

August 20, 2007

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**Actual General Fund Revenues  
for Fiscal Year 2007 and the  
Interim Economic Outlook and  
Revenue Forecast for Fiscal Years  
2008 through 2010**

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



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# **Overview...**

## Fiscal Year 2007 Year-in-Review

- Economic Performance
- Actual General Fund Collections
- Financial Results

## Updated Outlook for Fiscal Years 2008 through 2010

- May 2007 Economic Outlook
- August 2007 Interim Revenue Forecast

## Next Steps

## ***The U.S. Economic Expansion Weakened Over the Course of FY07, Primarily Due to the Slowdown in Housing...***

- Growth in the national economy was in line with last fall's forecast, with solid growth in employment and income.

### **Summary of Key U.S. Economic Indicators** Percent Change Over the Prior Fiscal Year

	<u>FY07 Forecast</u>	<u>FY07 Actual</u>
Real GDP	2.6	2.1
Employment	1.2	1.6
Personal Income	6.4	6.4
Wages & Salaries	6.2	6.1

- Employment gains averaged 167,000 per month. During the economic expansion of the late 1990's, monthly employment gains averaged about 250,000.
- Recent data illustrate the weakness in the national economy.
  - Real GDP increased only 2.0 percent during the first half of 2007, below the economy's potential of about 3.0 percent.
  - Weakening housing market
  - Higher interest rates
  - High energy prices
  - Stock market volatility

## ***In Virginia, the Economic Expansion Moderated More Than Expected Over the Course of FY07...***

- Employment and income are tracking below the Official forecast for the year.
  - Employment growth was 1.3 percent, behind the Official forecast of 1.7 percent growth.
  - FY07 had an increase of 53,000 jobs, about 11,000 less than forecast.
  - Both personal income and its largest component, wages and salaries, are over a full percentage point below forecast.

### **Summary of Key Virginia Economic Indicators** Percent Change Over the Prior Fiscal Year

	FY07 <u>Forecast</u>	FY07 <u>Actual</u>
Employment	1.7	1.3
Personal Income	6.6	5.3*
Wages & Salaries	6.5	5.2*

\*Estimate based on the May 2007 GABE economic forecast.

- The slowdown in housing and higher energy prices have had a significant impact on economic growth during the second half of the fiscal year.

***In Virginia, the Economic Expansion Moderated More Than Expected Over the Course of FY07 (continued)...***

**Comparison of U.S. and Virginia  
FY07 Employment Growth and Unemployment Rate**

<b>FY07</b>	<b>Employment Growth</b>	<b>Unemployment Rate</b>
U.S.	1.6%	4.5%
Virginia	1.3	3.0
Northern Virginia	1.8	2.2
Hampton Roads	0.9	3.3
Richmond	2.1	3.1

- Current data reveal that Virginia employment growth was below that of the nation in FY07.
  - This represents the first time in 11 years that employment growth in Virginia was below the nation.
- Annual growth in the three major metro areas of the state, representing 72 percent of total employment in Virginia, equaled the national rate of 1.6 percent.
- Virginia continued the historical norm of outperforming the nation in terms of unemployment in FY07.

# ***FY07 Revenues Finished \$234.4 Million (1.5%) Below Forecast...***

## **Summary of FY07 Revenue Collections** (millions of dollars)

<u>Major Source</u>	<u>Forecast</u>	<u>Actual</u>	<u>Variance</u>		<u>Annual Growth</u>
			<u>Dollars</u>	<u>Percent</u>	
Withholding	\$ 8,517.5	\$ 8,576.8	\$ 59.3	0.7 %	6.4 %
Nonwithholding	2,788.4	2,840.1	51.7	1.9	12.2
Refunds	1,337.1	1,559.8	222.7	16.7	21.6
Net individual	9,968.8	9,857.0	(111.8)	(1.1)	5.9
Sales*	3,092.9	3,049.1	(43.8)	(1.4)	8.4
Corporate	901.4	889.9	(11.5)	(1.3)	2.1
Wills (Recordation)	554.4	582.9	28.5	5.1	(16.1)
Insurance	384.6	384.9	0.3	0.1	3.0
All Other Revenue	898.1	801.9	(96.2)	(10.7)	3.7
<b>Total Revenues*</b>	<b>\$ 15,800.2</b>	<b>\$ 15,565.8</b>	<b>\$ (234.4)</b>	<b>(1.5) %</b>	<b>4.9 %</b>
ABC Profits	27.3	27.6	0.3	0.9	(8.3)
Lottery Profits	406.3	434.9	28.6	7.0	(4.2)
Transfers	360.8	357.8	(3.0)	(0.8)	(6.2)
<b>Total General Fund</b>	<b>\$ 16,594.6</b>	<b>\$ 16,386.1</b>	<b>\$ (208.5)</b>	<b>(1.3) %</b>	<b>4.4 %</b>
<b>Ind, Sales, Corp</b>	<b>\$ 13,963.1</b>	<b>\$ 13,796.1</b>	<b>\$ (167.0)</b>	<b>(1.2) %</b>	<b>6.2 %</b>

- The major driver of the FY07 revenue shortfall was unexpected growth in individual refunds.
  - Withholding and sales tax collections finished a combined 0.1 percent above forecast.
  - Individual nonwithholding, corporate income tax, and wills finished 1.6 percent ahead of the annual forecast for the three sources.

\* Not adjusted for the Accelerated Sales Tax (AST) program. Adjusted sales tax growth was 2.7 percent compared to a forecast of 4.2 percent. Adjusted total revenue growth was 3.8 percent compared to a forecast of 5.4 percent.

***The FY07 Forecast Variance was In Line  
With the Average Historical Forecast  
Variance...***

**Annual Revenue Surplus/Shortage  
Forecast Error on the Revenue Estimate  
(millions of dollars)**

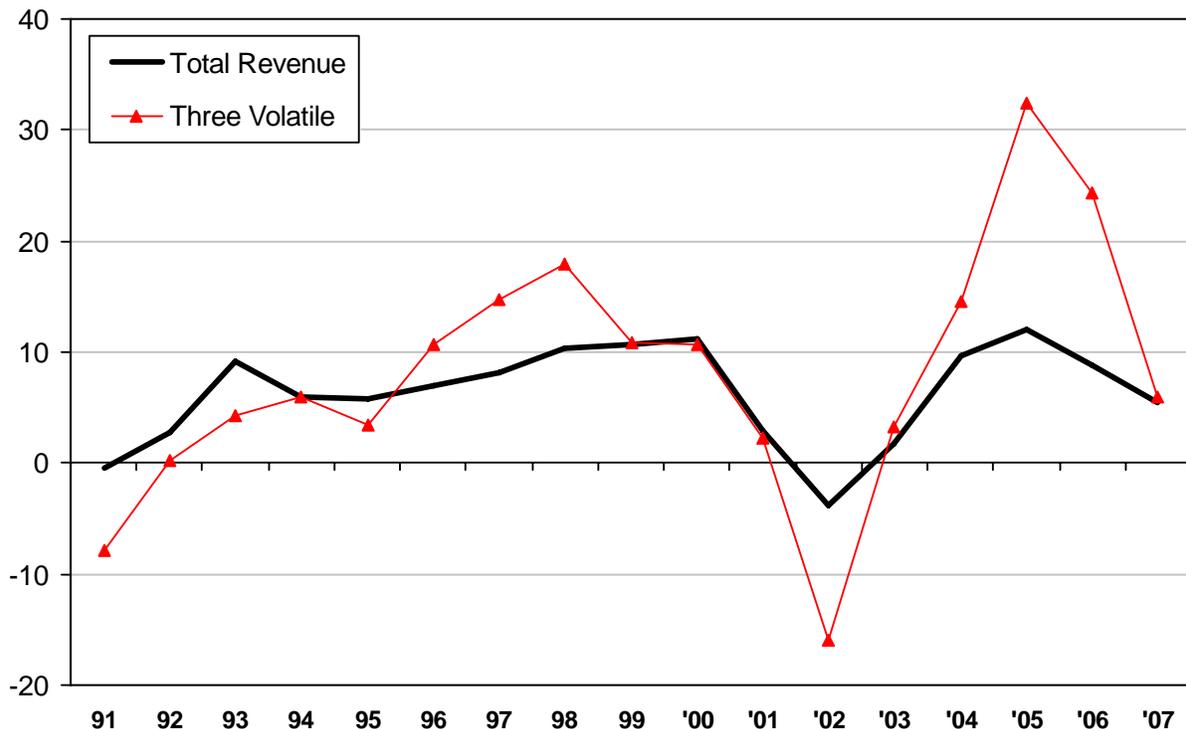
<u>Fiscal Year</u>	<u>Nominal Dollars (\$)</u>	<u>Percent (%)</u>	<u>Real Dollars (\$)</u>
1988	115.3	2.3	159.5
1989	27.4	0.5	36.3
1990	(149.4)	(2.6)	(190.1)
1991	51.5	0.9	62.7
1992	44.2	0.8	52.2
1993	112.1	1.9	129.0
1994	25.5	0.4	28.8
1995	51.6	0.8	56.9
1996	53.4	0.7	57.7
1997	198.3	2.6	209.9
1998	173.5	2.0	181.6
1999	155.3	1.6	160.7
2000	5.8	0.1	5.9
2001	(76.0)	(0.7)	(75.1)
2002	(237.0)	(2.2)	(230.8)
2003	60.5	0.6	57.8
2004	323.8	2.8	303.0
2005	544.6	4.1	496.0
2006	147.0	1.0	129.8
2007	(234.4)	(1.5)	(202.4)

- The 20-year average forecast variance is  $\pm 1.6$  percent.

## ***Total General Fund Revenues Have Become Increasingly Volatile...***

- The increased significance of individual nonwithholding, corporate income, and recordation tax have introduced additional variability into collections.
  - Taken together, the three most volatile revenue sources represented 28 percent of total revenues in FY07 compared with the historical average of 21 percent.

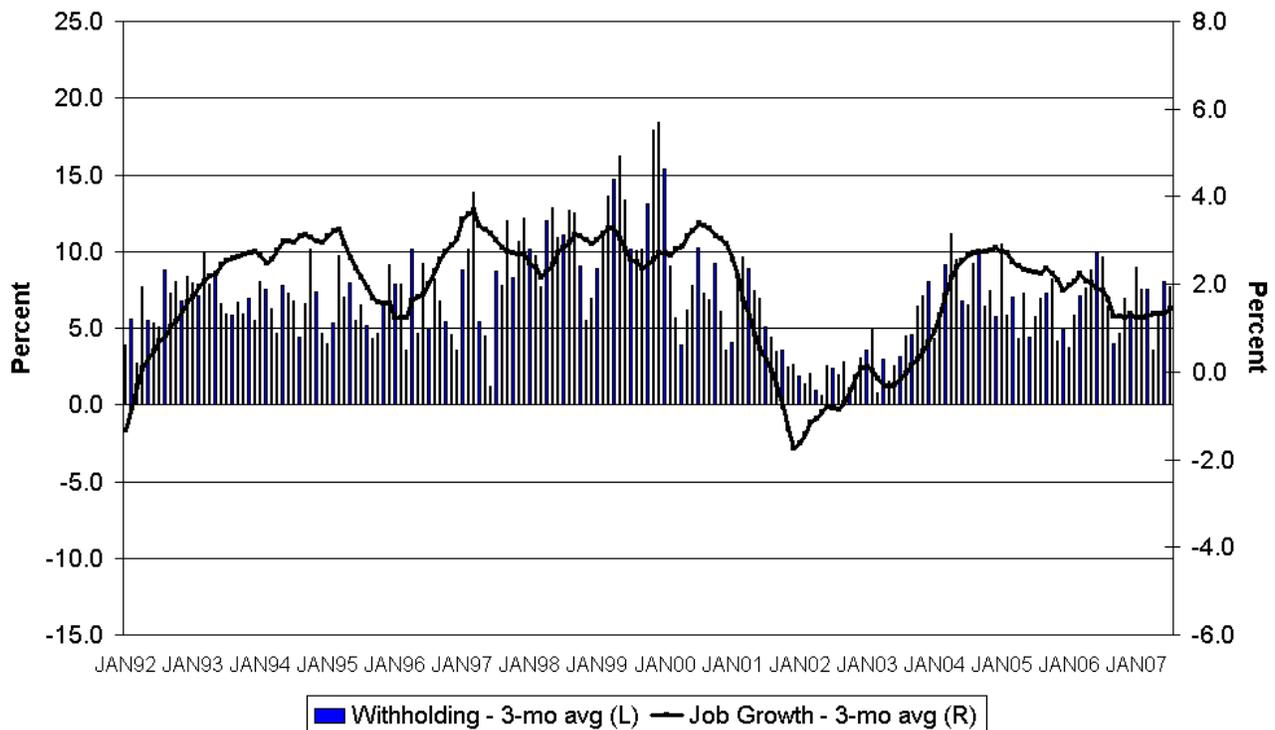
**Volatility in Total Revenues, FY91-07**  
Percent Growth Over the Prior Year



# ***Payroll Withholding Collections Were \$59.3 Million (0.7%) Better Than the Official Estimate...***

- Withholding receipts increased by 6.4 percent in FY07.
  - Annual growth was a slight deceleration from the 7.1 percent pace averaged over the last three years.
  - The Commonwealth continues to create high-paying professional and business services jobs, especially in the Northern Virginia region.

