0)
Virginia Total Nonag. Employment, Thousands, SA	2,848.5 0.7 2,829.7 (1.1)	2,918.9 2.5 2,880.1 1.8	3,003.4 2.9 2,958.8 2.7	3,069.7 2.2 3,045.0 2.9	3,135.6 2.1 3,092.5 1.6	3,231.8 3.1 3,188.8 3.1	3,319.7 2.7 3,270.7 2.6	3,412.3 2.8 3,369.7 3.0	3,516.6 3.1 3,463.2 2.8	3,517.2 0.0 3,535.0 2.1	3,494.3 (0.7) 3,499.4 (1.0)
CPI, All Urban, 2000=100, SA	1.4 3.0 1.4 3.2	1.4 3.0 1.4 3.1	1.5 2.6 1.5 2.6	1.5 2.8 1.5 2.8	1.6 2.9 1.5 2.7	1.6 2.3 1.6 2.8	1.6 1.5 1.6 1.8	1.7 2.2 1.6 1.7	1.7 3.4 1.7 2.9	1.8 2.8 1.8 3.4	1.8 1.6 1.8 1.8
Refiner's Acquisition Cost of Oil, \$ per Barrel	18.4 (0.7) 18.3 (4.5)	16.4 (2.0) 18.5 0.1	15.5 (0.9) 14.8 (3.7)	17.2 1.7 17.1 2.4	20.7 3.5 18.2 1.0	19.1 (1.6) 21.0 2.8	12.6 (6.5) 15.8 (5.2)	17.4 4.8 12.6 (3.2)	28.2 10.8 24.2 11.6	23.0 (5.3) 27.2 3.0	24.0 1.0 21.4 (5.8)
Before-Tax Corporate Profits, Billions \$, SAAR	474.4 11.5 452.3 7.7	519.0 9.4 487.4 7.7	599.0 15.4 554.5 13.8	684.3 14.2 648.6 17.0	740.8 8.2 716.3 10.4	801.8 8.2 765.2 6.8	722.9 (9.8) 774.1 1.2	780.5 8.0 741.4 (4.2)	772.5 (1.0) 793.7 7.1	712.7 (7.7) 755.0 (4.9)	765.3 7.4 689.3 (8.7)
S&P 500 Stock Market Index, Level	415.7 10.5 398.7 15.2	451.4 8.6 432.2 8.4	460.3 2.0 459.6 6.3	541.6 17.7 481.2 4.7	670.8 23.9 614.7 27.7	872.7 30.1 749.3 21.9	1,084.3 24.2 1,003.0 33.8	1,326.1 22.3 1,198.8 19.5	1,426.8 7.6 1,395.4 16.4	1,192.1 (16.4) 1,337.4 (4.2)	995.6 (16.5) 1,114.9 (16.6)
30-Year Treasury Bonds, Level	7.7 (0.5) 7.9 (0.5)	6.6 (1.1) 7.2 (0.7)	7.4 0.8 6.6 (0.6)	6.9 (0.5) 7.5 1.0	6.7 (0.2) 6.5 (1.0)	6.6 (0.1) 6.8 0.3	5.6 (1.0) 6.1 (0.7)	5.9 0.3 5.4 (0.7)	5.9 0.1 6.1 0.7	5.5 (0.4) 5.7 (0.5)	5.4 (0.1) 5.5 (0.1)

SAAR: Seasonally Adjusted at Annual Rates  
SA: Seasonally Adjusted



TABLE A.3 - ANNUAL NATIONAL AND VIRGINIA ECONOMIC VARIABLES

	History						October Standard Forecast			
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Total U.S. Employment, Millions, SA	Calendar Year 130.0 (0.3)	131.4 1.1	133.7 1.7	136.1 1.8	137.6 1.1	137.0 (0.4)	131.9 (3.8)	131.0 (0.7)	133.5 1.9	136.8 2.5
	Fiscal Year 130.1 (0.6)	130.5 0.3	132.5 1.5	135.0 1.9	137.0 1.4	137.8 0.6	134.6 (2.3)	130.7 (2.9)	132.0 1.0	135.1 2.3
Virginia Total Nonag. Employment, Thousands, SA	Calendar Year 3,497.5 0.1	3,583.8 2.5	3,664.3 2.2	3,726.6 1.7	3,761.5 0.9	3,753.9 (0.2)	3,659.2 (2.5)	3,641.1 (0.5)	3,703.5 1.7	3,788.8 2.3
	Fiscal Year 3,490.0 (0.3)	3,534.6 1.3	3,626.2 2.6	3,702.3 2.1	3,745.5 1.2	3,764.5 0.5	3,714.9 (1.3)	3,629.5 (2.3)	3,669.8 1.1	3,745.0 2.1
CPI, All Urban, 2000=100, SA	Calendar Year 1.8	1.9	2.0	2.0	2.1	2.2	2.1	2.2	2.2	2.3
	% Change 2.3	2.7	3.4	3.2	2.9	3.8	(0.4)	1.4	2.2	2.0
	Fiscal Year 1.8	1.9	1.9	2.0	2.0	2.1	2.1	2.2	2.2	2.2
	% Change 2.2	2.2	3.0	3.8	2.6	3.7	1.4	0.7	1.6	2.3
Refiner's Acquisition Cost of Oil, \$ per Barrel	Calendar Year 28.6	36.9	50.3	60.1	67.9	94.3	56.9	61.7	71.8	77.4
	Change 4.6	8.3	13.4	9.8	7.9	26.4	(37.4)	4.8	10.0	5.6
	Fiscal Year 27.6	30.8	42.6	58.1	59.0	90.9	66.5	62.5	66.4	75.4
	Change 6.2	3.2	11.8	15.5	0.9	31.9	(24.4)	(4.0)	3.9	8.9
Before-Tax Corporate Profits, Billions \$, SAAR	Calendar Year 903.5	1,229.4	1,640.2	1,822.7	1,774.4	1,462.8	1,397.2	1,560.8	1,775.3	1,839.4
	% Change 18.1	36.1	33.4	11.1	(2.7)	(17.6)	(4.5)	11.7	13.7	3.6
	Fiscal Year 837.4	1,063.5	1,435.9	1,755.8	1,803.0	1,688.9	1,305.1	1,526.1	1,656.6	1,814.2
	% Change 21.5	27.0	35.0	22.3	2.7	(6.3)	(22.7)	16.9	8.6	9.5
S&P 500 Stock Market Index, Level	Calendar Year 963.7	1,130.6	1,207.1	1,310.7	1,476.7	1,220.9	932.1	1,071.4	1,173.3	1,274.4
	% Change (3.2)	17.3	6.8	8.6	12.7	(17.3)	(23.7)	15.0	9.5	8.6
	Fiscal Year 895.1	1,078.3	1,160.0	1,254.9	1,399.9	1,426.7	965.8	1,029.5	1,122.3	1,224.9
	% Change (19.7)	20.5	7.6	8.2	11.6	1.9	(32.3)	6.6	9.0	9.1
30-Year Treasury Bonds, Level	Calendar Year 5.1	5.1	4.6	4.9	4.8	4.3	4.0	4.3	4.5	4.9
	Change (0.4)	0.1	(0.6)	0.3	(0.0)	(0.6)	(0.3)	0.2	0.3	0.3
	Fiscal Year 5.0	5.2	4.8	4.7	4.9	4.6	3.9	4.2	4.4	4.7
	Change (0.5)	0.2	(0.4)	(0.1)	0.2	(0.2)	(0.7)	0.3	0.2	0.3

SAAR: Seasonally Adjusted at Annual Rates  
SA: Seasonally Adjusted

TABLE A.3 - ANNUAL NATIONAL AND VIRGINIA ECONOMIC VARIABLES

	History						Pessimistic Alternative Scenario				
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	
Total U.S. Employment, Millions, SA	130.0 (0.3)	131.4 1.1	133.7 1.7	136.1 1.8	137.6 1.1	137.0 (0.4)	131.8 (3.8)	129.6 (1.7)	130.6 0.7	133.1 2.0	
Fiscal Year % Change	130.1 (0.6)	130.5 0.3	132.5 1.5	135.0 1.9	137.0 1.4	137.8 0.6	134.6 (2.3)	130.2 (3.3)	129.8 (0.3)	131.7 1.5	
Virginia Total Nonag. Employment, Thousands, SA	3,497.5 0.1	3,583.8 2.5	3,664.3 2.2	3,726.6 1.7	3,761.5 0.9	3,753.9 (0.2)	3,657.9 (2.6)	3,611.2 (1.3)	3,634.7 0.7	3,695.8 1.7	
Fiscal Year % Change	3,490.0 (0.3)	3,534.6 1.3	3,626.2 2.6	3,702.3 2.1	3,745.5 1.2	3,764.5 0.5	3,714.9 (1.3)	3,619.2 (2.6)	3,618.2 (0.0)	3,662.6 1.2	
CPI, All Urban, 2000=100, SA	1.8	1.9	2.0	2.0	2.1	2.2	2.1	2.2	2.2	2.3	
Calendar Year % Change	2.3	2.7	3.4	3.2	2.9	3.8	(0.5)	0.9	3.2	3.2	
Fiscal Year % Change	1.8	1.9	1.9	2.0	2.0	2.1	2.1	2.2	2.2	2.3	
Refiner's Acquisition Cost of Oil, \$ per Barrel	28.6	36.9	50.3	60.1	67.9	94.3	54.3	52.1	77.8	91.5	
Calendar Year Change	4.6	8.3	13.4	9.8	7.9	26.4	(40.0)	(2.2)	25.8	13.6	
Fiscal Year Change	27.6	30.8	42.6	58.1	59.0	90.9	66.5	54.0	63.3	88.0	
Before-Tax Corporate Profits, Billions \$, SAAR	903.5	1,229.4	1,640.2	1,822.7	1,774.4	1,462.8	1,364.6	1,391.3	1,575.1	1,619.1	
Calendar Year % Change	18.1	36.1	33.4	11.1	(2.7)	(17.6)	(6.7)	2.0	13.2	2.8	
Fiscal Year % Change	837.4	1,063.5	1,435.9	1,755.8	1,803.0	1,688.9	1,305.1	1,420.4	1,461.4	1,605.4	
Calendar Year % Change	21.5	27.0	35.0	22.3	2.7	(6.3)	(22.7)	8.8	2.9	9.9	
S&P 500 Stock Market Index, Level	963.7	1,130.6	1,207.1	1,310.7	1,476.7	1,220.9	906.8	920.8	1,066.9	1,196.8	
Calendar Year % Change	(3.2)	17.3	6.8	8.6	12.7	(17.3)	(25.7)	1.5	15.9	12.2	
Fiscal Year % Change	895.1	1,078.3	1,160.0	1,254.9	1,399.9	1,426.7	965.8	927.3	986.8	1,141.9	
Calendar Year Change	(19.7)	20.5	7.6	8.2	11.6	1.9	(32.3)	(4.0)	6.4	15.7	
30-Year Treasury Bonds, Level	5.1	5.1	4.6	4.9	4.8	4.3	3.9	3.9	5.0	6.2	
Calendar Year Change	(0.4)	0.1	(0.6)	0.3	(0.0)	(0.6)	(0.3)	(0.0)	1.0	1.2	
Fiscal Year Change	5.0	5.2	4.8	4.7	4.9	4.6	3.9	4.0	4.3	5.6	
Calendar Year Change	(0.5)	0.2	(0.4)	(0.1)	0.2	(0.2)	(0.7)	0.1	0.3	1.3	

SAAR: Seasonally Adjusted at Annual Rates  
SA: Seasonally Adjusted

TABLE A.3 - ANNUAL NATIONAL AND VIRGINIA ECONOMIC VARIABLES

Virginia Employment	History											
	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	
Construction and Mining Thousands, SA	Calendar Year % Change	160.5 (4.4)	167.1 4.1	175.7 5.1	182.5 3.9	189.5 3.8	201.5 6.3	203.7 1.1	210.5 3.3	221.6 5.3	228.4 3.1	224.9 (1.5)
	Fiscal Year % Change	162.3 (10.4)	162.6 0.2	170.9 5.1	180.2 5.5	184.1 2.1	197.5 7.3	201.1 1.8	208.4 3.6	215.2 3.3	226.3 5.2	226.7 0.2
Manufacturing Thousands, SA	Calendar Year % Change	372.7 (0.8)	370.3 (0.7)	370.8 0.1	373.1 0.6	370.9 (0.6)	374.5 1.0	375.6 0.3	366.9 (2.3)	363.6 (0.9)	341.3 (6.1)	320.1 (6.2)
	Fiscal Year % Change	374.9 (1.5)	370.6 (1.1)	369.7 (0.3)	373.2 1.0	371.7 (0.4)	372.0 0.1	376.0 1.1	370.6 (1.4)	366.7 (1.1)	354.6 (3.3)	328.4 (7.4)
Trade, Transportation, and Utilities Thousands, SA	Calendar Year % Change	544.9 (1.3)	557.6 2.3	578.8 3.8	586.1 1.2	599.0 2.2	609.3 1.7	618.7 1.5	637.0 3.0	650.7 2.2	644.8 (0.9)	636.5 (1.3)
	Fiscal Year % Change	546.1 (3.2)	549.1 0.6	569.1 3.6	583.6 2.5	590.8 1.2	605.0 2.4	612.9 1.3	628.6 2.6	644.1 2.5	650.6 1.0	639.4 (1.7)
Financial Activities Thousands, SA	Calendar Year % Change	138.4 (1.2)	143.1 3.4	149.6 4.6	148.6 (0.7)	153.0 2.9	158.6 3.7	165.2 4.1	173.4 5.0	178.9 3.2	179.9 0.6	182.2 1.2
	Fiscal Year % Change	138.2 (2.8)	140.0 1.3	147.3 5.2	149.1 1.3	150.4 0.8	156.2 3.9	160.9 3.0	170.1 5.7	175.7 3.3	180.3 2.6	180.7 0.2
Professional and Business Services Thousands, SA	Calendar Year % Change	355.8 4.3	378.7 6.4	396.4 4.7	425.2 7.3	447.8 5.3	470.9 5.1	507.7 7.8	538.5 6.1	567.9 5.5	559.5 (1.5)	547.0 (2.2)
	Fiscal Year % Change	346.0 0.7	367.9 6.3	385.7 4.8	411.9 6.8	435.5 5.7	460.5 5.7	488.1 6.0	524.2 7.4	552.7 5.4	569.2 3.0	552.0 (3.0)
Education and Health Services Thousands, SA	Calendar Year % Change	261.1 3.9	267.7 2.6	275.8 3.0	284.4 3.1	293.6 3.2	307.7 4.8	315.5 2.5	325.5 3.2	332.4 2.1	345.4 3.9	361.8 4.8
	Fiscal Year % Change	256.8 4.6	264.6 3.0	271.1 2.5	280.5 3.5	288.0 2.7	301.0 4.5	311.8 3.6	320.6 2.8	328.1 2.3	339.5 3.5	353.8 4.2
Leisure and Hospitality Thousands, SA	Calendar Year % Change	235.2 2.2	243.7 3.6	254.2 4.3	266.1 4.7	270.5 1.6	278.6 3.0	281.8 1.2	287.1 1.9	297.1 3.5	301.2 1.4	303.9 0.9
	Fiscal Year % Change	231.3 (0.6)	239.8 3.7	248.0 3.4	261.2 5.3	267.9 2.6	275.4 2.8	279.4 1.5	284.9 2.0	291.9 2.4	300.1 2.8	301.3 0.4
Government Thousands, SA	Calendar Year % Change	589.3 1.5	597.8 1.4	603.2 0.9	597.5 (0.9)	596.2 (0.2)	596.6 0.1	602.0 0.9	611.2 1.5	624.6 2.2	629.2 0.7	634.9 0.9
	Fiscal Year % Change	584.2 0.9	593.7 1.6	601.1 1.3	602.5 0.2	594.6 (1.3)	597.2 0.4	597.8 0.1	606.1 1.4	618.5 2.0	627.6 1.5	631.5 0.6

