

August 19, 2002

**Actual General Fund Revenues
for FY2002; Revised
Economic Outlook and Revenue
Forecast for FY2003 and 2004**

*A presentation to the Senate
Finance, House Appropriations,
and House Finance Committees*



John M. Bennett
Secretary of Finance

Outline...

- Actual general fund collections for fiscal year 2002
- Financial results for fiscal year 2002
- Revised economic outlook for fiscal years 2003 and 2004
- Revised general fund revenue forecast for fiscal years 2003 and 2004

The National Recession's Effect on Virginia Was Greater Than Anticipated...

U.S. Economy

- Last October, the post-attack economic scenario assumed a 4-quarter recession.
 - ◆ Real GDP growth was predicted to be -0.5% for FY02.
 - ◆ *Actual real GDP growth is now expected to be 1.2%.*

Virginia Economy

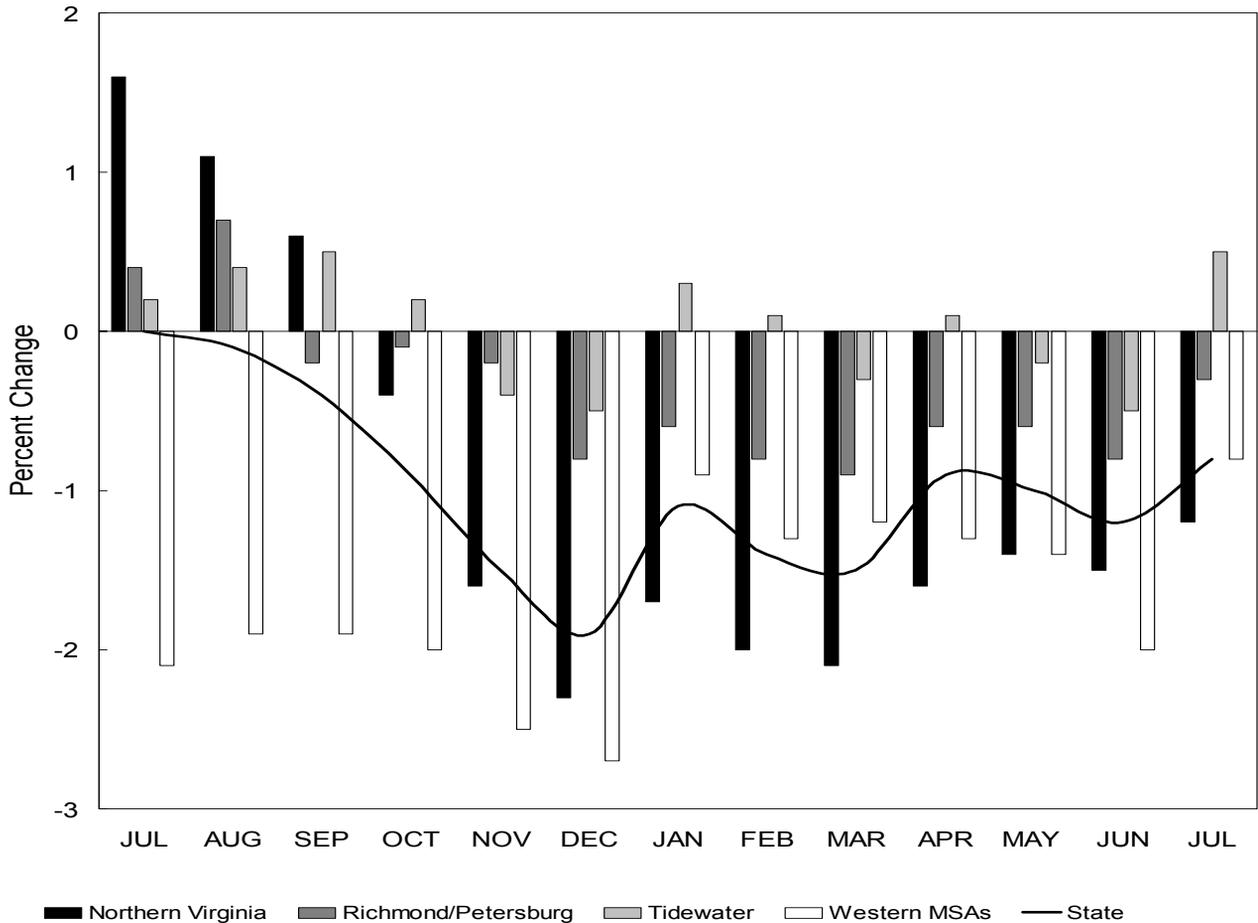
- Last October, the Virginia economy was expected to outpace the nation's and weather the economic storm.

Virginia's Recent Performance

- Employment declined for the first time since fiscal year 1992.
 - ◆ 0.5% projected, *-1.0% actual through June 2002*
- Personal income growth in fiscal year 2002 is now projected to be at its lowest rate in over 30 years.
 - ◆ 3.5% projected, *1.9% current projection*
- As currently projected, wages and salaries growth will be less than half the forecasted rate.
 - ◆ 4.2% projected, *2.0% current projection*

Virginia Has Now Seen 12 Consecutive Months of Negative Employment Growth...

Total Nonagricultural Employment Growth in Fiscal Year 2002



- 35,000 jobs expected to be lost in fiscal year 2002.
 - ◆ All sectors, except local government, are declining.
 - ➔ Business services is expected to decline 24,400.
 - ➔ Manufacturing job losses have continued over the past two years.
 - ➔ Wholesale and retail trade job declines started in September, 2001.
 - ➔ Construction sector has lost jobs each month since December.

As a Result, Actual General Fund Collections for Fiscal Year 2002 Fell \$237 Million Below the Forecast...

Summary of Fiscal Year 2002 Revenue Collections (millions of dollars)

<u>Source</u>	<u>Forecast</u>	<u>Actual</u>	<u>\$ Variance</u>	<u>% Growth</u>
Withholding	\$ 6,474.5	\$ 6,422.4	\$ (52.1)	2.7%
Nonwithholding	1,554.4	1,459.5	(94.9)	-19.2%
Refunds	<u>(1,064.0)</u>	<u>(1,171.1)</u>	<u>(107.1)</u>	<u>40.2%</u>
Net Individual	6,964.9	6,710.8	(254.1)	-7.1%
Sales and Use Tax*	2,412.8	2,429.8	17.0	6.9%
Corporate Income Tax	295.6	290.2	(5.4)	-20.2%
Insurance Premiums	288.0	292.7	4.7	9.2%
Public Service	95.5	77.2	(18.3)	-17.4%
All Other	859.2	878.3	19.1	0.2%
Total GF Revenues**	\$ 10,916.0	\$ 10,679.0	\$ (237.0)	-3.8%

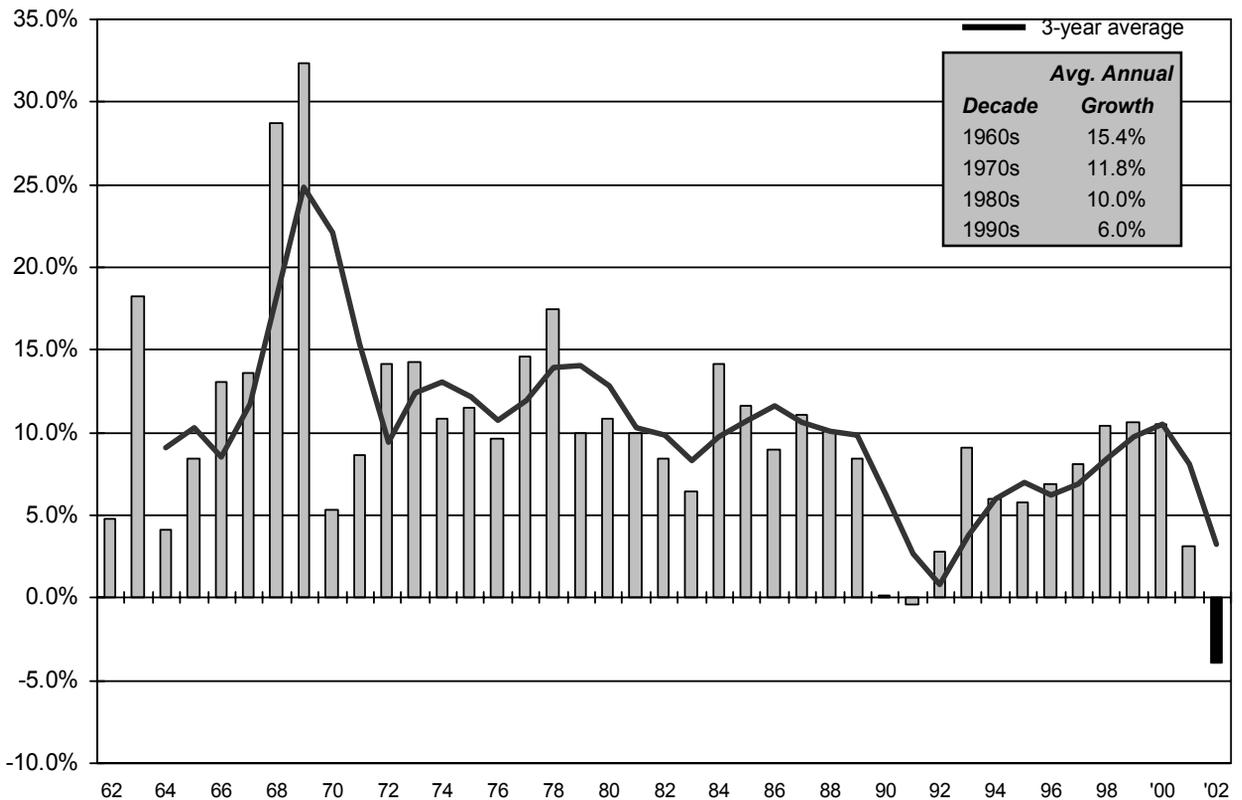
- Weakness in individual income tax – withholding and nonwithholding, as well as a substantial increase in refunds – were primarily responsible.
- For the year, total general fund revenues declined 3.8%. A 1.7% decline was projected.

* Includes Accelerated Sales Tax payments (growth without acceleration was 0.3%)

** Without Lottery profits (+\$38.2 million), ABC profits (+\$0.5 million), and other transfers (-\$2.9 million)

General Fund Revenue Growth in Fiscal Year 2002 Was the Weakest on Record...

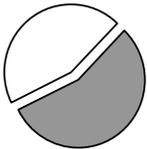
General Fund Revenue Growth
Fiscal Year 1962 to Fiscal Year 2002



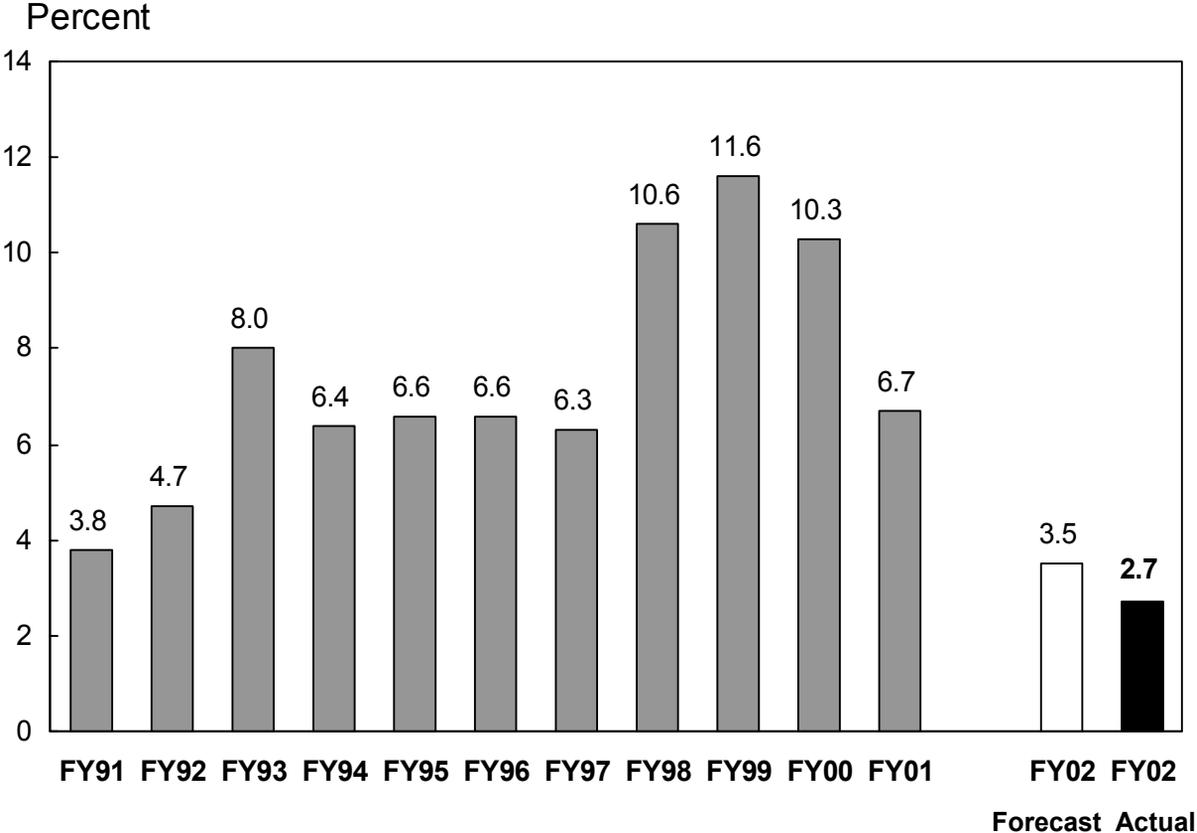
- The last time Virginia experienced negative revenue growth was in fiscal year 1991.

Withholding Collections Were \$52.1 Million Below Forecast...

58% of Total



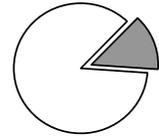
History and Forecast Growth Net Individual Income Tax Withholding



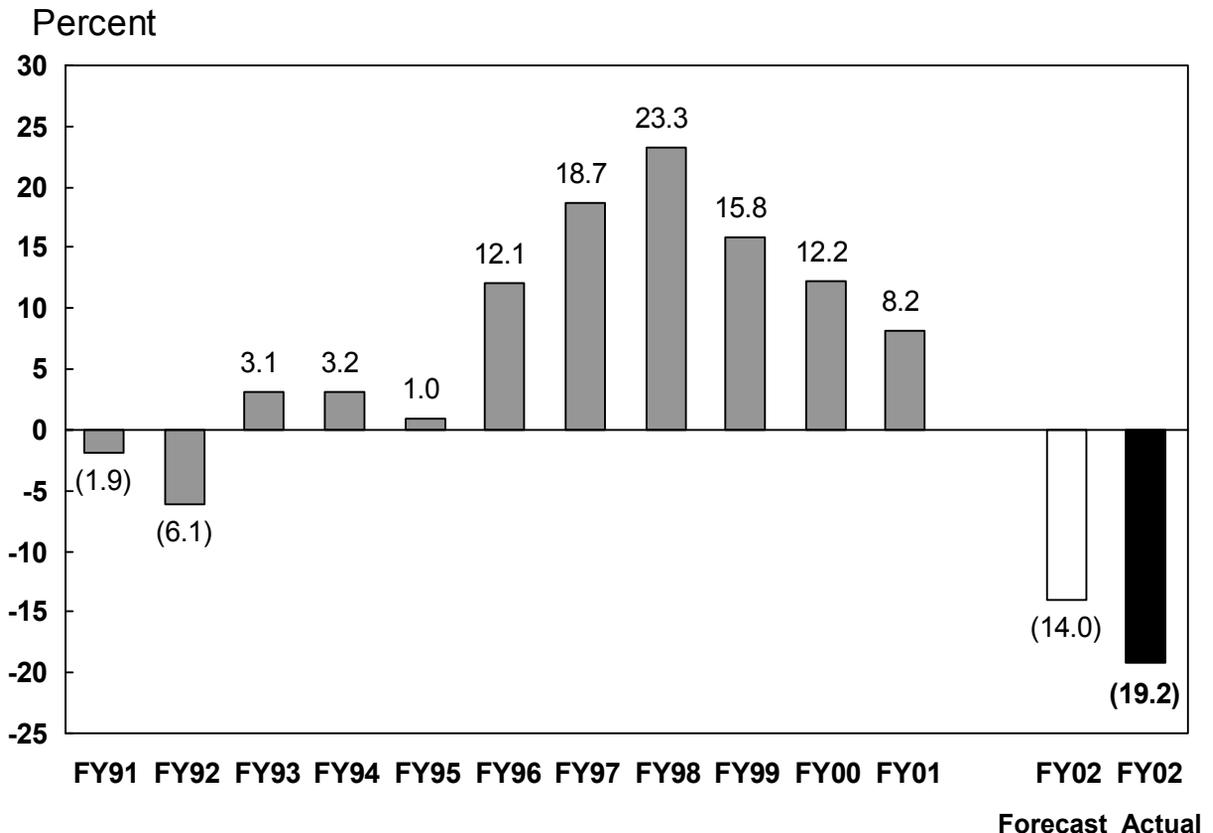
- \$52.1 million below estimate of \$6,474.5 million.
- Decline in growth resulted from:
 - ◆ Continuing employment losses
 - ◆ Weak growth in wages and salaries
 - ◆ Declining revenues from exercising of stock options

14% of Total

Nonwithholding Collections Were \$94.9 Million Below Forecast...



History and Forecast Growth
Net Individual Income Tax
Nonwithholding

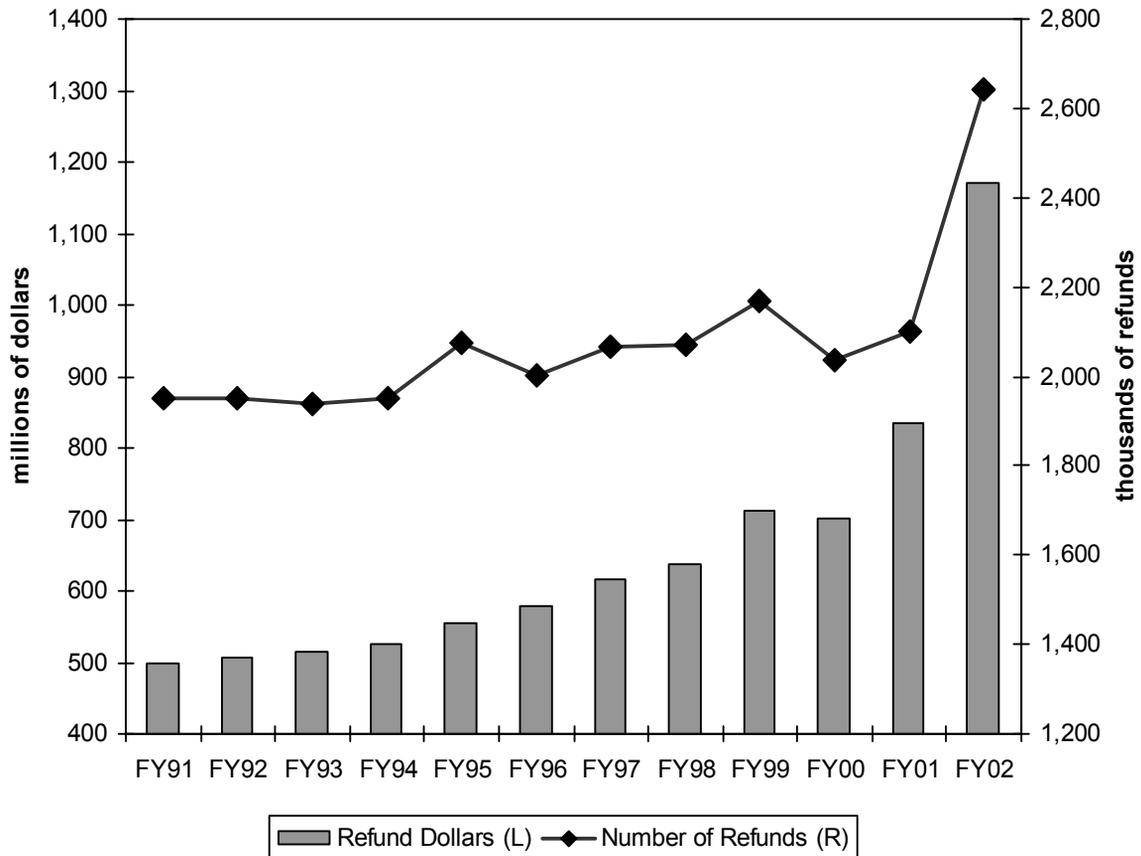


- \$94.9 million below estimate of \$1,554.4 million.
- Estimated payments declined by 7.0%, final payments fell 37.8%.
- Total nonwithholding receipts declined by 19.2%.
 - ◆ The decline was three times larger than that of the last recession.
 - ◆ The fall in capital gains realizations appears to be greater than anticipated.

A Record Number of Refunds Were Issued in Fiscal Year 2002...

Individual Income Tax Refunds

Refund Dollars and Number of Refunds



- \$107.1 million above the estimate (a 40% increase over fiscal year 2001).
- Almost 350,000 more refund returns were processed between January and June, 2002; the average refund increased 18%.
- Refund processing time dramatically improved.
 - ◆ 95.2% issued in 12 days or less
 - ◆ 99.8% issued in 30 days or less

Sales And Use Tax Finished Slightly Above the Forecast; Corporate Income Tax Finished Slightly Below the Forecast...

Sales and Use Tax (21% of revenues)

- Fiscal year 2002 collections were \$17.0 million above forecast.
 - ◆ Economic-based sales activity was \$5.4 million above forecast.
 - ◆ Accelerated sales tax collections were \$11.6 million above forecast.
- Without effect of collections acceleration, sales tax collections grew 0.3%, compared to the forecast of 0.1%.
 - ◆ Slowest growth since 0.9% in fiscal year 1992.

Corporate Income Tax (3% of revenues)

- Fiscal year 2002 collections were \$5.4 million below forecast.
- As expected, revenue collections declined for a second straight year.
 - ◆ Corporate estimated and final payments have now fallen for eight consecutive quarters.
 - ◆ Corporate refunds were almost three times their fiscal year 1992 level.

Results for Other Revenue Sources Varied...

Insurance Premiums (3% of revenues)

- Fiscal year 2002 collections were \$4.7 million above forecast.
- Receipts increased 9.2%, compared to the forecast of 7.4%.
 - ◆ Post 9/11 business insurance rates boosted premiums.
 - ◆ Increases in homeowner policies were driven by higher property values.

Public Service / Consumption Tax (1% of revenues)

- Fiscal year 2002 collections fell \$18.3 million below forecast.
- Mild winter weather and economic slowdown depressed electricity sales.

All other revenues (9% of revenues)

- Fiscal year 2002 collections were \$19.1 million above forecast.
 - ◆ \$16.1 million was due to recordation taxes, which is attributable to home refinancings and a strong housing market.

How the Revenue Shortfall Was Addressed...