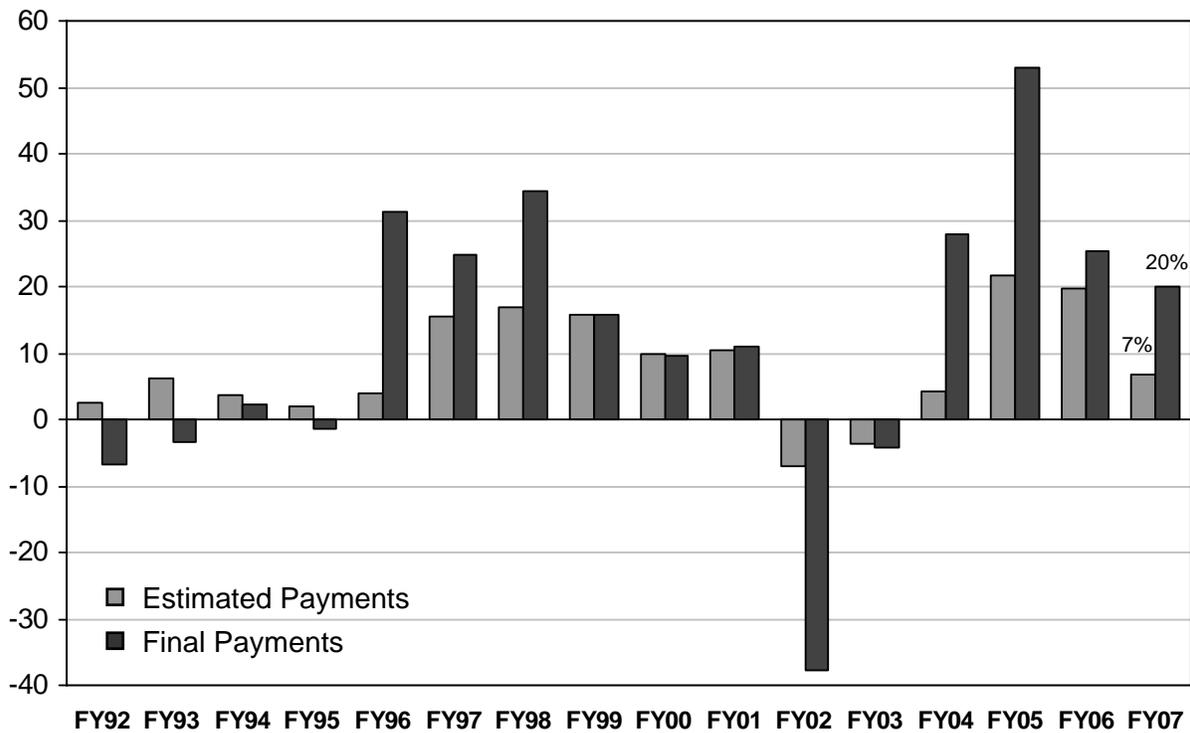
## **Economic Expansion – Withholding and Employment Three-month Moving Average of Year-over-Year Growth**



- In recent months, growth in withholding collections has outperformed employment growth.
  - Tight labor market conditions are supporting growth in wages and salaries.

# ***Nonwithholding Payments Exceeded the Forecast Due to Another Year of Exceptional Growth in Final Payments...***

**Growth in Estimated and Final Payments, FY92-07**  
Percent Growth Over the Prior Year



- Total nonwithholding payments increased 12.2 percent in FY07, the fourth consecutive year of double-digit growth.
  - Average annual growth over the last four years is 19.6 percent, the strongest on record.
- The \$51.7 million surplus was evenly split between the estimated and final payment components of nonwithholding.

# ***Large Individual Payments Reflect Capital Gains and Substantial Non-wage Income...***

## **Large Individual Payments**

	<b><u>Number of Payments</u></b>	<b><u>Total \$ Amt of Payments*</u></b>
<b>FY00</b>	832	\$266.2
<b>FY01</b>	885	\$270.9
<b>FY02</b>	639	\$168.8
<b>FY03</b>	617	\$177.5
<b>FY04</b>	864	\$242.3
<b>FY05</b>	1,320	\$394.8
<b>FY06</b>	1,749	\$523.1
<b>FY07</b>	1,929	\$638.5

\* Millions of Dollars

- Of the 1,481 taxpayers making a large payment this year, only 365 made a large payment last year, and only 205 made a large payment in each of the last 3 years.

## **Large Individual Payments April - May**

	<b><u>Number of Payments</u></b>	<b><u>Total \$ Amt of Payments*</u></b>
<b>FY00</b>	299	\$84.0
<b>FY01</b>	174	\$53.1
<b>FY02</b>	205	\$51.1
<b>FY03</b>	195	\$56.4
<b>FY04</b>	343	\$93.6
<b>FY05</b>	596	\$163.1
<b>FY06</b>	876	\$274.3
<b>FY07</b>	930	\$330.8

\* Millions of Dollars

- Of the 928 taxpayers making a large payment in April or May this year, only 156 made a large payment last year, and only 65 made a large payment in each of the last 3 years.

## ***Individual Income Tax Refunds Exceeded the Official Estimate by \$222.7 Million...***

- Individual refunds increased 21.6 percent from FY06 compared with the forecast of 4.2 percent growth.
- The extraordinary growth in refunds during the 2007 filing season was primarily driven by growth in refunds greater than \$1,000.

### **Individual Income Tax Refunds** A Comparison of the 2006 and 2007 Filing Season (millions of dollars)

Range	Jan-Jun 2006		Jan-Jun 2007		Change	
	Returns	Dollars	Returns	Dollars	Returns	Dollars
< \$500	1,616,341	\$272.4	1,577,067	\$279.0	(39,274)	\$6.6
\$500 - \$1,000	397,556	282.8	451,509	319.3	53,953	36.4
\$1,000 - \$2,500	242,772	350.9	280,844	411.5	38,072	60.6
\$2,500 - \$5,000	25,613	82.9	35,104	114.2	9,491	31.3
> \$5,000	4,688	61.5	7,949	97.3	3,261	35.8
Total	2,286,970	\$1,050.5	2,352,473	\$1,221.3	65,503	\$170.8

- Large refund growth is a combination of overpayment of estimated income taxes throughout the year and increased tax credits claimed on final returns.

## ***Individual Income Tax Refunds Exceeded the Official Estimate by \$222.7 Million (continued)...***

- Components of the \$222.7 million excess in refunds:

Land Preservation Credit:	\$75 million (7%)
Expansion of the Low Income Credit:	\$33 million (3%)
Base Forecast:	\$115 million (12%)

- Other states that experienced a boom in housing activity have also experienced strong growth in individual refunds.
  - California: 8%
  - Maryland: 8%
  - New York: 22%
  - Oregon: 20%
  - Virginia: 12%

## ***Individual Income Tax Refund Growth Was Close to Recessionary Rates...***

- Individual income tax refund growth has not been this strong outside of an economic recession.
  - The strong growth in FY99 was attributable to an increase in electronic filing.

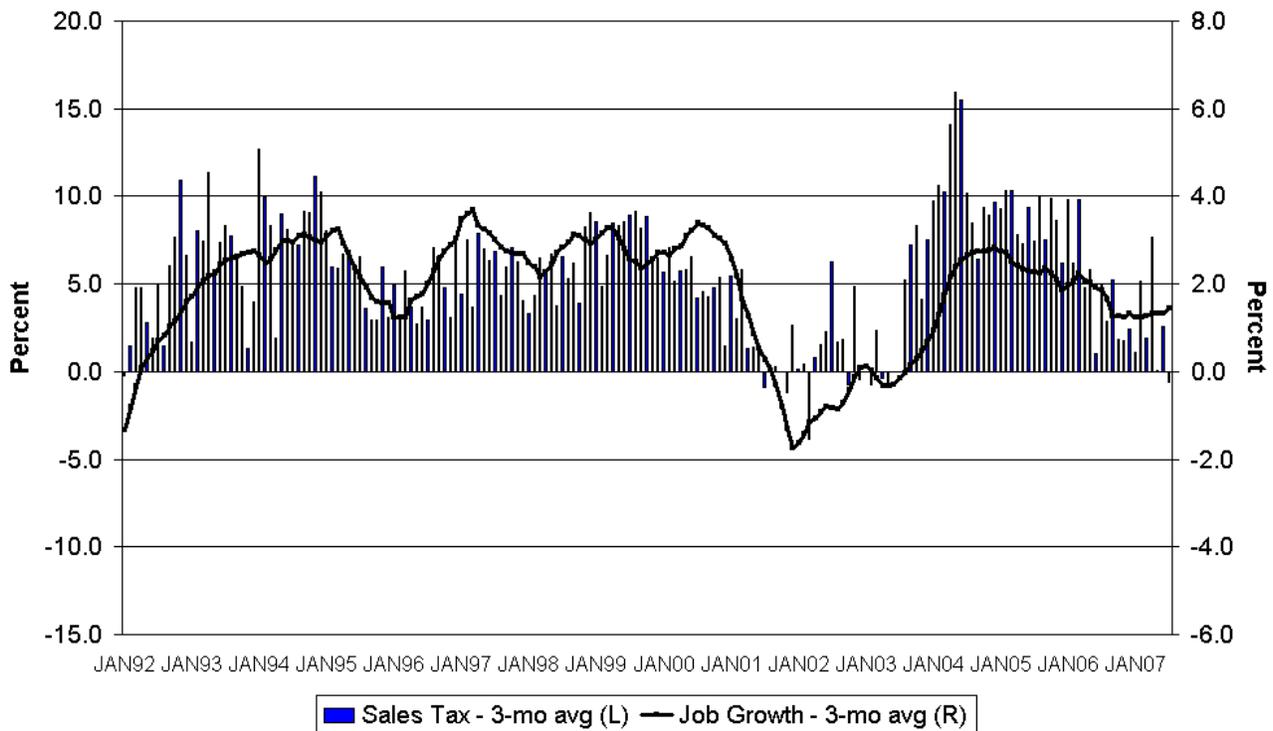
### **Individual Income Tax Refunds** (millions of dollars)

<u>Fiscal Year</u>	<u>Total Refunds</u>	<u>% change</u>
1987	517.6	
1988	440.2	-14.9%
1989	449.5	2.1%
1990	559.9	24.6%
1991	498.6	-11.0%
1992	506.2	1.5%
1993	514.3	1.6%
1994	526.1	2.3%
1995	553.8	5.3%
1996	579.1	4.6%
1997	617.1	6.6%
1998	638.2	3.4%
1999	711.9	11.5%
2000	702.0	-1.4%
2001	835.4	19.0%
2002	1,171.1	40.2%
2003	1,194.4	2.0%
2004	1,217.2	1.9%
2005	1,234.3	1.4%
2006	1,282.6	3.9%
2007	1,556.6	21.4%

# ***Sales Tax Collections Were \$43.8 Million (1.4%) Below the Official Estimate...***

- Adjusted for the end of the Accelerated Sales Tax program in FY06, economic-based sales tax collections increased 2.7 percent for the year, below the adjusted annual estimate of 4.2 percent growth.

## **Economic Slowdown – Sales and Employment** Three-month Moving Average of Year-over-Year Growth

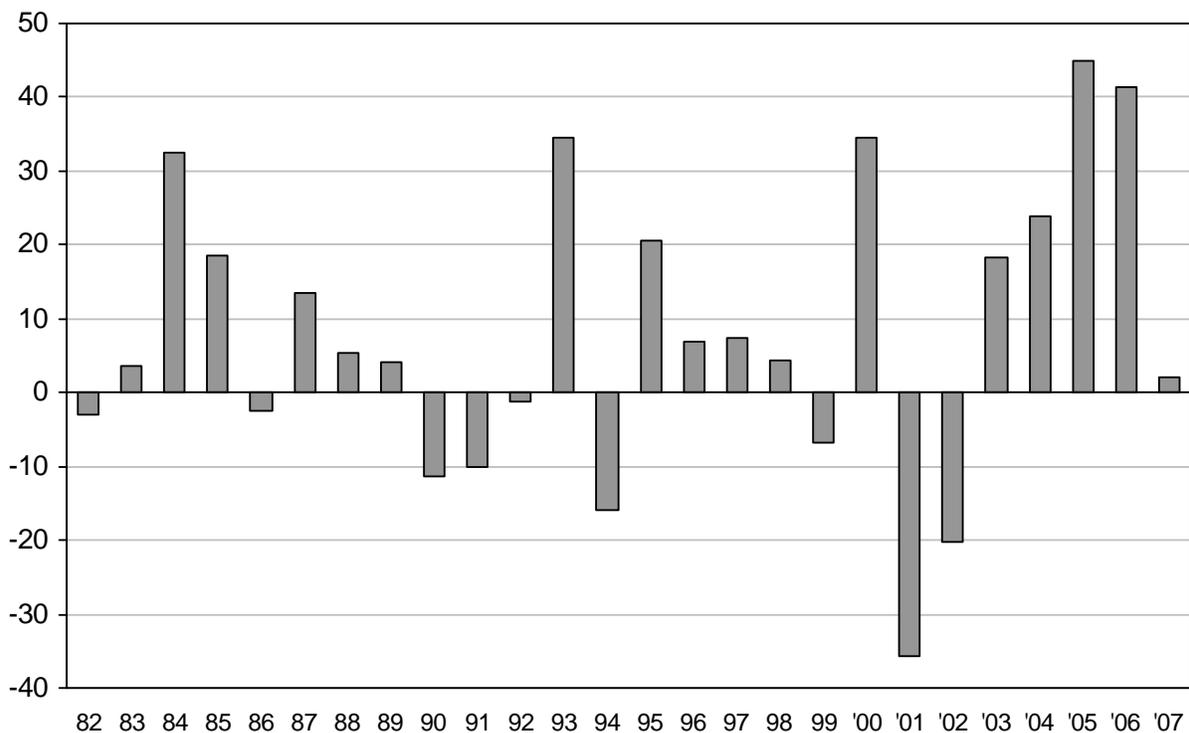


- Over the last three months, representing taxable sales for April through June, sales tax collections have declined 0.6 percent compared to the prior year.
  - During this same period, housing-related taxable sales declined about four percent.