SAAR: Seasonally Adjusted at Annual Rates

SA: Seasonally Adjusted

TABLE A.3 - ANNUAL NATIONAL AND VIRGINIA ECONOMIC VARIABLES

Virginia Employment	History										October Standard Forecast		
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012			
Construction and Mining Thousands, SA	Calendar Year	227.6	241.1	254.2	260.0	250.8	233.3	203.4	184.3	186.4	199.3		
	% Change	1.2	6.0	5.4	2.3	(3.5)	(7.0)	(12.8)	(9.4)	1.1	6.9		
	Fiscal Year	224.1	234.5	247.7	260.0	255.9	243.1	218.5	192.4	182.6	192.4		
	% Change	(1.1)	4.7	5.6	4.9	(1.6)	(5.0)	(10.1)	(11.9)	(5.1)	5.4		
Manufacturing Thousands, SA	Calendar Year	305.0	298.7	295.8	288.1	277.8	264.6	240.2	225.5	229.6	240.5		
	% Change	(4.7)	(2.1)	(1.0)	(2.6)	(3.6)	(4.8)	(9.2)	(6.1)	1.8	4.7		
	Fiscal Year	313.8	299.3	298.0	292.7	282.9	271.4	254.5	229.7	225.8	234.9		
	% Change	(4.4)	(4.6)	(0.4)	(1.8)	(3.4)	(4.0)	(6.3)	(9.7)	(1.7)	4.0		
Trade, Transportation, and Utilities Thousands, SA	Calendar Year	635.2	646.5	657.2	663.1	668.2	659.3	644.9	636.5	642.5	651.9		
	% Change	(0.2)	1.8	1.7	0.9	0.8	(1.3)	(2.2)	(1.3)	0.9	1.5		
	Fiscal Year	634.1	641.3	651.6	661.3	665.5	666.3	652.8	636.7	639.7	646.8		
	% Change	(0.8)	1.1	1.6	1.5	0.6	0.1	(2.0)	(2.5)	0.5	1.1		
Financial Activities Thousands, SA	Calendar Year	186.5	189.0	192.5	194.8	193.7	187.3	178.7	173.1	176.9	181.9		
	% Change	2.4	1.4	1.8	1.2	(0.6)	(3.3)	(4.6)	(3.1)	2.2	2.8		
	Fiscal Year	184.2	187.6	190.8	194.0	195.1	190.8	183.2	174.9	173.9	179.8		
	% Change	1.9	1.8	1.7	1.7	0.6	(2.2)	(4.0)	(4.5)	(0.6)	3.4		
Professional and Business Services Thousands, SA	Calendar Year	549.4	578.5	606.1	628.6	646.4	652.0	633.6	635.8	676.0	707.8		
	% Change	0.4	5.3	4.8	3.7	2.8	0.9	(2.8)	0.4	6.3	4.7		
	Fiscal Year	545.2	561.4	593.6	618.6	637.6	651.7	645.4	627.6	654.8	693.2		
	% Change	(1.2)	3.0	5.7	4.2	3.1	2.2	(1.0)	(2.8)	4.3	5.9		
Education and Health Services Thousands, SA	Calendar Year	370.0	381.3	393.5	405.3	420.5	444.9	453.3	464.3	474.2	486.2		
	% Change	2.2	3.1	3.2	3.0	3.7	5.8	1.9	2.4	2.1	2.5		
	Fiscal Year	366.6	374.8	387.4	399.7	411.9	431.0	451.7	458.7	469.0	480.4		
	% Change	3.6	2.2	3.4	3.2	3.1	4.6	4.8	1.5	2.3	2.4		
Leisure and Hospitality Thousands, SA	Calendar Year	308.5	320.1	329.4	338.8	345.4	348.6	349.1	354.3	355.7	359.8		
	% Change	1.5	3.8	2.9	2.9	1.9	0.9	0.1	1.5	0.4	1.1		
	Fiscal Year	305.9	314.3	325.1	334.4	342.4	348.3	347.3	351.4	356.0	356.9		
	% Change	1.5	2.8	3.4	2.9	2.4	1.7	(0.3)	1.2	1.3	0.2		
Government Thousands, SA	Calendar Year	637.5	650.9	661.9	674.8	683.0	694.5	699.3	711.7	701.7	700.7		
	% Change	0.4	2.1	1.7	2.0	1.2	1.7	0.7	1.8	(1.4)	(0.1)		
	Fiscal Year	636.0	643.6	656.7	668.5	679.5	687.7	698.7	704.2	708.2	701.1		
	% Change	0.7	1.2	2.0	1.8	1.6	1.2	1.6	0.8	0.6	(1.0)		

SAAR: Seasonally Adjusted at Annual Rates

SA: Seasonally Adjusted

TABLE A.3 - ANNUAL NATIONAL AND VIRGINIA ECONOMIC VARIABLES

Virginia Employment	History										Pessimistic Alternative Scenario			
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2009	2010	2011	2012
Construction and Mining Thousands, SA	Calendar Year	227.6	241.1	254.2	260.0	250.8	233.3	203.3	181.0	174.9	181.6			
	% Change	1.2	6.0	5.4	2.3	(3.5)	(7.0)	(12.8)	(11.0)	(3.3)	3.8			
	Fiscal Year	224.1	234.5	247.7	260.0	255.9	243.1	218.5	191.6	175.3	177.4			
% Change	(1.1)	4.7	5.6	4.9	(1.6)	(5.0)	(10.1)	(12.3)	(8.5)	1.2				
Manufacturing Thousands, SA	Calendar Year	305.0	298.7	295.8	288.1	277.8	264.6	239.2	217.3	218.6	232.0			
	% Change	(4.7)	(2.1)	(1.0)	(2.6)	(3.6)	(4.8)	(9.6)	(9.2)	0.6	6.1			
	Fiscal Year	313.8	299.3	298.0	292.7	282.9	271.4	254.5	225.1	215.5	225.0			
% Change	(4.4)	(4.6)	(0.4)	(1.8)	(3.4)	(4.0)	(6.3)	(11.5)	(4.3)	4.4				
Trade, Transportation, and Utilities Thousands, SA	Calendar Year	635.2	646.5	657.2	663.1	668.2	659.3	644.5	628.7	629.6	633.7			
	% Change	(0.2)	1.8	1.7	0.9	0.8	(1.3)	(2.2)	(2.4)	0.1	0.7			
	Fiscal Year	634.1	641.3	651.6	661.3	665.5	666.3	652.8	633.6	628.6	631.4			
% Change	(0.8)	1.1	1.6	1.5	0.6	0.1	(2.0)	(2.9)	(0.8)	0.4				
Financial Activities Thousands, SA	Calendar Year	186.5	189.0	192.5	194.8	193.7	187.3	178.6	171.1	171.8	174.0			
	% Change	2.4	1.4	1.8	1.2	(0.6)	(3.3)	(4.6)	(4.2)	0.4	1.3			
	Fiscal Year	184.2	187.6	190.8	194.0	195.1	190.8	183.2	174.2	170.6	172.8			
% Change	1.9	1.8	1.7	1.7	0.6	(2.2)	(4.0)	(5.0)	(2.0)	1.3				
Professional and Business Services Thousands, SA	Calendar Year	549.4	578.5	606.1	628.6	646.4	652.0	633.4	622.1	649.8	676.3			
	% Change	0.4	5.3	4.8	3.7	2.8	0.9	(2.9)	(1.8)	4.4	4.1			
	Fiscal Year	545.2	561.4	593.6	618.6	637.6	651.7	645.4	623.4	632.6	664.5			
% Change	(1.2)	3.0	5.7	4.2	3.1	2.2	(1.0)	(3.4)	1.5	5.0				
Education and Health Services Thousands, SA	Calendar Year	370.0	381.3	393.5	405.3	420.5	444.9	453.3	466.8	477.8	487.6			
	% Change	2.2	3.1	3.2	3.0	3.7	5.8	1.9	3.0	2.4	2.1			
	Fiscal Year	366.6	374.8	387.4	399.7	411.9	431.0	451.7	459.6	472.5	482.9			
% Change	3.6	2.2	3.4	3.2	3.1	4.6	4.8	1.8	2.8	2.2				
Leisure and Hospitality Thousands, SA	Calendar Year	308.5	320.1	329.4	338.8	345.4	348.6	349.5	357.3	356.5	359.2			
	% Change	1.5	3.8	2.9	2.9	1.9	0.9	0.2	2.2	(0.2)	0.8			
	Fiscal Year	305.9	314.3	325.1	334.4	342.4	348.3	347.3	353.3	358.2	356.7			
% Change	1.5	2.8	3.4	2.9	2.4	1.7	(0.3)	1.7	1.4	(0.4)				
Government Thousands, SA	Calendar Year	637.5	650.9	661.9	674.8	683.0	694.5	699.3	710.6	699.9	700.5			
	% Change	0.4	2.1	1.7	2.0	1.2	1.7	0.7	1.6	(1.5)	0.1			
	Fiscal Year	636.0	643.6	656.7	668.5	679.5	687.7	698.7	703.8	706.4	700.0			
% Change	0.7	1.2	2.0	1.8	1.6	1.2	1.6	0.7	0.4	(0.9)				

SAAR: Seasonally Adjusted at Annual Rates

SA: Seasonally Adjusted

**APPENDIX B**  
**GENERAL FUND DATA**

**TABLE B.1 - QUARTERLY GENERAL FUND REVENUES**  
(Millions of Dollars)

	1997 3	1997 4	1998 1	1998 2	1998 3	1998 4	1999 1	1999 2	1999 3	1999 4	2000 1	2000 2
Withholding	1,090.0	1,202.0	1,260.8	1,206.2	1,226.7	1,285.4	1,432.4	1,367.4	1,351.5	1,521.9	1,513.7	1,474.2
Annual % Change	12.0	12.2	7.7	10.9	12.5	6.9	13.6	13.4	10.2	18.4	5.7	7.8
Nonwithholding	179.5	96.2	246.6	762.4	209.7	99.0	313.4	865.8	235.3	181.9	304.5	947.9
Annual % Change	18.9	17.0	12.3	29.4	16.8	2.9	27.1	13.6	12.2	83.8	(2.9)	9.5
Gross Individual Income Tax	1,269.5	1,298.2	1,507.4	1,968.6	1,436.3	1,384.4	1,745.9	2,233.2	1,586.8	1,703.8	1,818.2	2,422.1
Annual % Change	13.0	12.6	8.4	17.4	13.1	6.6	15.8	13.4	10.5	23.1	4.1	8.5
Individual Refunds	53.4	33.6	280.3	271.0	56.5	47.4	288.7	319.4	69.7	39.6	322.8	269.8
Annual % Change	14.1	17.1	6.8	(2.9)	5.9	41.2	3.0	17.8	23.4	(16.4)	11.8	(15.5)
Net Individual Income Tax	1,216.1	1,264.6	1,227.1	1,697.6	1,379.8	1,337.0	1,457.2	1,913.9	1,517.1	1,664.2	1,495.4	2,152.3
Annual % Change	12.9	12.4	8.8	21.4	13.5	5.7	18.7	12.7	9.9	24.5	2.6	12.5
Sales and Use Tax	478.6	478.6	483.5	478.5	508.3	522.1	515.6	519.3	550.0	555.8	542.4	553.3
Annual % Change	6.0	4.0	6.5	3.7	6.2	9.1	6.6	8.5	8.2	6.5	5.2	6.6
Corporate Income Tax	105.4	66.3	63.3	215.7	102.1	77.0	50.2	191.2	139.0	82.4	52.0	292.5
Annual % Change	23.9	(5.4)	25.1	(4.7)	(3.2)	16.1	(20.8)	(11.4)	36.2	7.0	3.6	53.0
Wills, Suits, Deeds, Contracts	27.3	32.0	28.9	38.6	40.4	40.6	35.3	41.6	38.5	35.9	30.3	41.6
Annual % Change	7.5	28.7	27.1	26.9	47.8	26.8	22.2	7.8	(4.6)	(11.6)	(14.2)	(0.1)
Insurance Premiums	41.1	53.3	25.2	117.3	57.8	43.3	23.0	120.9	60.5	43.9	24.7	122.0
Annual % Change	(22.5)	33.4	66.6	5.8	40.4	(18.8)	(9.0)	3.0	4.8	1.3	7.4	0.9
Interest Income	45.2	24.8	36.9	(1.1)	58.8	30.4	33.7	3.2	52.6	28.7	40.0	9.9
Annual % Change	(3.7)	15.2	14.3	(108.0)	30.1	22.3	(8.7)	(384.2)	(10.6)	(5.4)	18.5	207.1
Alcoholic Beverage Sales	11.5	24.3	28.5	41.2	11.7	25.7	29.8	43.3	11.5	27.4	32.1	46.3
Annual % Change	5.1	(1.1)	1.3	3.4	1.7	6.0	4.5	5.1	(2.3)	6.3	7.5	7.0
All Other Revenues	83.4	108.7	82.0	148.9	96.3	105.4	109.1	178.9	133.8	138.8	77.4	196.5
Annual % Change	(10.8)	20.3	16.6	(11.1)	15.5	(3.0)	33.1	20.2	39.0	31.7	(29.1)	9.8
Total General Fund Revenues	2,008.7	2,052.6	1,975.5	2,736.7	2,255.2	2,181.4	2,253.9	3,012.3	2,503.0	2,577.0	2,294.1	3,414.4
Annual % Change	9.0	10.6	9.7	11.8	12.3	6.3	14.1	10.1	11.0	18.1	1.8	13.3