- The Commonwealth's financial statements for fiscal year 2002 show a positive fund balance of about \$633 million.
- The revenue shortfall was covered using cash from surplus Lottery profits, the voluntary pre-paid budget reductions, other unspent operating balances, and unspent appropriations from capital projects.

Revenue shortfall	(\$237.0)
Sources of Cash to Cover the Shortfall	
Additional Transfers (Lottery Profits)	35.8
FY2002 pre-paid budget reductions	52.4
Unexpended operating balances	70.6
Balance in capital projects	<u>117.2</u>
Total	\$276.0

- Most of the cash will be required for other uses. The impact of the revenue shortfall therefore has been deferred into fiscal year 2003, when it must be dealt with.
- The fiscal year 2003 effect of the revenue shortfall is estimated at \$215.9 million.

Components of the Fiscal Year 2002 General Fund Balance...

**General Fund Balance
Budgetary (Cash) Basis
Fiscal Year 2002
(Million of Dollars)**

Reserved Amounts:

Revenue Stabilization Fund	\$472.4
Payroll Reserve for July 1, 2002 Payroll	65.4
Unexpended Lottery Proceeds Reserve	<u>25.2</u>

Total Reserved Balance \$ 563.0

Unreserved (Designated) Amounts:

2002 Unexpended Capital Outlay Balances	<u>70.0</u>
---	-------------

Total Unreserved (Designated) Balance 70.0

**Total Reserved and Unreserved General
Fund Balance** **\$ 633.0**

Revised Economic Outlook and Revenue Forecasts for FY 2003 and FY 2004

- **The Reforecasting Process**
- **Outlook for the Virginia
Economy**
- **Revised Revenue Forecast**

Fiscal Year 2002 Shortfall and Interim Economic Outlook Led to Reforecast...

- Given the magnitude of the fiscal year 2002 revenue shortfall, Governor Warner initiated an official re-forecast of revenues.
 - ◆ Governor's Advisory Board of Economists (GABE) met on July 11th.
 - ◆ Governor's Advisory Council on Revenue Estimates (GACRE) met on August 7th.

GABE Highlights

- Two economic scenarios were presented to the Board.
- The Board consensus was to lower key elements of the standard forecast – this resulted in an interim “low growth” forecast.

GACRE Highlights

- GACRE members were presented with two economic forecasts.
- Almost every member recommended the low growth alternative that came from GABE's recommendation.
- This low growth scenario is the basis for the interim revenue forecast.

Virginia's Recovery Is Expected to Be Slower Than the National Recovery...

U.S. Economy

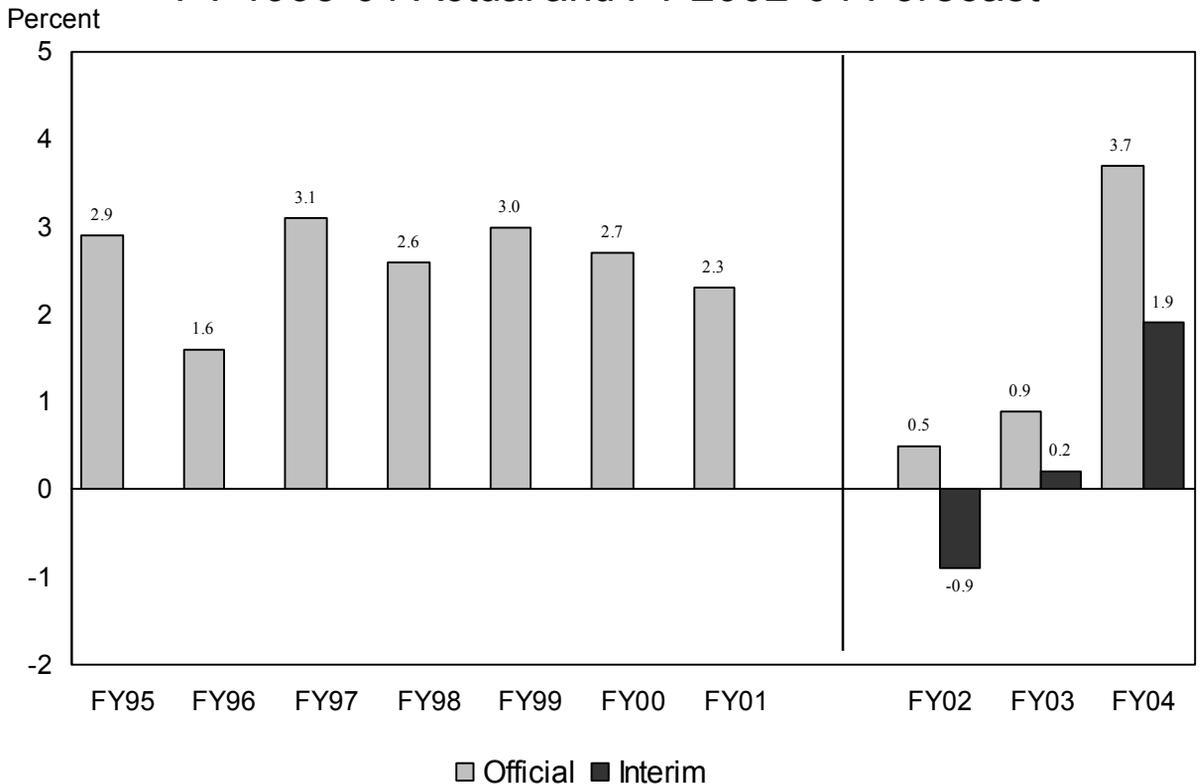
- The recovery from recession started in the first quarter of calendar year 2002, at rates which would be expected during a typical recovery.
 - ◆ Real GDP growth is expected to be 3.3% in fiscal year 2003.
 - ◆ Employment growth in fiscal year 2003 is projected at about 1.0%, with wage and salary growth projected at about 4.5%.
 - ◆ Real consumer spending is expected to grow at 3.5% – slightly better than the 3.1% experienced in fiscal year 2002.

Virginia Economy

- Virginia will lag the nation in job and income growth in fiscal year 2003.
 - ◆ Collapse in high-tech sector and weakness in manufacturing are major factors for lag.
 - High wage technology jobs are decreasing.
 - Jobs in manufacturing continue to decline.
 - The exercise of stock options – significant in the late 1990's – is not expected to occur.

Employment For Fiscal Year 2003 Is Expected to Remain Essentially Flat...

Virginia Employment Growth
FY 1995-01 Actual and FY 2002-04 Forecast



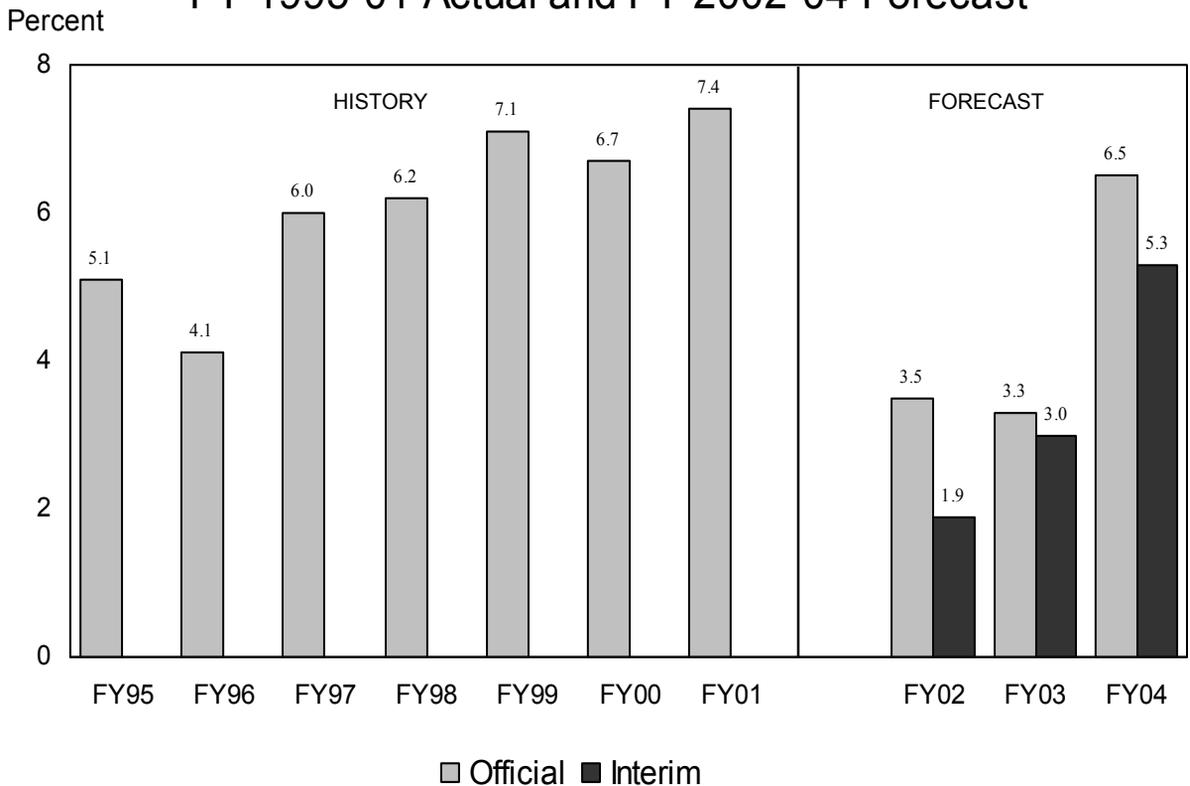
FY01	Actual Job Gains	+80,700
FY02	Forecast*	-32,000
FY03	Forecast	+6,300
FY04	Forecast	+67,700

- Job losses in fiscal year 2002 are not projected to be regained until fiscal year 2004.

* Employment growth through May interim forecast period; actual job losses were 35,000.

Personal Income Growth Is Projected to Be Below Trend Until Fiscal Year 2004...

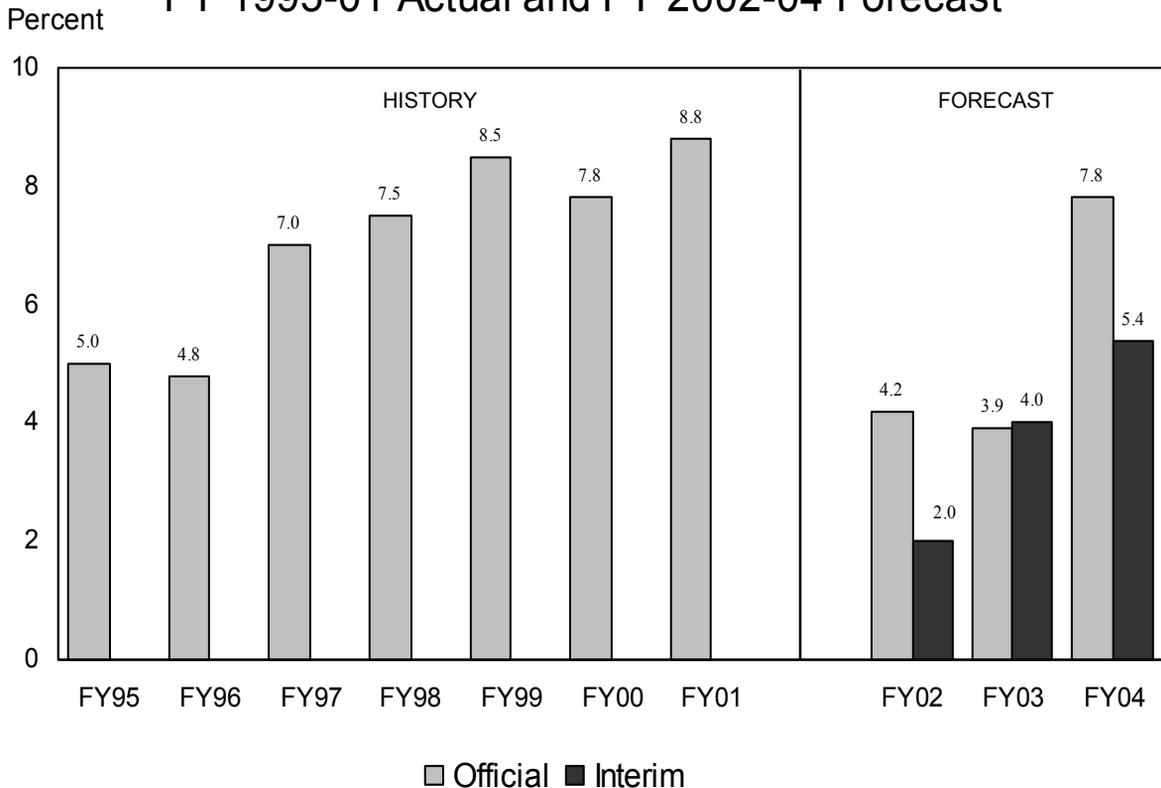
Virginia Personal Income Growth
FY 1995-01 Actual and FY 2002-04 Forecast



- Personal income growth will not begin to approach near normal levels until fiscal year 2004.

Wages And Salaries Growth Is Also Projected to Remain Below Trend in Fiscal Year 2003...

Virginia Wages and Salaries Growth
FY 1995-01 Actual and FY 2002-04 Forecast



- Drop in fiscal year 2002 growth was largely due to disappearance of stock options and bonuses to high-tech workers.
- Fiscal years 2003 and 2004 projections reflect low inflation and weak job growth.

Key Economic Indicators Interim Forecast

		Fiscal Year		
	01	02	03	04
Real GDP	2.7	1.2	3.3	4.0
CPI	3.4	1.8	2.4	2.6
30-Year T-Bonds	5.7	5.5	6.0	6.4
Prime Interest Rate	8.7	5.3	5.8	8.1
Employment				
U.S.	1.4	(0.5)	1.0	2.1
Virginia	2.3	(0.9)	0.2	1.9
Personal Income				
U.S.	6.6	3.2	4.8	6.2
Virginia	7.4	1.9	3.0	5.3
Wages & Salaries				
U.S.	7.5	3.0	4.5	6.2
Virginia	8.8	2.0	4.0	5.4

With A Revenue Shortfall in FY02 and Weaker Economic Growth Projected, the GF Revenue Forecast Has Been Reduced by \$1.3 Billion...

Comparison of Official and Revised Forecasts for Fiscal Year 2003 (millions of dollars)

<u>Source</u>	<u>Official</u>	<u>Revised</u>	<u>Difference</u>	<u>Revised Growth Rate</u>
Withholding	\$6,849.5	\$6,647.2	(\$202.3)	3.5%
Nonwithholding	1,477.7	1,290.3	(187.4)	-11.6%
Refunds	<u>(985.5)</u>	<u>(1,059.4)</u>	<u>(73.9)</u>	-9.5%
Net Individual	7,341.7	6,878.1	(463.6)	2.5%
Sales and Use Tax	2,373.0	2,341.5	(31.5)	-3.6%
Corporate Income Tax	298.9	267.8	(31.1)	-7.7%
Insurance Premiums	298.0	306.0	8.0	4.5%
Public Service	98.5	83.5	(15.0)	8.2%
All Other Revenues	877.6	887.0	9.4	0.9%
Total GF Revenues	\$11,287.7	\$10,763.9	(\$523.8)	0.8%

Comparison of Official and Revised Forecasts for Fiscal Year 2004 (millions of dollars)

<u>Source</u>	<u>Official</u>	<u>Revised</u>	<u>Difference</u>	<u>Revised Growth Rate</u>
Withholding	\$7,278.6	\$7,032.7	(\$245.9)	5.8%
Nonwithholding	1,552.5	1,335.8	(216.7)	3.5%
Refunds	<u>(1,038.2)</u>	<u>(1,132.6)</u>	<u>(94.4)</u>	6.9%
Net Individual	7,792.9	7,235.9	(557.0)	5.2%
Sales and Use Tax	2,532.9	2,449.0	(83.9)	4.6%
Corporate Income Tax	342.4	283.3	(59.1)	5.8%
Insurance Premiums	319.9	326.0	6.1	6.5%
Public Service	101.8	83.8	(18.0)	0.4%
All Other Revenues	928.7	880.7	(48.0)	-0.6%
Total GF Revenues	\$12,018.6	\$11,258.7	(\$759.9)	4.6%

The Forecast for Income Tax Withholding Is Reduced by Almost \$450 Million...

- Payroll withholding revenue model is based on a direct relationship to wages and salaries in Virginia.
- Interim forecast lowers wages and salaries projections, translating directly into lower payroll withholding receipts.
- Model results for withholding growth are close to projections for wage and salary growth.

	Wage & Salary Withholding	
	<u>Growth</u>	<u>Growth</u>
FY02	2.0%	2.7%
FY03	4.0%	3.5%
FY04	5.4%	5.8%

- Revenue reduction in the interim forecast.

	Dollars	<u>Growth</u>	Dollars	<u>Growth</u>	Interim versus
	<u>Official Forecast</u>		<u>Actual/Forecast</u>		<u>Official</u>
FY02	\$6,474.5	3.5%	\$6,422.4	2.7%	--
FY03	6,849.5	5.8%	6,647.2	3.5%	(\$202.3)
FY04	7,278.6	6.3%	7,032.7	5.8%	(245.9)

Note: All dollars referenced throughout are millions of dollars.

The Forecast for Nonwithholding Is Reduced by More Than \$400 Million...

- Nonwithholding is comprised of two components – estimated payments and tax due payments.
- Key variables used in revenue models are non-wage income and the S&P 500 index, as projected by DRI.WEFA.
 - ◆ Using economic-based variables to forecast asset value changes and taxpayer behavior is inherently risky.
 - ◆ This source is difficult to forecast.
- Newly developed models are being used to separately forecast each component – estimated payments and tax due (final) payments.
 - ◆ Estimated payments are driven mainly by economics; tax due payments are affected more by capital gains.
- The new component revenue models predicted estimated payments would decline by 6% and that tax due payments would decline by 9% in fiscal year 2003.
- The new model assumed a reasonable direction. Given the course of the financial markets to date, the magnitude of the decline was questionable.

The forecast For Nonwithholding Is Reduced by More Than \$400 Million

(Continued)...

- Forecasters looked for confirmation through:
 - 1) Payment Patterns
 - 2) Forecasts of Capital Gains
 - 3) Other States' Data
 - 4) Equity Market Performance

Payment Patterns

- In fiscal year 2001, high-income individuals (less than one percent of all taxpayers) paid 15% of all nonwithholding collections.
- Payments by high-income individuals are down 33% to-date in calendar year 2002.
- June's estimated payment also had 10% fewer filers (15,000) overall.

Forecasts of Capital Gains

- Economy.com's forecast for national capital gains realizations this year is for an additional 40% decline.
 - ◆ Last year, capital gains realizations were forecast to drop 33%. Final payments in Virginia fell 37.8% in fiscal year 2002.

The Forecast for Nonwithholding Is Reduced by More Than \$400 Million (continued)...

Other States' Data

- Detailed discussions with other states point to similar declines.
 - ◆ Broad-based declines in estimated payments have been seen across the nation; the expectation is these declines will continue.
 - ◆ Numerous states are beginning to re-forecast due to the magnitude of their shortfalls.

Equity Market Performance

- Financial markets have continued to decline.
 - ◆ Year-to-date S&P 500 index has declined 20%. (Calendar 2001 S&P 500 decline was 13%).
 - ◆ Year-to-date NASDAQ is down 32%. (Calendar 2001 NASDAQ declined 21%).
- Interim forecast predicts that estimated payments will decline by 10% in fiscal year 2003, with final payments declining by 15%.
- Revenue reduction in the interim forecast.

	Dollars		Dollars		Interim versus
	<u>Official Forecast</u>	<u>Growth</u>	<u>Actual/Forecast</u>	<u>Growth</u>	<u>Official</u>
FY02	\$1,554.4	(14.0%)	\$1,459.5	(19.2%)	--
FY03	1,477.7	(4.9%)	1,290.3	(11.6%)	(\$187.4)
FY04	1,552.5	5.1%	1,335.8	3.5%	(216.7)

Individual Income Tax Refunds Are Projected to Increase by \$168 Million...

- Fiscal year 2003 and fiscal year 2004 refunds will be below fiscal year 2002's record level, but will still be above the original forecast.
 - ◆ Weak employment growth, weak wage growth, and a decline in non-wage income will increase refund activity.
 - ◆ Processing times will continue to improve.
 - Refunds typically processed in July and August will be processed in May and June.
- Also the impact of federal tax reform will become more significant in fiscal year 2003, reducing taxable incomes in Virginia.
 - ◆ Fiscal year 2003 impact \$23 million
 - ◆ Fiscal year 2004 impact \$40 million
 - New higher education deduction that will flow to Virginia is the largest component.
- Revenue reduction in the interim forecast.

	Dollars		Dollars		Interim versus
	<u>Official Forecast</u>	<u>Growth</u>	<u>Actual/Forecast</u>	<u>Growth</u>	<u>Official</u>
FY02	\$1,064.0	27.4%	\$1,171.1	40.2%	--
FY03	985.5	(7.4%)	1,059.4	(9.5%)	(\$73.9)
FY04	1,038.2	5.3%	1,132.6	6.9%	(94.4)

The Forecast for Sales and Use Tax Revenues Has Been Reduced by \$115 Million...

- Sales revenue model is based on a direct relationship to total personal income in Virginia.
- Sales tax revenue is a current indicator; the interim forecast highlights the sluggish speed of the recovery.
 - ◆ Sales tax growth below 4% is normally associated with recessions and soft landings.
- Revenue model predicted sales tax growth will be less than personal income growth.
 - ◆ Only during strong economic expansion does sales growth outpace income growth.

	<u>Personal Income Growth</u>	<u>Sales Tax Growth</u>
FY02	1.9%	0.3%
FY03	3.0%	2.7%
FY04	5.3%	4.6%

- Revenue reduction in the interim forecast.

	<u>Dollars Official Forecast</u>	<u>Growth</u>	<u>Dollars Actual/Forecast</u>	<u>Growth</u>	<u>Interim versus Official</u>
FY02	\$2,275.0	0.1%	\$2,280.5	0.3%	--
FY03	2,373.0	4.1%	2,341.5	2.7%	(\$31.5)
FY04	2,532.9	4.6%	2,449.0	4.6%	(83.9)

Note: FY02 shown with Accelerated Sales Tax revenues removed.

The Forecast for Corporate Income Tax Has Been Reduced by \$90 Million...

- Corporate income tax is the most volatile source. Tax laws are complex and corporations have some ability to “schedule” earnings and deductions.
- First and second estimated payments are down 5% in calendar year 2002.
 - ◆ Some large corporate taxpayers have not made any estimated payments in April or June of 2002.
- Fiscal year 2003 should be the 3rd and final year of decline in corporate tax payments.
 - ◆ This pattern would be similar to the last recession.
- Revenue reduction in the interim forecast.