## ***Corporate Income Tax Receipts Were Slightly Weaker Than Expected in FY07, Finishing \$11.5 Million Below Forecast...***

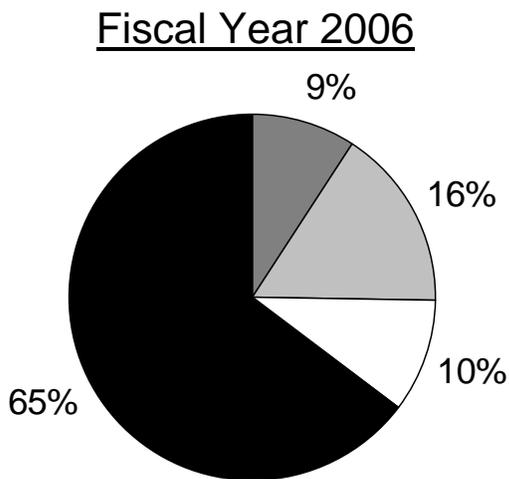
- Corporate income tax collections increased 2.1 percent in FY07, down substantially from the 32 percent annual increase averaged over the last four fiscal years.
  - The shortfall in net receipts was attributable to stronger-than-projected refund activity.
  - The Official forecast for FY08 incorporated a significant increase in refunds due to the slowdown in housing. It appears that this occurred earlier than anticipated, driving refunds 25.9 percent above FY06 levels.

**Growth in Net Corporate Income Tax Receipts, FY82-07**  
Percent Growth Over the Prior Year

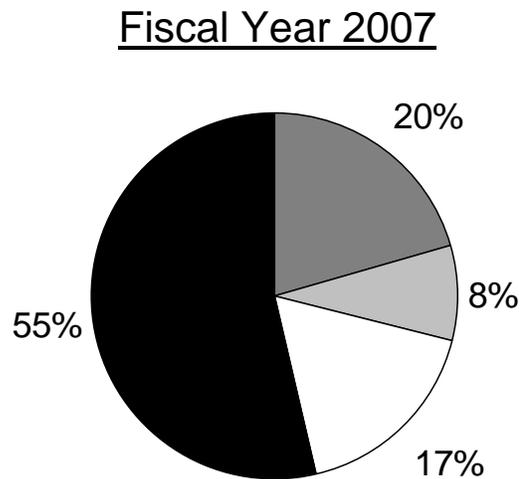
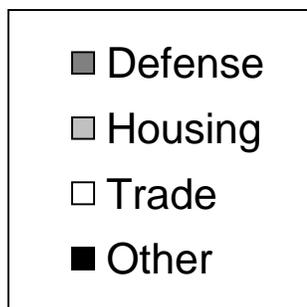


# ***The Share of Corporate Income Tax Receipts Attributable to Housing Declined Significantly Between FY06 and FY07...***

## **Corporate Income Tax Receipts From Large Companies Final and Estimated Payments in April-June By Industry Percent Share of Total**



\$232 million



\$191 million

- The top 200 corporate payers represent about 53% of total gross payments.
- Housing is defined as mortgage companies, home builders, and real estate-related companies.

## ***Recordation Tax Receipts Declined 16.2 Percent in FY07, Slightly Better Than the Forecast of a 20.2 Percent Decline...***

- Collections were \$28.5 million ahead of the Official forecast.
- From FY01 through FY06, recordation tax receipts increased with the boom in the housing market, growing an average of 20.6 percent per year.
- The downturn in the housing market resulted in declines in volume and a significant deceleration in price growth, increasing the drag on collections in FY07.

### **Home Sales and Average Sales Price FY07 Percent Change over FY06**

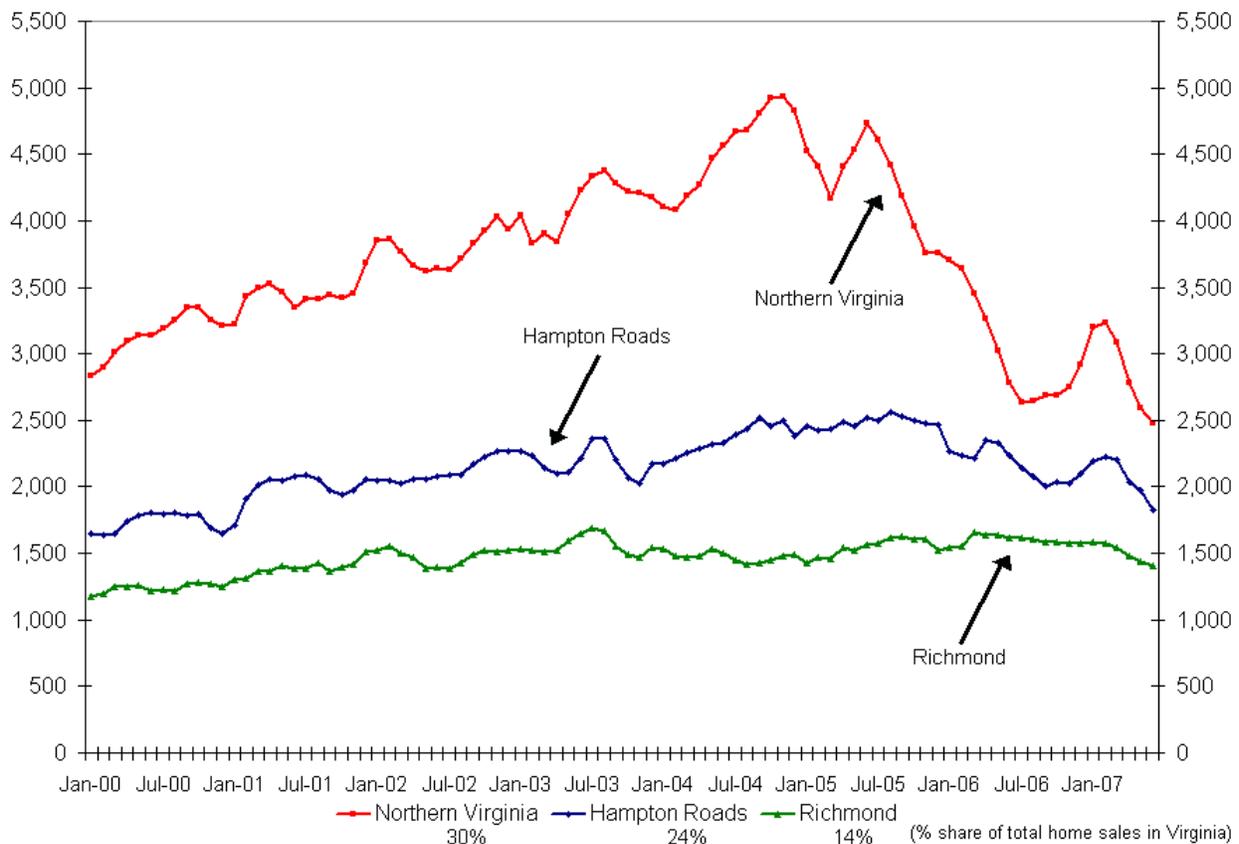
	<u>Home Sales</u>	<u>Average Sales Price</u>
<b>State Total</b>	<b>-16.9%</b>	<b>1.5%</b>
Northern Virginia	-25.2%	-2.0%
Hampton Roads	-11.9%	4.9%
Richmond	-4.5%	7.2%

Source: Virginia Association of Realtors

- From FY04 through FY06, the average sales price in Virginia increased an average of 15 percent per year.

# ***Pending Home Sales, a Leading Indicator of Future Closings, Illustrate the Weakness in Housing...***

**Pending Home Sales**  
Northern Virginia, Hampton Roads, and Richmond  
(Seasonally-adjusted Three-month Moving Average)



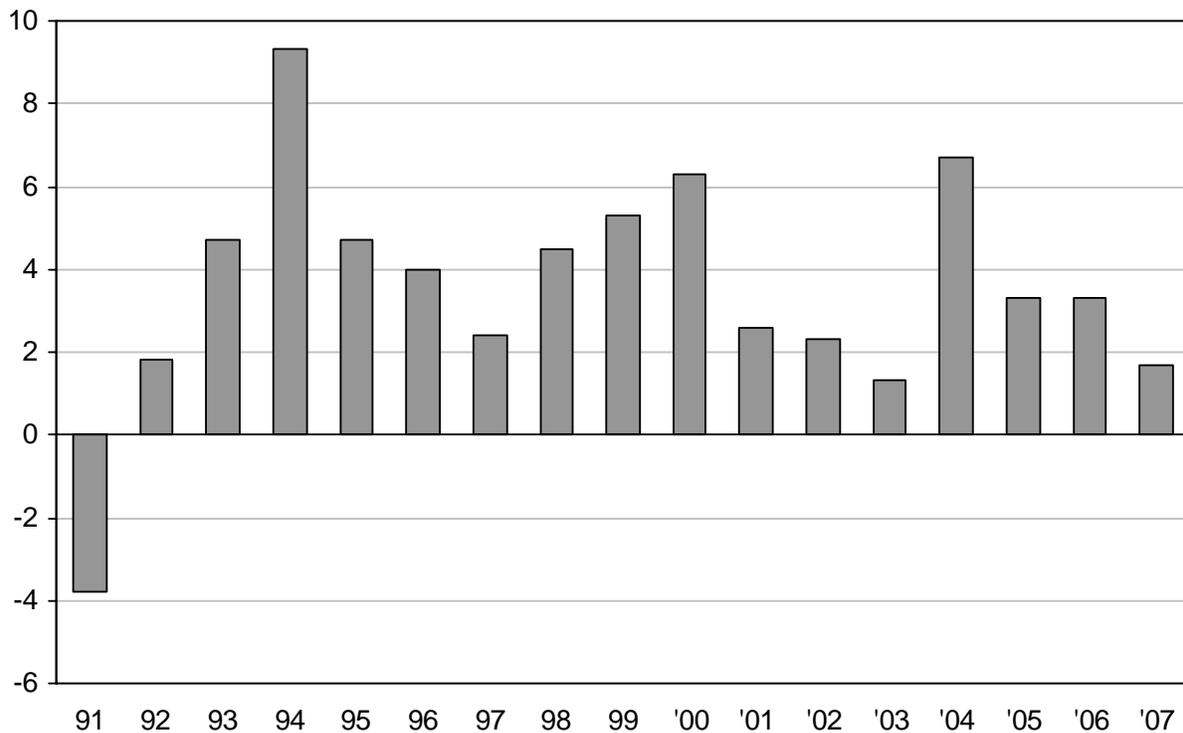
- The decline in pending home sales has tracked the slowing in recordation tax collections.
  - Data analysis suggests a 2-month lag between a signed contract and the subsequent closing and recording of the deed.

## ***Interest Revenues Deposited to the General Fund Were \$57.5 Million Below Forecast for FY07...***

- The forecast anticipated that the general fund would contribute 51 percent to total interest earnings for the year, with nongeneral funds contributing 49 percent.
- The actual split ended up being 37 percent general fund to 63 percent nongeneral fund.
- Treasury has formed the Interest Revenue Review Committee (IRRC) to address weaknesses in the forecasting methodology.
  - Major objectives include improving data access, tracking capabilities, and communication of significant issues
  - Members include representatives from Treasury, DPB, DOA, and TAX.
  - Quarterly meetings will be held to review earnings for the general and nongeneral funds.

# ***Commonwealth Transportation Fund Revenues Were \$12.6 Million (0.5%) Ahead of the Official Estimate...***

**Growth in Commonwealth Transportation Fund Revenues**  
Percent Growth Over the Prior Year -- FY91-07



- Motor fuels tax collections declined 1.3 percent for the year.
- Collections of motor vehicle sales and use taxes were flat with FY06 levels, ahead of the forecast of a 1.7 percent decline.
- Motor vehicle registrations finished within \$1.0 million of forecast.