**TABLE B.1 - QUARTERLY GENERAL FUND REVENUES**  
(Millions of Dollars)

	2000 3	2000 4	2001 1	2001 2	2001 3	2001 4	2002 1	2002 2	2002 3	2002 4	2003 1	2003 2
Withholding	1,444.0	1,575.6	1,659.1	1,576.2	1,494.4	1,617.8	1,693.4	1,616.8	1,535.8	1,667.1	1,706.3	1,658.2
Annual % Change	6.8	3.5	9.6	6.9	3.5	2.7	2.1	2.6	2.8	3.0	0.8	2.6
Nonwithholding	261.0	127.2	395.6	1,023.1	243.1	139.9	316.6	759.9	236.6	143.4	288.4	734.3
Annual % Change	10.9	(30.1)	29.9	7.9	(6.8)	10.0	(20.0)	(25.7)	(2.7)	2.5	(8.9)	(3.4)
Gross Individual Income Tax	1,704.9	1,702.8	2,054.7	2,599.3	1,737.5	1,757.8	2,010.0	2,376.6	1,772.4	1,810.4	1,994.7	2,392.6
Annual % Change	7.4	(0.1)	13.0	7.3	1.9	3.2	(2.2)	(8.6)	2.0	3.0	(0.8)	0.7
Individual Refunds	124.5	56.6	322.9	331.4	175.3	73.1	451.2	471.6	119.6	66.4	518.4	490.0
Annual % Change	78.6	42.9	0.0	22.8	40.8	29.1	39.8	42.3	(31.8)	(9.1)	14.9	3.9
Net Individual Income Tax	1,580.4	1,646.2	1,731.9	2,267.8	1,562.2	1,684.7	1,558.8	1,905.1	1,652.8	1,744.0	1,476.3	1,902.6
Annual % Change	4.2	(1.1)	15.8	5.4	(1.2)	2.3	(10.0)	(16.0)	5.8	3.5	(5.3)	(0.1)
Sales and Use Tax	573.6	564.0	573.9	561.5	575.0	579.1	551.9	723.8	457.6	576.6	564.9	737.0
Annual % Change	4.3	1.5	5.8	1.5	0.3	2.7	(3.8)	28.9	(20.4)	(0.4)	2.3	1.8
Corporate Income Tax	125.3	27.7	34.0	176.8	77.5	37.9	26.7	148.1	89.8	55.9	16.3	181.4
Annual % Change	(9.9)	(66.4)	(34.6)	(39.6)	(38.1)	37.0	(21.4)	(16.2)	15.8	47.3	(39.0)	22.5
Wills, Suits, Deeds, Contracts	39.1	39.8	36.8	51.8	51.9	54.9	49.4	58.2	65.3	74.3	63.7	82.6
Annual % Change	1.5	11.0	21.7	24.6	32.7	37.8	34.2	12.2	25.8	35.2	28.9	42.0
Insurance Premiums	65.3	42.3	26.2	134.3	67.4	53.0	30.8	141.5	76.8	59.7	35.2	161.3
Annual % Change	7.9	(3.6)	6.1	10.1	3.2	25.4	17.6	5.4	13.9	12.6	14.5	14.0
Interest Income	60.4	37.6	44.9	(9.7)	55.3	21.4	26.1	(2.3)	40.3	22.8	8.4	10.1
Annual % Change	14.8	30.8	12.4	(198.0)	(8.4)	(43.0)	(42.0)	(75.8)	(27.1)	6.6	(67.7)	(532.6)
Alcoholic Beverage Sales	11.8	29.0	32.8	49.3	11.6	29.9	34.7	51.3	11.8	31.2	36.4	49.3
Annual % Change	3.4	6.0	2.3	6.5	(1.9)	3.0	5.7	3.9	1.9	4.5	4.9	(3.9)
All Other Revenues	90.4	119.9	119.2	220.9	84.4	124.8	110.3	193.6	118.9	125.5	143.3	195.2
Annual % Change	(32.4)	(13.6)	54.1	12.4	(6.6)	4.1	(7.5)	(12.4)	40.8	0.5	29.9	0.8
Total General Fund Revenues	2,546.4	2,506.5	2,599.6	3,452.8	2,485.4	2,585.8	2,388.6	3,219.1	2,513.3	2,689.9	2,344.5	3,319.5
Annual % Change	1.7	(2.7)	13.3	1.1	(2.4)	3.2	(8.1)	(6.8)	1.1	4.0	(1.8)	3.1



**TABLE B.1 - QUARTERLY GENERAL FUND REVENUES**  
(Millions of Dollars)

	2003 3	2003 4	2004 1	2004 2	2004 3	2004 4	2005 1	2005 2	2005 3	2005 4	2006 1	2006 2
Withholding	1,606.0	1,801.6	1,861.8	1,769.9	1,768.0	1,905.5	1,992.0	1,847.5	1,897.2	1,996.5	2,131.5	2,028.5
Annual % Change	4.6	8.1	9.1	6.7	10.1	5.8	7.0	4.4	7.3	4.8	7.0	9.8
Nonwithholding	240.5	160.5	304.4	857.5	286.6	209.9	415.0	1,162.0	349.0	225.7	483.9	1,435.1
Annual % Change	1.6	11.9	5.6	16.8	19.2	30.8	36.3	35.5	21.8	7.5	16.6	23.5
Gross Individual Income Tax	1,846.5	1,962.0	2,166.2	2,627.4	2,054.7	2,115.5	2,407.0	3,009.5	2,246.3	2,222.2	2,615.5	3,463.6
Annual % Change	4.2	8.4	8.6	9.8	11.3	7.8	11.1	14.5	9.3	5.0	8.7	15.1
Individual Refunds	86.4	72.5	578.8	479.5	87.8	81.1	588.0	477.3	50.5	62.5	638.4	531.2
Annual % Change	(27.8)	9.2	11.7	(2.1)	1.6	11.8	1.6	(0.5)	(42.5)	(22.9)	8.6	11.3
Net Individual Income Tax	1,760.2	1,889.5	1,587.3	2,147.9	1,966.9	2,034.3	1,819.0	2,532.2	2,195.8	2,159.7	1,977.0	2,932.4
Annual % Change	6.5	8.3	7.5	12.9	11.7	7.7	14.6	17.9	11.6	6.2	8.7	15.8
Sales and Use Tax	488.6	620.0	622.9	830.8	524.3	727.0	736.0	958.8	579.3	728.6	758.5	746.3
Annual % Change	6.8	7.5	10.3	12.7	7.3	17.3	18.2	15.4	10.5	0.2	3.1	(22.2)
Corporate Income Tax	112.9	38.0	44.3	230.5	122.0	124.9	90.0	279.9	214.7	256.1	116.0	280.3
Annual % Change	25.8	(32.0)	171.7	27.1	8.1	228.4	103.2	21.4	76.0	105.1	29.0	0.2
Wills, Suits, Deeds, Contracts	93.6	79.5	67.7	99.7	113.8	150.6	141.9	189.8	202.8	170.1	149.7	172.1
Annual % Change	43.4	7.1	6.3	20.7	21.5	89.3	109.6	90.4	78.3	13.0	5.5	(9.3)
Insurance Premiums	79.7	63.1	42.6	165.8	88.0	69.0	38.3	178.3	84.1	72.1	36.3	181.3
Annual % Change	3.8	5.7	20.9	2.8	10.4	9.3	(10.1)	7.5	(4.4)	4.4	(5.2)	1.7
Interest Income	29.8	11.1	13.9	6.6	27.1	22.1	23.8	10.8	44.7	26.0	39.6	6.1
Annual % Change	(26.0)	(51.5)	65.3	(35.0)	(9.2)	99.7	71.0	64.5	65.0	17.7	66.4	(43.9)
Alcoholic Beverage Sales	12.9	32.9	37.3	55.0	12.6	34.8	38.1	59.0	13.5	36.4	40.6	62.4
Annual % Change	9.1	5.3	2.4	11.6	(2.6)	5.8	2.4	7.2	7.4	4.7	6.5	5.8
All Other Revenues	146.5	111.8	144.0	251.3	155.2	122.6	118.5	177.9	110.9	111.7	148.8	180.2
Annual % Change	23.2	(10.9)	0.5	28.7	6.0	9.6	(17.7)	(29.2)	(28.6)	(8.9)	25.7	1.3
Total General Fund Revenues	2,724.3	2,846.0	2,560.0	3,787.7	3,009.8	3,285.3	3,005.5	4,386.6	3,445.8	3,560.8	3,266.7	4,561.0
Annual % Change	8.4	5.8	9.2	14.1	10.5	15.4	17.4	15.8	14.5	8.4	8.7	4.0

**TABLE B.1 - QUARTERLY GENERAL FUND REVENUES**  
(Millions of Dollars)

	2006 3	2006 4	2007 1	2007 2	2007 3	2007 4	2008 1	2008 2	2008 3	2008 4	2009 1	2009 2
Withholding	1,970.4	2,110.3	2,292.5	2,192.2	2,062.9	2,244.9	2,411.8	2,213.9	2,175.8	2,384.3	2,306.6	2,271.5
Annual % Change	3.9	5.7	7.6	8.1	4.7	6.4	5.2	1.0	5.5	6.2	(4.4)	2.6
Nonwithholding	356.4	264.8	512.5	1,648.3	394.1	260.1	556.6	1,650.4	406.5	243.3	458.8	1,201.8
Annual % Change	2.1	17.3	5.9	14.9	10.6	(1.8)	8.6	0.1	3.1	(6.5)	(17.6)	(27.2)
Gross Individual Income Tax	2,326.8	2,375.2	2,805.0	3,840.4	2,457.0	2,505.1	2,968.4	3,864.3	2,582.2	2,627.6	2,765.4	3,473.3
Annual % Change	3.6	6.9	7.2	10.9	5.6	5.5	5.8	0.6	5.1	4.9	(6.8)	(10.1)
Individual Refunds	110.2	109.8	740.4	599.5	83.6	143.9	811.3	641.1	127.2	141.3	873.2	825.8
Annual % Change	118.3	75.6	16.0	12.9	(24.1)	31.1	9.6	6.9	52.0	(1.8)	7.6	28.8
Net Individual Income Tax	2,216.7	2,265.4	2,064.6	3,240.9	2,373.3	2,361.2	2,157.2	3,223.2	2,455.0	2,486.3	1,892.2	2,647.5
Annual % Change	1.0	4.9	4.4	10.5	7.1	4.2	4.5	(0.5)	3.4	5.3	(12.3)	(17.9)
Sales and Use Tax	762.3	746.9	774.8	765.1	785.8	798.2	723.3	768.3	769.9	729.2	708.8	695.4
Annual % Change	31.6	2.5	2.1	2.5	3.1	6.9	(6.6)	0.4	(2.0)	(8.6)	(2.0)	(9.5)
Corporate Income Tax	256.9	186.6	118.7	317.4	217.7	115.4	138.7	336.0	191.4	71.9	71.1	313.6
Annual % Change	19.7	(27.2)	2.3	13.2	(15.2)	(38.1)	16.9	5.8	(12.1)	(37.7)	(48.7)	(6.7)
Wills, Suits, Deeds, Contracts	150.8	143.6	133.9	154.7	130.7	112.6	98.6	114.5	90.3	66.2	68.4	89.3
Annual % Change	(25.7)	(15.6)	(10.5)	(10.1)	(13.3)	(21.6)	(26.4)	(26.0)	(30.9)	(41.2)	(30.6)	(22.0)
Insurance Premiums	87.9	61.4	38.0	197.6	101.7	61.5	32.1	201.5	0.0	75.6	(20.2)	199.6
Annual % Change	4.5	(14.8)	4.7	9.0	15.8	0.1	(15.7)	2.0	(100.0)	22.9	(163.0)	(0.9)
Interest Income	91.7	42.9	53.8	(12.4)	105.5	66.2	37.5	(19.9)	74.6	25.4	23.3	(19.0)
Annual % Change	105.0	64.7	35.7	(303.9)	15.1	54.4	(30.3)	60.5	(29.3)	(61.7)	(37.8)	(4.2)
Alcoholic Beverage Sales	14.3	38.0	42.1	67.5	13.8	39.6	45.5	70.0	12.8	41.5	47.1	71.8
Annual % Change	5.5	4.2	3.6	8.2	(3.4)	4.5	8.0	3.6	(7.2)	4.7	3.5	2.7
All Other Revenues	127.2	111.1	128.6	176.9	113.6	144.0	147.2	152.6	85.8	102.9	103.4	143.7
Annual % Change	14.7	(0.5)	(13.6)	(1.8)	(10.7)	29.6	14.4	(13.8)	(24.5)	(28.5)	(29.8)	(5.8)
Total General Fund Revenues	3,707.7	3,595.9	3,354.5	4,907.7	3,842.1	3,698.7	3,380.0	4,846.1	3,679.9	3,599.0	2,894.2	4,142.0
Annual % Change	7.6	1.0	2.7	7.6	3.6	2.9	0.8	(1.3)	(4.2)	(2.7)	(14.4)	(14.5)

**TABLE B.2 - ANNUAL GENERAL FUND REVENUES**

(Millions of Dollars)

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
<b>Withholding</b>										
Calendar Year	2,936.5	3,037.5	3,217.7	3,446.5	3,658.7	3,922.3	4,148.0	4,550.9	4,979.1	5,673.3
% Change	6.7	3.4	5.9	7.1	6.2	7.2	5.8	9.7	9.4	13.9
Fiscal Year	2,851.2	2,958.9	3,099.1	3,347.8	3,562.6	3,798.6	4,049.0	4,303.0	4,759.0	5,311.9
% Change	4.2	3.8	4.7	8.0	6.4	6.6	6.6	6.3	10.6	11.6
<b>Nonwithholding</b>										
Calendar Year	781.8	775.1	748.1	764.0	772.3	794.6	890.4	1,084.4	1,317.7	1,596.4
% Change	(3.4)	(0.9)	(3.5)	2.1	1.1	2.9	12.1	21.8	21.5	21.2
Fiscal Year	790.8	775.6	728.3	751.3	775.3	783.4	878.1	1,041.9	1,284.7	1,487.8
% Change	(3.4)	(1.9)	(6.1)	3.1	3.2	1.0	12.1	18.6	23.3	15.8
<b>Gross Individual Income Tax</b>										
Calendar Year	3,718.3	3,812.6	3,965.8	4,210.5	4,431.0	4,716.9	5,038.4	5,635.3	6,296.7	7,269.7
% Change	4.4	2.5	4.0	6.2	5.2	6.5	6.8	11.8	11.7	15.5
Fiscal Year	3,642.1	3,734.6	3,827.5	4,099.0	4,338.0	4,581.9	4,927.2	5,344.9	6,043.7	6,799.8
% Change	2.4	2.5	2.5	7.1	5.8	5.6	7.5	8.5	13.1	12.5
<b>Individual Refunds</b>										
Calendar Year	540.3	498.5	499.9	512.7	530.6	547.4	587.5	628.5	655.2	717.4
% Change	12.5	(7.7)	0.3	2.6	3.5	3.2	7.3	7.0	4.2	9.5
Fiscal Year	559.9	498.6	506.2	514.3	526.1	553.8	579.1	617.1	638.2	711.9
% Change	24.6	(11.0)	1.5	1.6	2.3	5.3	4.6	6.6	3.4	11.5
<b>Net Individual Income Tax</b>										
Calendar Year	3,178.0	3,314.0	3,465.9	3,697.8	3,900.4	4,169.5	4,451.0	5,006.8	5,641.5	6,552.3
% Change	3.1	4.3	4.6	6.7	5.5	6.9	6.8	12.5	12.7	16.1
Fiscal Year	3,082.2	3,236.0	3,321.2	3,584.8	3,811.9	4,028.1	4,348.0	4,727.8	5,405.4	6,087.9
% Change	(0.8)	5.0	2.6	7.9	6.3	5.7	7.9	8.7	14.3	12.6
<b>Sales and Use Tax</b>										
Calendar Year	1,381.0	1,327.1	1,391.5	1,479.4	1,612.1	1,682.8	1,783.1	1,872.4	1,992.4	2,140.7
% Change	5.1	(3.9)	4.9	6.3	9.0	4.4	6.0	5.0	6.4	7.4
Fiscal Year	1,357.6	1,336.5	1,348.8	1,441.6	1,539.1	1,657.7	1,722.0	1,826.8	1,919.2	2,065.3
% Change	5.0	(1.6)	0.9	6.9	6.8	7.7	3.9	6.1	5.1	7.6
<b>Corporate Income Tax</b>										
Calendar Year	283.7	277.2	279.6	384.7	323.1	411.8	386.9	448.8	458.1	462.8
% Change	(18.5)	(2.3)	0.9	37.6	(16.0)	27.4	(6.0)	16.0	2.1	1.0
Fiscal Year	310.4	279.2	275.9	371.5	312.1	376.4	402.3	432.3	450.8	420.4
% Change	(11.3)	(10.0)	(1.2)	34.6	(16.0)	20.6	6.9	7.4	4.3	(6.7)
<b>Wills, Suits, Deeds, Contracts</b>										
Calendar Year	80.0	73.7	96.1	110.2	99.0	86.4	99.1	112.5	148.5	151.3
% Change	(16.6)	(7.8)	30.4	14.7	(10.2)	(12.7)	14.7	13.5	32.0	1.9
Fiscal Year	91.6	71.9	83.7	99.6	114.9	84.7	95.5	103.4	126.8	157.9
% Change	(9.4)	(21.6)	16.4	19.0	15.4	(26.3)	12.7	8.3	22.6	24.5