	Dollars		Dollars		Interim versus
	<u>Official Forecast</u>	<u>Growth</u>	<u>Actual/Forecast</u>	<u>Growth</u>	<u>Official</u>
FY02	\$295.6	(18.7%)	\$290.2	(20.2%)	--
FY03	298.9	1.1%	267.8	(7.7%)	(\$31.1)
FY04	342.4	14.6%	283.3	5.8%	(59.1)

Other Sources...

Insurance Premiums (3% of revenues)

- Collections are projected to be \$8.0 million higher in fiscal year 2003 and \$6.1 million higher in fiscal year 2004.
- Insurance premiums from business and homeowners are rising faster than expected.

Public Service / Consumption Tax (1% of revenues)

- Collections are being revised downward to reflect 18 months of actual consumption tax data.
- Collections are projected to be \$15.0 million lower in fiscal year 2003 and \$18.0 million lower in fiscal year 2004.

All other revenues (9% of revenues)

- Overall collections are projected to be \$9.4 million higher in fiscal year 2003 and \$48 million lower in fiscal year 2004.
 - ◆ Recordation taxes are expected to remain strong in the first half of fiscal year 2003. An \$18 million increase is expected for fiscal year 2003, with a \$22.4 million decrease in fiscal year 2004.
- Interest earnings are projected to be lower, due to low interest rates and lower investable balances.

The Budget Shortfall for This Biennium Will Exceed \$1.5 Billion...

	<u>FY2003 Amount</u>	<u>FY2004 Amount</u>	<u>Biennium Amount</u>
FY2002 Actual Revenues & Transfers	(\$215.9)	--	(\$215.9)
Interim Revenue Forecast	(\$523.8)	(\$759.9)	(\$1,283.7)
Required Spending	??	??	??
	_____	_____	_____
Total	(\$739.7)	(\$759.9)	(\$1,499.6)

- Approximately \$215.9 million of the fiscal year 2002 shortfall rolls forward as a budget problem into fiscal year 2003.
- Weaker economic growth now projected for fiscal year 2003 and fiscal year 2004, along with the fiscal year 2002 shortfall, combine to produce a reduction in the general fund forecast of \$1,283.7 million.
- Adding these two together, the budget shortfall for the biennium totals about \$1.5 billion.
 - ◆ This total does not include known required spending increases.

Budget Actions Announced Today...

- 1) Agencies are to submit plans by September 20, reducing their fiscal year 2003 and fiscal year 2004 budgets by 7 percent, 11 percent, and 15 percent.
 - ◆ Final reduction targets will be determined once the impact of the plans are assessed.

- 2) Governor Warner will establish a process for identifying targeted cuts in specific programs and funding streams.

- 3) Reductions will be extended to some nongeneral fund agencies and programs.
 - ◆ Nongeneral fund reductions will exclude federal funds; nongeneral funds used for highway construction, maintenance, and mass transit; tuition and fees, and sponsored programs at institutions of higher education; and some other programs, but will be as few as possible.

Budget Actions Announced Today

(continued...)

- Other specific actions will be taken in order to halt discretionary spending, at least until a plan for balancing the budget is developed.
 - ◆ Implement monthly spending limits for agencies, until budget balancing plan is developed (quarterly targets for colleges and universities).
 - ◆ No signing of construction contracts which obligate general fund revenues.
 - ◆ Withhold one half of general fund maintenance reserve allocations.
 - ◆ Defer reappropriations of any unspent general fund balances from fiscal year 2002. Deferral of certification on whether funds are available to pay “mandatory carryforwards.”
 - ◆ Defer reappropriation of unspent balances for nongeneral funds, unless required to meet payroll or other legal obligations.
 - Federal funds; highway maintenance, construction, and mass transit funds; debt service; unemployment compensation; tuition and fees; or private funds dedicated for specific purposes will not be affected.
 - ◆ Postpone decision about repayment of nongeneral fund interest retained in fourth quarter of fiscal year 2002.
 - ◆ Continue hiring restrictions; restrict use of consultants.

Appendix

Fiscal Year 2002 General Fund Collections: Actual versus Forecast

Official and Interim General Fund Forecast for Fiscal Years 2003 to 2006

Growth in Total General Fund Tax Revenues for Fiscal Years 1961 to 2004

June Revenue Report

July Revenue Report

Note:

At the Department of Accounts web site, www.doa.state.va.us, the Preliminary General Fund Annual Report of the Comptroller to the Governor of Virginia, August 15, 2002 is available.

At the Secretary of Finance web site, www.finance.state.va.us, this report is available.

Fiscal Year 2002 General Fund Collections: Actual and Forecast
(Dollars in Millions)

	Fiscal Year 2001			Fiscal Year 2002					
	Actual	% Growth	Forecast	Actual	Forecast Variance		% Growth over FY 2001		
					Dollars	Percent	Forecast	Actual	
MAJOR TAX SOURCES									
Corporate Income	\$ 363.8	(35.7) %	\$ 295.6	\$ 290.2	\$ (5.4)	(1.8) %	(18.7) %	(20.2) %	
Individual Income									
Gross	8,061.7	7.0	8,028.9	7,881.9	(147.0)	(1.8)	(0.4)	(2.2)	
Withholding	6,254.9	6.7	6,474.5	6,422.4	(52.1)	(0.8)	3.5	2.7	
Nonwithholding	1,806.8	8.2	1,554.4	1,459.5	(94.9)	(6.1)	(14.0)	(19.2)	
Refunds	(835.4)	19.0	(1,064.0)	(1,171.1)	(107.1)	(10.1)	27.4	40.2	
Net Individual Income	7,226.3	5.8	6,964.9	6,710.8	(254.1)	(3.6)	(3.6)	(7.1)	
Insurance Company Premiums	268.1	6.8	288.0	292.7	4.7	1.6	7.4	9.2	
Public Service GR / Consumption Tax	93.4	(10.3)	95.5	77.2	(18.3)	(19.2)	2.2	(17.4)	
State Sales & Use Tax	2,273.0	3.2	2,412.8	2,429.8	17.0	0.7	6.2	6.9	
Total Major Tax Sources	\$ 10,224.5	2.7 %	\$ 10,056.8	\$ 9,800.7	\$ (256.1)	(2.5) %	(1.6) %	(4.1) %	
MISCELLANEOUS TAXES AND OTHER REVENUES									
Alcoholic Beverages State Tax	\$ 82.8	7.2 %	\$ 85.5	\$ 86.3	\$ 0.8	1.0 %	3.2 %	4.2 %	
Bank Franchise Tax	4.6	(62.4)	9.0	10.2	1.2	12.9	94.6	119.7	
Beer & Beverage Excise Tax	40.1	0.6	40.3	41.1	0.8	2.1	0.4	2.5	
Corporate Franchise & Charter Fees	22.9	5.9	20.0	22.4	2.4	12.2	(12.6)	(2.0)	
Excess & Other Fees From Officers	(11.1)	(1.0)	(11.6)	(18.6)	(7.0)	60.6	(5.0)	(68.6)	
Estate & Gifts	126.8	(15.5)	131.8	133.7	1.9	1.4	3.9	5.4	
Institutional Revenues	7.9	(13.7)	8.7	9.2	0.5	5.7	10.3	16.6	
Interest & Rents	133.5	1.5	112.3	100.7	(11.6)	(10.3)	(15.9)	(24.6)	
Licenses & Permits	1.6	8.0	1.6	1.5	(0.1)	(6.5)	(2.1)	(8.5)	
Miscellaneous Taxes & Penalties	131.3	5.3	136.8	139.9	3.1	2.3	4.2	6.5	
Other Miscellaneous Revenues	106.1	107.3	52.5	62.6	10.1	19.2	(50.5)	(41.0)	
Tobacco Products Tax	15.1	(0.9)	14.7	15.0	0.3	2.2	(2.5)	(0.3)	
Wills, Suits, Deeds & Contract Fees	167.6	14.6	198.3	214.4	16.1	8.1	18.3	27.9	
Total Misc. Taxes & Other Revenues	829.5	7.7 %	\$ 799.9	818.4	18.5	2.3 %	(3.6) %	(1.3) %	
TOTAL REVENUES	\$ 11,054.0	3.1 %	\$ 10,856.7	\$ 10,619.1	\$ (237.6)	(2.2) %	(1.8) %	(3.9) %	
Tobacco Master Settlement	\$ 51.3	(23.3)	\$ 59.3	59.8	\$ 0.5	0.9 %	15.6 %	16.7 %	
GENERAL FUND REVENUES	\$ 11,105.3	2.9 %	\$ 10,916.0	\$ 10,679.0	\$ (237.0)	(2.2) %	(1.7) %	(3.8) %	
TRANSFERS									
A.B.C. Profits	\$ 28.1	(7.0) %	\$ 24.9	\$ 25.4	\$ 0.5	2.0 %	(11.4) %	(9.6) %	
Lottery Profits	329.4	1.6	329.0	367.2	38.2	11.6	(0.1)	11.5	
Transfers Per Appropriations Act	334.8	304.8	337.7	334.8	(2.9)	(0.9)	0.9	0.0	
Total Transfers	\$ 692.3	58.3 %	\$ 691.6	\$ 727.4	\$ 35.8	5.2 %	(0.1) %	5.1 %	
TOTAL GENERAL FUND	\$ 11,797.6	5.1 %	\$ 11,607.6	\$ 11,406.4	\$ (201.2)	(1.7) %	(1.6) %	(3.3) %	

The official forecast is based on the October 2001 Economy.com Alternative Recession scenario and the corresponding Virginia forecast developed by Economy.com and reflects actions of the 2002 General Assembly session -- Chapter 814

The Official and Interim General Fund Forecast for Fiscal Year 2003
(Dollars in Millions)

August 19, 2002

	Fiscal Year 2002		Fiscal Year 2003				
	Actual	% Growth	Official Forecast	Interim Forecast	Change	% Growth Over FY02 Official Interim	
MAJOR TAX SOURCES							
Corporate Income	\$ 290.2	(20.2)	298.9	267.8	\$ (31.1)	3.0 %	(7.7) %
Individual Income Tax:							
Gross	7,881.9	(2.2)	8,327.2	7,937.5	(389.7)	5.6	0.7
Withholding	6,422.4	2.7	6,849.5	6,647.2	(202.3)	6.7	3.5
Nonwithholding	1,459.5	(19.2)	1,477.7	1,290.3	(187.4)	1.2	(11.6)
Refunds	<u>(1,171.1)</u>	<u>40.2</u>	<u>(985.5)</u>	<u>(1,059.4)</u>	<u>(73.9)</u>	<u>(15.8)</u>	<u>(9.5)</u>
Net	6,710.8	(7.1)	7,341.7	6,878.1	(463.6)	9.4	2.5
Insurance Company Premiums	292.7	9.2	298.0	306.0	8.0	1.8	4.5
Public Service GR / Consumption Tax	77.2	(17.4)	98.5	83.5	(15.0)	27.7	8.2
State Sales & Use Tax	<u>2,429.8</u>	<u>6.9</u>	<u>2,373.0</u>	<u>2,341.5</u>	<u>(31.5)</u>	<u>(2.3)</u>	<u>(3.6)</u>
Total Major Tax Sources	\$ 9,800.7	(4.1)	10,410.1	9,876.9	\$ (533.2)	6.2 %	0.8 %
MISCELLANEOUS TAXES & OTHER REVENUES							
Alcoholic Beverages State Tax	\$ 86.3	4.2	88.7	88.7	\$ 0.0	2.8 %	2.8 %
Bank Franchise Tax	10.2	119.7	9.0	9.2	0.2	(11.4)	(9.5)
Beer & Beverage Excise Tax	41.1	2.5	40.3	40.3	0.0	(2.0)	(2.0)
Corporate Franchise & Charter Fees	22.4	(2.0)	22.0	21.0	(1.0)	(1.9)	(6.4)
Excess & Other Fees From Officers	(18.6)	(68.6)	(12.3)	(14.8)	(2.5)	(34.0)	(20.6)
Estate & Gifts	133.7	5.4	126.8	121.6	(5.2)	(5.1)	(9.0)
Institutional Revenues	9.2	16.6	8.9	9.5	0.6	(3.2)	3.3
Interest & Rents	100.7	(24.6)	45.5	30.3	(15.2)	(54.8)	(69.9)
Licenses & Permits	1.5	(8.5)	1.6	1.6	0.0	7.0	7.0
Miscellaneous Taxes & Penalties	139.9	6.5	175.4	189.5	14.1	25.4	35.5
Other Miscellaneous Revenues	62.6	(41.0)	105.5	105.5	0.0	68.6	68.6
Tobacco Products Tax	15.0	(0.3)	14.4	14.8	0.4	(4.1)	(1.5)
Wills, Suits, Deeds & Contract Fees	<u>214.4</u>	<u>27.9</u>	<u>192.7</u>	<u>210.7</u>	<u>18.0</u>	<u>(10.1)</u>	<u>(1.7)</u>
Total Misc. Taxes & Other Revenues	\$ 818.4	(1.3)	818.5	827.9	\$ 9.4	0.0 %	1.2 %
TOTAL TAX REVENUES	\$ 10,619.1	(3.9)	11,228.6	10,704.8	\$ (523.8)	5.7 %	0.8 %
Tobacco Master Settlement	\$ 59.8	16.7	59.1	59.1	\$ 0.0	(1.2) %	(1.2) %
GENERAL FUND REVENUES	\$ 10,679.0	(3.8)	11,287.7	10,763.9	\$ (523.8)	5.7 %	0.8 %
TRANSFERS							
A.B.C. Profits	\$ 25.4	(9.6)	13.6	13.6	\$ 0.0	(46.5) %	(46.5) %
Net Lottery Transfers	367.2	11.5	329.0	329.0	0.0	(10.4)	(10.4)
Transfers Per Appropriations Act	<u>334.8</u>	<u>1,233.9</u>	<u>493.3</u>	<u>493.3</u>	<u>0.0</u>	<u>47.3</u>	<u>47.3</u>
Total Transfers	\$ 727.4	90.1	835.9	835.9	\$ 0.0	14.9 %	14.9 %
TOTAL GENERAL FUND	\$ <u>11,406.4</u>	<u>(0.2)</u>	<u>12,123.6</u>	<u>11,599.8</u>	\$ <u>(523.8)</u>	<u>6.3 %</u>	<u>1.7 %</u>

The Interim forecast is based on the May, 2002 DRI.WEFA Standard outlook and the corresponding Virginia state forecast that incorporates the recommendations of the Governor's Advisory Board of Economists and Advisory Council on Revenue Estimates in June 2002. The Official forecast is based on the October 2001 Economy.com Alternative Recession scenario and the corresponding Virginia state forecast developed by Economy.com and reflects actions of the 2002 General Assembly session -- Chapter 899.

The Official and Interim General Fund Forecast for Fiscal Year 2004
(Dollars in Millions)

August 19, 2002

	Fiscal Year 2004					2003-2004 Biennium		
	Official	Interim	Change	% Growth Over FY 03		Official	Interim	Change
	Forecast	Forecast		Official	Interim	Forecast	Forecast	
MAJOR TAX SOURCES								
Corporate Income	\$ 342.4	\$ 283.3	\$ (59.1)	14.6 %	5.8 %	\$ 641.3	\$ 551.1	\$ (90.2)
Individual Income Tax:								
Gross	8,831.1	8,368.5	(462.6)	6.1	5.4	17,158.3	16,306.0	(852.3)
Withholding	7,278.6	7,032.7	(245.9)	6.3	5.8	14,128.1	13,679.9	(448.2)
Nonwithholding	1,552.5	1,335.8	(216.7)	5.1	3.5	3,030.2	2,626.1	(404.1)
Refunds	<u>(1,038.2)</u>	<u>(1,132.6)</u>	<u>(94.4)</u>	<u>5.3</u>	<u>6.9</u>	<u>(2,023.7)</u>	<u>(2,192.0)</u>	<u>(168.3)</u>
Net	7,792.9	7,235.9	(557.0)	6.1	5.2	15,134.6	14,114.0	(1,020.6)
Insurance Company Premiums	319.9	326.0	6.1	7.3	6.5	617.9	632.0	14.1
Public Service GR / Consumption Tax	101.8	83.8	(18.0)	3.4	0.4	200.3	167.3	(33.0)
State Sales & Use Tax	<u>2,532.9</u>	<u>2,449.0</u>	<u>(83.9)</u>	<u>6.7</u>	<u>4.6</u>	<u>4,905.9</u>	<u>4,790.5</u>	<u>(115.4)</u>
Total Major Tax Sources	\$ 11,089.9	\$ 10,378.0	\$ (711.9)	6.5 %	5.1 %	\$ 21,500.0	\$ 20,254.9	\$ (1,245.1)
MISCELLANEOUS TAXES & OTHER REVENUES								
Alcoholic Beverages State Tax	\$ 92.2	\$ 92.2	\$ 0.0	3.9 %	3.9 %	\$ 180.9	\$ 180.9	\$ 0.0
Bank Franchise Tax	9.0	9.4	0.4	0.0	2.2	18.0	18.6	0.6
Beer & Beverage Excise Tax	40.3	40.3	0.0	0.0	0.0	80.6	80.6	0.0
Corporate Franchise & Charter Fees	22.0	22.0	0.0	0.0	4.8	44.0	43.0	(1.0)
Excess & Other Fees From Officers	(13.1)	(15.6)	(2.5)	6.5	5.4	(25.4)	(30.4)	(5.0)
Estate & Gifts	127.5	122.1	(5.4)	0.6	0.4	254.3	243.7	(10.6)
Institutional Revenues	9.1	9.6	0.5	2.2	1.1	18.0	19.1	1.1
Interest & Rents	82.6	47.9	(34.7)	81.5	58.1	128.1	78.2	(49.9)
Licenses & Permits	1.6	1.6	0.0	0.0	0.0	3.2	3.2	0.0
Miscellaneous Taxes & Penalties	179.9	195.8	15.9	2.6	3.3	355.3	385.3	30.0
Other Miscellaneous Revenues	109.4	109.4	0.0	3.7	3.7	214.9	214.9	0.0
Tobacco Products Tax	14.1	14.7	0.6	(2.1)	(0.7)	28.5	29.5	1.0
Wills, Suits, Deeds & Contract Fees	<u>202.1</u>	<u>179.3</u>	<u>(22.8)</u>	<u>4.9</u>	<u>(14.9)</u>	<u>394.8</u>	<u>390.0</u>	<u>(4.8)</u>
Total Misc. Taxes & Other Revenues	\$ 876.7	\$ 828.7	\$ (48.0)	7.1 %	0.1 %	\$ 1,695.2	\$ 1,656.6	\$ (38.6)
TOTAL TAX REVENUES	\$ 11,966.6	\$ 11,206.7	\$ (759.9)	6.6 %	4.7 %	\$ 23,195.2	\$ 21,911.5	\$ (1,283.7)
Tobacco Master Settlement	\$ 52.0	\$ 52.0	\$ 0.0	(12.0) %	(12.0) %	\$ 111.1	\$ 111.1	\$ 0.0
GENERAL FUND REVENUES	\$ 12,018.6	\$ 11,258.7	\$ (759.9)	6.5 %	4.6 %	\$ 23,306.3	\$ 22,022.6	\$ (1,283.7)
TRANSFERS								
A.B.C. Profits	\$ 12.6	\$ 12.6	\$ 0.0	(7.4) %	(7.4) %	\$ 26.2	\$ 26.2	\$ 0.0
Net Lottery Transfers	329.0	329.0	0.0	0.0	0.0	658.0	658.0	0.0
Transfers Per Appropriations Act	<u>113.1</u>	<u>113.1</u>	<u>0.0</u>	<u>(77.1)</u>	<u>(77.1)</u>	<u>606.4</u>	<u>606.4</u>	<u>0.0</u>
Total Transfers	\$ 454.7	\$ 454.7	\$ 0.0	(45.6) %	(45.6) %	\$ 1,290.6	\$ 1,290.6	\$ 0.0
TOTAL GENERAL FUND	\$ 12,473.3	\$ 11,713.4	\$ (759.9)	2.9 %	1.0 %	\$ 24,596.9	\$ 23,313.2	\$ (1,283.7)

The Interim forecast is based on the May, 2002 DRI.WEFA Standard outlook and the corresponding Virginia state forecast that incorporates the recommendations of the Governor's Advisory Board of Economists and Advisory Council on Revenue Estimates in June 2002. The Official forecast is based on the October 2001 Economy.com Alternative Recession scenario and the corresponding Virginia state forecast developed by Economy.com and reflects actions of the 2002 General Assembly session -- Chapter 899.

The Official and Interim General Fund Forecast for Fiscal Year 2005
(Dollars in Millions)

August 19, 2002

	Fiscal Year 2005				
	Official	Interim	Change	% Growth Over FY 04	
	Forecast	Forecast		Official	Interim
MAJOR TAX SOURCES					
Corporate Income	\$ 408.5	\$ 315.0	\$ (93.5)	19.3 %	11.2 %
Individual Income Tax:					
Gross	9,426.6	8,915.9	(510.7)	6.7	6.5
Withholding	7,645.3	7,467.9	(177.4)	5.0	6.2
Nonwithholding	1,781.3	1,448.0	(333.3)	14.7	8.4
Refunds	<u>(1,080.3)</u>	<u>(1,206.1)</u>	<u>(125.8)</u>	<u>4.1</u>	<u>6.5</u>
Net	8,346.3	7,709.8	(636.5)	7.1	6.5
Insurance Company Premiums	319.0	336.0	17.0	(0.3)	3.1
Public Service GR / Consumption Tax	105.0	87.0	(18.0)	3.1	3.8
State Sales & Use Tax	<u>2,649.1</u>	<u>2,544.8</u>	<u>(104.3)</u>	<u>4.6</u>	<u>3.9</u>
Total Major Tax Sources	\$ 11,827.9	\$ 10,992.6	\$ (835.3)	6.7 %	5.9 %
MISCELLANEOUS TAXES & OTHER REVENUES					
Alcoholic Beverages State Tax	\$ 90.9	\$ 90.9	\$ 0.0	(1.4) %	(1.4) %
Bank Franchise Tax	9.0	9.6	0.6	0.0	2.1
Beer & Beverage Excise Tax	40.2	40.2	0.0	(0.2)	(0.2)
Corporate Franchise & Charter Fees	20.8	20.8	0.0	(5.5)	(5.5)
Excess & Other Fees From Officers	(13.8)	(13.8)	0.0	5.3	(11.5)
Estate & Gifts	144.8	144.8	0.0	13.6	18.6
Institutional Revenues	9.0	9.0	0.0	(1.1)	(6.3)
Interest & Rents	78.4	47.9	(30.5)	(5.1)	0.0
Licenses & Permits	1.5	1.5	0.0	(6.3)	(6.3)
Miscellaneous Taxes & Penalties	135.9	203.6	67.7	(24.5)	4.0
Other Miscellaneous Revenues	49.3	50.9	1.6	(54.9)	(53.5)
Tobacco Products Tax	12.8	14.6	1.8	(9.2)	(0.7)
Wills, Suits, Deeds & Contract Fees	<u>143.1</u>	<u>187.0</u>	<u>43.9</u>	<u>(29.2)</u>	<u>4.3</u>
Total Misc. Taxes & Other Revenues	\$ 721.9	\$ 807.0	\$ 85.1	(17.7) %	(2.6) %
TOTAL TAX REVENUES	\$ 12,549.8	\$ 11,799.6	\$ (750.2)	4.9 %	5.3 %
Tobacco Master Settlement	\$ 52.6	\$ 52.6	\$ 0.0	1.2 %	1.2 %
GENERAL FUND REVENUES	\$ 12,602.4	\$ 11,852.2	\$ (750.2)	4.9 %	5.3 %
TRANSFERS					
A.B.C. Profits	\$ 12.6	\$ 12.6	\$ 0.0	0.0 %	0.0 %
Net Lottery Transfers	320.0	320.0	0.0	(2.7)	(2.7)
Transfers Per Appropriations Act	<u>17.0</u>	<u>17.0</u>	<u>0.0</u>	<u>(85.0)</u>	<u>(85.0)</u>
Total Transfers	\$ 349.6	\$ 349.6	\$ 0.0	(23.1) %	(23.1) %
TOTAL GENERAL FUND	\$ 12,952.0	\$ 12,201.8	\$ (750.2)	3.8 %	4.2 %

The Interim forecast is based on the May, 2002 DRI.WEFA Standard outlook and the corresponding Virginia state forecast that incorporates the recommendations of the Governor's Advisory Board of Economists and Advisory Council on Revenue Estimates in June 2002. The Official forecast is based on the October 2001 Economy.com Alternative Recession scenario and the corresponding Virginia state forecast developed by Economy.com and reflects actions of the 2002 General Assembly session -- Chapter 899.