***All of the General Fund Balance Is  
Currently Reserved or Designated for  
Use...***

**General Fund Balance  
Budgetary (Cash) Basis  
Fiscal Year 2007  
(Millions of Dollars)**

**Liabilities:**

Deposits Pending Distribution	\$ 3.3	
<b>Total Liabilities</b>		<b>\$ 3.3</b>

**Reserved Amounts:**

Revenue Stabilization Fund	\$1,189.8	
Revenue Stabilization -- 2006 Reserve	119.1	
Payroll Reserve -- July 1, 2007	87.2	
Unexpended Lottery Proceeds	<u>28.6</u>	
<b>Total Reserved Balance</b>		<b>\$1,424.8</b>

**Unreserved (Designated) Amounts:**

Mandatory Reappropriations	\$ 535.2	
Capital Outlay Reappropriations	854.7	
Natural Disaster Sum Sufficient	29.2	
Amount Required by Chapter 847	<u>111.3</u>	
<b>Total Designated Balance</b>		<b>1,530.3</b>

<b>Total Undesignated Balance</b>	<b>0.0</b>
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<b>Total Unreserved Fund Balance</b>	<b><u>\$1,530.3</u></b>
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<b>Total Liabilities and General Fund Balance</b>	<b>\$2,958.4</b>
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## ***Section 2.2-1503.3 of the Code of Virginia Establishes Criteria for Conducting a Reestimate of General Fund Revenues...***

- The Code requires a reestimate of general fund revenues if the sum of collections of net individual income, sales, and corporate income tax are 1.0 percent or more below the Official forecast for the three sources based on preliminary actual collections for the year.
  - The combined shortfall exceeded the \$139.6 million threshold.
- The August 2007 interim revenue forecast is based on the updated economic outlook for Virginia as approved by the Governor's Advisory Board of Economists (GABE).
  - GABE was presented with the May 2007 standard economic outlook for Virginia, which is based on the May 2007 Global Insight standard forecast for the U.S. A majority of the Board supported slight upward revisions to employment and income growth.
- The interim forecast also incorporates input from attendees of the Virginia Housing Market Outlook meeting and has been reviewed by the Governor's Advisory Council on Revenue Estimates (GACRE).

***Over the Next Three Years, the Official Forecast for Total General Fund Revenues Has Been Revised Down by 2.4%...***

**August Interim Revenue Forecast – Difference from Official  
(millions of dollars)**

<b>August Forecast</b>	<b>FY08</b>	<b>FY09</b>	<b>FY10</b>
Withholding	34.7	31.2	68.9
Nonwithholding	125.7	139.7	155.9
Refunds	-282.0	-302.7	-256.0
Sales	-119.1	-133.3	-137.1
Corporate	-68.7	-99.0	-102.1
Wills	-24.4	-89.0	-75.7
Insurance	-15.0	-11.0	-11.2
<u>All Other</u>	<u>-57.8</u>	<u>-18.4</u>	<u>-9.4</u>
<b>Total GF Revenue</b>	<b>-406.7</b>	<b>-482.4</b>	<b>-366.7</b>
% of Official Forecast	2.5%	2.8%	2.0%

- The bulk of the downward revision in the August interim forecast is attributable to an unexpected surge in individual refunds in fiscal year 2007.

## ***Recent Tax Policy Actions Have Significantly Reduced Revenues...***

### **Significant Tax Policy Changes Affecting General Fund Revenues** (millions of dollars)

<b>August Forecast</b>	FY08	FY09	FY10
Increase Filing Threshold/Personal Exemption	-13.5	-27.1	-26.9
Sales Tax Holiday -- Hurricane/Energy Efficient	-1.6	-1.7	-1.8
Estate Tax Repeal	-35.0	-140.0	-140.0
1/3 Insurance Premiums to Transportation	0.0	-132.0	-138.8
\$0.03 Recordation Tax to Transportation	0.0	-53.0	-57.8
<b>Total</b>	<b>-50.1</b>	<b>-353.8</b>	<b>-365.2</b>

- For the FY08-10 biennium, the repeal of the estate tax and transfers to transportation will reduce general fund revenues available for appropriation by over \$300 million per year.

<i>Annual % Change</i>	<u>FY08</u>	<u>FY09</u>	<u>FY10</u>
Revenue Base	3.0%	3.7%	6.5%
Economic Base	3.1%	5.7%	6.5%

- Economic base growth rates adjust for the repeal of the estate tax effective July 1, 2007 and the transfer of one-third of prior year insurance company premiums and \$0.03 of recordation tax to transportation beginning in FY09.

## ***Withholding Has Been Revised Marginally From the Official Forecast...***

- The withholding revenue model is based on a relationship with wages and salaries in Virginia.

	Wage & Salary Growth	Withholding Growth
FY07 estimate	5.2%	6.4%
FY08 forecast	5.5%	6.0%
FY09 forecast	5.7%	6.0%
FY10 forecast	6.2%	6.2%

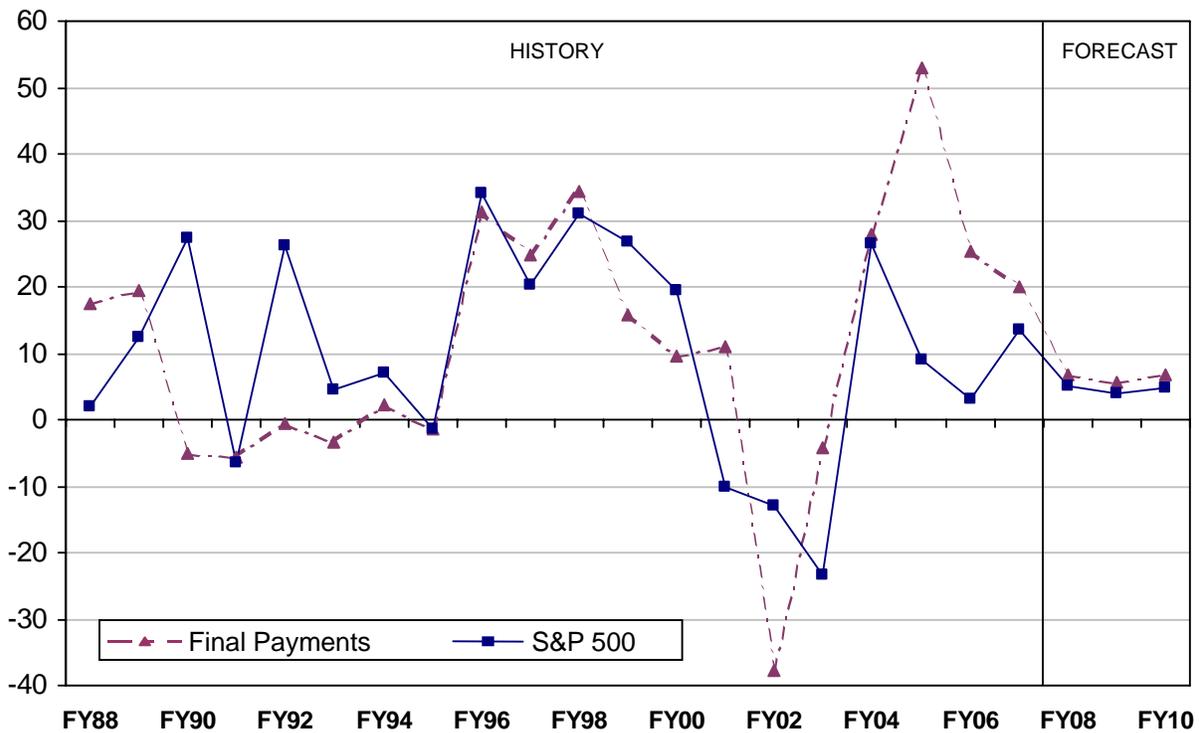
- Growth in wages and salaries is projected to be weaker in the May GABE forecast over the next two fiscal years as compared with the Official economic forecast.
  - However, a small revenue surplus for withholding in FY07 more than offsets the downward revision to income growth.

FY08 +\$34.7 million, FY09 +\$31.2 million, FY10 +\$68.9 million

# Individual Nonwithholding Has Been Revised Up From the Official Forecast...

- The revenue model for nonwithholding considers the two payment types independently.
  - Estimated payments are modeled as a function of non-wage income and the S&P 500 index.
  - Final payments are driven solely by growth in the S&P 500 index. The forecast for the current year is anchored to June year-to-date growth (5.0 percent) in the index.

**Final Payments and the S&P 500, FY88-10**  
Percent Growth Over Prior Year



- Slightly stronger growth in financial markets and non-wage income over the forecast horizon result in upward revisions over the next three years.

FY08 +\$125.7 million, FY09 +\$139.7 million, FY10 +\$155.9 million

## ***The Forecast for Individual Refunds Has Been Revised Up Substantially Over the Forecast Horizon...***

- The previous refund methodology compared the historical relationship of calendar year payroll withholding to the following year individual refunds to determine a proxy for future refund activity.
- The revised refund methodology now includes individual nonwithholding for a calendar year as compared to refunds for the following year.
  - In a perfect world, one would not assume that taxpayers would overestimate income tax payments.
    - Current data indicate that there is a lag in adjusting payments to slowing income prospects.
- Both methods estimate an amount of refunds to be issued in each half of the following calendar year based on historical patterns.

## ***The Forecast for Individual Refunds Has Been Revised Up Substantially Over the Forecast Horizon (continued)...***

- Anecdotal evidence suggests that the downturn in housing has significantly reduced self-employment income.
- A significant portion of the forecast revision is attributable to increases in the Land Preservation credit.

### **Land Preservation Credit** (millions of dollars)

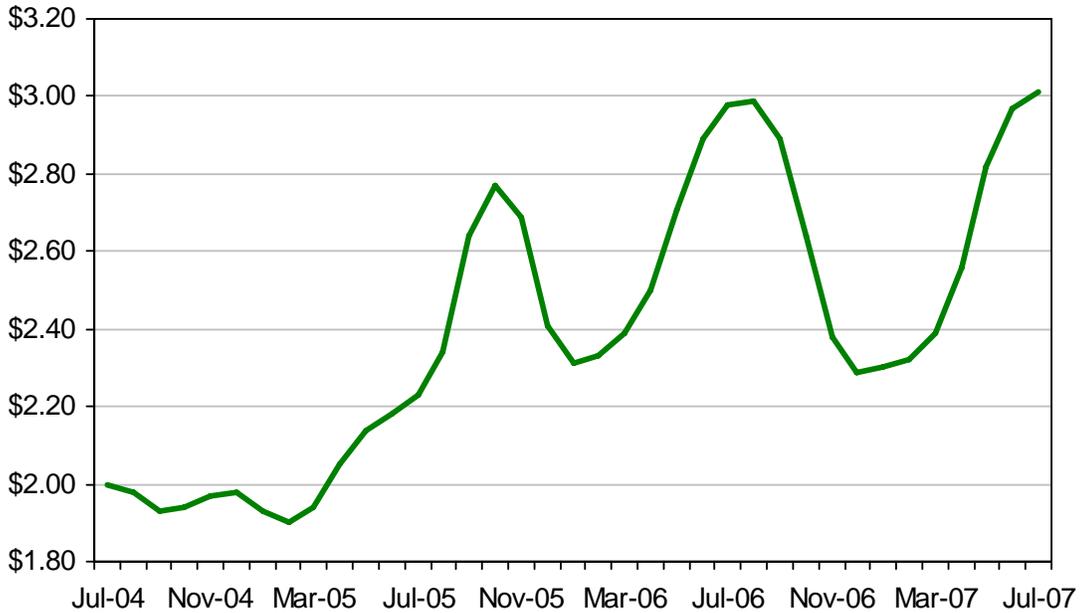
	<u>Official</u>	<u>June</u>
FY07	75	150
FY08	100	200
FY09	100	225
FY10	100	170

- Following growth of 21.6 percent in FY07, individual refunds are expected to increase 10.5 percent in FY08.

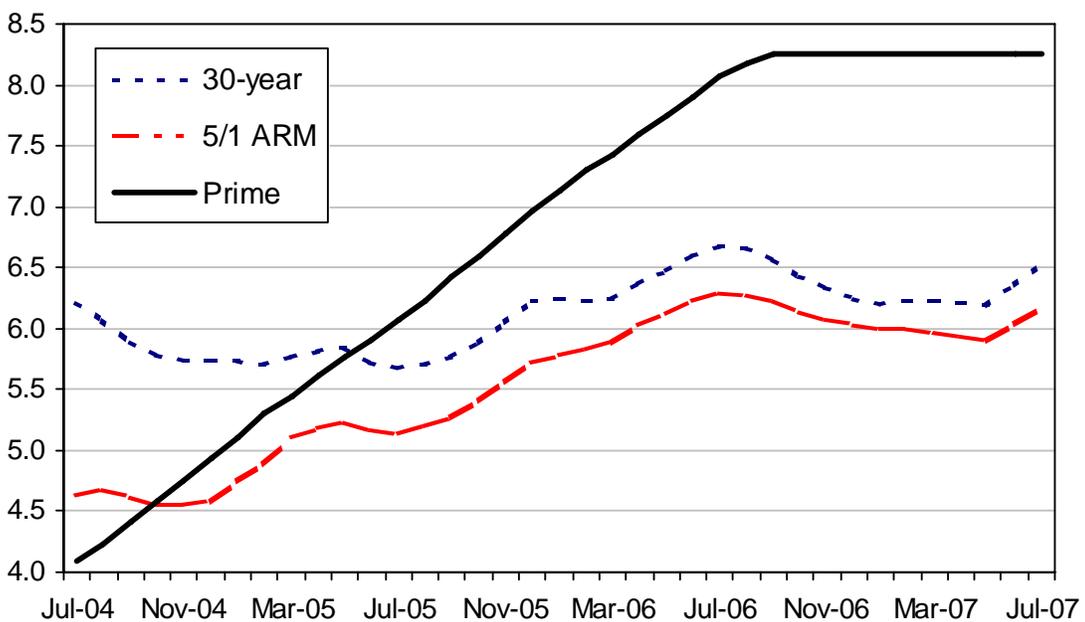
FY08 +\$282.0 million, FY09 +\$302.7 million, FY10 +\$256.0 million

# Higher Sustained Energy Prices and Interest Rates Will Adversely Affect Sales Tax Receipts...

**Mid-Atlantic Gasoline Prices – Retail Average per Gallon**  
Three-month Moving Average



**Interest Rates – 30-year Fixed, 5/1 ARM, and Prime**  
Three-month Moving Average



## ***The Outlook for Sales Tax Collections Has Been Revised Down Over the Forecast Horizon...***

- The sales revenue model is based on a relationship with personal income in Virginia.