**TABLE B.2 - ANNUAL GENERAL FUND REVENUES**

(Millions of Dollars)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
<b>Withholding</b>										
Calendar Year	6,007.5	6,347.5	6,513.0	6,772.2	7,305.3	7,733.2	8,240.8	8,792.5	9,185.8	
% Change	5.9	5.7	2.6	4.0	7.9	5.9	6.6	6.7	4.5	
Fiscal Year	5,861.3	6,254.9	6,422.4	6,567.4	7,039.3	7,513.0	8,053.7	8,565.5	8,933.6	9,138.1
% Change	10.3	6.7	2.7	2.3	7.2	6.7	7.2	6.4	4.3	2.3
<b>Nonwithholding</b>										
Calendar Year	1,640.6	1,801.7	1,456.4	1,423.7	1,658.4	2,151.8	2,540.3	2,815.0	2,856.7	
% Change	2.8	9.8	(19.2)	(2.2)	16.5	29.7	18.1	10.8	1.5	
Fiscal Year	1,669.7	1,806.8	1,459.5	1,402.7	1,562.8	2,073.5	2,493.8	2,782.0	2,861.2	2,310.4
% Change	12.2	8.2	(19.2)	(3.9)	11.4	32.7	20.3	11.6	2.8	(19.2)
<b>Gross Individual Income Tax</b>										
Calendar Year	7,648.1	8,149.2	7,969.4	8,195.9	8,963.7	9,884.9	10,781.0	11,607.5	12,042.5	
% Change	5.2	6.6	(2.2)	2.8	9.4	10.3	9.1	7.7	3.7	
Fiscal Year	7,530.9	8,061.7	7,881.9	7,970.1	8,602.1	9,586.6	10,547.5	11,347.4	11,794.7	11,448.5
% Change	10.8	7.0	(2.2)	1.1	7.9	11.4	10.0	7.6	3.9	(2.9)
<b>Individual Refunds</b>										
Calendar Year	773.8	902.6	1,108.8	1,167.3	1,227.3	1,178.3	1,389.6	1,567.4	1,720.8	
% Change	7.9	16.6	22.8	5.3	5.1	(4.0)	17.9	12.8	9.8	
Fiscal Year	702.0	835.4	1,171.1	1,194.4	1,217.2	1,234.2	1,282.6	1,559.8	1,679.9	1,967.4
% Change	(1.4)	19.0	40.2	2.0	1.9	1.4	3.9	21.6	7.7	17.1
<b>Net Individual Income Tax</b>										
Calendar Year	6,874.3	7,246.6	6,860.6	7,028.6	7,736.4	8,706.7	9,391.4	10,040.0	10,321.7	
% Change	4.9	5.4	(5.3)	2.4	10.1	12.5	7.9	6.9	2.8	
Fiscal Year	6,828.9	7,226.3	6,710.8	6,775.7	7,384.9	8,352.4	9,264.9	9,787.6	10,114.8	9,481.1
% Change	12.2	5.8	(7.1)	1.0	9.0	13.1	10.9	5.6	3.3	(6.3)
<b>Sales and Use Tax</b>										
Calendar Year	2,233.3	2,289.5	2,309.9	2,410.4	2,705.1	3,002.6	3,014.1	3,123.8	2,990.8	
% Change	4.3	2.5	0.9	4.4	12.2	11.0	0.4	3.6	(4.3)	
Fiscal Year	2,201.5	2,273.0	2,429.8	2,336.0	2,562.3	2,946.1	2,812.7	3,049.1	3,075.5	2,903.4
% Change	6.6	3.2	6.9	(3.9)	9.7	15.0	(4.5)	8.4	0.9	(5.6)
<b>Corporate Income Tax</b>										
Calendar Year	497.5	326.2	320.5	348.6	521.7	840.6	839.8	769.3	738.0	
% Change	7.5	(34.4)	(1.8)	8.8	49.7	61.1	(0.1)	(8.4)	(4.1)	
Fiscal Year	565.9	363.8	290.2	343.3	425.7	616.7	867.1	879.6	807.9	648.0
% Change	34.6	(35.7)	(20.2)	18.3	24.0	44.9	40.6	1.4	(8.2)	(19.8)
<b>Wills, Suits, Deeds, Contracts</b>										
Calendar Year	150.8	195.5	247.2	319.5	431.7	704.7	616.2	531.9	369.5	
% Change	(0.3)	29.6	26.4	29.3	35.1	63.2	(12.6)	(13.7)	(30.5)	
Fiscal Year	146.3	167.6	214.4	285.8	340.6	596.1	694.7	582.9	456.3	314.3
% Change	(7.3)	14.6	27.9	33.3	19.1	75.0	16.6	(16.1)	(21.7)	(31.1)

**TABLE B.2 - ANNUAL GENERAL FUND REVENUES**  
(Millions of Dollars)

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
<b>Insurance Premiums</b>										
Calendar Year	165.8	158.1	175.8	186.6	203.6	212.9	216.6	220.4	243.6	248.3
% Change	(13.3)	(4.7)	11.2	6.2	9.1	4.6	1.7	1.8	10.5	1.9
Fiscal Year	178.6	157.7	174.8	180.3	196.4	208.2	218.0	219.0	237.0	244.9
% Change	(6.1)	(11.7)	10.9	3.2	8.9	6.0	4.7	0.5	8.2	3.4
<b>Interest Income</b>										
Calendar Year	82.4	32.4	48.6	52.5	61.0	80.1	94.6	116.5	125.0	118.3
% Change	(7.6)	(60.6)	50.1	7.9	16.1	31.4	18.1	23.1	7.3	(5.4)
Fiscal Year	101.7	37.4	42.4	48.1	53.4	64.5	82.3	114.9	105.8	126.1
% Change	18.6	(63.2)	13.3	13.3	11.1	20.8	27.5	39.7	(7.9)	19.2
<b>Alcoholic Beverage Sales</b>										
Calendar Year	102.3	102.1	102.3	101.8	101.5	102.1	103.0	103.8	107.2	111.9
% Change	1.5	(0.2)	0.1	(0.4)	(0.3)	0.5	0.9	0.8	3.2	4.4
Fiscal Year	101.3	103.0	102.0	102.5	101.1	101.0	104.4	103.5	105.5	110.6
% Change	0.8	1.7	(0.9)	0.5	(1.4)	(0.1)	3.4	(0.9)	1.9	4.8
<b>All Other Revenues</b>										
Calendar Year	261.6	267.2	291.1	323.9	374.0	371.4	397.5	429.8	432.6	560.6
% Change	6.7	2.1	8.9	11.3	15.5	(0.7)	7.0	8.1	0.6	29.6
Fiscal Year	271.4	250.2	274.4	305.3	374.4	360.5	383.5	421.5	422.9	489.7
% Change	7.9	(7.8)	9.7	11.3	22.6	(3.7)	6.4	9.9	0.3	15.8
<b>Total General Fund Revenues</b>										
Calendar Year	5,534.8	5,551.7	5,850.8	6,336.9	6,674.7	7,116.9	7,531.8	8,311.0	9,148.7	10,346.2
% Change	1.2	0.3	5.4	8.3	5.3	6.6	5.8	10.3	10.1	13.1
Fiscal Year	5,494.9	5,471.9	5,623.2	6,133.6	6,503.4	6,881.1	7,356.1	7,949.3	8,773.5	9,702.7
% Change	0.3	(0.4)	2.8	9.1	6.0	5.8	6.9	8.1	10.4	10.6
<b>ABC Profits</b>										
Fiscal Year	27.5	26.2	23.7	26.8	20.7	19.0	26.0	23.8	20.7	25.5
% Change	5.4	(4.6)	(9.4)	13.0	(22.8)	(8.2)	36.8	(8.5)	(12.9)	23.0
<b>Transfers per Appropriations Act</b>										
Fiscal Year	168.6	630.0	630.5	377.2	388.0	273.4	443.0	364.2	367.9	371.1
% Change	263.2	273.6	0.1	(40.2)	2.9	(29.5)	62.0	(17.8)	1.0	0.9

**TABLE B.2 - ANNUAL GENERAL FUND REVENUES**

(Millions of Dollars)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
<b>Insurance Premiums</b>										
Calendar Year	254.3	280.9	308.7	339.4	365.4	372.8	366.9	398.8	309.2	
% Change	2.4	10.5	9.9	9.9	7.7	2.0	(1.6)	8.7	(22.5)	
Fiscal Year	251.1	268.1	292.7	333.0	351.3	373.6	373.8	384.9	396.9	255.0
% Change	2.5	6.8	9.2	13.8	5.5	6.3	0.1	3.0	3.1	(35.7)
<b>Interest Income</b>										
Calendar Year	147.8	111.9	86.9	59.5	69.7	105.4	180.2	213.1	117.6	
% Change	24.9	(24.3)	(22.4)	(31.5)	17.3	51.2	71.0	18.2	(44.8)	
Fiscal Year	131.2	133.2	100.4	81.7	61.4	83.9	116.5	175.9	189.3	104.2
% Change	4.0	1.5	(24.6)	(18.6)	(24.8)	36.6	38.9	51.1	7.6	(44.9)
<b>Alcoholic Beverage Sales</b>										
Calendar Year	119.2	123.6	129.0	131.5	139.6	147.0	155.2	163.1	169.8	
% Change	6.5	3.7	4.3	1.9	6.2	5.3	5.6	5.0	4.1	
Fiscal Year	117.2	123.0	127.5	128.7	138.0	144.5	153.0	161.8	168.9	173.2
% Change	6.0	4.9	3.6	1.0	7.2	4.7	5.9	5.8	4.3	2.6
<b>All Other Revenues</b>										
Calendar Year	484.2	549.3	548.2	596.8	673.1	518.9	567.4	563.1	488.5	
% Change	(13.6)	13.5	(0.2)	8.9	12.8	(22.9)	9.3	(0.8)	(13.3)	
Fiscal Year	546.4	550.4	513.1	582.9	653.6	574.1	551.6	543.9	557.4	435.7
% Change	11.6	0.7	(6.8)	13.6	12.1	(12.2)	(3.9)	(1.4)	2.5	(21.8)
<b>Total General Fund Revenues</b>										
Calendar Year	10,761.3	11,123.6	10,810.9	11,234.2	12,642.8	14,398.7	15,131.3	15,803.1	15,505.0	
% Change	4.0	3.4	(2.8)	3.9	12.5	13.9	5.1	4.4	(1.9)	
Fiscal Year	10,788.5	11,105.3	10,679.0	10,867.1	11,917.9	13,687.3	14,834.3	15,565.8	15,767.0	14,315.1
% Change	11.2	2.9	(3.8)	1.8	9.7	14.8	8.4	4.9	1.3	(9.2)
<b>ABC Profits</b>										
Fiscal Year	30.1	28.1	25.4	14.2	16.8	24.9	30.0	27.6	36.1	44.1
% Change	18.2	(6.8)	(9.6)	(44.1)	18.0	48.9	20.4	(8.3)	31.0	22.2
<b>Transfers per Appropriations Act</b>										
Fiscal Year	407.4	354.5	702.0	1,028.5	996.0	714.6	835.6	792.7	776.4	362.4
% Change	9.8	(13.0)	98.0	46.5	(3.2)	(28.3)	16.9	(5.1)	(2.1)	(53.3)

**APPENDIX C  
MODELS &  
METHODOLOGIES**

**Corporate Income Tax**

DIFFYA(CORP)

$$= 2.82825 * \underset{(3.7598)}{\text{DIFFYA(ZBVA)}} + 0.29737 * \underset{(0.3990)}{\text{DIFFYA(SP500VA)}} + \underset{(0.7284)}{2.37776}$$

R Sq 0.2276                      R Bar Sq 0.2061                      F 2, 72 10.6069  
D.W.( 1) 2.1570                      D.W.( 4) 2.2050

QUARTERLY data for 75 periods from 1991Q1 to 2009Q3

CORP                      Corporate income tax, gross receipts  
DIFFYA                      Year over year difference function  
ZBVA                      Virginia portion of national pre-tax profits  
SP500VA                      Virginia specific Standard and Poor's 500 stock index



## GENERAL FUND METHODOLOGY

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### Corporate Income Tax, Gross Receipts