The Official and Interim General Fund Forecast for Fiscal Year 2006
(Dollars in Millions)

August 19, 2002

	Fiscal Year 2006					2005 - 2006 Biennium		
	Official	Interim	Change	% Growth Over FY 05		Official	Interim	Change
	Forecast	Forecast		Official	Interim	Forecast	Forecast	
MAJOR TAX SOURCES								
Corporate Income	\$ 423.0	\$ 316.6	\$ (106.4)	3.5 %	0.5 %	\$ 831.5	\$ 631.6	\$ (199.9)
Individual Income Tax:								
Gross	9,952.9	9,334.1	(618.8)	5.6	4.7	19,379.5	18,250.0	(1,129.5)
Withholding	8,050.5	7,797.7	(252.8)	5.3	4.4	15,695.8	15,265.6	(430.2)
Nonwithholding	1,902.4	1,536.4	(366.0)	6.8	6.1	3,683.7	2,984.4	(699.3)
Refunds	<u>(1,137.4)</u>	<u>(1,286.7)</u>	<u>(149.3)</u>	<u>5.3</u>	<u>6.7</u>	<u>(2,217.7)</u>	<u>(2,492.8)</u>	<u>(275.1)</u>
Net	8,815.5	8,047.4	(768.1)	5.6	4.4	17,161.8	15,757.2	(1,404.6)
Insurance Company Premiums	333.9	346.0	12.1	4.7	3.0	652.9	682.0	29.1
Public Service GR / Consumption Tax	108.3	90.3	(18.0)	3.1	3.8	213.3	177.3	(36.0)
State Sales & Use Tax	<u>2,769.3</u>	<u>2,637.1</u>	<u>(132.2)</u>	<u>4.5</u>	<u>3.6</u>	<u>5,418.4</u>	<u>5,181.9</u>	<u>(236.5)</u>
Total Major Tax Sources	\$ 12,450.0	\$ 11,437.4	\$ (1,012.6)	5.3 %	4.0 %	\$ 24,277.9	\$ 22,430.0	\$ (1,847.9)
MISCELLANEOUS TAXES & OTHER REVENUES								
Alcoholic Beverages State Tax	\$ 90.9	\$ 90.9	\$ 0.0	0.0 %	0.0 %	\$ 181.8	\$ 181.8	\$ 0.0
Bank Franchise Tax	9.0	9.8	0.8	0.0	2.1	18.0	19.4	1.4
Beer & Beverage Excise Tax	40.2	40.2	0.0	0.0	0.0	80.4	80.4	0.0
Corporate Franchise & Charter Fees	20.8	20.8	0.0	0.0	0.0	41.6	41.6	0.0
Excess & Other Fees From Officers	(13.8)	(13.8)	0.0	0.0	0.0	(27.6)	(27.6)	0.0
Estate & Gifts	144.8	144.8	0.0	0.0	0.0	289.6	289.6	0.0
Institutional Revenues	9.0	9.0	0.0	0.0	0.0	18.0	18.0	0.0
Interest & Rents	78.4	47.9	(30.5)	0.0	0.0	156.8	95.8	(61.0)
Licenses & Permits	1.5	1.5	0.0	0.0	0.0	3.0	3.0	0.0
Miscellaneous Taxes & Penalties	135.9	211.8	75.9	0.0	4.0	271.8	415.4	143.6
Other Miscellaneous Revenues	49.3	51.1	1.8	0.0	0.4	98.6	102.0	3.4
Tobacco Products Tax	12.8	14.5	1.7	0.0	(0.7)	25.6	29.1	3.5
Wills, Suits, Deeds & Contract Fees	<u>143.1</u>	<u>192.4</u>	<u>49.3</u>	<u>0.0</u>	<u>2.9</u>	<u>286.2</u>	<u>379.4</u>	<u>93.2</u>
Total Misc. Taxes & Other Revenues	\$ 721.9	\$ 820.9	\$ 99.0	0.0 %	1.7 %	\$ 1,443.8	\$ 1,627.9	\$ 184.1
TOTAL TAX REVENUES	\$ 13,171.9	\$ 12,258.3	\$ (913.6)	5.0 %	3.9 %	\$ 25,721.7	\$ 24,057.9	\$ (1,663.8)
Tobacco Master Settlement	\$ 53.3	\$ 53.3	\$ 0.0	1.3 %	1.3 %	\$ 105.9	\$ 105.9	\$ 0.0
GENERAL FUND REVENUES	\$ 13,225.2	\$ 12,311.6	\$ (913.6)	4.9 %	3.9 %	\$ 25,827.6	\$ 24,163.8	\$ (1,663.8)
TRANSFERS								
A.B.C. Profits	\$ 12.6	\$ 12.6	\$ 0.0	0.0 %	0.0 %	\$ 25.2	\$ 25.2	\$ 0.0
Net Lottery Profits	320.0	320.0	0.0	0.0	0.0	640.0	640.0	0.0
Transfers Per Appropriations Act	<u>17.0</u>	<u>17.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>34.0</u>	<u>34.0</u>	<u>0.0</u>
Total Transfers	\$ 349.6	\$ 349.6	\$ 0.0	0.0 %	0.0 %	\$ 699.2	\$ 699.2	\$ 0.0
TOTAL GENERAL FUND	\$ 13,574.8	\$ 12,661.2	\$ (913.6)	4.8 %	3.8 %	\$ 26,526.8	\$ 24,863.0	\$ (1,663.8)

The Interim forecast is based on the May, 2002 DRI.WEFA Standard outlook and the corresponding Virginia state forecast that incorporates the recommendations of the Governor's Advisory Board of Economists and Advisory Council on Revenue Estimates in June 2002. The Official forecast is based on the October 2001 Economy.com Alternative Recession scenario and the corresponding Virginia state forecast developed by Economy.com and reflects actions of the 2002 General Assembly session -- Chapter 899.

Growth in Total General Fund Tax Revenues
Fiscal Year 1961 - Fiscal Year 2004
(Nominal - Actual Dollars)

<u>FY</u>	<u>Total Revenues</u>	<u>Growth</u>	<u>FY</u>	<u>Total Revenues</u>	<u>Growth</u>
61	230,998,887	----	83	2,975,687,935	6.4%
62	242,144,567	4.8%	84	3,397,710,261	14.2%
63	286,304,265	18.2%	85	3,790,816,000	11.6%
64	298,033,919	4.1%	86	4,131,778,000	9.0%
65	323,213,412	8.4%	87	4,590,434,000	11.1%
66	365,129,776	13.0%	88	5,054,382,000	10.1%
67	414,755,644	13.6%	89	5,478,912,000	8.4%
68	533,597,744	28.7%	90	5,494,884,000	0.3%
69	706,254,374	32.4%	91	5,471,882,000	-0.4%
70	743,721,322	5.3%	92	5,623,213,000	2.8%
71	807,954,651	8.6%	93	6,133,637,000	9.1%
72	922,653,686	14.2%	94	6,503,400,000	6.0%
73	1,054,469,443	14.3%	95	6,881,145,000	5.8%
74	1,168,562,871	10.8%	96	7,356,100,000	6.9%
75	1,303,178,893	11.5%	97	7,949,300,000	8.1%
76	1,428,421,157	9.6%	98	8,773,500,000	10.4%
77	1,636,301,819	14.6%	99	9,702,747,000	10.6%
78	1,923,085,084	17.5%	00	10,721,500,000	10.5%
79	2,115,211,522	10.0%	01	11,053,999,000	3.1%
80	2,344,928,934	10.9%	02	10,619,100,000	-3.9%
81	2,579,663,941	10.0%	*03	10,704,800,000	0.8%
82	2,796,458,741	8.4%	*04	11,206,700,000	4.7%

***August 19, 2002 Interim Forecast**

Excludes Transfers and Tobacco Master Settlement Payments

Commonwealth of Virginia/Department of Accounts
Summary Report on General Fund and Lottery Revenue Collections
For the Fiscal Years 2001 and 2002
(Dollars in Thousands)

Revenue	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	FY 2002 Estimate	As a % of Gen Fund Rev & Net Lottery Profits	FY 2002	June FY 2001	% Change	Year-To-Date		% Change	% Annual Growth Req By Est
						FY 2002	FY 2001		
Individual Income Tax:									
Withholding	\$6,474,500	57.58	\$542,455	\$505,871	7.2	\$6,422,380	\$6,254,891	2.7	3.5
Tax Dues/Estimated Payments	1,554,400	13.82	179,284	201,505	(11.0)	1,459,508	1,806,825	(19.2)	(14.0)
Gross Individual Income Tax	<u>\$8,028,900</u>	<u>71.40</u>	<u>\$721,739</u>	<u>\$707,376</u>	<u>2.0</u>	<u>\$7,881,888</u>	<u>\$8,061,716</u>	<u>(2.2)</u>	<u>(0.4)</u>
Individual and Fiduciary Income (Refunds)	(1,064,000)	(9.46)	(54,994)	(26,831)	105.0	(1,171,116)	(835,407)	40.2	27.4
Net Individual Income Tax	<u>\$6,964,900</u>	<u>61.94</u>	<u>\$666,745</u>	<u>\$680,545</u>	<u>(2.0)</u>	<u>\$6,710,772</u>	<u>\$7,226,309</u>	<u>(7.1)</u>	<u>(3.6)</u>
Sales and Use Tax (a)	2,412,800	21.46	344,517	190,087	81.2	2,429,845	2,272,954	6.9	6.2
Corporations Income Tax	295,600	2.63	59,610	73,734	(19.2)	290,215	363,757	(20.2)	(18.7)
Public Service Corporations	95,500	0.85	6,460	10,370	(37.7)	77,152	93,427	(17.4)	2.2
Insurance Premiums	288,000	2.56	67,965	64,494	5.4	292,702	268,060	9.2	7.4
Interest Income (b)	112,000	0.99	(607)	(18,876)	96.8	100,402	133,167	(24.6)	(15.9)
Alcoholic Beverage Sales (c)	125,800	1.12	24,634	23,636	4.2	127,455	122,987	3.6	2.3
All Other Revenues	<u>562,100</u>	<u>5.00</u>	<u>95,056</u>	<u>82,355</u>	<u>15.4</u>	<u>590,565</u>	<u>573,338</u>	<u>3.0</u>	<u>(2.0)</u>
General Fund Revenues Excluding Tobacco Master Settlement	<u>\$10,856,700</u>	<u>96.55</u>	<u>\$1,264,380</u>	<u>\$1,106,345</u>	<u>14.3</u>	<u>\$10,619,108</u>	<u>\$11,053,999</u>	<u>(3.9)</u>	<u>(1.8)</u>
Tobacco Master Settlement	<u>\$59,300</u>	<u>0.52</u>	<u>\$0</u>	<u>\$48</u>	<u>(100.0)</u>	<u>\$59,846</u>	<u>\$51,276</u>	<u>16.7</u>	<u>15.6</u>
Total General Fund Revenues	<u>\$10,916,000</u>	<u>97.07</u>	<u>\$1,264,380</u>	<u>\$1,106,393</u>	<u>14.3</u>	<u>\$10,678,954</u>	<u>\$11,105,275</u>	<u>(3.8)</u>	<u>(1.7)</u>
Gross Lottery Revenue	\$1,042,100	9.27	\$90,998	\$88,820	2.5	\$1,108,068	\$1,002,829	10.5	3.9
Less: Expenses	<u>(713,100)</u>	<u>(6.34)</u>	<u>(63,124)</u>	<u>(57,811)</u>	<u>9.2</u>	<u>(740,375)</u>	<u>(673,687)</u>	<u>9.9</u>	<u>5.9</u>
Net Lottery Profits	<u>\$329,000</u>	<u>2.93</u>	<u>\$27,874</u>	<u>\$31,009</u>	<u>(10.1)</u>	<u>\$367,693</u>	<u>\$329,142</u>	<u>11.7</u>	<u>(0.1)</u>
Total General Fund Revenues and Net Lottery Profits	<u>\$11,245,000</u>	<u>100.00</u>	<u>\$1,292,254</u>	<u>\$1,137,402</u>	<u>13.6</u>	<u>\$11,046,647</u>	<u>\$11,434,417</u>	<u>(3.4)</u>	<u>(1.7)</u>
Local Portion of State Sales/Use Tax	\$770,400	6.85	\$109,094	\$64,238	69.8	\$814,804	\$767,970	6.1	0.3

Percentage is greater than 1,000%.

(a) Includes Local Portion of State Sales and Use Tax and \$149.4 million in Accelerated Sales and Use Tax.

(b) Interest income for the April - June quarter attributable to nongeneral funds was transferred in June in accordance with Section 3-5.02 of Chapter 814, 2002 Virginia Acts of Assembly, resulting in negative interest income for the general fund.

(c) Includes Beer and Beverage Excise Tax and Alcoholic Beverage State Tax.

Commonwealth of Virginia/Department of Accounts
General Fund Statement of Revenue Collections and Estimates
For the Fiscal Years 2001 and 2002
(Dollars in Thousands)

Revenue	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	FY 2002 Estimate	As a % of Total Gen Fund Rev	FY 2002	June FY 2001	% Change	FY 2002	Year-To-Date FY 2001	% Change	% Annual Growth Req By Est
Taxes:									
Individual Income Tax - Withholding	\$6,474,500	59.31	\$542,455	\$505,871	7.2	\$6,422,380	\$6,254,891	2.7	3.5
Tax Dues/Estimated Payments	1,554,400	14.24	179,284	201,505	(11.0)	1,459,508	1,806,825	(19.2)	(14.0)
Gross Individual Income Tax	\$8,028,900	73.55	\$721,739	\$707,376	2.0	\$7,881,888	\$8,061,716	(2.2)	(0.4)
Individ and Fiduc Income (Refunds)	(1,064,000)	(9.75)	(54,994)	(26,831)	105.0	(1,171,116)	(835,407)	40.2	27.4
Net Individual Income Tax	\$6,964,900	63.80	\$666,745	\$680,545	(2.0)	\$6,710,772	\$7,226,309	(7.1)	(3.6)
Sales and Use Tax (a)	2,412,800	22.10	344,517	190,087	81.2	2,429,845	2,272,954	6.9	6.2
Corporations Income	295,600	2.71	59,610	73,734	(19.2)	290,215	363,757	(20.2)	(18.7)
Public Service Corporations	95,500	0.88	6,460	10,370	(37.7)	77,152	93,427	(17.4)	2.2
Insurance Premiums	288,000	2.64	67,965	64,494	5.4	292,702	268,060	9.2	7.4
Alcoholic Beverage Excise	85,500	0.78	20,600	19,700	4.6	86,324	82,842	4.2	3.2
Beer and Beverage Excise	40,300	0.37	4,034	3,936	2.5	41,131	40,145	2.5	0.4
Wills, Suits, Deeds, Contracts	198,300	1.82	20,772	18,766	10.7	214,422	167,622	27.9	18.3
Inheritance, Gift, and Estate	131,800	1.21	20,279	8,091	150.6	133,661	126,839	5.4	3.9
Tobacco Products	14,700	0.14	1,146	1,371	(16.4)	15,023	15,074	(0.3)	(2.5)
Bank Franchise	9,000	0.08	10,163	9,323	9.0	10,161	4,624	119.7	94.6
Other Taxes	(4,900)	(0.05)	(474)	369	(228.5)	(12,896)	(2,814)	(358.3)	(74.1)
Total Taxes	\$10,531,500	96.48	\$1,221,817	\$1,080,786	13.0	\$10,288,512	\$10,658,839	(3.5)	(1.2)
Rights and Privileges:									
Licenses and Permits	\$1,600	0.02	\$141	\$254	(44.5)	\$1,496	\$1,635	(8.5)	(2.1)
Corp. Franchise and Charters	20,000	0.18	16,136	16,258	(0.8)	22,430	22,882	(2.0)	(12.6)
Fees for Practice of Prof	1,100	0.01	24	23	4.3	1,205	1,144	5.3	(3.8)
Fees for Misc. Privileges & Services	10,700	0.10	2,285	1,554	47.0	12,866	11,266	14.2	(5.0)
Total Rights and Privileges	\$33,400	0.31	\$18,586	\$18,089	2.7	\$37,997	\$36,927	2.9	(9.6)
Other Revenues:									
Sales of Property & Commodities	\$1,600	0.02	\$57	\$0	-	\$281	\$66	325.8	#
Assessmts & Rcpts for Support of Special Svces	300	0.00	15	71	(78.9)	445	399	11.5	(24.8)
Institutional Revenue	8,700	0.08	706	560	26.1	9,194	7,888	16.6	10.3
Interest (b)	112,000	1.03	(607)	(18,876)	96.8	100,402	133,167	(24.6)	(15.9)
Dividends and Rent	300	0.00	2	36	(94.4)	327	364	(10.2)	(17.6)
Fines, Forfeitures & Fees	141,700	1.30	16,106	12,988	24.0	152,801	134,163	13.9	5.6
Other Revenue	29,800	0.27	8,685	13,154	(34.0)	38,719	84,438	(54.1)	(64.7)
Excess Fees	(11,600)	(0.11)	(1,794)	(1,328)	(35.1)	(18,630)	(11,051)	(68.6)	(5.0)
Private Donations, Gifts & Cont.	0	0.00	0	0	-	0	(5)	100.0	100.0
Cities, Counties, and Towns	9,000	0.08	807	865	(6.7)	9,060	8,804	2.9	2.2
Total Other Revenues	\$291,800	2.67	\$23,977	\$7,470	221.0	\$292,599	\$358,233	(18.3)	(18.5)
General Fund Revenues Excluding Tobacco Master Settlement	\$10,856,700	99.46	\$1,264,380	\$1,106,345	14.3	\$10,619,108	\$11,053,999	(3.9)	(1.8)
Tobacco Master Settlement	\$59,300	0.54	\$0	\$48	(100.0)	\$59,846	\$51,276	16.7	15.6
Total General Fund Revenues	\$10,916,000	100.00	\$1,264,380	\$1,106,393	14.3	\$10,678,954	\$11,105,275	(3.8)	(1.7)

Percentage is greater than 1,000%.

(a) Sales and Use Tax includes \$149.4 million in Accelerated Sales and Use Tax.

(b) Interest income for the April - June quarter attributable to nongeneral funds was transferred in June in accordance with Section 3-5.02 of Chapter 814, 2002 Virginia Acts of Assembly, resulting in negative interest income for the general fund.

**Commonwealth of Virginia/Department of Lottery
Summary Report on Lottery Collections
For the Fiscal Years 2001 and 2002
(Dollars in Thousands)**

	<u>FY 2002 Estimate</u>	<u>June</u>			<u>Year-To-Date</u>			<u>% Annual Growth Required By Estimate</u>
		<u>FY 2002</u>	<u>FY 2001</u>	<u>% Change</u>	<u>FY 2002</u>	<u>FY 2001</u>	<u>% Change</u>	
Lottery Collections								
Lotto South (c)	\$85,300	\$6,878	\$9,323	(26.2)	\$86,770	\$81,078	7.0	5.2
Cash 5	22,800	2,263	2,111	7.2	27,283	25,888	5.4	(11.9)
Pick 4	139,200	11,073	10,632	4.1	141,170	131,361	7.5	6.0
Pick 3	236,900	18,712	18,387	1.8	243,122	230,037	5.7	3.0
Mega Millions (d)	82,900	6,983	5,195	34.4	117,258	74,431	57.5	11.4
Scratch	<u>475,000</u>	<u>45,089</u>	<u>43,172</u>	<u>4.4</u>	<u>492,465</u>	<u>460,034</u>	<u>7.0</u>	<u>3.3</u>
Gross Lottery Revenue	<u>1,042,100</u>	<u>90,998</u>	<u>88,820</u>	<u>2.5</u>	<u>1,108,068</u>	<u>1,002,829</u>	<u>10.5</u>	<u>3.9</u>
Expenses (b)	<u>713,100</u>	<u>63,124 (a)</u>	<u>57,811</u>	<u>9.2</u>	<u>740,375 (a)</u>	<u>673,687</u>	<u>9.9</u>	<u>5.9</u>
Net Lottery Ticket Profits	<u>\$329,000</u>	<u>\$27,874 (a)</u>	<u>\$31,009</u>	<u>(10.1)</u>	<u>\$367,693 (a)</u>	<u>\$329,142</u>	<u>11.7</u>	<u>(0.1)</u>

(a) Current month includes actual operating expenses (unaudited closing).

(b) "Expenses" includes prizes to winners, compensation to retailers, instant ticket printing costs, Lottery operating expenses, and net other income/expense.

(c) FY 01 includes Kicker. The Lottery stopped selling Kicker on September 16, 2000 concurrent with the introduction of Lotto Virginia. The Lottery stopped selling Lotto Virginia on September 8, 2001 with the introduction of Lotto South.

(d) On May 14, 2002, the Lottery changed the multi-state game name from Big Game to Mega Millions with the addition of New York and Ohio.