	Personal Income Growth	Sales Tax Growth *
FY07 estimate	5.3%	2.7%
FY08 forecast	5.6%	2.8%
FY09 forecast	6.0%	5.3%
FY10 forecast	6.2%	5.5%

\* FY07 adjusted for the end of the Accelerated Sales Tax Program in FY06.

- Growth in personal income has been revised down over the next three fiscal years in the May GABE forecast. Taken together with a small revenue shortfall for sales in FY07, the sales tax forecast has been revised down.
- Over the last three months, representing taxable sales for April through June, sales tax collections have declined 0.6 percent compared to the prior year.

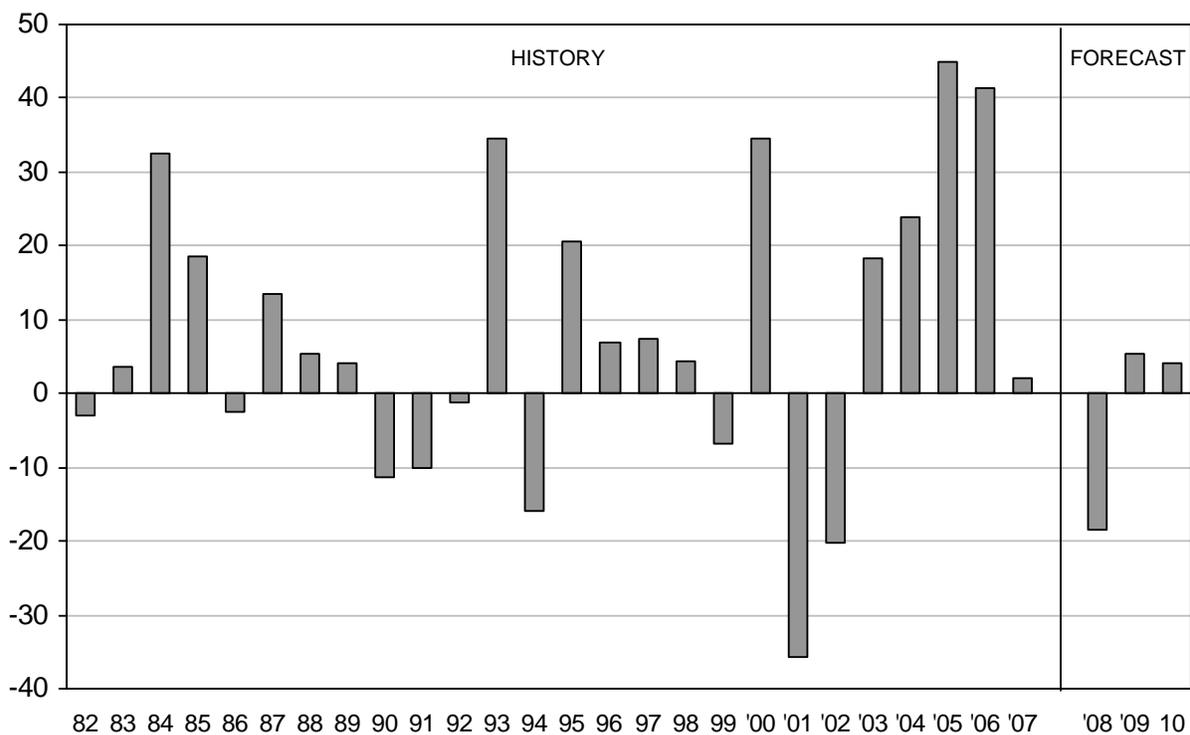
FY08 -\$119.1 million, FY09 -\$133.3 million, FY10 -\$137.1 million

- Other states have also experienced a significant slowdown in sales tax collections.

# ***The Outlook for Corporate Income Tax Collections Has Been Revised Down Over the Forecast Horizon...***

- The corporate revenue model considers gross payments and refunds separately.
  - Gross payments are modeled as a function of Virginia specific pre-tax corporate profits and S&P 500 index.
  - Refunds are driven by the historical ratio of gross payments to refund activity.
- Taken together, net corporate income tax receipts have been revised down over the forecast horizon, following the small revenue shortfall in FY07.

**Growth in Net Corporate Income Tax Receipts, FY82-10**  
Percent Growth Over the Prior Year

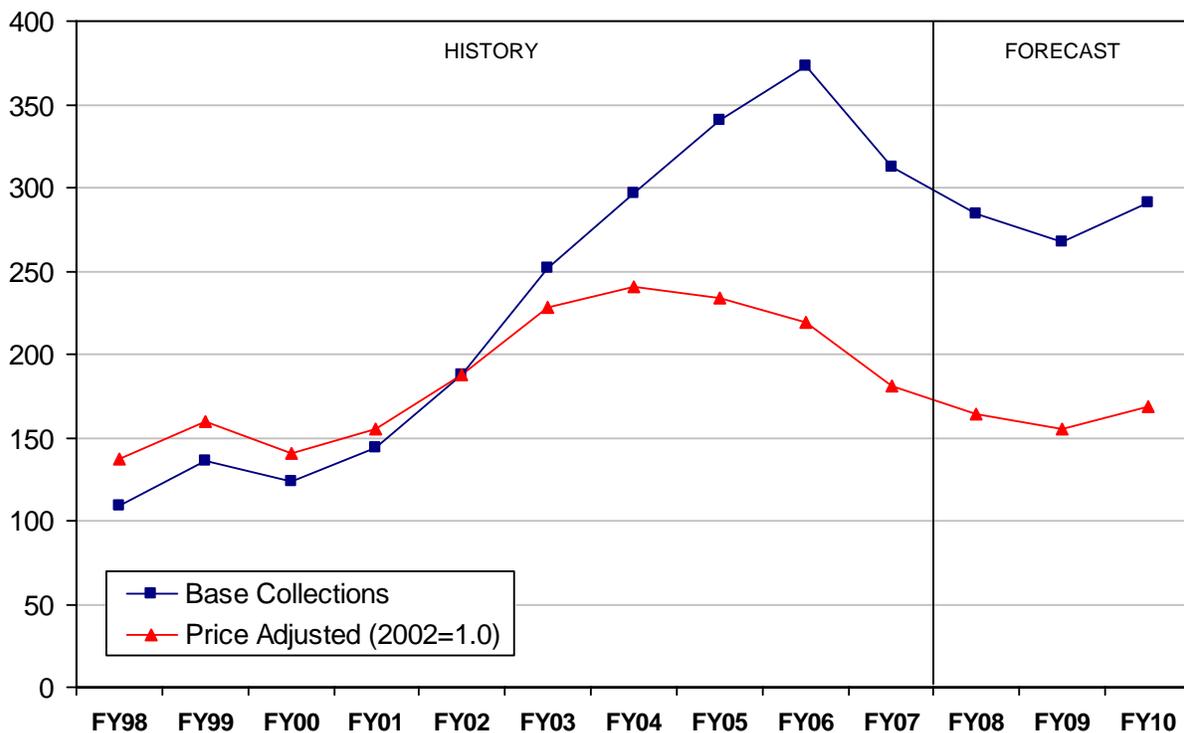


FY08 -\$68.7 million, FY09 -\$99.0 million, FY10 -\$102.1 million

# ***The Outlook for Recordation Tax Collections Has Been Revised Down From the Official Forecast...***

- The revenue model for recordation is based on refinancing activity, median home prices, and the yield on 30-year treasury bonds.
- Based on input of attendees of the Virginia Housing Market Outlook meeting, the forecast for recordation taxes was reduced from a 5.0 percent decline to a decline of 9.0 percent in FY08.
  - This equates to 2001 volumes and no significant decline in the average sales price.

**Recordation Tax Receipts, FY98-10**  
(millions of dollars)



FY08 -\$24.4 million, FY09 -\$89.0 million, FY10 -\$75.7 million

## ***The Fall Forecasting Process Will Re-examine the Economic and Revenue Outlook...***

- The August interim revenue forecast reflects the most likely path for the Virginia economy and revenue collections.

### **Summary of Key Virginia Economic Indicators**

May 2007 Economic Forecast

Percent Change Over the Prior Fiscal Year

	<u>FY07</u> <u>Actual</u>	<u>FY08</u> <u>Forecast</u>	<u>FY09</u> <u>Forecast</u>	<u>FY10</u> <u>Forecast</u>
Real GDP	2.1	2.3	3.2	3.2
Employment				
U.S.	1.6	1.0	1.3	1.5
Virginia	1.3	1.3	1.6	1.8
Personal Income				
U.S.	6.4	5.5	5.6	6.0
Virginia	5.3*	5.6	6.0	6.2
Wages & Salaries				
U.S.	6.1	4.7	5.1	5.6
Virginia	5.2*	5.5	5.7	6.2

\*Estimate based on the May 2007 GABE economic forecast.

- The normal fall forecasting process will incorporate additional data, including first quarter revenue collections for FY08.

## ***Key Risks for the Fiscal Year 2008-10 Forecast...***

- Key factors will influence economic and revenue growth:
  - Energy costs
  - Housing market
  - Stock market volatility
  - Defense and federal procurement spending
  - International instability affecting supplies, confidence, and actual hiring and purchases.

## ***Significant Cost Drivers for the Next Biennium...***

- K-12 Rebenchmarking
- Mental Health Programs
- Comprehensive Services Act
- Changes in Federal Programs

## **Appendix**

Fiscal Year 2007 General Fund Collections: Actual and Forecast

August Interim and Official General Fund Forecast for Fiscal Year 2008 through Fiscal Year 2010

Growth in Total General Fund Tax Revenues, Fiscal Years 1961 to 2007

June 2007 Revenue Report

July 2007 Revenue Report

Note:

The General Fund Preliminary Annual Report, August 15, 2007, is available at the Department of Accounts Web site ([www.doa.virginia.gov](http://www.doa.virginia.gov)).

This presentation is available at the Secretary of Finance Web site ([www.finance.virginia.gov](http://www.finance.virginia.gov)).

**Fiscal Year 2007 General Fund Collections: Actual and Forecast**  
(Dollars in Millions)

	Fiscal Year 2006		Fiscal Year 2007					
	Actual	% Growth	Official Forecast	Actual	Forecast Variance		% Growth Over FY 06	
					Dollars	Percent	Official	Actual
<b>MAJOR TAX SOURCES</b>								
Corporate Income	\$ 871.6	41.3 %	\$ 901.4	\$ 889.9	\$ (11.5)	(1.3) %	3.4 %	2.1 %
Individual Income Tax:								
Gross	10,591.2	10.5	11,305.9	11,416.9	111.0	1.0	6.7	7.8
Withholding	8,061.0	7.3	8,517.5	8,576.8	59.3	0.7	5.7	6.4
Nonwithholding	2,530.2	22.0	2,788.4	2,840.1	51.7	1.9	10.2	12.2
Refunds	<u>(1,282.6)</u>	<u>3.9</u>	<u>(1,337.1)</u>	<u>(1,559.8)</u>	<u>(222.7)</u>	<u>16.7</u>	<u>4.2</u>	<u>21.6</u>
Net	9,308.6	11.4	9,968.8	9,857.0	(111.8)	(1.1)	7.1	5.9
Insurance Company Premiums	373.8	0.1	384.6	384.9	0.3	0.1	2.9	3.0
State Sales & Use Tax	2,812.7	(4.5)	3,092.9	3,049.1	(43.8)	(1.4)	10.0	8.4
Wills, Suits, Deeds, & Contract Fees	<u>694.7</u>	<u>16.6</u>	<u>554.4</u>	<u>582.9</u>	<u>28.5</u>	<u>5.1</u>	<u>(20.2)</u>	<u>(16.1)</u>
Total Major Tax Sources	\$ 14,061.4	9.1 %	\$ 14,902.1	\$ 14,763.9	\$ (138.2)	(0.9) %	6.0 %	5.0 %
<b>MISCELLANEOUS TAXES AND OTHER REVENUES</b>								
Alcoholic Beverage State Tax	\$ 110.0	7.1 %	\$ 114.4	\$ 118.7	\$ 4.3	3.8 %	4.0 %	7.9 %
Bank Franchise Tax	12.3	16.3	12.9	12.6	(0.3)	(2.5)	4.7	2.0
Beer & Beverage Excise Tax	42.9	2.8	44.0	43.1	(0.9)	(2.0)	2.5	0.4
Corporate Franchise & Charter Fees	46.4	7.7	45.3	47.9	2.6	5.8	(2.3)	3.4
Excess & Other Fees from Officers	(41.6)	(9.7)	(32.0)	(33.1)	(1.1)	3.6	23.1	20.3
Estate & Gifts	160.4	7.0	160.4	152.9	(7.5)	(4.7)	(0.0)	(4.7)
Institutional Revenues	8.2	(10.5)	8.8	7.2	(1.6)	(18.5)	6.9	(12.9)
Interest & Rents	97.1	15.4	197.9	140.4	(57.5)	(29.0)	103.8	44.6
Licenses & Permits	4.8	2.6	4.9	4.8	(0.1)	(1.4)	2.8	1.3
Miscellaneous Taxes and Penalties	202.1	(19.3)	217.7	189.4	(28.3)	(13.0)	7.7	(6.3)
Other Miscellaneous Revenues	40.2	(27.8)	31.3	30.1	(1.2)	(3.9)	(22.2)	(25.2)
Public Service GR / Consumption Tax	<u>90.0</u>	<u>1.9</u>	<u>92.5</u>	<u>88.0</u>	<u>(4.5)</u>	<u>(4.9)</u>	<u>2.8</u>	<u>(2.3)</u>
Total Misc. Taxes and Other Revenues	\$ 772.9	(3.7) %	\$ 898.1	\$ 801.9	\$ (96.2)	(10.7) %	16.2 %	3.7 %
<b>TOTAL GF REVENUES</b>	<b>\$ 14,834.3</b>	<b>8.4 %</b>	<b>\$ 15,800.2</b>	<b>\$ 15,565.8</b>	<b>\$ (234.4)</b>	<b>(1.5) %</b>	<b>6.5 %</b>	<b>4.9 %</b>
<b>TRANSFERS</b>								
A.B.C. Profits	\$ 30.0	20.7 %	\$ 27.3	\$ 27.6	\$ 0.3	0.9 %	(9.1) %	(8.3) %
Lottery Proceeds Fund	454.0	7.2	406.3	434.9	28.6	7.0	(10.5)	(4.2)
Transfers Per Appropriations Act	<u>381.6</u>	<u>31.1</u>	<u>360.8</u>	<u>357.8</u>	<u>(3.0)</u>	<u>(0.8)</u>	<u>(5.5)</u>	<u>(6.2)</u>
Total Transfers	\$ 865.7	17.1 %	\$ 794.4	\$ 820.3	\$ 25.9	3.3 %	(8.2) %	(5.2) %
<b>TOTAL GENERAL FUND</b>	<b>\$ 15,700.0</b>	<b>8.8 %</b>	<b>\$ 16,594.6</b>	<b>\$ 16,386.1</b>	<b>\$ (208.5)</b>	<b>(1.3) %</b>	<b>5.7 %</b>	<b>4.4 %</b>