	<u>Fiscal Year</u>	<u>Actual</u>	<u>Fitted</u>	<u>Residual</u>	<u>% Residual</u>
1994	93Q3	83.9	85.8	(1.9)	-2.3%
	93Q4	81.6	84.9	(3.4)	-4.1%
	94Q1	43.7	52.8	(9.1)	-20.9%
	94Q2	169.2	160.0	9.1	5.4%
	Total	378.3	383.6	(5.3)	-1.4%
1995	94Q3	89.6	93.6	(4.1)	-4.5%
	94Q4	88.3	89.4	(1.1)	-1.3%
	95Q1	55.6	53.1	2.5	4.5%
	95Q2	223.8	179.0	44.9	20.0%
	Total	457.3	415.1	42.2	9.2%
1996	95Q3	112.9	98.0	14.8	13.2%
	95Q4	103.1	95.6	7.5	7.3%
	96Q1	56.9	63.6	(6.7)	-11.7%
	96Q2	198.6	230.9	(32.3)	-16.3%
	Total	471.5	488.1	(16.6)	-3.5%
1997	96Q3	97.6	118.7	(21.1)	-21.6%
	96Q4	107.5	110.1	(2.6)	-2.5%
	97Q1	67.8	63.6	4.2	6.1%
	97Q2	242.1	206.2	35.9	14.8%
	Total	515.0	498.6	16.4	3.2%
1998	97Q3	117.5	108.5	9.0	7.7%
	97Q4	110.2	115.9	(5.7)	-5.2%
	98Q1	79.6	68.2	11.3	14.3%
	98Q2	229.5	241.0	(11.6)	-5.0%
	Total	536.7	533.6	3.1	0.6%
1999	98Q3	111.7	113.4	(1.7)	-1.6%
	98Q4	131.6	106.2	25.4	19.3%
	99Q1	76.2	87.0	(10.8)	-14.1%
	99Q2	206.1	237.9	(31.8)	-15.4%
	Total	525.6	544.5	(18.9)	-3.6%
2000	99Q3	153.2	120.9	32.3	21.1%
	99Q4	141.4	144.0	(2.7)	-1.9%
	00Q1	75.1	81.9	(6.9)	-9.1%
	00Q2	251.7	210.4	41.3	16.4%
	Total	621.3	557.3	64.1	10.3%
2001	00Q3	145.1	155.2	(10.1)	-7.0%
	00Q4	102.3	138.9	(36.6)	-35.8%
	01Q1	73.0	76.0	(2.9)	-4.0%
	01Q2	193.3	253.8	(60.5)	-31.3%
	Total	513.7	623.9	(110.2)	-21.5%

## GENERAL FUND METHODOLOGY

### Corporate Income Tax, Gross Receipts

	<u>Fiscal Year</u>	<u>Actual</u>	<u>Fitted</u>	<u>Residual</u>	<u>% Residual</u>
2002	01Q3	100.2	142.0	(41.8)	-41.7%
	01Q4	117.7	97.8	19.9	16.9%
	02Q1	83.8	70.0	13.8	16.4%
	02Q2	171.8	192.2	(20.4)	-11.9%
	Total	473.4	502.0	(28.5)	-6.0%
2003	02Q3	117.7	108.5	9.2	7.8%
	02Q4	124.2	134.8	(10.7)	-8.6%
	03Q1	68.5	98.1	(29.6)	-43.2%
	03Q2	202.0	182.8	19.3	9.5%
	Total	512.4	524.2	(11.8)	-2.3%
2004	03Q3	135.8	131.7	4.0	3.0%
	03Q4	124.9	140.0	(15.1)	-12.1%
	04Q1	82.5	95.9	(13.4)	-16.2%
	04Q2	252.5	234.8	17.7	7.0%
	Total	595.7	602.5	(6.8)	-1.1%
2005	04Q3	140.9	168.4	(27.5)	-19.5%
	04Q4	190.2	151.2	39.0	20.5%
	05Q1	109.7	121.6	(11.8)	-10.8%
	05Q2	305.3	287.3	17.9	5.9%
	Total	746.1	728.5	17.6	2.4%
2006	05Q3	219.0	174.4	44.6	20.4%
	05Q4	262.8	230.8	32.0	12.2%
	06Q1	136.7	131.9	4.7	3.5%
	06Q2	368.3	326.4	41.9	11.4%
	Total	986.8	863.5	123.3	12.5%
2007	06Q3	283.8	259.1	24.7	8.7%
	06Q4	225.4	274.9	(49.5)	-22.0%
	07Q1	164.8	138.3	26.5	16.1%
	07Q2	356.2	370.3	(14.1)	-3.9%
	Total	1,030.2	1,042.6	(12.3)	-1.2%
2008	07Q3	244.3	279.8	(35.5)	-14.5%
	07Q4	165.0	228.1	(63.1)	-38.2%
	08Q1	197.4	155.9	41.5	21.0%
	08Q2	361.7	340.4	21.4	5.9%
	Total	968.4	1,004.1	(35.7)	-3.7%
2009	08Q3	220.0	230.5	(10.5)	-4.8%
	08Q4	201.5	106.6	94.9	47.1%
	09Q1	113.6	167.3	(53.7)	-47.3%
	09Q2	339.2	341.7	(2.5)	-0.7%
	Total	874.3	846.2	28.2	3.2%

## GENERAL FUND METHODOLOGY

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### Individual Income Tax - Withholding

DIFFYA(WITH)

$$= 0.01068 * \underset{(9.4521)}{\text{DIFFYA(YWSTRAN)}} + 123.064 * \underset{(3.6262)}{\text{Q994}} + 5.43915 \underset{(0.6140)}{\text{F 3, 67}}$$

R Sq 0.5665                      R Bar Sq 0.5471                      F 3, 67 29.1886  
D.W.( 1) 1.9895                      D.W.( 4) 1.9847

$$\text{AR}_0 = -0.2653 * \text{AR}_4 \\ (-2.0078)$$

QUARTERLY data for 71 periods from 1992Q1 to 2009Q3

WITH	Withholding tax receipts
DIFFYA	Year over year difference function
YWSTRAN	Virginia income from wages and salaries and transfer payments
Q994	1 in 1999Q4; 0 in all other quarters

## GENERAL FUND METHODOLOGY

### Individual Income Tax - Withholding

	<u>Fiscal Year</u>	<u>Actual</u>	<u>Fitted</u>	<u>Residual</u>	<u>% Residual</u>
1994	93Q3	819.8	816.7	3.1	0.4%
	93Q4	905.6	902.5	3.0	0.3%
	94Q1	904.7	887.6	17.1	1.9%
	94Q2	932.6	923.9	8.7	0.9%
	Total	3,562.6	3,530.8	31.9	0.9%
1995	94Q3	873.6	869.6	4.1	0.5%
	94Q4	947.7	947.4	0.3	0.0%
	95Q1	993.0	976.8	16.1	1.6%
	95Q2	984.3	980.1	4.1	0.4%
	Total	3,798.6	3,773.9	24.6	0.6%
1996	95Q3	911.1	925.5	(14.4)	-1.6%
	95Q4	1,034.0	997.2	36.8	3.6%
	96Q1	1,028.8	1,044.3	(15.5)	-1.5%
	96Q2	1,075.2	1,054.5	20.7	1.9%
	Total	4,049.1	4,021.5	27.6	0.7%
1997	96Q3	972.9	991.4	(18.5)	-1.9%
	96Q4	1,071.1	1,102.0	(30.9)	-2.9%
	97Q1	1,171.1	1,115.9	55.2	4.7%
	97Q2	1,087.9	1,137.0	(49.1)	-4.5%
	Total	4,303.0	4,346.3	(43.3)	-1.0%
1998	97Q3	1,090.0	1,049.4	40.6	3.7%
	97Q4	1,202.0	1,166.1	35.9	3.0%
	98Q1	1,260.8	1,229.1	31.7	2.5%
	98Q2	1,206.2	1,193.2	13.0	1.1%
	Total	4,759.0	4,637.8	121.2	2.5%
1999	98Q3	1,226.7	1,170.8	55.9	4.6%
	98Q4	1,285.4	1,291.0	(5.6)	-0.4%
	99Q1	1,432.4	1,380.2	52.2	3.6%
	99Q2	1,367.4	1,283.2	84.2	6.2%
	Total	5,311.9	5,125.3	186.6	3.5%
2000	99Q3	1,351.5	1,303.7	47.8	3.5%
	99Q4	1,521.9	1,505.9	16.0	1.1%
	00Q1	1,513.7	1,520.8	(7.1)	-0.5%
	00Q2	1,474.2	1,486.1	(11.9)	-0.8%
	Total	5,861.3	5,816.4	44.9	0.8%
2001	00Q3	1,444.0	1,484.7	(40.7)	-2.8%
	00Q4	1,575.6	1,635.9	(60.3)	-3.8%
	01Q1	1,659.1	1,646.8	12.3	0.7%
	01Q2	1,576.2	1,598.7	(22.5)	-1.4%
	Total	6,254.9	6,366.1	(111.2)	-1.8%

## GENERAL FUND METHODOLOGY

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### Individual Income Tax - Withholding

	<u>Fiscal Year</u>	<u>Actual</u>	<u>Fitted</u>	<u>Residual</u>	<u>% Residual</u>
2002	01Q3	1,494.4	1,521.0	(26.6)	-1.8%
	01Q4	1,617.8	1,666.9	(49.1)	-3.0%
	02Q1	1,693.4	1,681.0	12.4	0.7%
	02Q2	1,616.8	1,600.9	15.9	1.0%
	Total	6,422.4	6,469.7	(47.3)	-0.7%
2003	02Q3	1,535.8	1,556.3	(20.5)	-1.3%
	02Q4	1,667.1	1,664.1	3.0	0.2%
	03Q1	1,706.3	1,751.9	(45.6)	-2.7%
	03Q2	1,658.2	1,684.8	(26.6)	-1.6%
	Total	6,567.4	6,657.2	(89.8)	-1.4%
2004	03Q3	1,606.0	1,632.6	(26.6)	-1.7%
	03Q4	1,801.6	1,788.9	12.7	0.7%
	04Q1	1,861.8	1,835.6	26.2	1.4%
	04Q2	1,769.9	1,789.3	(19.4)	-1.1%
	Total	7,039.3	7,046.5	(7.2)	-0.1%
2005	04Q3	1,768.0	1,736.5	31.5	1.8%
	04Q4	1,905.5	1,922.0	(16.5)	-0.9%
	05Q1	1,992.0	1,978.9	13.1	0.7%
	05Q2	1,847.5	1,908.0	(60.5)	-3.3%
	Total	7,513.0	7,545.4	(32.4)	-0.4%
2006	05Q3	1,897.2	1,887.7	9.5	0.5%
	05Q4	1,996.5	2,022.3	(25.8)	-1.3%
	06Q1	2,131.5	2,137.0	(5.5)	-0.3%
	06Q2	2,028.5	1,984.5	44.0	2.2%
	Total	8,053.7	8,031.5	22.2	0.3%
2007	06Q3	1,970.4	2,003.6	(33.2)	-1.7%
	06Q4	2,110.3	2,123.4	(13.1)	-0.6%
	07Q1	2,292.5	2,259.6	32.9	1.4%
	07Q2	2,192.2	2,135.1	57.1	2.6%
	Total	8,565.4	8,521.7	43.7	0.5%
2008	07Q3	2,062.9	2,104.9	(42.0)	-2.0%
	07Q4	2,244.9	2,228.3	16.6	0.7%
	08Q1	2,411.8	2,355.3	56.5	2.3%
	08Q2	2,213.9	2,289.8	(75.8)	-3.4%
	Total	8,933.6	8,978.3	(44.7)	-0.5%
2009	08Q3	2,175.8	2,158.9	16.8	0.8%
	08Q4	2,304.3	2,313.5	(9.2)	-0.4%
	09Q1	2,386.6	2,434.0	(47.4)	-2.0%
	09Q2	2,271.5	2,249.7	21.7	1.0%
	Total	9,138.1	9,156.1	(18.0)	-0.2%

**Individual Income Tax - Estimated Payments**

DIFFYA(EP)

$$\begin{aligned} = & 0.08378 * \text{DIFFYA}(\text{SP500}) + 0.00820 * \text{DIFFYA}(\text{YWPPTVA}) + \\ & \quad (5.7189) \quad \quad \quad (4.1238) \\ & 0.00590 * \text{DIFFYA}(\text{YRDIRVA}) - 8.06481 \\ & \quad (4.3680) \quad \quad \quad (2.4151) \end{aligned}$$

R Sq 0.5797      R Bar Sq 0.5557      F 4,70 24.1403  
D.W.(1) 1.9416      D.W.(4) 1.7938

$$\begin{aligned} \text{MA}_0 = & -0.25186 * \text{MA}_4 \\ & (-2.0411) \end{aligned}$$

QUARTERLY data for 75 periods from 1991Q1 to 2009Q3

EP	Estimated payments
DIFFYA	Year over year difference function
YWPPTVA	Virginia total proprietor's income
YRDIRVA	Virginia dividends, interest, and rental income
SP500	Standard and Poor's 500 stock index

## GENERAL FUND METHODOLOGY

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### Individual Income Tax - Estimated Payments

	<u>Fiscal Year</u>	<u>Actual</u>	<u>Fitted</u>	<u>Residual</u>	<u>% Residual</u>
1994	93Q3	129.0	139.1	(10.1)	-7.8%
	93Q4	74.4	59.9	14.5	19.5%
	94Q1	148.3	147.0	1.3	0.9%
	94Q2	189.4	188.0	1.4	0.7%
	Total	541.0	534.0	7.0	1.3%
1995	94Q3	139.1	140.8	(1.7)	-1.3%
	94Q4	64.1	81.2	(17.1)	-26.6%
	95Q1	141.6	157.4	(15.8)	-11.2%
	95Q2	207.8	199.9	7.9	3.8%
	Total	552.6	579.4	(26.8)	-4.8%
1996	95Q3	131.0	149.4	(18.4)	-14.1%
	95Q4	53.2	80.4	(27.2)	-51.1%
	96Q1	165.5	162.9	2.6	1.6%
	96Q2	225.1	223.4	1.7	0.8%
	Total	574.8	616.1	(41.3)	-7.2%
1997	96Q3	140.1	151.1	(11.0)	-7.9%
	96Q4	68.0	78.8	(10.8)	-15.8%
	97Q1	203.9	185.5	18.4	9.0%
	97Q2	251.4	246.7	4.7	1.9%
	Total	663.4	662.1	1.3	0.2%
1998	97Q3	164.6	175.2	(10.6)	-6.4%
	97Q4	80.5	99.0	(18.5)	-23.0%
	98Q1	223.1	230.6	(7.5)	-3.4%
	98Q2	308.0	287.9	20.1	6.5%
	Total	776.2	792.7	(16.5)	-2.1%
1999	98Q3	187.3	193.2	(5.9)	-3.1%
	98Q4	98.0	108.7	(10.7)	-10.9%
	99Q1	279.8	247.4	32.4	11.6%
	99Q2	333.4	321.2	12.2	3.7%
	Total	898.5	870.5	28.0	3.1%
2000	99Q3	205.2	208.7	(3.5)	-1.7%
	99Q4	128.7	127.6	1.1	0.9%
	00Q1	283.1	303.6	(20.5)	-7.2%
	00Q2	368.3	362.8	5.5	1.5%
	Total	985.3	1,002.7	(17.4)	-1.8%
2001	00Q3	252.5	242.9	9.6	3.8%
	00Q4	117.0	149.0	(32.0)	-27.4%
	01Q1	361.7	334.6	27.1	7.5%
	01Q2	358.6	398.1	(39.5)	-11.0%
	Total	1,089.8	1,124.6	(34.8)	-3.2%