Commonwealth of Virginia/Department of Accounts
Highway Maintenance and Operating Fund and Transportation Trust Fund Revenues
Summary Statement of Revenue Estimates & Collections
For the Fiscal Years 2001 and 2002
(Dollars in Thousands)

Revenue	FY 2002 Estimate	As a % of Total Fund	June			Year-To-Date			% Annual Growth Required By Estimate
			FY 2002	FY 2001	% Change	FY 2002	FY 2001	% Change	
Motor Fuel Taxes	\$783,293	26.18	\$134,844	\$107,937	24.9	\$794,266	\$778,191	2.1	0.7
Priority Transportation Fund	27,500	0.92	2,000	26,667	(92.5)	20,000	33,334	(40.0)	(17.5)
Motor Vehicle Sales and Use Tax	474,081	15.84	47,485	48,568	(2.2)	532,137	502,403	5.9	(5.6)
State Sales and Use Tax	407,100	13.61	32,302	32,367	(0.2)	388,139	387,637	0.1	5.0
Motor Vehicle License Fees	141,746	4.74	10,337	14,503	(28.7)	145,080	147,105	(1.4)	(3.6)
International Registration Plan	58,689	1.96	7,498	5,152	45.5	59,223	51,095	15.9	14.9
Interest Earnings	3,452	0.12	3	3,140	(99.9)	14,020	12,915	8.6	(73.3)
Misc. Taxes, Fees, and Revenues	20,016	0.67	502	623	(19.4)	22,807	18,311	24.6	9.3
Total State Taxes and Fees	\$1,915,877	64.04	\$234,971	\$238,957	(1.7)	\$1,975,672	\$1,930,991	2.3	(0.8)

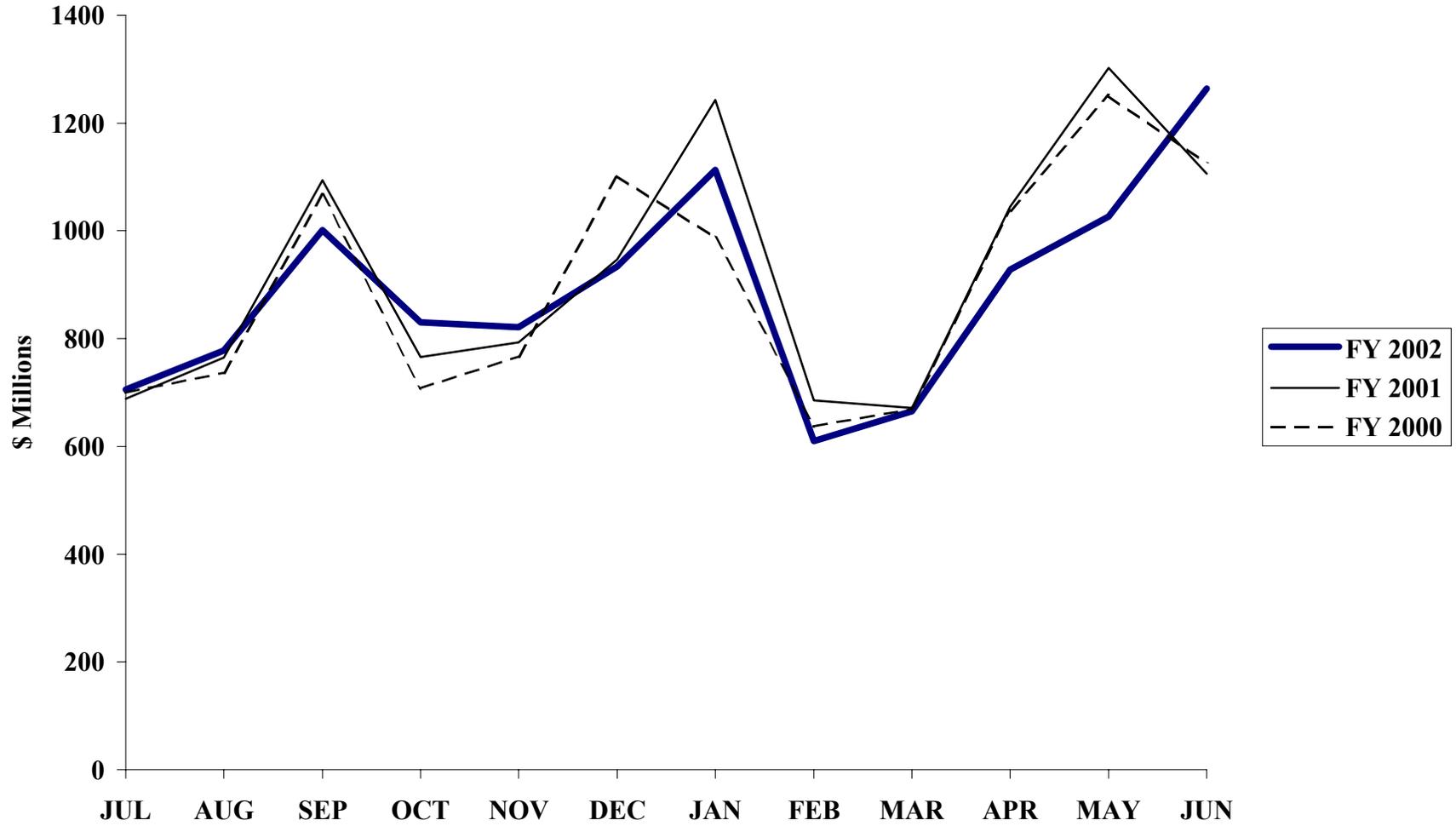
Percentage is greater than 1,000%.

Commonwealth of Virginia/Department of Accounts
Highway Maintenance and Operating Fund and Transportation Trust Fund Revenues
Statement of Revenue Estimates & Collections
For the Fiscal Years 2001 and 2002
(Dollars in Thousands)

Revenue	FY 2002 Estimate	As a % of Total Fund	June			Year-To-Date			% Annual Growth Required By Est
			FY 2002	FY 2001	% Change	FY 2002	FY 2001	% Change	
HIGHWAY MAINTENANCE AND OPERATING FUND:									
Motor Fuel Taxes (Includes Road Tax)	\$669,461	22.38	\$115,695	\$89,224	29.7	\$676,452	\$662,794	2.1	1.0
Motor Vehicle Sales and Use Tax	304,361	10.17	30,298	30,831	(1.7)	342,009	320,485	6.7	(5.0)
Motor Vehicle License Fees	123,457	4.13	8,656	12,602	(31.3)	125,814	127,764	(1.5)	(3.4)
International Registration Plan	58,689	1.96	7,498	5,152	45.5	59,223	51,095	15.9	14.9
Misc. Taxes, Fees, and Revenues	20,016	0.67	502	623	(19.4)	22,807	18,311	24.6	9.3
Total State Taxes and Fees	\$1,175,984	39.31	\$162,649	\$138,432	17.5	\$1,226,305	\$1,180,449	3.9	(0.4)
Other Revenues:									
Federal Grants and Contracts	\$22,732	0.76	\$2,686	\$1,905	41.0	\$15,064	\$11,505	30.9	97.6
Transfer (to) / from Transportation Trust Fund	(28,711)	(0.96)	(14,006)	(4,218)	(232.1)	(14,006)	(42,349)	66.9	32.2
Total Highway Maintenance and Operating Fund	\$1,170,005	39.11	\$151,329	\$136,119	11.2	\$1,227,363	\$1,149,605	6.8	1.8
TRANSPORTATION TRUST FUND:									
Motor Fuel Taxes (Includes Aviation & Road Taxes)	\$113,832	3.80	\$19,149	\$18,713	2.3	\$117,814	\$115,397	2.1	(1.4)
Priority Transportation Fund	27,500	0.92	2,000	26,667	(92.5)	20,000	33,334	(40.0)	(17.5)
Motor Vehicle Sales and Use Tax (Includes Rental Tax)	169,720	5.67	17,187	17,737	(3.1)	190,128	181,918	4.5	(6.7)
State Sales and Use Tax	407,100	13.61	32,302	32,367	(0.2)	388,139	387,637	0.1	5.0
Motor Vehicle License Fees	18,289	0.61	1,681	1,901	(11.6)	19,266	19,341	(0.4)	(5.4)
Interest Earnings	3,452	0.12	3	3,140	(99.9)	14,020	12,915	8.6	(73.3)
Total State Taxes and Fees	\$739,893	24.73	\$72,322	\$100,525	(28.1)	\$749,367	\$750,542	(0.2)	(1.4)
Other Revenues:									
Federal Grants and Contracts	\$952,355	31.83	\$50,041	\$35,288	41.8	\$948,773	\$537,888	76.4	77.1
Receipts from Cities/Counties	36,102	1.21	2,030	(1,505)	234.9	33,973	17,605	93.0	105.1
Toll Revenues (Includes Route 28)	64,621	2.16	5,362	6,423	(16.5)	63,060	63,610	(0.9)	1.6
Miscellaneous Revenues	0	0.00	2,428	3,570	(32.0)	16,489	19,063	(13.5)	(100.0)
Total Other Revenues	\$1,053,078	35.20	\$59,861	\$43,776	36.7	\$1,062,295	\$638,166	66.5	65.0
Transfer (to) / from Highway Maintenance and Operating Fund	\$28,711	0.96	\$14,006	\$4,218	232.1	\$14,006	\$42,349	(66.9)	(32.2)
Total Transportation Trust Fund	\$1,821,682	60.89	\$146,189	\$148,519	(1.6)	\$1,825,668	\$1,431,057	27.6	27.3
TOTAL HIGHWAY MAINTENANCE AND OPERATING AND TRANSPORTATION TRUST FUND									
	\$2,991,687	100.00	\$297,518	\$284,638	4.5	\$3,053,031	\$2,580,662	18.3	15.9

Percentage is greater than 1,000%.

Total General Fund Revenues

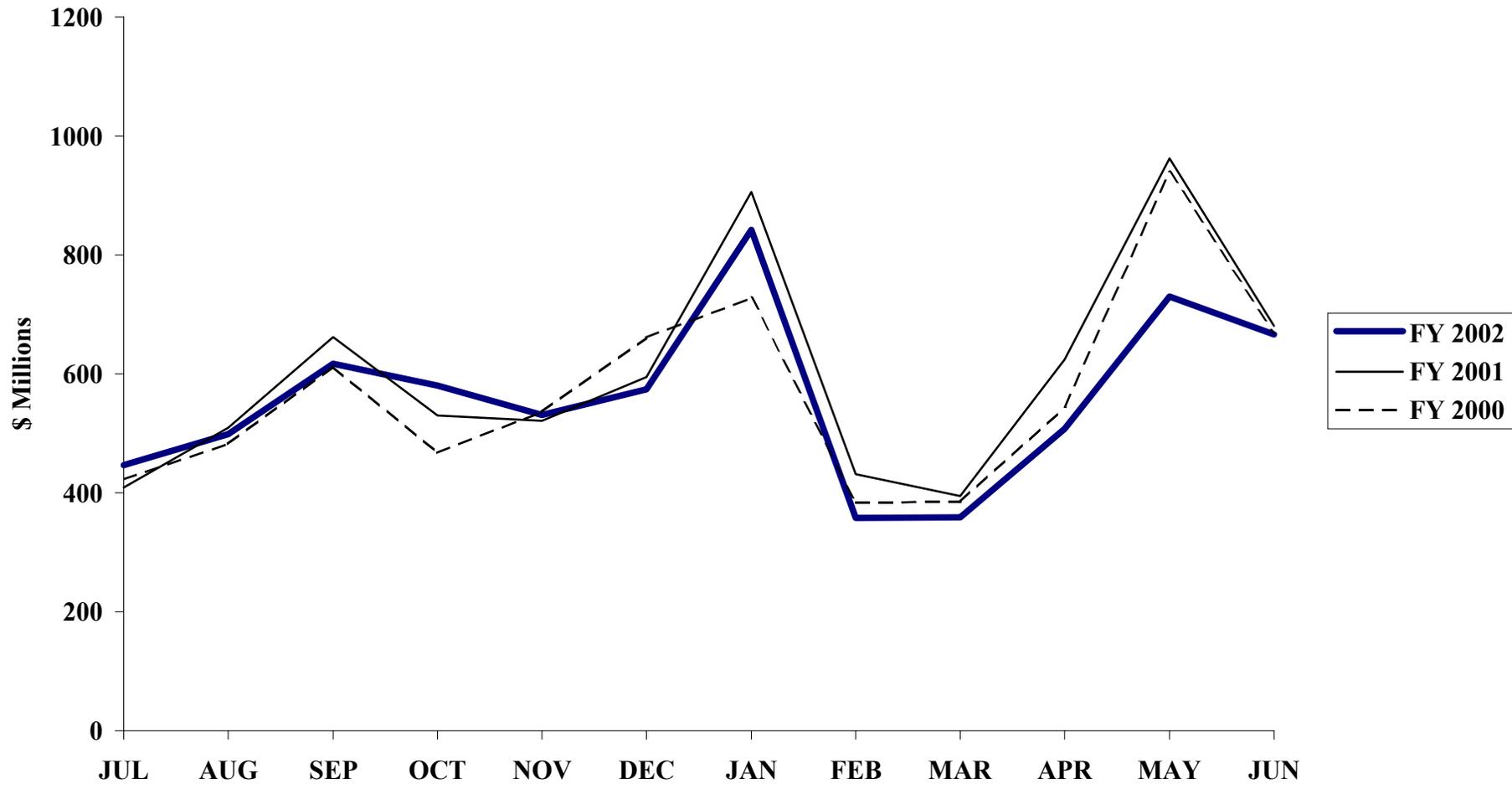


FY 2000 Actual = \$10,788.5 Million

FY 2001 Actual = \$11,105.3 Million

FY 2002 Actual = \$10,678.9 Million

Net Individual Income Tax

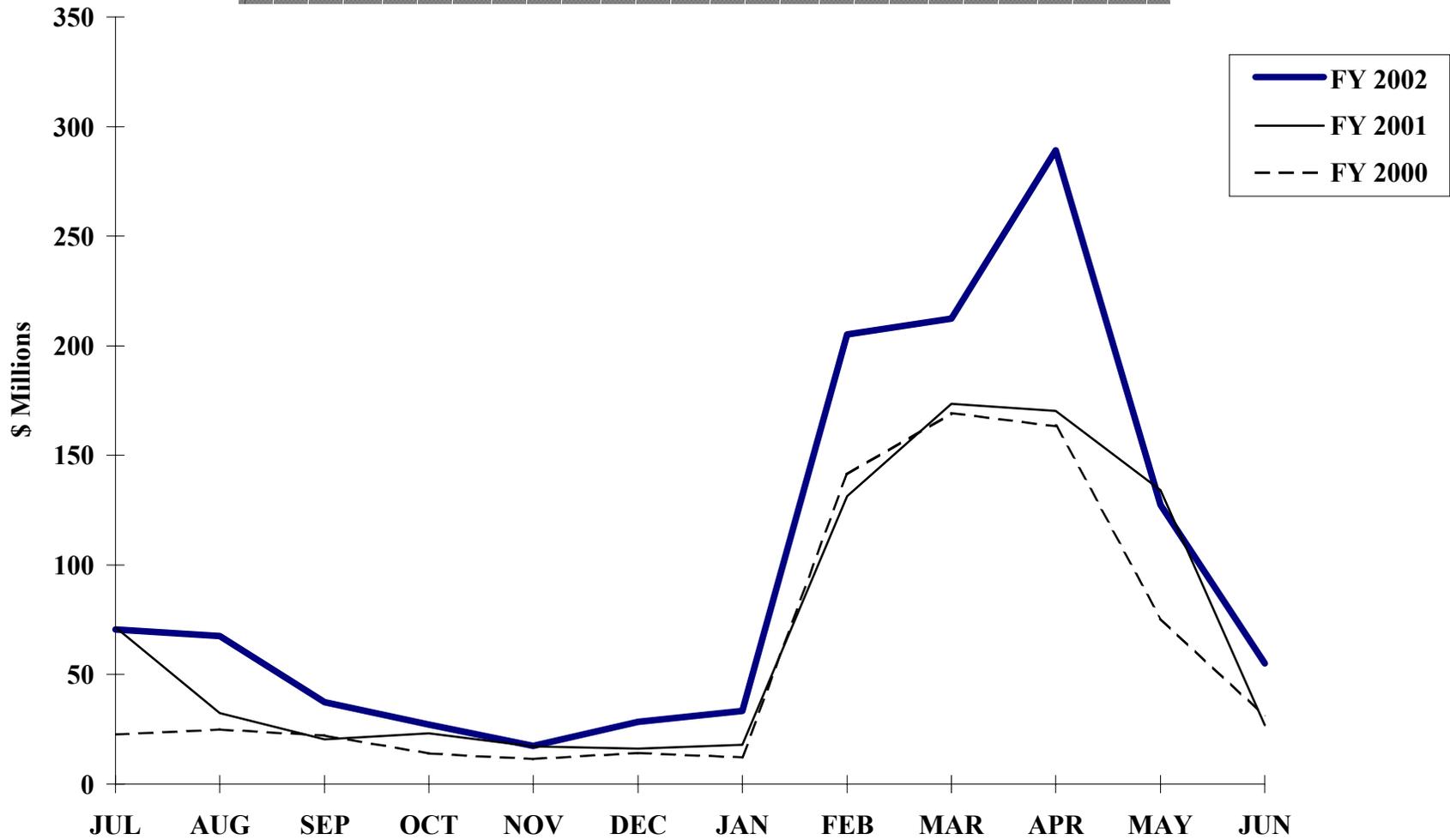


FY 2000 Actual = \$6,828.9 Million

FY 2001 Actual = \$7,226.3 Million

FY 2002 Actual = \$6,710.7 Million

Individual and Fiduciary Income Tax Refunds



FY 2000 Actual = \$702.0 Million

FY 2001 Actual = \$835.4 Million

FY 2002 Actual = \$1,171.1 Million

DEPARTMENT OF THE TREASURY

General Account Investment Portfolio

Monthly Average Balances and Rates

For the Fiscal Year 2002

(Dollars in Millions)

MONTH	PRIMARY LIQUIDITY		EXTERNAL MANAGEMENT EXTENDED DURATION ^{1,2}		COMPOSITE	
	Avg. Balance	Yield	Avg. Balance	Annualized Total Return	Avg. Balance	Rate
July	\$2,502.5	4.98%	\$990.7	23.82%	\$3,493.2	10.32%
August	\$2,325.5	4.92%	\$1,003.7	11.17%	\$3,329.2	6.80%
September	\$2,328.0	4.69%	\$1,018.4	20.92%	\$3,346.4	9.63%
October	\$2,258.0	4.56%	\$1,035.6	19.83%	\$3,293.6	9.36%
November	\$2,023.2	4.70%	\$1,038.3	-13.38%	\$3,061.5	-1.43%
December	\$1,776.0	4.69%	\$1,030.0	-6.40% ³	\$2,806.0	0.62% ³
January	\$2,291.5	3.92%	\$929.8	7.17%	\$3,221.3	4.86%
February	\$2,352.1	4.14%	\$937.4 ³	11.66% ³	\$3,289.5 ³	6.28% ³
March	\$2,026.3 ⁴	3.90% ⁴	\$937.7	-17.28%	\$2,964.0 ⁴	-2.80% ⁴
April	\$2,090.1	3.96%	\$939.6	22.96%	\$3,029.7	9.86%
May	\$2,195.8	3.53%	\$950.2	9.57%	\$3,146.0	5.36%
June	\$1,966.4	3.65%	\$958.8	13.96%	\$2,925.2	7.03%
Year-to-Date Average	\$2,178.0	4.32%	\$980.9	8.63%	\$3,158.8	5.66%

¹ Performance on the extended duration portion of the General Account is now reported on an annualized total return basis. Total return includes unrealized gains and losses, which in the short term can make returns more volatile. Over an extended time period the fluctuations average out and total return approaches the portfolio yield.

² Unaudited.

³ External Management Total Return and Composite Rate for December and February were revised after the original report was issued.

⁴ Primary Liquidity Balance & Return and the Composite Balance & Rate for March were revised after the original report was issued.

**Commonwealth of Virginia/Department of Accounts
Report on the Revenue Stabilization Fund
For the Fiscal Year 2002
(Dollars in Thousands)**

<u>Month</u>	<u>Beginning Balance</u>	<u>Deposits/(Withdrawals)</u>	<u>Interest Allocated (A)</u>	<u>Ending Balance</u>
July	\$715,623	\$0	\$0	\$715,623
August	\$715,623	\$0	\$0	\$715,623
September	\$715,623	\$0	\$0	\$715,623
October	\$715,623	\$0	\$10,519	\$726,142
November	\$726,142	\$0	\$0	\$726,142
December	\$726,142	\$0	\$0	\$726,142
January	\$726,142	\$0	\$10,869	\$737,011
February	\$737,011	\$0	\$0	\$737,011
March	\$737,011	\$0	\$0	\$737,011
April	\$737,011	(\$280,639) (B)	\$11,359	\$467,731
May	\$467,731	\$0	\$0	\$467,731
June	\$467,731	\$0	\$4,645	\$472,376

Notes: (A) Interest is earned monthly but credited to nongeneral funds on a quarterly basis and will appear on this report in the months of October, January, April, and final June.

(B) Deposit of \$187,091 as required by Item 270 A.2. and withdrawal of \$467,730 as required by Item 270 B. of Chapter 814, 2002 Virginia Acts of Assembly.

Commonwealth of Virginia/Department of Accounts
Summary Report on General Fund and Lottery Revenue Collections
For the Fiscal Years 2002 and 2003
(Dollars in Thousands)

Revenue	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	FY 2003 Estimate	As a % of Gen Fund Rev & Net Lottery Profits	July			Year-To-Date			% Annual Growth Req By Est
			FY 2003	FY 2002	% Change	FY 2003	FY 2002	% Change	
Individual Income Tax:									
Withholding	\$6,849,500	58.96	\$505,273	\$498,571	1.3	\$505,273	\$498,571	1.3	6.7
Tax Dues/Estimated Payments	1,477,700	12.72	18,475	18,429	0.2	18,475	18,429	0.2	1.2
Gross Individual Income Tax	<u>\$8,327,200</u>	<u>71.68</u>	<u>\$523,748</u>	<u>\$517,000</u>	<u>1.3</u>	<u>\$523,748</u>	<u>\$517,000</u>	<u>1.3</u>	<u>5.6</u>
Individual and Fiduciary Income (Refunds)	(985,500)	(8.48)	(52,740)	(70,457)	(25.1)	(52,740)	(70,457)	(25.1)	(15.8)
Net Individual Income Tax	<u>\$7,341,700</u>	<u>63.20</u>	<u>\$471,008</u>	<u>\$446,543</u>	<u>5.5</u>	<u>\$471,008</u>	<u>\$446,543</u>	<u>5.5</u>	<u>9.4</u>
Sales and Use Tax	2,373,000	20.43	95,554	196,527	(51.4)	95,554	196,527	(51.4)	(2.3)
Corporations Income Tax	298,900	2.57	5,918	7,980	(25.8)	5,918	7,980	(25.8)	3.0
Public Service Corporations	98,500	0.85	5,404	1,971	174.2	5,404	1,971	174.2	27.7
Insurance Premiums	298,000	2.56	2,616	866	202.1	2,616	866	202.1	1.8
Interest Income (a)	45,200	0.39	12,062	11,623	3.8	12,062	11,623	3.8	(55.0)
Alcoholic Beverage Sales (b)	129,000	1.11	3,670	3,690	(0.5)	3,670	3,690	(0.5)	1.2
Tobacco Master Settlement	59,100	0.51	0	0	-	0	0	-	(1.2)
All Other Revenues	<u>644,300</u>	<u>5.55</u>	<u>48,088</u>	<u>36,189</u>	<u>32.9</u>	<u>48,088</u>	<u>36,189</u>	<u>32.9</u>	<u>9.1</u>
Total General Fund Revenues	<u>\$11,287,700</u>	<u>97.17</u>	<u>\$644,320</u>	<u>\$705,389</u>	<u>(8.7)</u>	<u>\$644,320</u>	<u>\$705,389</u>	<u>(8.7)</u>	<u>5.7</u>
Gross Lottery Revenue	\$1,039,970	8.95	\$90,715	\$77,000	17.8	\$90,715	\$77,000	17.8	(6.1)
Less: Expenses	(710,970)	(6.12)	(59,539)	(55,948)	6.4	(59,539)	(55,948)	6.4	(4.0)
Net Lottery Profits	<u>\$329,000</u>	<u>2.83</u>	<u>\$31,176</u>	<u>\$21,052</u>	<u>48.1</u>	<u>\$31,176</u>	<u>\$21,052</u>	<u>48.1</u>	<u>(10.5)</u>
Total General Fund Revenues and Net Lottery Profits	<u>\$11,616,700</u>	<u>100.00</u>	<u>\$675,496</u>	<u>\$726,441</u>	<u>(7.0)</u>	<u>\$675,496</u>	<u>\$726,441</u>	<u>(7.0)</u>	<u>5.2</u>

Percentage is greater than 1,000%.