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

**The Official and August General Fund Forecast for Fiscal Year 2008**  
(Dollars in Millions)

August 20, 2007

	Fiscal Year 2008					2007-2008 Biennium		
	Official Forecast	August Forecast	Change	% Growth Over FY 07 Official	August	Official Forecast	August Forecast	Change
<b>MAJOR TAX SOURCES</b>								
Corporate Income	\$ 794.9	\$ 726.2	\$ (68.7)	(11.8) %	(18.4) %	\$ 1,696.3	\$ 1,616.1	\$ (80.2)
Individual Income Tax:								
Gross	11,957.3	12,117.7	160.4	5.8	6.1	23,263.2	23,534.6	271.4
Withholding	9,056.7	9,091.4	34.7	6.3	6.0	17,574.2	17,668.2	94.0
Nonwithholding	2,900.6	3,026.3	125.7	4.0	6.6	5,689.0	5,866.4	177.4
Refunds	<u>(1,442.0)</u>	<u>(1,724.0)</u>	<u>(282.0)</u>	<u>7.8</u>	<u>10.5</u>	<u>(2,779.1)</u>	<u>(3,283.8)</u>	<u>(504.7)</u>
Net	10,515.3	10,393.7	(121.6)	5.5	5.4	20,484.1	20,250.7	(233.4)
Insurance Company Premiums	411.1	396.1	(15.0)	6.9	2.9	795.7	780.9	(14.8)
State Sales & Use Tax	3,255.1	3,136.0	(119.1)	5.2	2.8	6,348.0	6,185.1	(162.9)
Wills, Suits, Deeds, & Contract Fees	<u>554.9</u>	<u>530.5</u>	<u>(24.4)</u>	<u>0.1</u>	<u>(9.0)</u>	<u>1,109.3</u>	<u>1,113.4</u>	<u>4.1</u>
Total Major Tax Sources	\$ 15,531.3	\$ 15,182.4	\$ (348.9)	4.2 %	2.8 %	\$ 30,433.4	\$ 29,946.3	\$ (487.1)
<b>MISCELLANEOUS TAXES AND OTHER REVENUES</b>								
Alcoholic Beverage State Tax	\$ 119.0	\$ 119.0	\$ 0.0	4.0 %	0.2 %	\$ 233.4	\$ 237.7	\$ 4.3
Bank Franchise Tax	13.3	13.3	0.0	3.1	5.8	26.2	25.9	(0.3)
Beer & Beverage Excise Tax	44.0	44.0	0.0	0.0	2.0	88.0	87.1	(0.9)
Corporate Franchise & Charter Fees	46.3	46.3	0.0	2.2	(3.4)	91.6	94.2	2.6
Excess & Other Fees from Officers	(32.0)	(32.0)	0.0	0.0	3.4	(64.0)	(65.1)	(1.1)
Estate & Gifts	129.4	129.4	0.0	(19.3)	(15.3)	289.8	282.3	(7.5)
Institutional Revenues	8.8	8.8	0.0	0.0	22.8	17.6	16.0	(1.6)
Interest & Rents	194.9	137.1	(57.8)	(1.5)	(2.4)	392.8	277.5	(115.3)
Licenses & Permits	5.0	5.0	0.0	2.0	3.5	9.9	9.8	(0.1)
Miscellaneous Taxes and Penalties	244.5	244.5	0.0	12.3	29.1	462.2	433.9	(28.3)
Other Miscellaneous Revenues	32.8	32.8	0.0	4.8	9.1	64.1	62.9	(1.2)
Public Service GR / Consumption Tax	<u>95.1</u>	<u>95.1</u>	<u>0.0</u>	<u>2.8</u>	<u>8.1</u>	<u>187.6</u>	<u>183.1</u>	<u>(4.5)</u>
Total Misc. Taxes and Other Revenues	\$ 901.1	\$ 843.3	\$ (57.8)	0.3 %	5.2 %	\$ 1,799.2	\$ 1,645.2	\$ (154.0)
<b>TOTAL GF REVENUES</b>	<b>\$ 16,432.4</b>	<b>\$ 16,025.7</b>	<b>\$ (406.7)</b>	<b>4.0 %</b>	<b>3.0 %</b>	<b>\$ 32,232.6</b>	<b>\$ 31,591.5</b>	<b>\$ (641.1)</b>
<b>TRANSFERS</b>								
A.B.C. Profits	\$ 29.1	\$ 29.1	\$ 0.0	6.6 %	5.6 %	\$ 56.4	\$ 56.7	\$ 0.3
Lottery Proceeds Fund	405.4	405.4	0.0	(0.2)	(6.8)	811.7	840.3	28.6
Transfers Per Appropriations Act	<u>454.0</u>	<u>456.3</u>	<u>2.3</u>	<u>25.8</u>	<u>27.5</u>	<u>814.8</u>	<u>814.1</u>	<u>(0.7)</u>
Total Transfers	\$ 888.5	\$ 890.8	\$ 2.3	11.8 %	8.6 %	\$ 1,682.9	\$ 1,711.1	\$ 28.2
<b>TOTAL GENERAL FUND</b>	<b>\$ 17,320.9</b>	<b>\$ 16,916.5</b>	<b>\$ (404.4)</b>	<b>4.4 %</b>	<b>3.2 %</b>	<b>\$ 33,915.5</b>	<b>\$ 33,302.6</b>	<b>\$ (612.9)</b>

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

The August forecast is based on the May 2007 Global Insight Standard outlook and the corresponding Virginia state forecast developed by the Department of Taxation and incorporates recommendations from the GABE, housing industry experts, and the GACRE.

**The Official and August General Fund Forecast for Fiscal Year 2009**  
(Dollars in Millions)

August 20, 2007

	Fiscal Year 2009				
	Official Forecast	August Forecast	Change	% Growth Over FY 08 Official	August
<b>MAJOR TAX SOURCES</b>					
Corporate Income	\$ 864.4	\$ 765.4	\$ (99.0)	8.7 %	5.4 %
Individual Income Tax:					
Gross	12,734.9	12,905.8	170.9	6.5	6.5
Withholding	9,605.7	9,636.9	31.2	6.1	6.0
Nonwithholding	3,129.2	3,268.9	139.7	7.9	8.0
Refunds	<u>(1,536.4)</u>	<u>(1,839.1)</u>	<u>(302.7)</u>	<u>6.5</u>	<u>6.7</u>
Net	11,198.5	11,066.7	(131.8)	6.5	6.5
Insurance Company Premiums	295.2	284.2	(11.0)	(28.2)	(28.2)
State Sales & Use Tax	3,435.4	3,302.1	(133.3)	5.5	5.3
Wills, Suits, Deeds, & Contract Fees	<u>535.2</u>	<u>446.2</u>	<u>(89.0)</u>	<u>(3.6)</u>	<u>(15.9)</u>
Total Major Tax Sources	\$ 16,328.7	\$ 15,864.7	\$ (464.0)	5.1 %	4.5 %
<b>MISCELLANEOUS TAXES AND OTHER REVENUES</b>					
Alcoholic Beverage State Tax	\$ 123.8	\$ 123.8	\$ 0.0	4.0 %	4.0 %
Bank Franchise Tax	13.7	13.7	0.0	3.0	3.0
Beer & Beverage Excise Tax	44.0	44.0	0.0	0.0	0.0
Corporate Franchise & Charter Fees	46.3	46.3	0.0	0.0	0.0
Excess & Other Fees from Officers	(33.0)	(33.0)	0.0	(3.1)	(3.1)
Estate & Gifts	0.0	0.0	0.0	n/a	n/a
Institutional Revenues	8.8	8.8	0.0	0.0	0.0
Interest & Rents	190.3	171.9	(18.4)	(2.4)	25.4
Licenses & Permits	5.0	5.0	0.0	0.0	0.0
Miscellaneous Taxes and Penalties	245.3	245.3	0.0	0.3	0.3
Other Miscellaneous Revenues	35.6	35.6	0.0	8.5	8.5
Public Service GR / Consumption Tax	<u>97.7</u>	<u>97.7</u>	<u>0.0</u>	<u>2.7</u>	<u>2.7</u>
Total Misc. Taxes and Other Revenues	\$ 777.5	\$ 759.1	\$ (18.4)	(13.7) %	(10.0) %
<b>TOTAL GF REVENUES</b>	<b>\$ 17,106.2</b>	<b>\$ 16,623.8</b>	<b>\$ (482.4)</b>	<b>4.1 %</b>	<b>3.7 %</b>
<b>TRANSFERS</b>					
A.B.C. Profits	\$ 29.1	\$ 29.1	\$ 0.0	0.0 %	0.0 %
Lottery Proceeds Fund	405.4	405.4	0.0	0.0	0.0
Transfers Per Appropriations Act	<u>423.8</u>	<u>341.4</u>	<u>(82.4)</u>	<u>(6.7)</u>	<u>(25.2)</u>
Total Transfers	\$ 858.3	\$ 775.9	\$ (82.4)	(3.4) %	(12.9) %
<b>TOTAL GENERAL FUND</b>	<b>\$ 17,964.5</b>	<b>\$ 17,399.7</b>	<b>\$ (564.8)</b>	<b>3.7 %</b>	<b>2.9 %</b>

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

The August forecast is based on the May 2007 Global Insight Standard outlook and the corresponding Virginia state forecast developed by the Department of Taxation and incorporates recommendations from the GABE, housing industry experts, and the GACRE.