## GENERAL FUND METHODOLOGY

### Individual Income Tax - Estimated Payments

	<u>Fiscal Year</u>	<u>Actual</u>	<u>Fitted</u>	<u>Residual</u>	<u>% Residual</u>
2002	01Q3	241.2	266.5	(25.3)	-10.5%
	01Q4	133.4	142.8	(9.4)	-7.1%
	02Q1	298.2	335.4	(37.2)	-12.5%
	02Q2	340.9	352.4	(11.5)	-3.4%
	Total	1,013.7	1,097.2	(83.5)	-8.2%
2003	02Q3	228.1	223.1	5.0	2.2%
	02Q4	144.0	115.2	28.8	20.0%
	03Q1	275.9	278.3	(2.4)	-0.9%
	03Q2	328.1	327.7	0.4	0.1%
	Total	976.1	944.3	31.8	3.3%
2004	03Q3	222.7	233.8	(11.1)	-5.0%
	03Q4	166.1	156.8	9.3	5.6%
	04Q1	269.2	313.4	(44.2)	-16.4%
	04Q2	359.4	357.7	1.7	0.5%
	Total	1,017.4	1,061.6	(44.2)	-4.3%
2005	04Q3	260.4	249.7	10.7	4.1%
	04Q4	205.6	194.0	11.6	5.7%
	05Q1	345.7	302.5	43.2	12.5%
	05Q2	427.4	381.9	45.5	10.7%
	Total	1,239.1	1,128.1	111.0	9.0%
2006	05Q3	328.0	293.8	34.2	10.4%
	05Q4	235.9	236.7	(0.8)	-0.3%
	06Q1	408.8	380.0	28.8	7.1%
	06Q2	511.8	472.1	39.7	7.7%
	Total	1,484.5	1,382.6	101.9	6.9%
2007	06Q3	327.4	367.2	(39.8)	-12.1%
	06Q4	279.6	278.3	1.3	0.4%
	07Q1	460.8	434.2	26.6	5.8%
	07Q2	517.3	534.1	(16.8)	-3.2%
	Total	1,585.1	1,613.8	(28.7)	-1.8%
2008	07Q3	344.2	369.4	(25.3)	-7.3%
	07Q4	260.9	303.2	(42.3)	-16.2%
	08Q1	491.4	454.8	36.6	7.5%
	08Q2	514.5	508.2	6.3	1.2%
	Total	1,611.0	1,635.6	(24.7)	-1.5%
2008	08Q3	374.4	326.0	48.5	12.9%
	08Q4	201.6	207.3	(5.7)	-2.9%
	09Q1	412.2	405.0	7.1	1.7%
	09Q2	447.4	432.2	15.2	3.4%
	Total	1,435.6	1,370.5	65.1	4.5%



## GENERAL FUND METHODOLOGY

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### Individual Income Tax - Final Payments

PCH(FP)

$$= 1.39419 * PCH(CYSP500) - 1.78505$$

(4.3376)                      (0.3334)

R Sq    0.4610      R Bar Sq 0.4365              F 1, 22 18.8144  
D.W.(1) 1.1649      D.W.(2) 1.7206

Annual data for 24 periods from 1985 to 2008

PCH                      Percent change function  
FP                        Final payments  
CYSP500                Standard & Poor's 500 stock index, calendar year

**Individual Income Tax - Final Payments  
Percent Growth**

<u>Fiscal</u> <u>Year</u>	<u>Actual</u>	<u>Fitted</u>	<u>Residual</u>
1991	-6.3	2.0	(8.3)
1992	-6.9	22.7	(29.6)
1993	-3.4	8.9	(12.3)
1994	2.3	10.6	(8.3)
1995	-1.5	5.2	(6.7)
1996	31.4	27.6	3.8
1997	24.7	18.9	5.8
1998	34.5	25.6	8.9
1999	15.9	22.9	(7.0)
2000	9.7	18.4	(8.7)
2001	10.9	-0.2	11.1
2002	-37.8	-2.1	(35.7)
2003	-4.4	-8.6	4.2
2004	27.9	22.7	5.2
2005	53.0	11.8	41.2
2006	21.0	8.0	13.0
2007	18.6	14.7	3.9
2008	4.5	8.4	(3.9)
2009	-30.0	-18.1	(11.9)

## GENERAL FUND METHODOLOGY

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### State Sales Tax

DIFF(SALES)

$$= 0.00258 * \text{DIFF}(\text{YRPICVA}) + 19.9615 * \text{QD3} - 7.6015$$

(3.8989)                      (4.5071)              (2.8795)

R Sq    0.3499                      R Bar Sq   0.3232    F 3, 73   13.0988  
D.W.( 1) 2.2236                      D.W.( 4) 1.5175

$$\text{AR}_0 = -0.43509 * \text{AR}_1$$

(-4.0214)

QUARTERLY data for 77 periods from 1990Q3 to 2009Q3

SALES	State sales tax receipts (base collections)
DIFF	Quarter over quarter difference function
YRPICVA	Virginia total personal income
QD3	1 in third quarter of all years; 0 in all other quarters

## GENERAL FUND METHODOLOGY

### State Sales Tax

	<u>Fiscal Year</u>	<u>Actual</u>	<u>Fitted</u>	<u>Residual</u>	<u>% Residual</u>
1994	93Q3	376.7	378.7	(2.0)	-0.5%
	93Q4	375.6	377.5	(1.9)	-0.5%
	94Q1	391.1	367.3	23.8	6.1%
	94Q2	395.7	384.7	11.0	2.8%
	Total	1,539.1	1,508.1	31.0	2.0%
1995	94Q3	411.2	411.8	(0.6)	-0.1%
	94Q4	414.1	408.7	5.4	1.3%
	95Q1	414.0	408.4	5.6	1.4%
	95Q2	418.3	408.4	9.9	2.4%
	Total	1,657.6	1,637.2	20.4	1.2%
1996	95Q3	423.4	429.5	(6.1)	-1.4%
	95Q4	427.0	424.1	2.9	0.7%
	96Q1	437.7	423.8	13.9	3.2%
	96Q2	433.8	432.1	1.7	0.4%
	Total	1,721.9	1,709.6	12.3	0.7%
1997	96Q3	451.6	453.6	(2.0)	-0.4%
	96Q4	460.0	449.4	10.6	2.3%
	97Q1	454.0	457.9	(3.9)	-0.8%
	97Q2	461.2	453.8	7.4	1.6%
	Total	1,826.8	1,814.7	12.1	0.7%
1998	97Q3	478.6	476.7	1.9	0.4%
	97Q4	478.6	480.2	(1.6)	-0.3%
	98Q1	483.5	477.5	6.0	1.2%
	98Q2	478.5	483.4	(4.9)	-1.0%
	Total	1,919.2	1,917.8	1.4	0.1%
1999	98Q3	508.3	503.0	5.3	1.0%
	98Q4	522.1	504.6	17.5	3.4%
	99Q1	515.6	521.3	(5.7)	-1.1%
	99Q2	519.3	512.8	6.5	1.3%
	Total	2,065.3	2,041.7	23.6	1.1%
2000	99Q3	550.0	535.6	14.4	2.6%
	99Q4	555.8	552.3	3.5	0.6%
	00Q1	542.4	560.7	(18.3)	-3.4%
	00Q2	553.3	553.3	0.0	0.0%
	Total	2,201.5	2,201.9	(0.4)	0.0%
2001	00Q3	573.6	572.7	0.9	0.2%
	00Q4	564.0	573.6	(9.6)	-1.7%
	01Q1	573.9	591.7	(17.8)	-3.1%
	01Q2	561.5	577.2	(15.7)	-2.8%
	Total	2,273.0	2,315.2	(42.2)	-1.9%

## GENERAL FUND METHODOLOGY

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### State Sales Tax

	<u>Fiscal Year</u>	<u>Actual</u>	<u>Fitted</u>	<u>Residual</u>	<u>% Residual</u>
2002	01Q3	575.0	573.9	1.1	0.2%
	01Q4	579.1	570.3	8.8	1.5%
	02Q1	551.9	577.4	(25.5)	-4.6%
	02Q2	574.4	560.4	14.0	2.4%
	Total	2,280.4	2,282.0	(1.6)	-0.1%
2003	02Q3	585.6	579.8	5.8	1.0%
	02Q4	576.6	582.2	(5.6)	-1.0%
	03Q1	564.9	582.0	(17.1)	-3.0%
	03Q2	574.3	573.1	1.2	0.2%
	Total	2,301.4	2,317.0	(15.6)	-0.7%
2004	03Q3	627.7	593.5	34.2	5.4%
	03Q4	620.0	619.9	0.1	0.0%
	04Q1	622.9	628.5	(5.6)	-0.9%
	04Q2	663.3	624.6	38.7	5.8%
	Total	2,533.9	2,466.6	67.3	2.7%
2005	04Q3	667.9	666.4	1.5	0.2%
	04Q4	679.7	686.1	(6.4)	-0.9%
	05Q1	687.4	684.6	2.8	0.4%
	05Q2	725.5	691.6	33.9	4.7%
	Total	2,760.5	2,728.7	31.8	1.2%
2006	05Q3	718.3	736.6	(18.3)	-2.5%
	05Q4	721.8	736.0	(14.2)	-2.0%
	06Q1	754.9	737.4	17.5	2.3%
	06Q2	733.0	750.2	(17.2)	-2.3%
	Total	2,928.0	2,960.2	(32.2)	-1.1%
2007	06Q3	756.1	764.1	(8.0)	-1.1%
	06Q4	739.4	756.2	(16.8)	-2.3%
	07Q1	769.3	760.8	8.5	1.1%
	07Q2	752.1	760.9	(8.8)	-1.2%
	Total	3,016.9	3,042.0	(25.1)	-0.8%
2008	07Q3	782.6	780.9	1.7	0.2%
	07Q4	794.4	777.4	17.0	2.1%
	08Q1	720.0	787.1	(67.1)	-9.3%
	08Q2	761.5	755.2	6.3	0.8%
	Total	3,058.5	3,100.7	(42.1)	-1.4%
2009	08Q3	768.8	760.2	8.6	1.1%
	08Q4	728.5	764.9	(36.4)	-5.0%
	09Q1	710.2	721.0	(10.8)	-1.5%
	09Q2	693.5	703.5	(10.0)	-1.4%
	Total	2,901.0	2,949.6	(48.6)	-1.7%

Recordation Taxes

DIFF(REC)

$$\begin{aligned} &= 0.00016 * \text{DIFF}(\text{REFIMORT}) + 0.33787 * \text{DIFF}(\text{MEDHOME}) \\ &\quad (4.0680) \qquad\qquad\qquad (3.7562) \\ &\quad - 3.85629 * \text{DIFF}(\text{RTBOND30Y.1}) - 2.97009 * \text{QD1} + 10.8472 * \text{QD2} \\ &\quad\quad (2.5859) \qquad\quad (2.5219) \qquad\quad (9.6131) \\ &\quad - 2.3973 \\ &\quad (-3.5968) \end{aligned}$$

R Sq 0.6977                      R Bar Sq 0.6797                      F 5, 84 38.7683  
D.W.(1) 2.4394                      D.W.(4) 0.8549

QUARTERLY data for 90 periods from 1987Q2 to 2009Q3

REC                      Recordation tax receipts  
DIFF                      Quarter over quarter difference function  
REFIMORT                      Refinancing mortgage originations  
MEDHOME                      Median home prices  
RTBOND30Y.1                      30-year treasury bond yield, lagged one quarter  
QD1                      1 in the first quarter of all years; 0 in all other quarters  
QD2                      1 in the second quarter of all years; 0 in all other quarters

## GENERAL FUND METHODOLOGY

### Recordation Taxes

	<u>Fiscal Year</u>	<u>Actual</u>	<u>Fitted</u>	<u>Residual</u>	<u>% Residual</u>
1994	93Q3	26.4	24.6	1.8	6.8%
	93Q4	27.2	27.0	0.2	0.6%
	94Q1	21.9	18.8	3.1	14.2%
	94Q2	24.3	26.7	(2.4)	-9.7%
	Total	99.8	97.1	2.7	2.7%
1995	94Q3	20.4	17.7	2.7	13.1%
	94Q4	17.5	17.5	0.0	0.2%
	95Q1	14.7	10.1	4.6	31.5%
	95Q2	18.1	24.2	(6.1)	-33.7%
	Total	70.7	69.5	1.2	1.7%
1996	95Q3	19.8	20.4	(0.6)	-2.8%
	95Q4	19.3	18.3	1.0	5.2%
	96Q1	17.6	16.3	1.3	7.5%
	96Q2	23.7	26.8	(3.1)	-13.2%
	Total	80.4	81.8	(1.4)	-1.7%
1997	96Q3	21.3	18.8	2.5	11.8%
	96Q4	21.0	18.4	2.6	12.5%
	97Q1	18.9	17.6	1.3	6.8%
	97Q2	25.3	27.5	(2.2)	-8.7%
	Total	86.5	82.3	4.2	4.9%
1998	97Q3	23.1	23.1	0.0	0.2%
	97Q4	27.5	23.1	4.4	16.2%
	98Q1	24.8	25.4	(0.6)	-2.2%
	98Q2	33.4	35.6	(2.2)	-6.7%
	Total	108.8	107.1	1.7	1.6%
1999	98Q3	34.9	31.6	3.3	9.3%
	98Q4	35.4	34.5	0.9	2.4%
	99Q1	29.8	31.0	(1.2)	-3.9%
	99Q2	35.7	37.3	(1.6)	-4.5%
	Total	135.8	134.5	1.3	1.0%
2000	99Q3	32.7	30.2	2.5	7.7%
	99Q4	29.9	29.3	0.6	2.1%
	00Q1	25.8	22.9	2.9	11.3%
	00Q2	35.2	33.7	1.5	4.2%
	Total	123.6	116.1	7.5	6.1%
2001	00Q3	32.9	35.8	(2.9)	-8.8%
	00Q4	33.9	32.8	1.1	3.4%
	01Q1	31.5	33.1	(1.6)	-5.2%
	01Q2	45.1	43.1	2.0	4.4%
	Total	143.4	144.8	(1.4)	-1.0%

## GENERAL FUND METHODOLOGY

### Recordation Taxes

<u>Fiscal Year</u>		<u>Actual</u>	<u>Fitted</u>	<u>Residual</u>	<u>% Residual</u>
2002	01Q3	45.0	43.8	1.2	2.7%
	01Q4	48.5	47.3	1.2	2.5%
	02Q1	43.5	45.4	(1.9)	-4.3%
	02Q2	50.0	48.6	1.4	2.8%
	Total	187.0	185.0	2.0	1.1%
2003	02Q3	56.6	54.7	1.9	3.3%
	02Q4	65.8	63.4	2.4	3.7%
	03Q1	56.6	62.8	(6.2)	-11.0%
	03Q2	73.1	70.7	2.4	3.3%
	Total	252.1	251.7	0.4	0.2%
2004	03Q3	83.0	75.7	7.3	8.9%
	03Q4	69.1	66.5	2.6	3.7%
	04Q1	58.8	66.7	(7.9)	-13.5%
	04Q2	86.1	74.6	11.5	13.4%
	Total	297.0	283.5	13.5	4.5%
2005	04Q3	81.1	82.2	(1.1)	-1.4%
	04Q4	80.7	85.4	(4.7)	-5.9%
	05Q1	76.1	81.8	(5.7)	-7.5%
	05Q2	102.0	87.9	14.1	13.8%
	Total	339.9	337.3	2.6	0.8%
2006	05Q3	109.3	106.7	2.6	2.4%
	05Q4	91.6	108.4	(16.8)	-18.3%
	06Q1	80.2	83.8	(3.6)	-4.5%
	06Q2	92.4	87.4	5.0	5.4%
	Total	373.5	386.3	(12.8)	-3.4%
2007	06Q3	80.8	87.3	(6.5)	-8.0%
	06Q4	77.6	79.1	(1.5)	-1.9%
	07Q1	71.9	76.0	(4.1)	-5.7%
	07Q2	83.0	78.1	4.9	5.9%
	Total	313.3	320.5	(7.2)	-2.3%
2008	07Q3	69.7	78.2	(8.5)	-12.2%
	07Q4	60.3	63.3	(2.9)	-4.9%
	08Q1	52.5	51.7	0.9	1.6%
	08Q2	60.9	57.8	3.1	5.0%
	Total	243.5	251.0	(7.5)	-3.1%
2009	08Q3	52.5	51.3	1.2	2.2%
	08Q4	38.5	45.7	(7.1)	-18.5%
	09Q1	41.1	33.8	7.3	17.8%
	09Q2	53.2	52.7	0.5	0.9%
	Total	185.3	183.5	1.8	1.0%