(a) Approximately 60% of the interest for the current quarter is due to nongeneral funds and will be transferred in October.

(b) Includes Beer and Beverage Excise Tax and Alcoholic Beverage State Tax.

Commonwealth of Virginia/Department of Accounts
General Fund Statement of Revenue Collections and Estimates
For the Fiscal Years 2002 and 2003
(Dollars in Thousands)

Revenue	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	FY 2003 Estimate	As a % of Total Gen Fund Rev	FY 2003	July FY 2002	% Change	FY 2003	Year-To-Date FY 2002	% Change	% Annual Growth Req By Est
Taxes:									
Individual Income Tax - Withholding	\$6,849,500	60.68	\$505,273	\$498,571	1.3	\$505,273	\$498,571	1.3	6.7
Tax Dues/Estimated Payments	1,477,700	13.09	18,475	18,429	0.2	18,475	18,429	0.2	1.2
Gross Individual Income Tax	\$8,327,200	73.77	\$523,748	\$517,000	1.3	\$523,748	\$517,000	1.3	5.6
Individ and Fiduc Income (Refunds)	(985,500)	(8.73)	(52,740)	(70,457)	(25.1)	(52,740)	(70,457)	(25.1)	(15.8)
Net Individual Income Tax	\$7,341,700	65.04	\$471,008	\$446,543	5.5	\$471,008	\$446,543	5.5	9.4
Sales and Use Tax	2,373,000	21.02	95,554	196,527	(51.4)	95,554	196,527	(51.4)	(2.3)
Corporations Income	298,900	2.65	5,918	7,980	(25.8)	5,918	7,980	(25.8)	3.0
Public Service Corporations	98,500	0.87	5,404	1,971	174.2	5,404	1,971	174.2	27.7
Insurance Premiums	298,000	2.64	2,616	866	202.1	2,616	866	202.1	1.8
Alcoholic Beverage Excise	88,700	0.78	0	0	-	0	0	-	2.8
Beer and Beverage Excise	40,300	0.36	3,670	3,690	(0.5)	3,670	3,690	(0.5)	(2.0)
Wills, Suits, Deeds, Contracts	192,700	1.71	22,204	15,172	46.3	22,204	15,172	46.3	(10.1)
Inheritance, Gift, and Estate	126,800	1.12	7,188	7,057	1.9	7,188	7,057	1.9	(5.1)
Tobacco Products	14,400	0.13	1,321	1,316	0.4	1,321	1,316	0.4	(4.1)
Bank Franchise	9,000	0.08	60	11	445.5	60	11	445.5	(11.4)
Other Taxes	(4,900)	(0.04)	(615)	(1,136)	45.9	(615)	(1,136)	45.9	62.0
Total Taxes	\$10,877,100	96.36	\$614,328	\$679,997	(9.7)	\$614,328	\$679,997	(9.7)	5.7
Rights and Privileges:									
Licenses and Permits	\$1,600	0.01	\$138	\$122	13.1	\$138	\$122	13.1	7.0
Corp. Franchise and Charters	22,000	0.20	610	574	6.3	610	574	6.3	(1.9)
Fees for Practice of Prof	1,100	0.01	1	1	0.0	1	1	0.0	(8.7)
Fees for Misc. Privileges & Services	10,700	0.10	660	2,099	(68.6)	660	2,099	(68.6)	(16.8)
Total Rights and Privileges	\$35,400	0.32	\$1,409	\$2,796	(49.6)	\$1,409	\$2,796	(49.6)	(6.8)
Other Revenues:									
Sales of Property & Commodities	\$10,000	0.09	\$1	\$8	(87.5)	\$1	\$8	(87.5)	#
Assessmts & Rcpts for Support of Special Svces	300	0.00	62	65	(4.6)	62	65	(4.6)	(32.6)
Institutional Revenue	8,900	0.08	802	689	16.4	802	689	16.4	(3.2)
Interest (a)	45,200	0.40	12,062	11,623	3.8	12,062	11,623	3.8	(55.0)
Dividends and Rent	300	0.00	14	25	(44.0)	14	25	(44.0)	(8.3)
Fines, Forfeitures & Fees	180,300	1.60	14,697	10,568	39.1	14,697	10,568	39.1	18.0
Other Revenue	74,200	0.66	1,889	763	147.6	1,889	763	147.6	91.6
Excess Fees	(12,300)	(0.11)	(1,580)	(1,702)	7.2	(1,580)	(1,702)	7.2	34.0
Private Donations, Gifts & Cont.	0	0.00	0	0	-	0	0	-	-
Cities, Counties, and Towns	9,200	0.08	636	557	14.2	636	557	14.2	1.5
Tobacco Master Settlement	59,100	0.52	0	0	-	0	0	-	(1.2)
Total Other Revenues	\$375,200	3.32	\$28,583	\$22,596	26.5	\$28,583	\$22,596	26.5	6.5
Total General Fund Revenues	\$11,287,700	100.00	\$644,320	\$705,389	(8.7)	\$644,320	\$705,389	(8.7)	5.7

Percentage is greater than 1,000%.

(a) Approximately 60% of the interest for the current quarter is due to nongeneral funds and will be transferred in October.

**Commonwealth of Virginia/Department of Lottery
Summary Report on Lottery Collections
For the Fiscal Years 2002 and 2003
(Dollars in Thousands)**

	FY 2003 <u>Estimate</u> (d)	July			Year-To-Date			% Annual Growth Required By Estimate
		<u>FY 2003</u>	<u>FY 2002</u>	% Change	<u>FY 2003</u>	<u>FY 2002</u>	% Change (b)	
Lottery Collections								
Lotto South	\$78,770	\$6,405	\$11,878	(46.1)	\$6,405	\$11,878	(46.1)	(9.2)
Cash 5	19,500	2,399	2,133	12.5	2,399	2,133	12.5	(28.5)
Pick 4	146,200	11,884	11,406	4.2	11,884	11,406	4.2	3.6
Pick 3	229,600	20,011	19,741	1.4	20,011	19,741	1.4	(5.6)
Mega Millions	79,900	13,575	4,986	172.3	13,575	4,986	172.3	(31.9)
Scratch	<u>486,000</u>	<u>36,441</u>	<u>26,856</u>	<u>35.7</u>	<u>36,441</u>	<u>26,856</u>	<u>35.7</u>	<u>(1.3)</u>
Gross Lottery Revenue	<u>1,039,970</u>	<u>90,715</u>	<u>77,000</u>	<u>17.8</u>	<u>90,715</u>	<u>77,000</u>	<u>17.8</u>	<u>(6.1)</u>
Expenses (c)	<u>710,970</u>	<u>59,539</u> (a)	<u>55,948</u>	<u>6.4</u>	<u>59,539</u> (a)	<u>55,948</u>	<u>6.4</u>	<u>(4.0)</u>
Net Lottery Ticket Profits	<u>\$329,000</u>	<u>\$31,176</u> (a)	<u>\$21,052</u>	<u>48.1</u>	<u>\$31,176</u> (a)	<u>\$21,052</u>	<u>48.1</u>	<u>(10.5)</u>

(a) Current month includes operating expenses estimate (unaudited closing).

(b) The current-year figures on this chart, including growth percentages, are not an indicator of the probable outcome for the fiscal year.

Lottery revenues can have dramatic swings up and down month-to-month depending on the lotto jackpots, prize expense and game related administrative expenses.

(c) "Expenses" includes prizes to winners, compensation to retailers, instant ticket printing costs, Lottery operating expenses, and net other income/expense.

(d) Estimate established in December 2001.

Commonwealth of Virginia/Department of Accounts
Highway Maintenance and Operating Fund and Transportation Trust Fund Revenues
Summary Statement of Revenue Estimates & Collections
For the Fiscal Years 2002 and 2003
(Dollars in Thousands)

Revenue	FY 2003 Estimate	As a % of Total Fund	July			Year-To-Date			% Annual Growth Required By Estimate
			FY 2003	FY 2002	% Change	FY 2003	FY 2002	% Change	
Motor Fuel Taxes	\$809,700	29.03	\$3,972	\$3,213	23.6	\$3,972	\$3,213	23.6	1.9
Priority Transportation Fund	124,700	4.47	0	0	-	0	0	-	523.5
Motor Vehicle Sales and Use Tax	438,600	15.73	47,264	41,829	13.0	47,264	41,829	13.0	(17.6)
State Sales and Use Tax	403,800	14.48	16,070	33,559	(52.1)	16,070	33,559	(52.1)	4.0
Motor Vehicle License Fees	141,000	5.05	14,709	11,624	26.5	14,709	11,624	26.5	(2.8)
International Registration Plan	57,400	2.06	5,782	4,175	38.5	5,782	4,175	38.5	(3.1)
Interest Earnings	12,400	0.45	5	0	-	5	0	-	(11.6)
Misc. Taxes, Fees, and Revenues	22,000	0.79	2,118	2,112	0.3	2,118	2,112	0.3	(3.5)
Total State Taxes and Fees	\$2,009,600	72.06	\$89,920	\$96,512	(6.8)	\$89,920	\$96,512	(6.8)	1.7

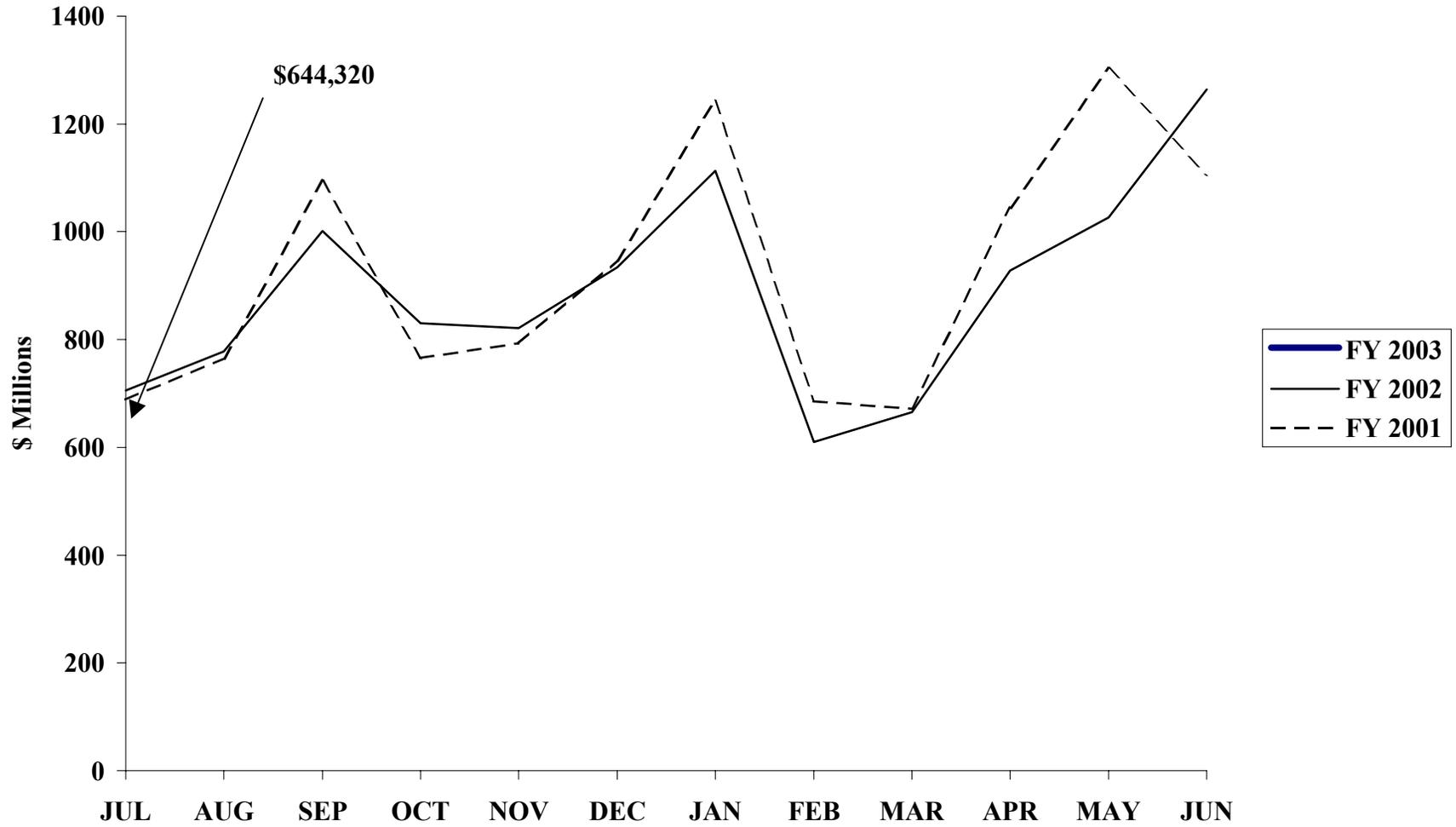
Percentage is greater than 1,000%.

Commonwealth of Virginia/Department of Accounts
Highway Maintenance and Operating Fund and Transportation Trust Fund Revenues
Statement of Revenue Estimates & Collections
For the Fiscal Years 2002 and 2003
(Dollars in Thousands)

Revenue	FY 2003 Estimate	As a % of Total Fund	July			Year-To-Date			% Annual Growth Required By Est
			FY 2003	FY 2002	% Change	FY 2003	FY 2002	% Change	
HIGHWAY MAINTENANCE AND OPERATING FUND:									
Motor Fuel Taxes (Includes Road Tax)	\$692,200	24.82	\$1,594	\$1,271	25.4	\$1,594	\$1,271	25.4	2.3
Motor Vehicle Sales and Use Tax	279,700	10.03	30,090	26,620	13.0	30,090	26,620	13.0	(18.2)
Motor Vehicle License Fees	122,500	4.39	(2,000)	10,159	(119.7)	(2,000)	10,159	(119.7)	(2.6)
International Registration Plan	57,400	2.06	5,782	4,175	38.5	5,782	4,175	38.5	(3.1)
Misc. Taxes, Fees, and Revenues	22,000	0.79	2,118	2,112	0.3	2,118	2,112	0.3	(3.5)
Total State Taxes and Fees	\$1,173,800	42.09	\$37,584	\$44,337	(15.2)	\$37,584	\$44,337	(15.2)	(4.3)
Other Revenues:									
Federal Grants and Contracts	\$0	0.00	\$4	\$0	-	\$4	\$0	-	(100.0)
Transfer (to) / from Transportation Trust Fund	147,200	5.28	47,271	0	-	47,271	0	-	#
Total Highway Maintenance and Operating Fund	\$1,321,000	47.37	\$84,859	\$44,337	91.4	\$84,859	\$44,337	91.4	7.6
TRANSPORTATION TRUST FUND:									
Motor Fuel Taxes (Includes Aviation & Road Taxes)	\$117,500	4.21	\$2,378	\$1,942	22.5	\$2,378	\$1,942	22.5	(0.3)
Priority Transportation Fund	124,700	4.47	0	0	-	0	0	-	523.5
Motor Vehicle Sales and Use Tax (Includes Rental Tax)	158,900	5.70	17,174	15,209	12.9	17,174	15,209	12.9	(16.4)
State Sales and Use Tax	403,800	14.48	16,070	33,559	(52.1)	16,070	33,559	(52.1)	4.0
Motor Vehicle License Fees	18,500	0.66	16,709	1,465	#	16,709	1,465	#	(4.0)
Interest Earnings	12,400	0.45	5	0	-	5	0	-	(11.6)
Total State Taxes and Fees	\$835,800	29.97	\$52,336	\$52,175	0.3	\$52,336	\$52,175	0.3	11.5
Other Revenues:									
Federal Grants and Contracts	\$669,400	24.00	\$95,000	\$95,978	(1.0)	\$95,000	\$95,978	(1.0)	(29.4)
Receipts from Cities/Counties	37,500	1.35	5,943	2,575	130.8	5,943	2,575	130.8	10.4
Toll Revenues (Includes Route 28)	72,200	2.59	4,179	5,383	(22.4)	4,179	5,383	(22.4)	14.5
Miscellaneous Revenues	0	0.00	1,520	950	60.0	1,520	950	60.0	(100.0)
Total Other Revenues	\$779,100	27.94	\$106,642	\$104,886	1.7	\$106,642	\$104,886	1.7	(26.7)
Transfer (to) / from Highway Maintenance and Operating Fund	(\$147,200)	(5.28)	(\$47,271)	\$0	-	(\$47,271)	\$0	-	#
Total Transportation Trust Fund	\$1,467,700	52.63	\$111,707	\$157,061	(28.9)	\$111,707	\$157,061	(28.9)	(19.6)
TOTAL HIGHWAY MAINTENANCE AND OPERATING AND TRANSPORTATION TRUST FUND									
	\$2,788,700	100.00	\$196,566	\$201,398	(2.4)	\$196,566	\$201,398	(2.4)	(8.7)

Percentage is greater than 1,000%.

Total General Fund Revenues

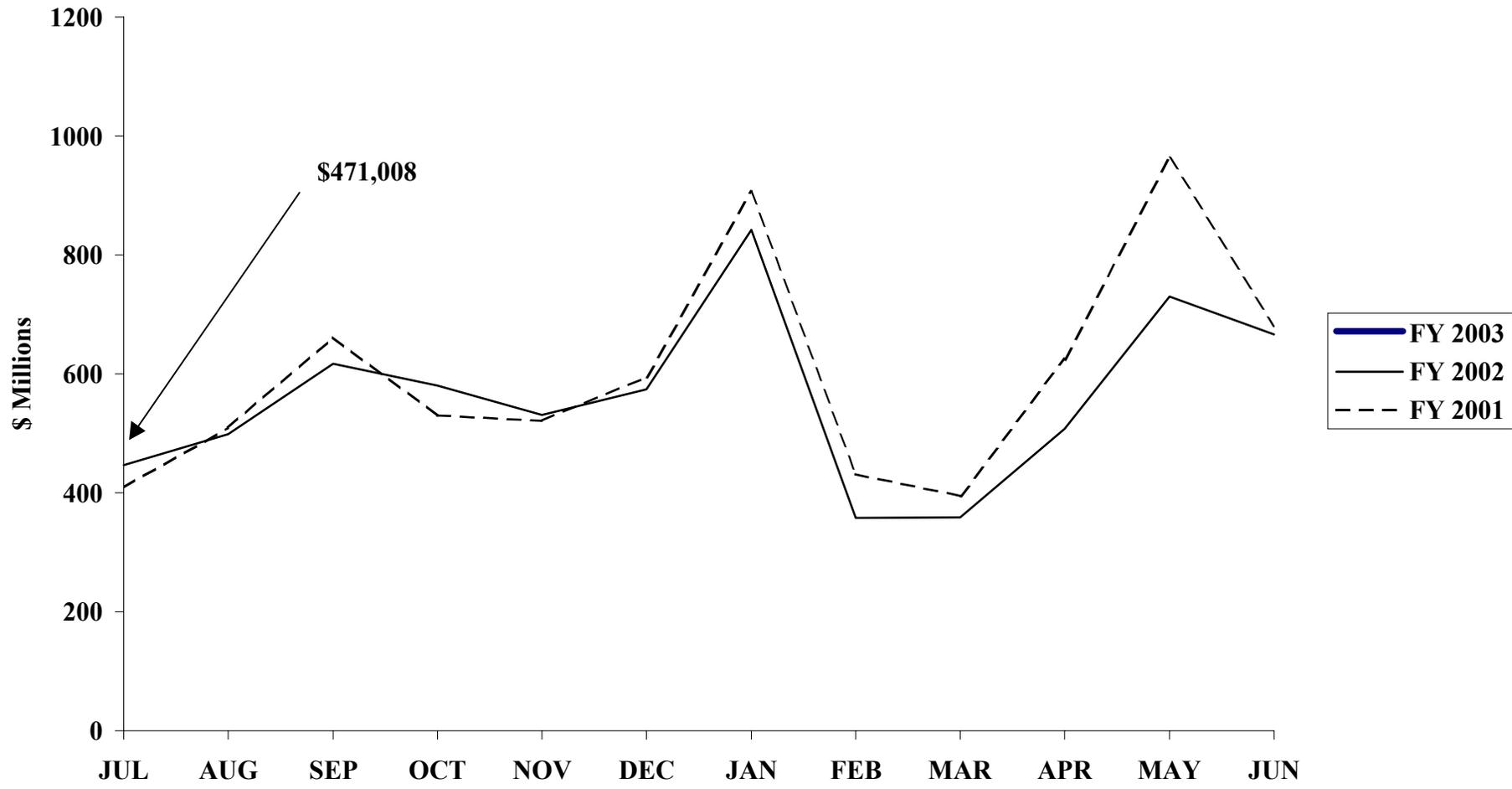


FY 2001 Actual = \$11,105.3 Million

FY 2002 Actual = \$10,678.9 Million

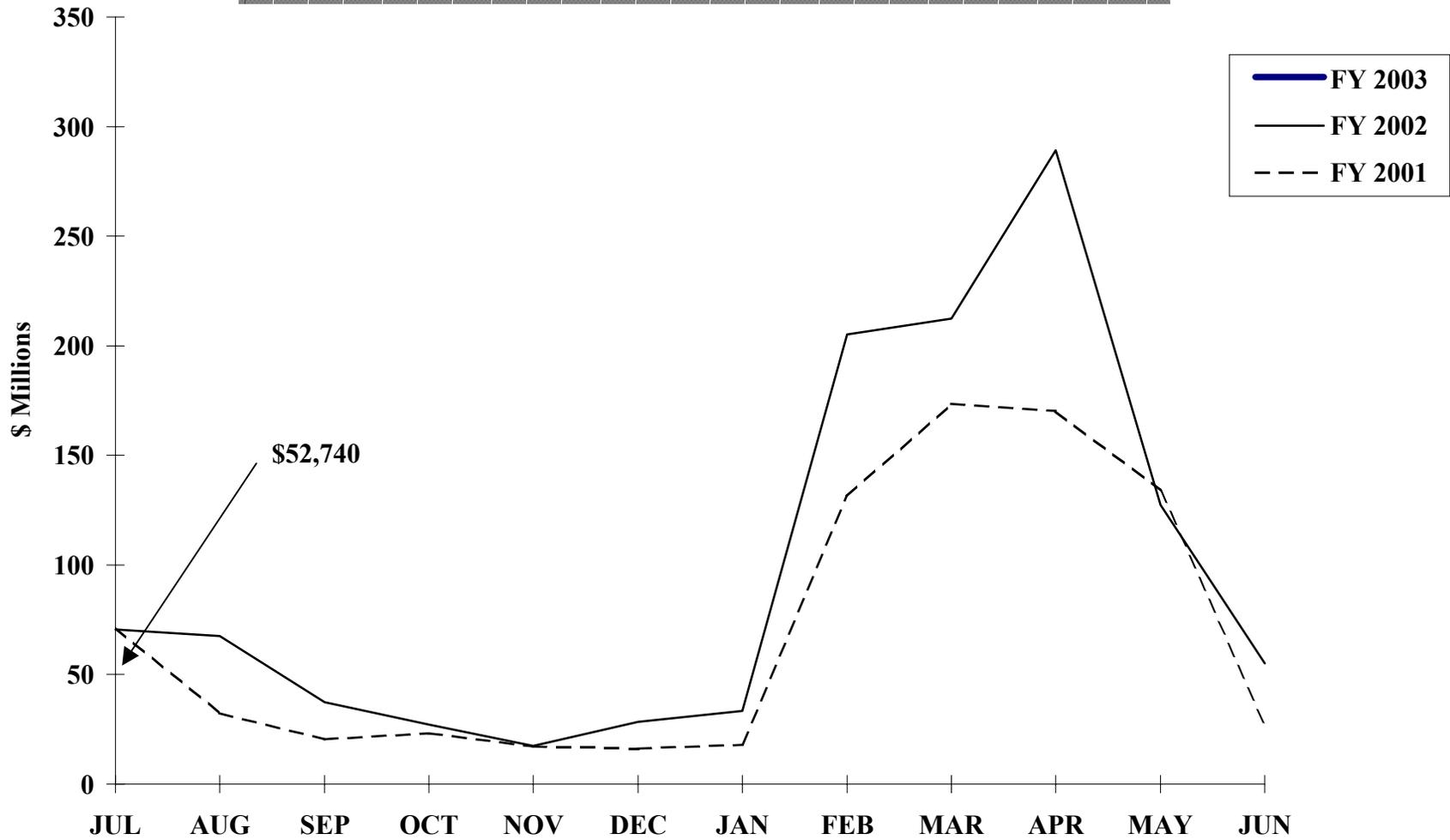
FY 2003 Estimate = \$11,287.7 Million

Net Individual Income Tax



FY 2001 Actual = \$7,226.3 Million
FY 2002 Actual = \$6,710.7 Million
FY 2003 Estimate = \$7,341.7 Million