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

**The Official and August General Fund Forecast for Fiscal Year 2010**  
(Dollars in Millions)

August 20, 2007

	Fiscal Year 2010					2009-2010 Biennium		
	Official Forecast	August Forecast	Change	% Growth Over FY 09 Official	August	Official Forecast	August Forecast	Change
<b>MAJOR TAX SOURCES</b>								
Corporate Income	\$ 898.1	\$ 796.0	\$ (102.1)	3.9 %	4.0 %	\$ 1,762.5	\$ 1,561.4	\$ (201.1)
Individual Income Tax:								
Gross	13,511.4	13,736.2	224.8	6.1	6.4	26,246.3	26,642.0	395.7
Withholding	10,165.5	10,234.4	68.9	5.8	6.2	19,771.2	19,871.2	100.0
Nonwithholding	3,345.9	3,501.8	155.9	6.9	7.1	6,475.1	6,770.8	295.7
Refunds	<u>(1,621.3)</u>	<u>(1,877.3)</u>	<u>(256.0)</u>	<u>5.5</u>	<u>2.1</u>	<u>(3,157.7)</u>	<u>(3,716.4)</u>	<u>(558.7)</u>
Net	11,890.1	11,858.9	(31.2)	6.2	7.2	23,088.6	22,925.6	(163.0)
Insurance Company Premiums	308.3	297.1	(11.2)	4.4	4.5	603.5	581.3	(22.2)
State Sales & Use Tax	3,620.9	3,483.8	(137.1)	5.4	5.5	7,056.3	6,785.9	(270.4)
Wills, Suits, Deeds, & Contract Fees	<u>562.0</u>	<u>486.3</u>	<u>(75.7)</u>	<u>5.0</u>	<u>9.0</u>	<u>1,097.2</u>	<u>932.5</u>	<u>(164.7)</u>
Total Major Tax Sources	\$ 17,279.4	\$ 16,922.1	\$ (357.3)	5.8 %	6.7 %	\$ 33,608.1	\$ 32,786.8	\$ (821.3)
<b>MISCELLANEOUS TAXES AND OTHER REVENUES</b>								
Alcoholic Beverage State Tax	\$ 128.7	\$ 128.7	\$ 0.0	4.0 %	4.0 %	\$ 252.5	\$ 252.5	\$ 0.0
Bank Franchise Tax	14.1	14.1	0.0	2.9	2.9	27.8	27.8	0.0
Beer & Beverage Excise Tax	44.0	44.0	0.0	0.0	0.0	88.0	88.0	0.0
Corporate Franchise & Charter Fees	46.3	46.3	0.0	0.0	0.0	92.6	92.6	0.0
Excess & Other Fees from Officers	(33.0)	(33.0)	0.0	0.0	0.0	(66.0)	(66.0)	0.0
Estate & Gifts	0.0	0.0	0.0	n/a	n/a	0.0	0.0	0.0
Institutional Revenues	8.8	8.8	0.0	0.0	0.0	17.6	17.6	0.0
Interest & Rents	190.3	180.9	(9.4)	0.0	5.2	380.6	352.8	(27.8)
Licenses & Permits	5.0	5.0	0.0	0.0	0.0	10.0	10.0	0.0
Miscellaneous Taxes and Penalties	246.2	246.2	0.0	0.4	0.4	491.5	491.5	0.0
Other Miscellaneous Revenues	36.3	36.3	0.0	2.0	2.0	71.9	71.9	0.0
Public Service GR / Consumption Tax	<u>100.5</u>	<u>100.5</u>	<u>0.0</u>	<u>2.9</u>	<u>2.9</u>	<u>198.2</u>	<u>198.2</u>	<u>0.0</u>
Total Misc. Taxes and Other Revenues	\$ 787.2	\$ 777.8	\$ (9.4)	1.2 %	2.5 %	\$ 1,564.7	\$ 1,536.9	\$ (27.8)
<b>TOTAL GF REVENUES</b>	<b>\$ 18,066.6</b>	<b>\$ 17,699.9</b>	<b>\$ (366.7)</b>	<b>5.6 %</b>	<b>6.5 %</b>	<b>\$ 35,172.8</b>	<b>\$ 34,323.7</b>	<b>\$ (849.1)</b>
<b>TRANSFERS</b>								
A.B.C. Profits	\$ 29.1	\$ 29.1	\$ 0.0	0.0 %	0.0 %	\$ 58.2	\$ 58.2	\$ 0.0
Lottery Proceeds Fund	405.4	405.4	0.0	0.0	0.0	810.8	810.8	0.0
Transfers Per Appropriations Act	<u>342.3</u>	<u>339.4</u>	<u>(2.9)</u>	<u>(19.2)</u>	<u>(0.6)</u>	<u>766.1</u>	<u>680.8</u>	<u>(85.3)</u>
Total Transfers	\$ 776.8	\$ 773.9	\$ (2.9)	(9.5) %	(0.3) %	\$ 1,635.1	\$ 1,549.8	\$ (85.3)
<b>TOTAL GENERAL FUND</b>	<b>\$ 18,843.4</b>	<b>\$ 18,473.8</b>	<b>\$ (369.6)</b>	<b>4.9 %</b>	<b>6.2 %</b>	<b>\$ 36,807.9</b>	<b>\$ 35,873.5</b>	<b>\$ (934.4)</b>

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

The August forecast is based on the May 2007 Global Insight Standard outlook and the corresponding Virginia state forecast developed by the Department of Taxation and incorporates recommendations from the GABE, housing industry experts, and the GACRE.

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

## Growth in Total General Fund Tax Revenues

### Fiscal Year 1961 - Fiscal Year 2007

(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	-	85	3,790,816,000	11.6%
62	242,144,567	4.8%	86	4,131,778,000	9.0%
63	286,304,265	18.2%	87	4,590,434,000	11.1%
64	298,033,919	4.1%	88	5,054,382,000	10.1%
65	323,213,412	8.4%	89	5,478,912,000	8.4%
66	365,129,776	13.0%	90	5,494,884,000	0.3%
67	414,755,644	13.6%	91	5,471,879,000	-0.4%
68	533,597,744	28.7%	92	5,623,213,000	2.8%
69	706,254,374	32.4%	93	6,133,637,000	9.1%
70	743,721,322	5.3%	94	6,503,368,000	6.0%
71	807,954,651	8.6%	95	6,881,145,000	5.8%
72	922,653,686	14.2%	96	7,356,110,000	6.9%
73	1,054,469,443	14.3%	97	7,949,327,000	8.1%
74	1,168,562,871	10.8%	98	8,773,520,000	10.4%
75	1,303,178,893	11.5%	99	9,702,747,000	10.6%
76	1,428,421,157	9.6%	00	10,788,482,000	11.2%
77	1,636,301,819	14.6%	01	11,105,275,000	2.9%
78	1,923,085,084	17.5%	02	10,678,954,000	-3.8%
79	2,115,211,522	10.0%	03	10,867,149,000	1.8%
80	2,344,928,934	10.9%	04	11,917,867,000	9.7%
81	2,579,663,941	10.0%	05	13,687,252,000	14.8%
82	2,796,458,741	8.4%	06	14,834,298,000	8.4%
83	2,975,687,935	6.4%	07	15,565,827,000	4.9%
84	3,397,710,261	14.2%			

NOTE : Total Revenues exclude transfers.

Commonwealth of Virginia/Department of Accounts  
Summary Report on General Fund and Lottery Revenue Collections  
For the Fiscal Years 2006 and 2007  
(Dollars in Thousands)

Revenue	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	FY 2007 Estimate	As a % of Gen Fund Rev & Net Lottery Profits	FY 2007	June FY 2006	% Change	FY 2007	Year-To-Date FY 2006	% Change	% Annual Growth Req By Est
<b>Individual Income Tax:</b>									
<b>Withholding</b>	\$8,517,500	52.56	\$751,600	\$698,889	7.5	\$8,576,787	\$8,061,045	6.4	5.7
<b>Tax Dues/Estimated Payments</b>	2,788,400	17.20	323,763	285,494	13.4	2,840,076	2,530,153	12.2	10.2
<b>Gross Individual Income Tax</b>	<u>\$11,305,900</u>	<u>69.76</u>	<u>\$1,075,363</u>	<u>\$984,383</u>	<u>9.2</u>	<u>\$11,416,863</u>	<u>\$10,591,198</u>	<u>7.8</u>	<u>6.7</u>
<b>Individual and Fiduciary Income     (Refunds)</b>	(1,337,100)	(8.25)	(53,279)	(67,266)	(20.8)	(1,559,839)	(1,282,628)	21.6	4.2
<b>Net Individual Income Tax</b>	<u>\$9,968,800</u>	<u>61.51</u>	<u>\$1,022,084</u>	<u>\$917,117</u>	<u>11.4</u>	<u>\$9,857,024</u>	<u>\$9,308,570</u>	<u>5.9</u>	<u>7.1</u>
<b>Sales and Use Tax (a)</b>	\$3,092,900	19.08	\$261,462	\$251,510	4.0	\$3,049,133	\$2,812,749	8.4	10.0
<b>Corporations Income Tax</b>	901,400	5.56	150,791	143,684	4.9	889,942	871,554	2.1	3.4
<b>Wills, Suits, Deeds, Contracts (b)</b>	554,400	3.42	54,762	62,391	(12.2)	582,946	694,713	(16.1)	(20.2)
<b>Insurance Premiums</b>	384,600	2.37	95,113	84,442	12.6	384,894	373,781	3.0	2.9
<b>Interest Income (c)</b>	197,600	1.22	(31,769)	(10,095)	(214.7)	140,140	96,815	44.8	104.1
<b>Alcoholic Beverage Sales (d)</b>	158,400	0.98	33,183	30,132	10.1	161,845	152,963	5.8	3.6
<b>All Other Revenues (b)</b>	542,100	3.35	97,027	101,471	(4.4)	499,903	523,153	(4.4)	3.6
<b>Total General Fund Revenues</b>	<u>\$15,800,200</u>	<u>97.49</u>	<u>\$1,682,653</u>	<u>\$1,580,652</u>	<u>6.5</u>	<u>\$15,565,827</u>	<u>\$14,834,298</u>	<u>4.9</u>	<u>6.5</u>
<b>Gross Lottery Revenue</b>	\$1,304,430	8.05	\$117,412	\$99,949	17.5	\$1,362,343	\$1,365,326	(0.2)	(4.5)
<b>Less: Expenses</b>	(898,099)	(5.54)	(79,447)	(66,243)	19.9	(928,343)	(910,395)	2.0	(1.4)
<b>Net Lottery Profits</b>	<u>\$406,331</u>	<u>2.51</u>	<u>\$37,965</u>	<u>\$33,706</u>	<u>12.6</u>	<u>\$434,000</u>	<u>\$454,931</u>	<u>(4.6)</u>	<u>(10.7)</u>
<b>Total General Fund Revenues and Net Lottery Profits</b>	<u>\$16,206,531</u>	<u>100.00</u>	<u>\$1,720,618</u>	<u>\$1,614,358</u>	<u>6.6</u>	<u>\$15,999,827</u>	<u>\$15,289,229</u>	<u>4.6</u>	<u>6.0</u>

# Percentage is greater than or equal to 1,000%.

(a) A comparison of the Fiscal Year 2007 and 2006 Sales and Use Tax amounts is not appropriate due to the discontinuation of the Accelerated Sales Tax Program (AST) at the end of Fiscal Year 2006. After eliminating the effects of the AST, the Sales and Use Tax adjusted year-to-date growth rate is 2.7% compared to the forecasted growth rate of 4.2%.

(b) Effective for FY 2007, "Wills, Suits, Deeds, Contracts" is reported separately from "All Other Revenues" and "Public Service Corporations" is included in "All Other Revenues."

(c) Interest Income for the April-June quarter attributable to nongeneral funds was transferred in June resulting in negative interest income for the general fund.

(d) 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 2006 and 2007  
(Dollars in Thousands)

Revenue	(1)	(2)	(3) (4)		(5)	(6) (7)		(8)	(9)
	FY 2007 Estimate	As a % of Total Gen Fund Rev	FY 2007	FY 2006	% Change	FY 2007	FY 2006	% Change	% Annual Growth Req By Est
<b>Taxes:</b>									
Individual Income Tax - Withholding	\$8,517,500	53.91	\$751,600	\$698,889	7.5	\$8,576,787	\$8,061,045	6.4	5.7
Tax Dues/Estimated Payments	2,788,400	17.65	323,763	285,494	13.4	2,840,076	2,530,153	12.2	10.2
Gross Individual Income Tax	\$11,305,900	71.56	\$1,075,363	\$984,383	9.2	\$11,416,863	\$10,591,198	7.8	6.7
Individ and Fiduc Income (Refunds)	(1,337,100)	(8.47)	(53,279)	(67,266)	(20.8)	(1,559,839)	(1,282,628)	21.6	4.2
Net Individual Income Tax	\$9,968,800	63.09	\$1,022,084	\$917,117	11.4	\$9,857,024	\$9,308,570	5.9	7.1
Sales and Use Tax	3,092,900	19.58	261,462	251,510	4.0	3,049,133	2,812,749	8.4	10.0
Corporations Income	901,400	5.70	150,791	143,684	4.9	889,942	871,554	2.1	3.4
Public Service Corporations	92,500	0.59	7,990	9,918	(19.4)	87,961	89,992	(2.3)	2.8
Insurance Premiums	384,600	2.43	95,113	84,442	12.6	384,894	373,781	3.0	2.9
Alcoholic Beverage Excise	114,400	0.72	28,900	26,000	11.2	118,714	110,025	7.9	4.0
Beer and Beverage Excise	44,000	0.28	4,283	4,132	3.7	43,131	42,938	0.4	2.5
Wills, Suits, Deeds, Contracts	554,400	3.51	54,762	62,391	(12.2)	582,946	694,713	(16.1)	(20.2)
Inheritance, Gift, and Estate	160,400	1.02	26,182	21,012	24.6	152,864	160,407	(4.7)	0.0
Bank Franchise	12,900	0.08	11,053	6,697	65.0	12,572	12,325	2.0	4.7
Other Taxes	13,600	0.09	1,862	15,214	(87.8)	6,657	15,099	(55.9)	(9.9)
<b>Total Taxes</b>	<b>\$15,339,900</b>	<b>97.09</b>	<b>\$1,664,482</b>	<b>\$1,542,117</b>	<b>7.9</b>	<b>\$15,185,838</b>	<b>\$14,492,153</b>	<b>4.8</b>	<b>5.8</b>
<b>Rights and Privileges:</b>									
Licenses and Permits	\$4,900	0.03	\$561	\$583	(3.8)	\$4,831	\$4,767	1.3	2.8
Corp. Franchise and Charters	45,300	0.29	30,014	28,853	4.0	47,933	46,376	3.4	(2.3)
Fees for Misc. Privileges & Services	14,600	0.09	3,739	3,430	9.0	15,643	14,070	11.2	3.8
<b>Total Rights and Privileges</b>	<b>\$64,800</b>	<b>0.41</b>	<b>\$34,314</b>	<b>\$32,866</b>	<b>4.4</b>	<b>\$68,407</b>	<b>\$65,213</b>	<b>4.9</b>	<b>(0.6)</b>
<b>Other Revenues:</b>									
Sales of Property & Commodities	\$100	0.00	(\$59)	\$0	-	(\$5)	\$7,026	(100.1)	(98.6)
Assessmts & Rcpts for Support of Special Svcs	400	0.00	53	50	6.0	224	332	(32.5)	20.5
Institutional Revenue	8,800	0.06	42	439	(90.4)	7,169	8,235	(12.9)	6.9
Interest (a)	197,600	1.25	(31,769)	(10,095)	(214.7)	140,140	96,815	44.8	104.1
Dividends and Rent	300	0.00	16	43	(62.8)	273	283	(3.5)	6.0
Fines, Forfeitures & Fees	204,100	1.29	16,251	16,140	0.7	182,704	187,032	(2.3)	9.1
Other Revenue	6,000	0.04	1,157	1,522	(24.0)	3,918	8,796	(55.5)	(31.8)
Excess Fees	(32,000)	(0.20)	(2,806)	(3,335)	15.9	(33,138)	(41,586)	20.3	23.1
Private Donations, Gifts & Cont.	0	0.00	1	(8)	112.5	16	0	-	0.0
Cities, Counties, and Towns	10,200	0.06	971	913	6.4	10,281	9,999	2.8	2.0
<b>Total Other Revenues</b>	<b>\$395,500</b>	<b>2.50</b>	<b>(\$16,143)</b>	<b>\$5,669</b>	<b>(384.8)</b>	<b>\$311,582</b>	<b>\$276,932</b>	<b>12.5</b>	<b>42.8</b>
<b>Total General Fund Revenues</b>	<b>\$15,800,200</b>	<b>100.00</b>	<b>\$1,682,653</b>	<b>\$1,580,652</b>	<b>6.5</b>	<b>\$15,565,827</b>	<b>\$14,834,298</b>	<b>4.9</b>	<b>6.5</b>