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## NONGENERAL FUND METHODOLOGY

### Motor Fuels Tax

GAS

$$\begin{aligned} &= -125.557 * \text{movavg}(3, \text{pdccengas}/\text{pdcce}) \\ &\quad (5.25973) \\ &+ 0.00222 * \text{movavg}(3, \text{cyrpicva}) + 66.3571 * \text{season}_2 \\ &\quad (21.9251) \quad (7.49652) \\ &+ 94.1660 * \text{season}_3 + 56.0271 * \text{season}_4 + 391.641 \\ &\quad (10.7796) \quad (6.33172) \quad (23.6135) \end{aligned}$$

Sum Sq	52790.2	Std Err	27.2676	LHS Mean	886.370
R Sq	0.9314	R Bar Sq	0.9265	F 5, 71	192.732
D.W.(1)	1.8077	D.W.(4)	1.5681		

DIESEL

$$\begin{aligned} &= 0.03870 * \text{gnp96} - 33.0269 * \text{movavg}(3, \text{ppirpp}) - 155.610 \\ &\quad (29.7325) \quad (8.55945) \quad (13.7592) \end{aligned}$$

Sum Sq	12098.4	Std Err	12.7864	LHS Mean	228.923
R Sq	0.9515	R Bar Sq	0.9502	F 2, 74	726.083
D.W.(1)	1.4955	D.W.(4)	0.8937		

GAS	Taxable gallons of gasoline
PDCCENGAS	Gasoline and oil implicit price deflator
PDCCE	Consumer expenditures implicit price deflator
CYRPICVA	Virginia real personal income
SEASON_2	Dummy variable second quarter
SEASON_3	Dummy variable third quarter
SEASON_4	Dummy variable fourth quarter
DIESEL	Taxable gallons of diesel
GDP96	Real gross domestic product
PPIRPP	PPI, refined petroleum products

## NONGENERAL FUND METHODOLOGY

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### Gasoline Consumption

	<u>Fiscal Year</u>	<u>Actual</u>	<u>Fitted</u>	<u>Residual</u>	<u>% Residual</u>
2000	99Q3	930.692	930.1488	0.5	0.1%
	99Q4	908.783	891.0585	17.7	2.0%
	00Q1	849.885	837.4664	12.4	1.5%
	00Q2	902.719	907.5541	(4.8)	-0.5%
	Total	3,592.1	3,566.2	25.9	0.7%
2001	00Q3	930.8	938.4	(7.6)	-0.8%
	00Q4	904.0	904.7	(0.7)	-0.1%
	01Q1	917.7	861.1	56.5	6.2%
	02Q2	917.0	937.4	(20.4)	-2.2%
	Total	3,669.4	3,641.7	27.8	0.8%
2002	01Q3	992.8	975.2	17.7	1.8%
	01Q4	943.6	942.9	0.6	0.1%
	02Q1	876.7	896.8	(20.1)	-2.3%
	02Q2	953.6	968.8	(15.2)	-1.6%
	Total	3,766.7	3,783.7	(17.0)	-0.5%
2003	02Q3	980.6	996.4	(15.8)	-1.6%
	02Q4	905.3	953.3	(48.0)	-5.3%
	03Q1	845.9	893.6	(47.7)	-5.6%
	03Q2	894.8	963.6	(68.8)	-7.7%
	Total	3,626.6	3,806.9	(180.3)	-5.0%
2004	03Q3	1,018.0	996.0	21.9	2.2%
	03Q4	990.7	967.2	23.4	2.4%
	04Q1	938.6	912.3	26.3	2.8%
	04Q2	1,009.0	981.0	28.0	2.8%
	Total	3,956.2	3,856.5	99.7	2.5%
2005	04Q3	1,016.9	1,009.7	7.2	0.7%
	04Q4	990.2	973.0	17.2	1.7%
	05Q1	939.1	920.3	18.8	2.0%
	05Q2	992.0	990.8	1.2	0.1%
	Total	3,938.3	3,893.8	44.5	1.1%
2006	05Q3	1,057.2	1,016.7	40.4	3.8%
	05Q4	956.3	975.3	(19.0)	-2.0%
	06Q1	945.1	920.3	24.8	2.6%
	06Q2	987.0	993.4	(6.4)	-0.6%
	Total	3,945.6	3,905.8	39.9	1.0%
2007	06Q3	1,042.9	1,025.4	17.6	1.7%
	06Q4	981.0	993.9	(12.9)	-1.3%
	07Q1	960.3	947.2	13.1	1.4%
	07Q2	1,026.9	1,020.8	6.1	0.6%
	Total	4,011.1	3,987.2	23.9	0.6%
2008	07Q3	1,057.1	1,048.0	9.1	0.9%
	07Q4	1,006.3	1,000.9	5.5	0.5%
	08Q1	944.4	936.2	8.2	0.9%
	08Q2	945.5	991.8	(46.3)	-4.9%
	Total	3,953.3	3,976.9	(23.5)	-0.6%
2009	08Q3	1,037.1	1,009.3	27.8	2.7%
	08Q4	986.9	987.0	(0.1)	0.0%
	09Q1	937.4	951.9	(14.5)	-1.5%
	09Q2	992.5	1,044.0	(51.5)	-5.2%
	Total	3,953.9	3,992.2	(38.3)	-1.0%

## NONGENERAL FUND METHODOLOGY

### Diesel Fuel Consumption

	<u>Fiscal Year</u>	<u>Actual</u>	<u>Fitted</u>	<u>Residual</u>	<u>% Residual</u>
2000	99Q3	247.2	245.7	1.5	0.6%
	99Q4	245.0	250.9	(5.9)	-2.4%
	00Q1	231.7	248.6	(17.0)	-7.3%
	00Q2	254.6	254.9	(0.3)	-0.1%
	Total	978.5	1,000.0	(21.6)	-2.2%
2001	00Q3	256.8	252.9	3.9	1.5%
	00Q4	249.3	255.3	(5.9)	-2.4%
	01Q1	256.4	252.6	3.8	1.5%
	02Q2	258.6	255.6	3.0	1.2%
	Total	1,021.2	1,016.4	4.8	0.5%
2002	01Q3	263.2	255.0	8.2	3.1%
	01Q4	265.6	261.8	3.8	1.4%
	02Q1	245.5	266.6	(21.2)	-8.6%
	02Q2	275.5	269.0	6.5	2.4%
	Total	1,049.8	1,052.4	(2.6)	-0.2%
2003	02Q3	270.6	270.4	0.2	0.1%
	02Q4	265.5	268.7	(3.2)	-1.2%
	03Q1	255.1	266.1	(11.0)	-4.3%
	03Q2	287.2	269.3	17.9	6.2%
	Total	1,078.4	1,074.5	3.9	0.4%
2004	03Q3	285.8	276.5	9.4	3.3%
	03Q4	276.1	283.3	(7.2)	-2.6%
	04Q1	274.4	285.1	(10.7)	-3.9%
	04Q2	294.3	285.4	8.9	3.0%
	Total	1,130.7	1,130.4	0.3	0.0%
2005	04Q3	304.2	286.8	17.4	5.7%
	04Q4	301.7	286.8	14.9	4.9%
	05Q1	281.9	289.6	(7.7)	-2.7%
	05Q2	301.3	288.1	13.2	4.4%
	Total	1,189.1	1,151.4	37.7	3.2%
2006	05Q3	313.8	287.9	25.9	8.3%
	05Q4	290.1	283.8	6.2	2.2%
	06Q1	282.6	286.1	(3.5)	-1.2%
	06Q2	302.6	284.7	18.0	5.9%
	Total	1,189.1	1,142.5	46.6	3.9%
2007	06Q3	286.3	283.4	2.8	1.0%
	06Q4	310.3	288.2	22.2	7.1%
	07Q1	288.7	291.4	(2.6)	-0.9%
	07Q2	318.0	294.8	23.2	7.3%
	Total	1,203.3	1,157.8	45.5	3.8%
2008	07Q3	305.0	297.9	7.1	2.3%
	07Q4	286.7	295.5	(8.8)	-3.1%
	08Q1	272.2	287.0	(14.8)	-5.4%
	08Q2	262.1	277.8	(15.6)	-6.0%
	Total	1,125.9	1,158.1	(32.2)	-2.9%
2009	08Q3	290.3	267.7	22.5	7.8%
	08Q4	264.6	268.1	(3.5)	-1.3%
	09Q1	231.6	276.6	(45.0)	-19.4%
	09Q2	247.9	292.7	(44.8)	-18.1%
	Total	1,034.3	1,105.1	(70.8)	-6.8%

**NONGENERAL FUND METHODOLOGY**

**Motor Vehicle Sales and Use Tax**

log(ttcarsq)

$$\begin{aligned}
 &= -0.96837 * \text{dlogya}(\text{pdcgdp}) \\
 &\quad (0.50179) \\
 &- 0.06795 * \text{movavg}(2, \text{dlogya}(\text{xtnemva}.4)) \\
 &\quad (0.10766) \\
 &+ 0.00001 * \text{diffya}(\text{yrpicva}) + 0.10715 * \text{season}_2 \\
 &\quad (6.11608) \quad (4.41580) \\
 &+ 0.10016 * \text{season}_3 - 0.09248 * \text{season}_4 + 5.76040 \\
 &\quad (4.12419) \quad (3.75692) \quad (153.336)
 \end{aligned}$$

Sum Sq	0.3236	Std Err	0.0717	LHS Mean	5.9258
R Sq	0.7052	R Bar Sq	0.6771	F 6, 63	25.1124
D.W.( 1)	0.4515	D.W.( 4)	1.1013		

newcar

$$\begin{aligned}
 &= 0.00655 * \text{suvlv} - 0.00434 * \text{rmcblv} + 0.01800 * \text{season}_2 \\
 &\quad (20.6482) \quad (9.04133) \quad (10.6715) \\
 &+ 0.02144 * \text{season}_3 - 0.00097 * \text{season}_4 + 0.01810 \\
 &\quad (12.8734) \quad (0.57670) \quad (2.54176)
 \end{aligned}$$

Sum Sq	0.0019	Std Err	0.0052	LHS Mean	0.0915
R Sq	0.9299	R Bar Sq	0.9249	F 5, 71	188.328
D.W.( 1)	0.9234	D.W.( 4)	1.2383		

TTCARSQ	Total taxable titles
PDIGDP	GDP price deflator
XTNEMVA	Virginia non-agricultural employment
YRPICVA	Virginia real personal income
SEASON_2	Dummy variable second quarter
SEASON_3	Dummy variable third quarter
SEASON_4	Dummy variable fourth quarter
NEWCAR	New taxable titles
SUVLV	U.S. new light vehicle sales
RMCLV	Rate on commercial bank loans for new vehicles

## NONGENERAL FUND METHODOLOGY

### New Taxable Titles (in thousands)

	<u>Fiscal Year</u>	<u>Actual</u>	<u>Fitted</u>	<u>Residual</u>	<u>% Residual</u>
2000	99Q3	109.3	115.2	(5.9)	-5.4%
	99Q4	90.6	93.1	(2.5)	-2.8%
	00Q1	96.8	99.8	(3.0)	-3.1%
	00Q2	112.7	109.7	3.0	2.6%
	Total	409.4	417.8	(8.4)	-2.1%
2001	00Q3	111.4	111.1	0.3	0.3%
	00Q4	90.3	82.7	7.6	8.4%
	01Q1	90.6	90.9	(0.3)	-0.3%
	02Q2	105.6	107.9	(2.3)	-2.2%
	Total	397.9	392.6	5.3	1.3%
2002	01Q3	107.0	108.7	(1.8)	-1.7%
	01Q4	106.5	104.4	2.1	1.9%
	02Q1	92.9	93.5	(0.5)	-0.6%
	02Q2	110.0	111.3	(1.3)	-1.2%
	Total	416.4	417.9	(1.5)	-0.4%
2003	02Q3	118.6	120.8	(2.2)	-1.9%
	02Q4	89.8	93.9	(4.0)	-4.5%
	03Q1	90.0	93.1	(3.1)	-3.4%
	03Q2	115.7	113.1	2.6	2.2%
	Total	414.2	420.9	(6.7)	-1.6%
2004	03Q3	127.8	123.1	4.7	3.7%
	03Q4	105.6	97.5	8.1	7.7%
	04Q1	103.8	97.7	6.1	5.9%
	04Q2	123.0	117.4	5.6	4.6%
	Total	460.2	435.6	24.6	5.3%
2005	04Q3	126.9	122.5	4.3	3.4%
	04Q4	103.0	100.7	2.2	2.2%
	05Q1	98.8	96.9	1.9	1.9%
	05Q2	122.0	120.0	2.0	1.6%
	Total	450.6	440.2	10.4	2.3%
2006	05Q3	140.2	126.7	13.5	9.7%
	05Q4	89.0	88.8	0.2	0.3%
	06Q1	97.9	96.3	1.6	1.6%
	06Q2	117.5	110.3	7.2	6.1%
	Total	444.6	422.1	22.5	5.1%
2007	06Q3	120.2	113.0	7.2	6.0%
	06Q4	92.0	89.9	2.2	2.3%
	07Q1	92.3	91.6	0.7	0.7%
	07Q2	119.4	106.9	12.4	10.4%
	Total	423.9	401.5	22.4	5.3%
2008	07Q3	109.3	109.6	(0.3)	-0.3%
	07Q4	85.7	89.6	(4.0)	-4.6%
	08Q1	83.4	86.6	(3.3)	-3.9%
	08Q2	99.1	98.9	0.1	0.1%
	Total	377.4	384.8	(7.4)	-2.0%
2009	08Q3	91.8	94.1	(2.3)	-2.5%
	08Q4	57.2	55.2	2.0	3.5%
	09Q1	55.8	50.2	5.6	10.1%
	09Q2	68.8	69.4	(0.6)	-0.9%
	Total	273.5	268.8	4.7	1.7%

## NONGENERAL FUND METHODOLOGY

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### Used Taxable Titles (in thousands)