Individual and Fiduciary Income Tax Refunds



FY 2001 Actual = \$835.4 Million
FY 2002 Actual = \$1,171.1 Million
FY 2003 Estimate = \$985.5 Million

DEPARTMENT OF THE TREASURY

General Account Investment Portfolio

Monthly Average Balances and Rates

For the Fiscal Year 2003

(Dollars in Millions)

MONTH	PRIMARY LIQUIDITY		EXTERNAL MANAGEMENT EXTENDED DURATION ^{1, 2}		COMPOSITE	
	Avg. Balance	Yield	Avg. Balance	Annualized Total Return	Avg. Balance	Rate
July	\$2,025.1	3.40%	\$973.7	20.20%	\$2,998.8	8.86%
August						
September						
October						
November						
December						
January						
February						
March						
April						
May						
June						
Year-to-Date Average	\$2,025.1	3.40%	\$973.7	20.20%	\$2,998.8	8.86%

¹ Performance on the extended duration portion of the General Account is now reported on an annualized total return basis. Total return includes unrealized gains and losses, which in the short term can make returns more volatile. Over an extended time period the fluctuations average out and total return approaches the portfolio yield.

² Unaudited.

Commonwealth of Virginia/Department of Accounts
Report on the Revenue Stabilization Fund
For the Fiscal Year 2003
(Dollars in Thousands)

<u>Month</u>	<u>Beginning Balance</u>	<u>Deposits/(Withdrawals)</u>	<u>Interest Allocated (A)</u>	<u>Ending Balance</u>
July	\$472,376	\$0	\$0	\$472,376
August				
September				
October				
November				
December				
January				
February				
March				
April				
May				
June				

Notes: (A) Interest is earned monthly but credited to nongeneral funds on a quarterly basis and will appear on this report in the months of October, January, April, and final June.

COMMONWEALTH OF VIRGINIA

GENERAL FUND PRELIMINARY (UNAUDITED) ANNUAL REPORT

For the Fiscal Year Ended June 30, 2002

Presented on a Budgetary (Cash) Basis



David A. Von Moll
Comptroller
August 15, 2002

TABLE OF CONTENTS

Comptroller's Letter of Transmittal	iii
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SUMMARY OF GENERAL FUND ACTIVITY

Preliminary Balance Sheet - General Fund - Budgetary (Cash) Basis	2
Preliminary Statement of Revenues, Expenditures, and Changes in Fund Balance - General Fund - Budgetary (Cash) Basis	3
Preliminary Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund - Budgetary (Cash) Basis	4
Preliminary Comparison of Sum-Sufficient Final Budget Appropriations with Actual Expenditures - General Fund - Budgetary (Cash) Basis	5

GENERAL FUND GRAPHICS

General Fund - Fund Balance, Fiscal Years 1998-2002	9
General Fund - Cash, Cash Equivalents, and Investments, Fiscal Years 1998-2002	9
General Fund - Revenues by Revenue Class and Other Sources, Fiscal Year 2002	10
General Fund - Expenditures by Function and Other Uses, Fiscal Year 2002	10
General Fund - Expenditures by Object, Fiscal Year 2002	11
General Fund - Revenues and Other Sources and Expenditures and Other Uses by Month, Fiscal Year 2002	11

<u>GENERAL FUND NOTES</u>	13
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<u>GLOSSARY</u>	19
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COMMONWEALTH of VIRGINIA

DAVID A. VON MOLL, CPA
COMPTROLLER

Office of the Comptroller

P. O. BOX 1971
RICHMOND, VIRGINIA 23218-1971

August 15, 2002

The Honorable Mark R. Warner
Governor
Commonwealth of Virginia
State Capitol
Richmond, Virginia 23219

Dear Governor Warner:

In compliance with the provisions of Section 2.2-813 of the *Code of Virginia*, I hereby submit my preliminary annual report on the financial condition of the General Fund of the Commonwealth for the fiscal year ended June 30, 2002.

The Commonwealth ended the 2000-02 biennium with a total fund balance in the General Fund of \$632.9 million measured on the budgetary (cash) basis of activity. This is a decrease of \$561.1 million, or 47 percent, from last year's ending fund balance of \$1.194 billion. During the biennium, the fund balance decreased \$1.222 billion, or 66 percent, due in part to the \$467.7 million appropriation drawdown from the Revenue Stabilization Fund. Planned (budgeted) decreases in fund balance for the biennium were \$1.421 billion. The first graph on page 9 shows a comparison of the General Fund balance for the last five years.

Revenue Stabilization Fund

The Revenue Stabilization Fund has principal and interest on deposit of \$472.4 million reserved as a part of General Fund equity. In fiscal year 2002, as required by Section 1-82, item 270 of Chapter 814, 2002 Acts of Assembly, a deposit of \$187.1 million was made into the Revenue Stabilization Fund and a transfer of \$467.7 million was made from the Revenue Stabilization Fund to the General Fund.

The Revenue Stabilization Fund is routinely segregated from the General Fund, but Virginia law directs that the Revenue Stabilization Fund be included as a component of the General Fund for financial reporting purposes. Therefore, it is included here both as a cash asset and as a reserved component of fund balance. The Revenue Stabilization Fund can be used only for constitutionally authorized purposes.

The amount on deposit cannot exceed ten percent of the Commonwealth's average annual tax revenues derived from taxes on income and retail sales for the three preceding fiscal years. The maximum amount allowed in fiscal year 2002 is \$934.5 million and the maximum amount allowed for fiscal year 2003 is estimated at \$963.0 million. A deposit based on fiscal year 2002 revenues is not required.

Amounts Available for Reappropriation

Section 4-1.06a.1 of Chapter 899, 2002 Acts of Assembly, requires reappropriation of 2002 fiscal year unexpended appropriations for Legislative and Judicial Departments, as well as Independent Agencies. Additionally, this Section of the Act gives the Governor authority to reappropriate unexpended Executive Department appropriations. Section 4-1.06a.2 gives the Governor authority to withhold reappropriations if funds are not available.

The Honorable Mark R. Warner
August 15, 2002
Page 2

Based on an analysis by the Department of Planning and Budget of unexpended appropriations at June 30, 2002, \$122.0 million will be considered for reappropriation in fiscal year 2003 for operations, \$117.7 million for capital outlay project needs, and \$2.5 million for natural disaster sum sufficient amounts. As of June 30, 2002, sufficient cash is not available to designate these entire amounts.

Virginia Water Quality Improvement Fund

Section 10.1-2128 of the *Code of Virginia* established the Virginia Water Quality Improvement Fund. The Fund was established to provide Water Quality Improvement Grants to various entities to assist in pollution prevention and reduction. The Fund shall consist of amounts appropriated by the General Assembly. Unless otherwise specified by the general appropriation act, these appropriations shall consist of ten percent of revenues collected in excess of the official estimate and ten percent of any unreserved fund balance not required for reappropriation. In prior years, we have designated the amounts that represent ten percent of the excess revenue collections and ten percent of the unreserved fund balance not required for reappropriation. No designations are required for the year ended June 30, 2002, for the Virginia Water Quality Improvement Fund.

Basis of Presentation

This preliminary annual report is comprised of budgetary (cash) basis financial statements that present the financial condition, results of operations, and changes in fund balance of the Commonwealth's General Fund. The notes to the financial statements are an important and integral part of the statements.

This preliminary annual report is presented on an unaudited basis. In preparing this report, we relied upon the internal accounting controls of the Commonwealth that are designed to provide management with reasonable, but not absolute, assurances that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and are properly recorded to permit the preparation of financial statements.

Final Report and Award

The final Annual Report of the Comptroller, due on December 15, 2002, will include certain accruals and other information required for conformance with generally accepted accounting principles. It will be audited and will include any material adjustments recommended by the Auditor of Public Accounts.

We are proud to report that the Comprehensive Annual Financial Report for the year ended June 30, 2001, was awarded the Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association of the United States and Canada (GFOA). This is the sixteenth consecutive year that Virginia's Annual Report has received this award. In addition, Virginia received a companion award from the GFOA for its fiscal year 2001 Popular Report, entitled *Virginia Financial Perspective*. This is the seventh consecutive year that Virginia's Popular Report has received this award.

Respectfully submitted,



David A. Von Moll

Enclosure

Commonwealth of Virginia
Preliminary Balance Sheet
General Fund - Budgetary (Cash) Basis (Unaudited)
June 30, 2002
(Dollars in Thousands)

Assets		
Cash, Cash Equivalents, and Investments	\$ 634,148	
Cash and Travel Advances	<u>1,167</u>	
Total Assets		<u><u>\$ 635,315</u></u>
Liabilities and Fund Equity		
Liabilities:		
Deposits Pending Distribution	<u>2,346</u>	
Total Liabilities		\$ 2,346
Fund Equity:		
Reserved Fund Balance:		
Revenue Stabilization Reserve Fund (Note 6)	472,376	
Payroll Reserve for July 1, 2002 Payroll	65,371	
Unexpended Lottery Proceeds (Note 7)	<u>25,218</u>	
Total Reserved Fund Balance		562,965
Unreserved Fund Balance:		
Designated (Note 9):		
Amount Required for Reappropriation of 2002 Unexpended Balances		
Capital Outlay	<u>70,004</u>	
Total Designated Fund Balance	70,004	
Undesignated Fund Balance	<u>-</u>	
Total Unreserved Fund Balance		<u>70,004</u>
Total Fund Equity		<u><u>632,969</u></u>
Total Liabilities and Fund Balance		<u><u>\$ 635,315</u></u>

The accompanying notes are an integral part of this statement.

Commonwealth of Virginia
Preliminary Statement of Revenues, Expenditures,
and Changes in Fund Balance
General Fund - Budgetary (Cash) Basis (Unaudited)
For the Fiscal Years Ended June 30, 1998 through June 30, 2002
(Dollars in Thousands)

	Year Ended				
	June 30, 2002	June 30, 2001	June 30, 2000	June 30, 1999	June 30, 1998
Revenues:					
Taxes:					
Individual and Fiduciary Income	\$ 6,710,772	\$ 7,226,309	\$ 6,828,906	\$ 6,087,851	\$ 5,405,440
Sales and Use (Note 3)	2,429,845	2,272,954	2,201,533	2,065,265	1,919,216
Corporation Income	290,215	363,757	565,909	420,421	450,780
Public Service Corporations	77,152	93,427	104,197	111,949	101,782
Premiums of Insurance Companies	292,702	268,060	251,074	244,910	236,971
Other Taxes	487,826	434,332	438,616	450,656	377,462
Total Taxes	10,288,512	10,658,839	10,390,235	9,381,052	8,491,651
Rights and Privileges	37,997	36,928	34,098	34,623	26,795
Sales of Property and Commodities	281	66	1,146	2,955	533
Assessments and Receipts for Support of Special Services	445	399	170	323	240
Institutional Revenue	9,194	7,888	9,142	8,353	10,636
Interest, Dividends, and Rents	138,121	171,177	150,545	139,824	115,470
Fines, Forfeitures, Court Fees, Penalties, and Escheats	152,801	134,162	127,280	128,945	119,141
Receipts from Cities, Counties, and Towns	9,060	8,805	9,368	10,097	10,784
Private Donations, Gifts and Contracts	-	-	5	2	-
Tobacco Master Settlement	59,846	51,276	66,938	-	-
Other	41,215	80,350	24,717	10,019	7,181
Total Revenues (Note 2)	10,737,472	11,149,890	10,813,644	9,716,193	8,782,431
Expenditures:					
General Government	1,345,368	1,069,409	809,485	591,531	381,435
Education	5,542,589	4,188,331	3,921,500	3,713,657	3,226,260
Transportation	16,002	29,703	232	47	24
Resources and Economic Development	251,856	241,704	226,280	213,466	168,587
Individual and Family Services	2,550,020	2,488,152	2,333,410	2,082,840	1,962,171
Administration of Justice	1,910,280	1,939,881	1,780,235	1,658,837	1,478,440
Capital Outlay	119,046	36,714	40,076	32,557	25,250
Total Expenditures	11,735,161	9,993,894	9,111,218	8,292,935	7,242,167
Revenues Over (Under) Expenditures	(997,689)	1,155,996	1,702,426	1,423,258	1,540,264
Other Financing Sources (Uses):					
Transfers:					
Operating Transfers Mandated by Appropriation Act (Note 4)	-	-	-	396,453	388,595
Operating Transfers In	820,466	525,101	452,636	5,003	3,968
Operating Transfers In From Component Units (Note 5)	-	2,660	1,940	37	2,161
Operating Transfers Out	(383,915)	(623,677)	(324,743)	(344,328)	(244,119)
Operating Transfers Out To Component Units (Note 5)	-	(1,721,304)	(1,576,558)	(1,325,031)	(1,183,787)
Total Other Financing Sources (Uses)	436,551	(1,817,220)	(1,446,725)	(1,267,866)	(1,033,182)
Revenues and Other Sources Over (Under) Expenditures and Other Uses	(561,138)	(661,224)	255,701	155,392	507,082
Fund Balance, July 1					
Reserved	993,154	745,488	616,589	473,722	292,316
Unreserved	200,953	1,109,843	983,041	970,516	644,840
Fund Balance, July 1	1,194,107	1,855,331	1,599,630	1,444,238	937,156
Fund Balance, June 30					
Reserved	562,965	993,154	745,488	616,589	473,722
Unreserved	70,004	200,953	1,109,843	983,041	970,516
Fund Balance, June 30	\$ 632,969	\$ 1,194,107	\$ 1,855,331	\$ 1,599,630	\$ 1,444,238

The accompanying notes are an integral part of this statement.

Commonwealth of Virginia
Preliminary Statement of Revenues, Expenditures,
and Changes in Fund Balance - Budget and Actual
General Fund - Budgetary (Cash) Basis (Unaudited)
For the Fiscal Year Ended June 30, 2002
(Dollars in Thousands)

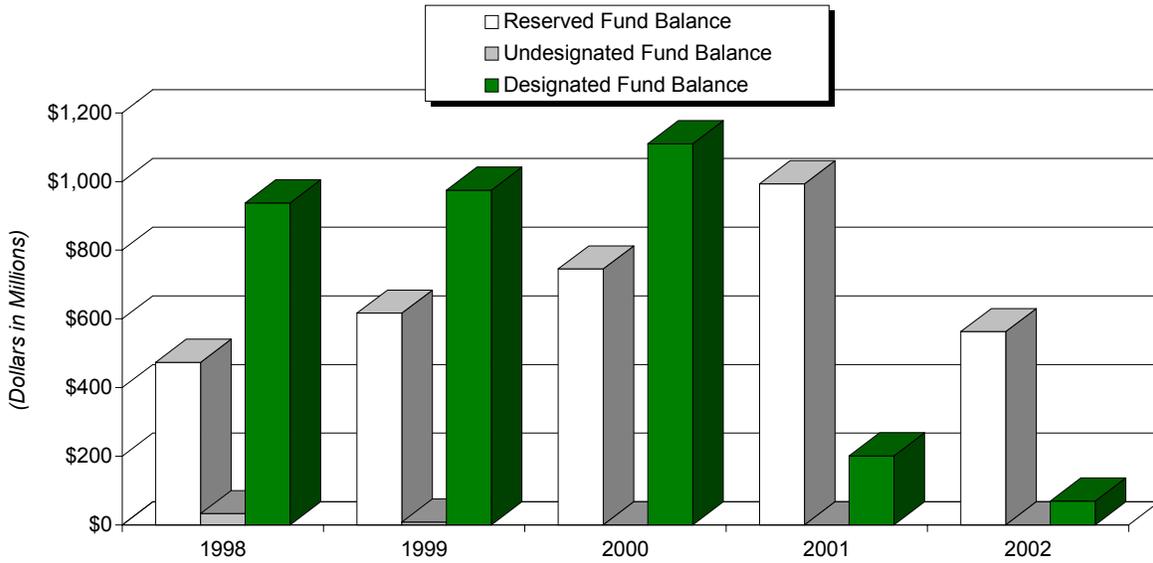
	<u>General Fund</u>			Final Budget/ Actual Variance Favorable (Unfavorable)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
Revenues:				
Taxes:				
Individual and Fiduciary Income	\$ 7,994,800	\$ 6,964,900	\$ 6,710,772	\$ (254,128)
Sales and Use (Note 3)	2,464,800	2,412,800	2,429,845	17,045
Corporation Income	473,600	295,600	290,215	(5,385)
Public Service Corporations	79,200	95,500	77,152	(18,348)
Premiums of Insurance Companies	273,600	288,000	292,702	4,702
Other Taxes	430,300	474,700	487,826	13,126
Rights and Privileges	36,200	33,400	37,997	4,597
Sales of Property and Commodities	100	1,600	281	(1,319)
Assessments and Receipts for Support of Special Services	300	300	445	145
Institutional Revenue	8,400	8,700	9,194	494
Interest, Dividends, and Rents	152,000	112,300	138,121	25,821
Fines, Forfeitures, Court Fees, Penalties, and Escheats	150,100	141,700	152,801	11,101
Receipts from Cities, Counties, and Towns	10,500	9,000	9,060	60
Tobacco Master Settlement	63,300	59,300	59,846	546
Other	15,879	39,721	41,215	1,494
Total Revenues (Note 2)	<u>12,153,079</u>	<u>10,937,521</u>	<u>10,737,472</u>	<u>(200,049)</u>
Expenditures:				
Current:				
General Government	1,501,154	1,407,686	1,345,368	62,318
Education	5,808,535	5,559,328	5,542,589	16,739
Transportation	134,417	16,002	16,002	-
Resources and Economic Development	295,586	270,169	251,856	18,313
Individual and Family Services	2,432,634	2,560,153	2,550,020	10,133
Administration of Justice	1,960,237	1,921,625	1,910,280	11,345
Capital Outlay	303,803	236,269	119,046	117,223
Total Expenditures	<u>12,436,366</u>	<u>11,971,232</u>	<u>11,735,161</u>	<u>236,071</u>
Revenues Over (Under) Expenditures	<u>(283,287)</u>	<u>(1,033,711)</u>	<u>(997,689)</u>	<u>36,022</u>
Other Financing Sources (Uses):				
Transfers:				
Operating Transfers In	376,340	781,201	820,466	39,265
Operating Transfers Out	(218,010)	(385,246)	(383,915)	1,331
Total Other Financing Sources (Uses)	<u>158,330</u>	<u>395,955</u>	<u>436,551</u>	<u>40,596</u>
Revenues and Other Sources Over (Under) Expenditures and Other Uses	(124,957)	(637,756)	(561,138)	76,618
Fund Balance, July 1	<u>1,194,107</u>	<u>1,194,107</u>	<u>1,194,107</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 1,069,150</u>	<u>\$ 556,351</u>	<u>\$ 632,969</u>	<u>\$ 76,618</u>

The accompanying notes are an integral part of this statement.