	<u>Fiscal Year</u>	<u>Actual</u>	<u>Fitted</u>	<u>Residual</u>	<u>% Residual</u>
2000	99Q3	302.8	285.0	17.8	5.9%
	99Q4	264.9	247.3	17.6	6.6%
	00Q1	299.5	271.3	28.2	9.4%
	00Q2	314.2	326.5	(12.4)	-3.9%
	Total	1,181.3	1,130.1	51.2	4.3%
2001	00Q3	305.9	324.5	(18.6)	-6.1%
	00Q4	257.5	263.0	(5.5)	-2.1%
	01Q1	291.1	327.5	(36.3)	-12.5%
	02Q2	312.2	343.2	(31.0)	-9.9%
	Total	1,166.8	1,258.2	(91.4)	-7.8%
2002	01Q3	307.9	308.4	(0.5)	-0.2%
	01Q4	274.0	238.1	35.9	13.1%
	02Q1	306.4	242.3	64.1	20.9%
	02Q2	319.9	261.9	58.0	18.1%
	Total	1,208.3	1,050.7	157.5	13.0%
2003	02Q3	315.1	266.1	49.0	15.6%
	02Q4	256.4	219.0	37.4	14.6%
	03Q1	280.3	254.1	26.2	9.4%
	03Q2	324.4	284.0	40.3	12.4%
	Total	1,176.2	1,023.2	152.9	13.0%
2004	03Q3	325.2	282.9	42.3	13.0%
	03Q4	289.6	257.3	32.3	11.1%
	04Q1	317.9	288.4	29.5	9.3%
	04Q2	332.9	311.0	22.0	6.6%
	Total	1,265.6	1,139.6	126.0	10.0%
2005	04Q3	329.3	304.9	24.4	7.4%
	04Q4	288.0	255.9	32.0	11.1%
	05Q1	314.3	294.3	20.0	6.4%
	05Q2	332.8	321.5	11.3	3.4%
	Total	1,264.4	1,176.6	87.7	6.9%
2006	05Q3	335.8	314.3	21.5	6.4%
	05Q4	272.0	265.5	6.5	2.4%
	06Q1	307.0	318.9	(11.9)	-3.9%
	06Q2	320.8	347.7	(26.8)	-8.4%
	Total	1,235.6	1,246.4	(10.8)	-0.9%
2007	06Q3	311.6	330.5	(18.9)	-6.1%
	06Q4	269.9	273.5	(3.6)	-1.4%
	07Q1	299.5	301.6	(2.0)	-0.7%
	07Q2	323.4	322.6	0.8	0.2%
	Total	1,204.3	1,228.1	(23.8)	-2.0%
2008	07Q3	303.9	321.9	(18.0)	-5.9%
	07Q4	254.1	261.0	(6.9)	-2.7%
	08Q1	285.3	271.7	13.6	4.8%
	08Q2	297.4	310.7	(13.3)	-4.5%
	Total	1,140.7	1,165.3	(24.6)	-2.2%
2009	08Q3	278.0	297.0	(18.9)	-6.8%
	08Q4	212.2	259.5	(47.4)	-22.3%
	09Q1	255.8	261.3	(5.5)	-2.1%
	09Q2	271.2	263.9	7.3	2.7%
	Total	1,017.2	1,081.7	(64.5)	-6.3%

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## NONGENERAL FUND METHODOLOGY

### Motor Vehicle License Revenues

vehreg1

$$= 0.79577 * \text{vehreg1}[-4] + 0.59042 * \text{vehreg2}[-8]$$

(12.8575)                      (2.95033)

$$+ 49298.2 * \text{origvtff} + 133679$$

(1.64632)                      (2.47694)

Sum Sq	2E+11	Std Err	57986.4	LHS Mean	1207429
R Sq	0.8675	R Bar Sq	0.8619	F 3, 71	155.008
D.W.( 1)	1.9477	D.W.( 4)	2.1614		

vehreg2

$$= 0.89954 * (\text{vehreg2.8} * \text{renew}) + 6333.08 * \text{qd2} + 61514.9$$

(12.8993)                      (0.96823)                      (5.13149)

Sum Sq	4E+10	Std Err	24069.2	LHS Mean	216643
R Sq	0.7153	R Bar Sq	0.7074	F 2, 72	90.4446
D.W.( 1)	0.8087	D.W.( 4)	1.3758		

VEHREG1	One year registrations
VEHREG2	Two year registrations
RENEW2	Percent of two year renewals who maintain the two year interval
QD2	Dummy variable second quarter

## NONGENERAL FUND METHODOLOGY

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### One Year Registrations

<u>Fiscal Year</u>		<u>Actual</u>	<u>Fitted</u>	<u>Residual</u>	<u>% Residual</u>
2000	99Q3	1,339,334	1,251,847	87,487	6.5%
	99Q4	1,104,872	1,047,414	57,458	5.2%
	00Q1	1,224,410	1,165,864	58,546	4.8%
	00Q2	1,413,748	1,320,425	93,323	6.6%
	Total	5,082,364	4,785,550	296,814	5.8%
2001	00Q3	1,280,287	1,306,042	(25,755)	-2.0%
	00Q4	1,058,456	1,101,643	(43,187)	-4.1%
	01Q1	1,268,990	1,215,222	53,768	4.2%
	02Q2	1,408,479	1,382,672	25,807	1.8%
	Total	5,016,212	5,005,579	10,633	0.2%
2002	01Q3	1,273,549	1,278,743	(5,194)	-0.4%
	01Q4	1,072,798	1,072,674	124	0.0%
	02Q1	1,228,538	1,250,695	(22,157)	-1.8%
	02Q2	1,294,029	1,387,042	(93,013)	-7.2%
	Total	4,868,914	4,989,154	(120,240)	-2.5%
2003	02Q3	1,470,196	1,274,535	195,661	13.3%
	02Q4	1,117,834	1,089,687	28,147	2.5%
	03Q1	1,163,163	1,242,680	(79,517)	-6.8%
	03Q2	1,465,491	1,310,950	154,541	10.5%
	Total	5,216,684	4,917,853	298,831	5.7%
2004	03Q3	1,377,265	1,442,500	(65,235)	-4.7%
	03Q4	1,182,994	1,134,253	48,741	4.1%
	04Q1	1,298,254	1,191,141	107,113	8.3%
	04Q2	1,439,911	1,422,947	16,964	1.2%
	Total	5,298,424	5,190,841	107,583	2.0%
2005	04Q3	1,367,213	1,378,508	(11,295)	-0.8%
	04Q4	1,133,817	1,185,772	(51,955)	-4.6%
	05Q1	1,273,050	1,287,557	(14,507)	-1.1%
	05Q2	1,475,608	1,433,056	42,552	2.9%
	Total	5,249,688	5,284,893	(35,205)	-0.7%
2006	05Q3	1,453,834	1,369,791	84,043	5.8%
	05Q4	1,131,645	1,161,860	(30,215)	-2.7%
	06Q1	1,282,905	1,287,055	(4,150)	-0.3%
	06Q2	1,411,435	1,457,787	(46,352)	-3.3%
	Total	5,279,819	5,276,494	3,325	0.1%
2007	06Q3	1,412,785	1,439,176	(26,391)	-1.9%
	06Q4	1,153,708	1,154,328	(620)	-0.1%
	07Q1	1,280,834	1,292,307	(11,473)	-0.9%
	07Q2	1,411,435	1,421,267	(9,832)	-0.7%
	Total	5,258,762	5,307,078	(48,316)	-0.9%
2008	07Q3	1,400,808	1,432,993	(32,185)	-2.3%
	07Q4	1,231,785	1,185,615	46,170	3.7%
	08Q1	1,312,356	1,304,030	8,326	0.6%
	08Q2	1,391,387	1,424,047	(32,660)	-2.3%
	Total	5,336,336	5,346,684	(10,348)	-0.2%
2009	08Q3	1,388,357	1,425,124	(36,767)	-2.6%
	08Q4	1,081,591	1,256,432	(174,841)	-16.2%
	09Q1	1,291,207	1,337,857	(46,650)	-3.6%
	09Q2	1,419,707	1,408,093	11,614	0.8%
	Total	5,180,862	5,427,506	(246,644)	-4.8%



## NONGENERAL FUND METHODOLOGY

### Two Year Registrations

	<u>Fiscal Year</u>	<u>Actual</u>	<u>Fitted</u>	<u>Residual</u>	<u>% Residual</u>
2000	99Q3	213,826	223,279	(9,453)	-4.4%
	99Q4	163,790	177,591	(13,801)	-8.4%
	00Q1	181,547	191,840	(10,293)	-5.7%
	00Q2	224,476	220,687	3,789	1.7%
	Total	783,639	813,397	(29,758)	-3.8%
2001	00Q3	215,781	199,511	16,270	7.5%
	00Q4	173,276	176,433	(3,157)	-1.8%
	01Q1	222,494	200,331	22,163	10.0%
	02Q2	249,854	228,395	21,459	8.6%
	Total	861,405	804,670	56,735	6.6%
2002	01Q3	235,222	225,008	10,214	4.3%
	01Q4	188,058	186,750	1,308	0.7%
	02Q1	223,314	200,328	22,986	10.3%
	02Q2	208,447	239,485	(31,038)	-14.9%
	Total	855,041	851,571	3,470	0.4%
2003	02Q3	252,092	226,503	25,589	10.2%
	02Q4	187,492	194,003	(6,511)	-3.5%
	03Q1	204,539	231,636	(27,097)	-13.2%
	03Q2	260,046	258,889	1,157	0.4%
	Total	904,169	911,032	(6,863)	-0.8%
2004	03Q3	250,876	241,368	9,508	3.8%
	03Q4	213,274	205,306	7,968	3.7%
	04Q1	237,659	232,263	5,396	2.3%
	04Q2	253,820	227,229	26,591	10.5%
	Total	955,629	906,166	49,463	5.2%
2005	04Q3	251,646	254,267	(2,621)	-1.0%
	04Q4	203,444	204,873	(1,429)	-0.7%
	05Q1	233,271	217,907	15,364	6.6%
	05Q2	278,458	266,682	11,776	4.2%
	Total	966,819	943,729	23,090	2.4%
2006	05Q3	296,499	253,337	43,162	14.6%
	05Q4	226,698	224,586	2,112	0.9%
	06Q1	255,918	243,231	12,687	5.0%
	06Q2	283,167	261,921	21,246	7.5%
	Total	1,062,282	983,076	79,206	7.5%
2007	06Q3	299,315	253,926	45,389	15.2%
	06Q4	241,409	217,070	24,339	10.1%
	07Q1	270,725	239,876	30,849	11.4%
	07Q2	283,167	280,760	2,407	0.9%
	Total	1,094,616	991,632	102,984	9.4%
2008	07Q3	278,906	288,221	(9,315)	-3.3%
	07Q4	235,108	234,850	258	0.1%
	08Q1	244,137	257,192	(13,055)	-5.3%
	08Q2	277,234	284,360	(7,126)	-2.6%
	Total	1,035,385	1,064,624	(29,239)	-2.8%
2009	08Q3	315,988	290,374	25,614	8.1%
	08Q4	238,209	246,099	(7,890)	-3.3%
	09Q1	286,888	268,514	18,374	6.4%
	09Q2	316,656	284,360	32,296	10.2%
	Total	1,157,741	1,089,347	68,394	5.9%

## **NONGENERAL FUND METHODOLOGY**

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### **ABC Revenue Estimating Methodology**

Distilled spirit sales are a function of the price of product and quantity sold. Both are forecasted using separate models with quarterly data from 1981 through the present. The price of distilled spirits is a function of the cost of product and the appropriate state and federal taxes and mark-ups. Sales estimates serve as the basis for the development of pro forma profit and loss statements. Sales performance can be significantly influenced by changes in consumer behavior (primarily during the holiday period) and severe weather that are both impossible to accurately forecast. Expenses are estimated based on anticipated budget requirements during the forecasting period. Variations in anticipated expenses are often the source of forecasting error, particularly in the later years of the forecast.

### **Average Price of Distilled Spirits**

The average sales price per gallon of distilled spirits sold was calculated for each quarter. This was adjusted to account for changes in mark-up, state taxes, and the Federal Excise Tax on distilled spirits. The resulting base price was forecasted using an ARIMA model that was found to fit the data better than previous regression-based forecasting methods.

Statistical Results:

Mean Squared Error = .02

$R^2$  = 99.5 percent

### **Quantity of Liquor Demanded**

Again, a variety of modeling techniques and data were evaluated to forecast the demand for distilled spirits. The Winter's Multiplicative exponential smoothing method provided the best fit for the data.

Statistical Results:

Mean Squared Error = .001

$R^2$  = 98.8 percent

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## NONGENERAL FUND METHODOLOGY

### The Unemployment Insurance Trust Fund

Equation Specifications For Taxable Wages:

$$(TAX_x/TOT_x) = f(TBAAW_x, MTWB, QI_x)$$

The proportion of taxable wages (TAX) to total wages (TOT) in a given quarter is linearly related to the ratio of the maximum taxable wage base to the average annual wage (TBAAW), the maximum taxable wage base (MTWB), and the rate of insured unemployment (QI).

There are four equations—one for each quarter. The ratios derived by the equations are applied to the projections for total wages to produce taxable wages. Total wages are derived by multiplying covered employment by the average quarterly wage.

Projected tax rates are then applied to taxable wages to obtain projections for tax contributions.

The following pages give specifications for the quarterly equations currently used in the model. There are 12 observations used in the equations, the years 1996 to 2007 inclusive.

#### First Quarter

The first quarter regression equation, with t statistics in brackets, is:

$$(TAX_1/TOT_1) = 0.241 + 1.526 (TBAAW_1) + 0.01 (QI_1)$$

[21.02]            [36.522]            [2.437]

The summary statistics are:

Adjusted R <sup>2</sup>	0.992
MSE	3.116 x 10 <sup>-5</sup>

#### Second Quarter

The second quarter regression equation, with t statistics in brackets, is:

$$(TAX_2/TOT_2) = -0.049 + 1.167 (TBAAW_2) - 0.009 (QI_2)$$

[-5.599]    [37.755]            [-2.978]

The summary statistics are:

Adjusted R <sup>2</sup>	0.993
MSE	1.442 x 10 <sup>-5</sup>

**NONGENERAL FUND METHODOLOGY**

Third Quarter

The third quarter regression equation, with t statistics in brackets, is:

$$(TAX_3/TOT_3) = 2.228 \times 10^{-4} + 0.603 (TBAAW_3) - 0.009 (QI_3)$$

[0.03]                      [23.957]                      [-3.417]

The summary statistics are:

Adjusted R<sup>2</sup>                      0.985  
MSE                      9.245 x 10<sup>-6</sup>

Fourth Quarter

The fourth quarter regression equation, with t statistics in brackets, is:

$$(TAX_4/TOT_4) = 0.007 + 0.479 (TBAAW_4) - 0.008 (QI_4)$$

[0.868]                      [15.406]                      [-2.842]

The summary statistics are:

Adjusted R<sup>2</sup>                      0.965  
MSE                      1.03 x 10<sup>-5</sup>