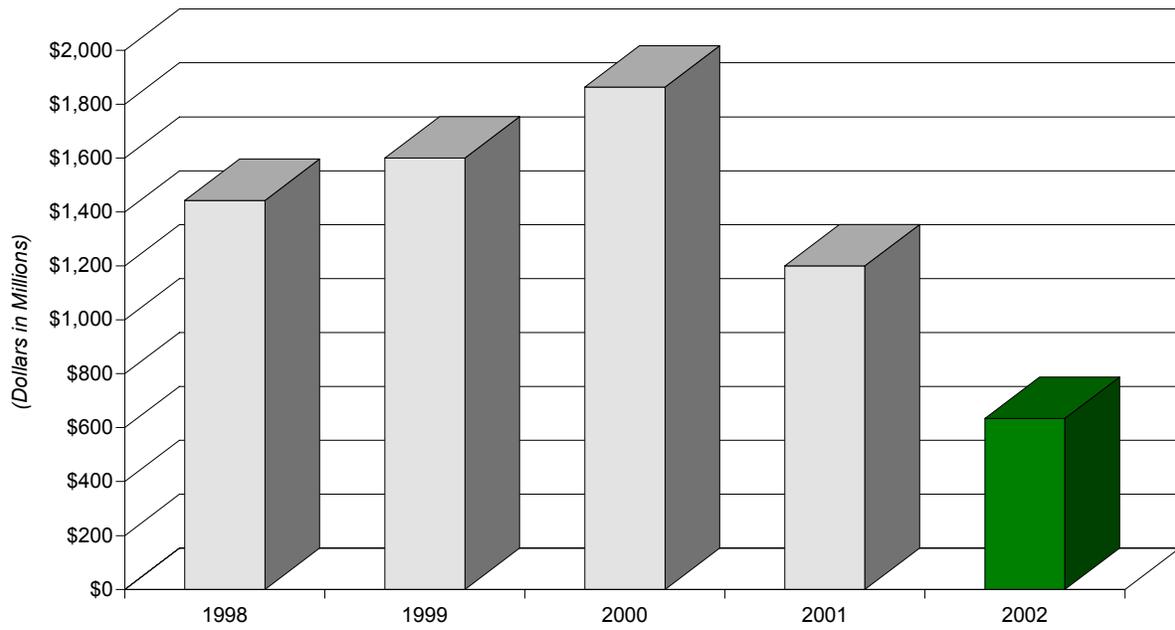
Commonwealth of Virginia
Preliminary Comparison of Sum-Sufficient Final Budget Appropriations
with Actual Expenditures
General Fund - Budgetary (Cash) Basis (Unaudited)
For the Fiscal Year Ended June 30, 2002
(Dollars in Thousands)

	<u>Final Budget Appropriations</u>	<u>Actual Expenditures</u>	<u>Amount Under Budget</u>
Enactment of Laws	\$ 29,057	\$ 25,646	\$ 3,411
Financial Assistance to Localities -- From Sale of Alcoholic Beverages and Other Distributions	55,043	55,043	-
Financial Assistance for Special State Revenue Sharing -- From Sales Tax and Lottery Proceeds	914,897	913,986	911
Cash Management Improvement Act Payment to the Federal Government	739	739	-
	<hr/>	<hr/>	<hr/>
Totals	<u>\$ 999,736</u>	<u>\$ 995,414</u>	<u>\$ 4,322</u>

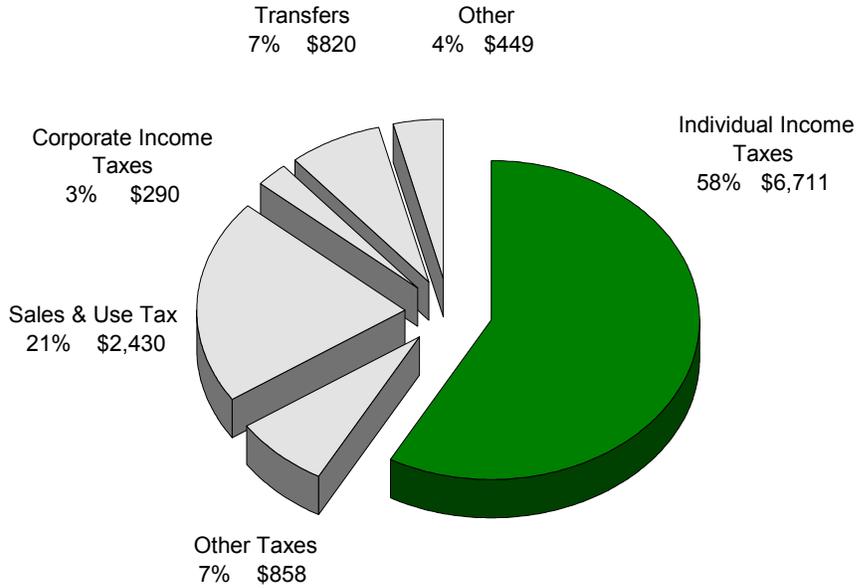
**General Fund
Fund Balance
Fiscal Years 1998-2002**



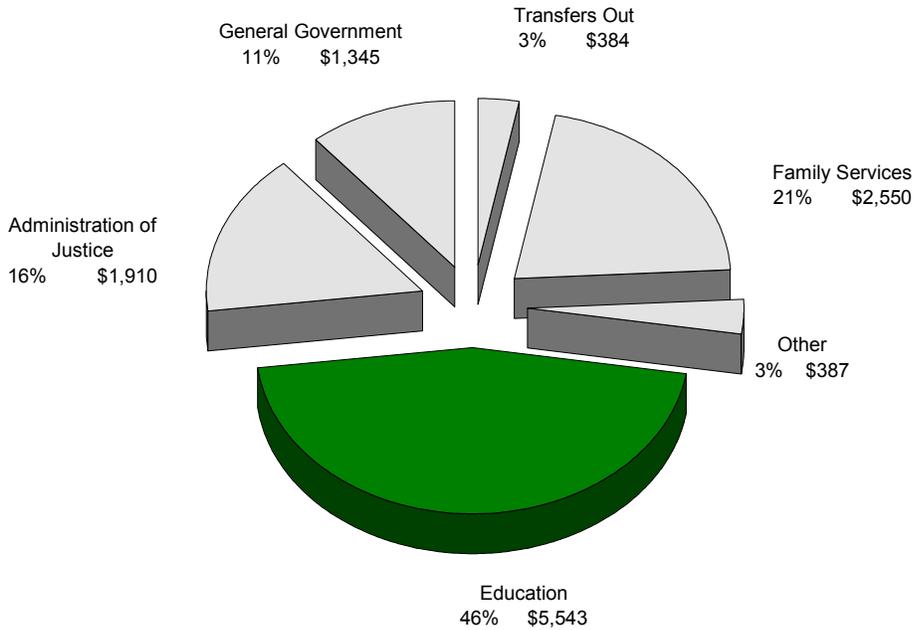
**General Fund
Cash, Cash Equivalents, and Investments
Fiscal Years 1998-2002**



**General Fund
Revenues by Revenue Class and Other Sources
Fiscal Year 2002
(Dollars in Millions)**

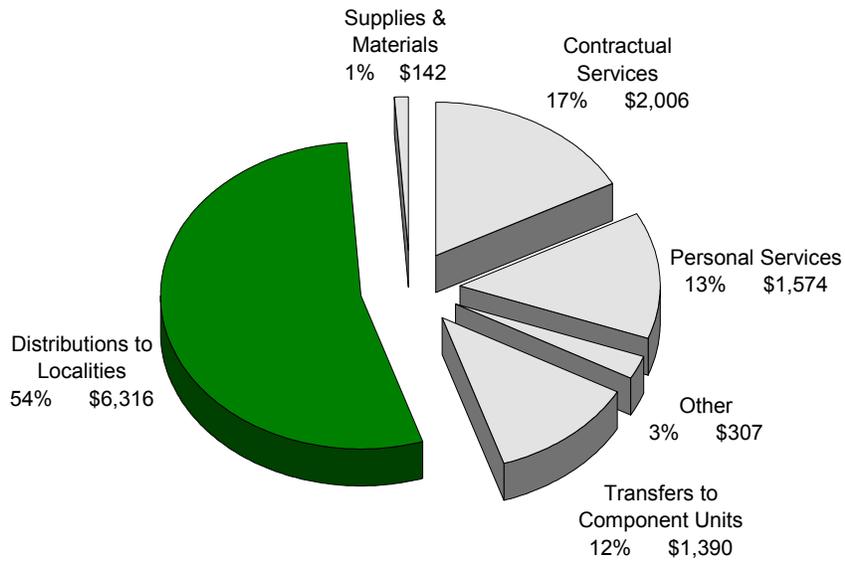


**General Fund
Expenditures by Function and Other Uses
Fiscal Year 2002
(Dollars in Millions)**

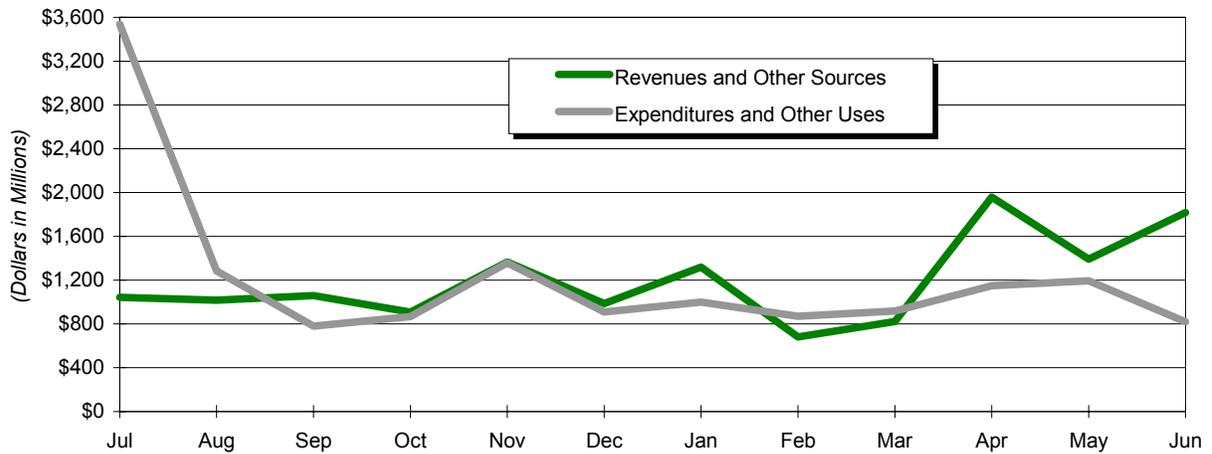


Note: General Government expenditures include \$826.2 million paid to localities pursuant to the Personal Property Tax Relief Act of 1998. This represents 61 percent of the General Government expenditures.

**General Fund
Expenditures by Object
Fiscal Year 2002
(Dollars in Millions)**



**General Fund
Revenues and Other Sources and
Expenditures and Other Uses by Month
Fiscal Year 2002**



Note: July expenditures include \$1.424 billion in payments to Higher Education.

COMMONWEALTH OF VIRGINIA

NOTES TO PRELIMINARY FINANCIAL STATEMENTS

JUNE 30, 2002

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The accompanying General Fund financial statements of the Commonwealth of Virginia have been prepared on a budgetary (cash) basis of accounting. Revenues and expenditures are recorded at the time cash is actually received or disbursed according to the provisions of the Appropriation Act; therefore, no accruals of revenues or expenditures have been included.

The General Fund includes transactions related to cash received and used for those services traditionally provided by a state government, which are not accounted for in other funds. It is a governmental fund and therefore its focus is on the measurement of financial position and related changes thereto, rather than on income determination. No other funds are presented in this report.

All funds will be presented using the appropriate bases of accounting as defined by generally accepted accounting principles in the Annual Report of the Comptroller, to be issued December 15, 2002.

B. Budget

Budgetary amounts shown in the financial statements represent Chapter 1073, Acts of Assembly (original) and Chapter 814, Acts of Assembly (final), both as adjusted for executive and other administrative actions. The Commonwealth's budget is prepared principally on a cash basis and represents appropriations as authorized by the General Assembly. The Governor, as required by the *Code of Virginia*, submits to the General Assembly a State budget composed of all proposed expenditures, estimated revenues and borrowings for a biennium.

The budget is prepared on a biennial basis; however, the budget of the General Fund contains separate appropriations for each year within the biennial budget, as approved by the General Assembly and signed into law by the Governor. For management control purposes, the budget is controlled at the program level. The Director of the Department of Planning and Budget may transfer an appropriation within a State agency or from one State agency to another, provided that total fund appropriations, as contained within the budget, are not exceeded. Increases in General Fund appropriations must be approved by the General Assembly.

2. ANALYSIS OF GENERAL FUND REVENUE

The Department of Accounts produces a monthly General Fund Statement of Revenue Collections, Estimates, and Transfers. The following analysis relates components of the Preliminary General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual with the monthly revenue report for June 30, 2002.

<i>(Dollars in Thousands)</i>	Preliminary Financial Statements	Monthly Statement of Revenue	Variance
Total Final Budgeted Revenue	\$ 10,937,521	\$ 10,916,000	\$ 21,521 (a)
(a) Appropriation Act transfers included in budgeted revenue on the Preliminary Financial Statements		21,482	
Other transfers included in budgeted revenue on the Preliminary Financial Statements		39	
		<u>\$ 10,937,521</u>	
Total Actual Revenue	\$ 10,737,472	\$ 10,678,954	\$ 58,518 (b)
(b) Reversal of prior year reclass of Non-sufficient Fund Checks not reflected on the Revenue Report		\$ 615	
Interest on the Revenue Stabilization Fund not reported in the Revenue Report		37,392	
Appropriation Act transfers recorded as revenue on the Preliminary Financial Statements		21,417	
Other transfers recorded as revenue on the Preliminary Financial Statements		208	
Personal Property Tax Relief Act - Refund of Prior Year Disbursements not included in the Revenue Report		241	
Non-sufficient Fund Checks reclassified as a reduction in revenue for financial reporting purposes		(1,355)	
		<u>\$ 10,737,472</u>	
Revenue Shortfall	<u>\$ 200,049</u>	<u>\$ 237,046</u>	

3. ACCELERATED SALES TAX COLLECTIONS

Pursuant to section 3-5.01 of Chapter 814, 2002 Acts of Assembly, the Commonwealth collected \$149.4 million in accelerated sales and use taxes in June 2002. This portion of the \$2.4 billion sales and use tax collections recorded as fiscal year 2002 revenues was accelerated from revenues that would otherwise have been collected in July 2002 and recorded as fiscal year 2003 revenues in these cash basis financial statements. Section 3-5.01 of Chapter 899, 2002 Acts of Assembly retains this acceleration through fiscal year 2005, with a gradual phase-out during fiscal years 2006-2012. Subsequent to June 30, 2002, \$21.3 million will be transferred to the Transportation Trust Fund.

4. APPROPRIATION ACT TRANSFERS

Prior to fiscal year ended June 30, 2000, Appropriation Act transfers were reported on a separate line item. For fiscal year ended June 30, 2002, Appropriation Act transfers are \$727.4 million. The following analysis shows where Appropriation Act transfers are reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance.

<u>(Dollars in Thousands)</u>	<u>Appropriation Act Transfers</u>
Revenue - Other	\$ 21,417
Transfers In	745,525 (c)
Expenditures - Education	(799)
Transfers Out	<u>(33,733)</u>
Total Appropriation Act Transfers	<u>\$ 732,410 (d)</u>

(c) Includes ABC Profit transfers of approximately \$39.9 million.

(d) Excludes the \$5 million repayment of the deficit loan made during the year as required by Item 3-1.01X of Chapter 814, 2002 Acts of Assembly.

5. OPERATING TRANSFERS IN FROM/OUT TO COMPONENT UNITS

Prior to fiscal year ended June 30, 2002, operating transfers in from and out to component units were reported on a separate line item. Pursuant to the Governmental Accounting Standards Board, Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, which is effective for fiscal year 2002, these line items have been eliminated. Accordingly, these amounts have been reclassified as revenues or expenditures in the accompanying Statement of Revenues, Expenditures, and Changes in Fund Balance.

6. REVENUE STABILIZATION FUND

In accordance with Article X, Section 8 of the *Constitution of Virginia*, the amount estimated as required for deposit to the Revenue Stabilization Fund must be appropriated for that purpose by the General Assembly. During fiscal year 2002, a deposit of \$187.1 million and a withdrawal of \$467.7 million were made. A deposit is not required based on FY 2002 revenue collections; however, this is pending certification by the Auditor of Public Accounts.

The Revenue Stabilization Fund has principal and interest on deposit of \$472.4 million reserved as a part of General Fund equity. The amount on deposit cannot exceed ten percent of the Commonwealth’s average annual tax revenues derived from taxes on income and retail sales for the preceding three fiscal years. The maximum amount allowed is \$934.5 million and \$963.0 million for FY 2002 and FY 2003, respectively. The FY 2003 maximum is pending certification by the Auditor of Public Accounts.

7. UNEXPENDED LOTTERY PROCEEDS

In accordance with Article X, Section 7-A of the *Constitution of Virginia*, lottery proceeds must be distributed to the Commonwealth’s localities and the school divisions to be expended for the purposes of public education. The lottery proceeds for FY 2002 totaled \$367.2 million and the FY 2001 unexpended proceeds totaled \$19.3 million. During FY 2002, the Commonwealth appropriated and expended \$361.3 million. The remaining cumulative lottery proceeds of \$25.2 million are reserved for the year ended June 30, 2002.

8. VIRGINIA WATER QUALITY IMPROVEMENT FUND

Section 10.1-2128 of the *Code of Virginia* established the Virginia Water Quality Improvement Fund. The Fund was established to provide Water Quality Improvement Grants to various entities to assist in pollution prevention and reduction. The Fund shall consist of amounts appropriated by the General Assembly. Unless otherwise specified by the general appropriation act, these appropriations shall consist of ten percent of revenues collected in excess of the official estimate and ten percent of any unreserved fund balance not required for reappropriation. There were no revenues in excess of the official estimate and all amounts are required for reappropriation; therefore, no designations are required for the year ended June 30, 2002, for the Virginia Water Quality Improvement Fund.

9. DESIGNATED FUND BALANCE

The amounts designated on the Balance Sheet represent tentative plans for the future utilization of current financial resources. For FY 2002, the Department of Planning and Budget determined total designations are \$242.2 million. This amount consists of \$239.7 million required for the reappropriation of 2002 unexpended balances and \$2.5 million for natural disaster sum sufficient amounts. The Balance Sheet reflects \$70.0 million designated for capital outlay unexpended balances. Sufficient cash is not available to designate the remaining \$172.2 million of unexpended balances.

BALANCE SHEET

1. **Cash, Cash Equivalents, and Investments** - All cash, cash equivalents, and investments are maintained by the Treasurer of Virginia. Cash includes demand deposits, time deposits, and certificates of deposit. Cash equivalents are investments with an original maturity of three months or less. Short-term investments held are stated at cost, which approximates market value.
2. **Cash and Travel Advances** - Funds advanced to agencies to make immediate cash payments for authorized purposes. Also included are funds advanced to agency employees to cover expenses incurred while traveling on State business.
3. **Deposits Pending Distribution** - This represents miscellaneous amounts held by several agencies in suspense accounts pending distribution.
4. **Reserved Fund Balance** - Items are reserved to indicate that a particular portion of fund balance is not available to fund operations at the end of the fiscal year.
5. **Designated Fund Balance** - Designations are established to reflect tentative plans for future utilization of current financial resources. Generally accepted accounting principles require limiting such designations in the event that their accumulation and presentation would cause a negative unreserved, undesignated fund balance to occur. The designated portion of fund balance represents unexpended appropriations at the close of the fiscal year which will be considered for reappropriation by the Department of Planning and Budget in the next fiscal year.
6. **Undesignated Fund Balance** - The amount of fund balance remaining from operations of the current and prior years, net of amounts established as reserved and designated. As of June 30, 2002, there is no unreserved undesignated fund balance remaining.

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

Revenues:

7. **Taxes** - Charges of money imposed by the Commonwealth on persons or property for public purposes.
8. **Rights and Privileges** - Registration fees, licenses, and permits. Examples include domestic and foreign corporate registration fees and marriage licenses.
9. **Sales of Property and Commodities** - Revenue collected from sales of Commonwealth assets and goods. Examples include sales of State publications.
10. **Assessments and Receipts for Support of Special Services** - Revenues collected for services provided by the Commonwealth's agencies. An example is audit services provided to cities, counties, and towns.
11. **Institutional Revenue** - Revenue generated primarily from sales by the Departments of Corrections and Mental Health, Mental Retardation and Substance Abuse Services. Examples include the sale of farm and dairy products.
12. **Interest, Dividends, and Rent** - Interest earnings and rental income. Examples include interest on Commonwealth bank accounts and investments and interest on delinquent taxes. Interest allocated to various other funds is not included here.
13. **Fines, Forfeitures, Court Fees, Penalties, and Escheats** - Fines, penalties, etc., primarily collected by the Department of Taxation and the court system. Examples include court processing fees and penalties for nonpayment of taxes.

14. **Receipts from Cities, Counties, and Towns** - Revenue collected from city and county treasurers representing miscellaneous fees and allowances of local law enforcement officials.
15. **Private Donations, Gifts, and Contracts** - This amount represents donations and grants from individuals and private companies to State programs, such as donations to the Frontier Culture Museum.
16. **Tobacco Master Settlement** - This amount represents the revenue generated from the Tobacco Master Settlement Agreement with tobacco companies.
17. **Other Revenue** - All other revenue collections that are not included in the above categories. Examples include refunds of expenditures and miscellaneous disbursements made in prior years, excess fees paid into the State Treasury, and recovery of Statewide indirect costs.

Expenditures:

18. **General Government** - Expenditures to support the general activities of the state, regional, and local levels of government. Examples include administrative and support services, general financial assistance to localities, information systems management and direction. Also included is tax relief reported as expenditures pursuant to the Personal Property Tax Relief Act (PPTRA) of 1998. The tax relief level was 12.5 percent, 27.5 percent, 47.5 percent, and 70.0 percent for tax years 1998 to 2001, respectively, and remained at 70 percent for 2002. The expenditures associated with this relief were \$181.3 million, \$322.1 million, \$604.1 million, and \$826.2 million for fiscal years 1999 to 2002, respectively.
19. **Education** - Expenditures to assist individuals in developing knowledge, skills, and cultural awareness. Examples include elementary and secondary education, instruction, supervision and assistance and higher education.
20. **Transportation** - Expenditures related to the movement of people, goods, and services and their regulation. Examples include ground, water and air transportation.
21. **Resources and Economic Development** - Expenditures to develop the economic base, including alternative natural resources and to regulate it with regard to varied public interests of the Commonwealth. Examples include resource management, economic development, promotion and improvement, as well as the regulation of professions and occupations.
22. **Individual and Family Services** - Expenditures to support the economic, social and physical well being of the individual and family. Included are disease research, prevention, and control, state health services and community health services.
23. **Administration of Justice** - Expenditures related to civil and criminal justice, including apprehension, trial, punishment, and rehabilitation of law violators. Examples include crime deterrence, suppression and control, adjudication, confinement and community custody.
24. **Capital Outlay** - Construction and preparation of Commonwealth assets.

Other Financing Sources (Uses):

25. **Operating Transfers In** - This balance reflects transfers in from other nongeneral funds.
26. **Operating Transfers Out** - The balance represents transfers from the General Fund to other nongeneral funds.

If you have any questions or comments regarding information contained in this report, please contact us at

✉ Finrept@doa.state.va.us

For additional copies of this report, contact:

Department of Accounts

Financial Reporting Unit

☎ (804) 225-3102.

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