# Percentage is greater than or equal to 1,000%.

(a) Interest Income for the April-June quarter attributable to nongeneral funds was transferred in June resulting in negative interest income for the general fund.

**Commonwealth of Virginia/Department of Lottery  
Summary Report on Lottery Collections  
For the Fiscal Years 2006 and 2007  
(Dollars in Thousands)**

	<b>FY 2007 Estimate (a)</b>	<b>June</b>			<b>Year-To-Date</b>			<b>% Annual Growth Required By Estimate</b>
		<b>FY 2007</b>	<b>FY 2006</b>	<b>% Change</b>	<b>FY 2007</b>	<b>FY 2006</b>	<b>% Change</b>	
Lottery Collections								
Lotto South/Win for Life (b)	\$45,136	\$3,094	\$3,486	(11.2)	\$41,324	\$61,852	(33.2)	(27.0)
Cash 5	25,121	2,328	2,176	7.0	27,521	27,723	(0.7)	(9.4)
Pick 4	167,717	15,555	13,352	16.5	179,923	169,762	6.0	(1.2)
Pick 3	251,279	22,138	20,410	8.5	265,399	257,009	3.3	(2.2)
Mega Millions	122,553	9,632	8,056	19.6	130,299	159,665	(18.4)	(23.2)
Scratch/Bingo/Raffle (c)	692,624	64,665	52,469	23.2	717,877	689,315	4.1	0.5
Gross Lottery Revenue	<u>1,304,430</u>	<u>117,412</u>	<u>99,949</u>	<u>17.5</u>	<u>1,362,343</u>	<u>1,365,326</u>	<u>(0.2)</u>	<u>(4.5)</u>
Expenses (d)	<u>898,099</u>	<u>79,447 (e)</u>	<u>66,243</u>	<u>19.9</u>	<u>928,343 (e)</u>	<u>910,395</u>	<u>2.0</u>	<u>(1.4)</u>
Net Lottery Ticket Profits	<u>\$406,331</u>	<u>\$37,965 (e)</u>	<u>\$33,706</u>	<u>12.6</u>	<u>\$434,000 (e)</u>	<u>\$454,931</u>	<u>(4.6)</u>	<u>(10.7)</u>

(a) Estimate established in December 2006 and includes the residual amount (\$931,308) of FY 2006 profits that were transferred in FY 2007.

(b) Lotto South ended on February 25, 2006, and was replaced with Win for Life.

(c) Fast Play Bingo began on February 4, 2007. Fast Play Bingo is an online game which plays like a Scratch game. Millionaire Raffle began on April 15, 2007, and drawing occurred on June 14, 2007.

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

(e) Current month includes operating expenses estimated (unaudited closing).

**Commonwealth of Virginia/Department of Accounts**  
**Highway Maintenance and Operating Fund and Transportation Trust Fund Revenues**  
**Summary Statement of Selected Revenue Estimates & Collections**  
**For the Fiscal Years 2006 and 2007**  
**(Dollars in Thousands)**

Revenue	FY 2007 Estimate	As a % of Total Fund	June			Year-To-Date			% Annual Growth Required By Estimate
			FY 2007	FY 2006	% Change	FY 2007	FY 2006	Change	
Motor Fuel Taxes	\$861,600	22.37	\$145,919	\$142,776	2.2	\$859,482	\$870,414	(1.3)	(1.0)
Priority Transportation Fund	20,000	0.52	2,000	2,000	0.0	20,000	20,000	0.0	0.0
Motor Vehicle Sales and Use Tax	618,300	16.06	64,888	60,395	7.4	628,458	628,689	0.0	(1.7)
State Sales and Use Tax	508,700	13.21	46,406	42,775	8.5	517,277	476,259	8.6	6.8
Motor Vehicle License Fees	170,400	4.42	16,170	16,588	(2.5)	169,429	169,315	0.1	0.6
International Registration Plan	62,400	1.62	4,318	9,590	(55.0)	53,987	60,570	(10.9)	3.0
Interest Earnings	48,200	1.25	15,240	15,841	(3.8)	53,943	38,648	39.6	24.7
Misc. Taxes, Fees, and Revenues (a)	12,700	0.33	1,182	1,223	(3.4)	12,338	11,993	2.9	5.9
<b>Total State Taxes and Fees (a)</b>	<b>\$2,302,300</b>	<b>59.78</b>	<b>\$296,123</b>	<b>\$291,188</b>	<b>1.7</b>	<b>\$2,314,914</b>	<b>\$2,275,888</b>	<b>1.7</b>	<b>1.2</b>

# Percentage is greater than or equal to 1,000%.

(a) Certain Fiscal Year 2007 year-to-date and Fiscal Year 2006 monthly and year-to-date amounts have been reclassified. Refer to (a) on page 5 for additional information.

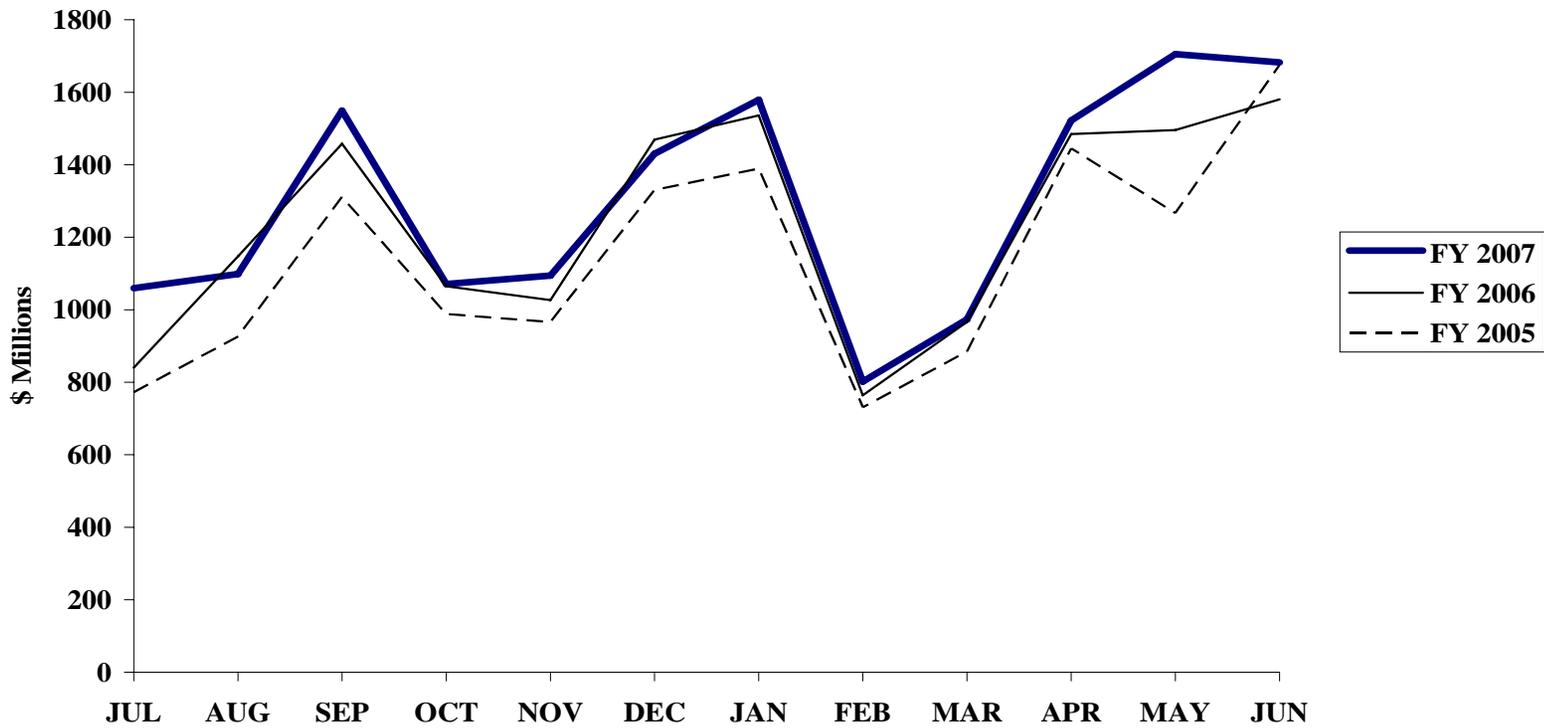
**Commonwealth of Virginia/Department of Accounts**  
**Highway Maintenance and Operating Fund and Transportation Trust Fund Revenues**  
**Statement of Revenue Estimates & Collections**  
**For the Fiscal Years 2006 and 2007**  
(Dollars in Thousands)

Revenue	FY 2007 Estimate	As a % of Total Fund	June			Year-To-Date			% Annual Growth Required By Est
			FY 2007	FY 2006	% Change	FY 2007	FY 2006	% Change	
<b>HIGHWAY MAINTENANCE AND OPERATING FUND:</b>									
Motor Fuel Taxes (Includes Road Tax)	\$743,300	19.30	\$127,715	\$124,458	2.6	\$741,464	\$751,972	(1.4)	(1.2)
Motor Vehicle Sales and Use Tax	381,900	9.92	40,315	37,512	7.5	389,921	390,170	(0.1)	(2.1)
Motor Vehicle License Fees	149,200	3.87	14,325	14,514	(1.3)	148,186	148,250	0.0	0.6
International Registration Plan	62,400	1.62	4,318	9,590	(55.0)	53,987	60,570	(10.9)	3.0
Misc. Taxes, Fees, and Revenues (a)	12,700	0.33	1,182	1,223	(3.4)	12,338	11,993	2.9	5.9
<b>Total State Taxes and Fees</b>	<b>\$1,349,500</b>	<b>35.04</b>	<b>\$187,855</b>	<b>\$187,297</b>	<b>0.3</b>	<b>\$1,345,896</b>	<b>\$1,362,955</b>	<b>(1.3)</b>	<b>(1.0)</b>
<b>Other Revenues:</b>									
Federal Grants and Contracts	\$0	0.00	\$3,373	\$8,334	(59.5)	\$30,702	\$37,421	(18.0)	(100.0)
Miscellaneous Revenues (a)	10,600	0.28	1,121	777	44.3	16,927	21,537	(21.4)	(50.8)
Transfer (to) / from Transportation Trust Fund	286,303	7.43	0	0	-	231,205	186,199	24.2	53.8
<b>Total Highway Maintenance and Operating Fund</b>	<b>\$1,646,403</b>	<b>42.75</b>	<b>\$192,349</b>	<b>\$196,408</b>	<b>(2.1)</b>	<b>\$1,624,730</b>	<b>\$1,608,112</b>	<b>1.0</b>	<b>2.4</b>
<b>TRANSPORTATION TRUST FUND:</b>									
Motor Fuel Taxes (Includes Aviation & Road Taxes)	\$118,300	3.07	\$18,204	\$18,318	(0.6)	\$118,018	\$118,442	(0.4)	(0.1)
Priority Transportation Fund	20,000	0.52	2,000	2,000	0.0	20,000	20,000	0.0	0.0
Motor Vehicle Sales and Use Tax (Includes Rental Tax)	236,400	6.14	24,573	22,883	7.4	238,537	238,519	0.0	(0.9)
State Sales and Use Tax	508,700	13.21	46,406	42,775	8.5	517,277	476,259	8.6	6.8
Motor Vehicle License Fees	21,200	0.55	1,845	2,074	(11.0)	21,243	21,065	0.8	0.6
Interest Earnings	48,200	1.25	15,240	15,841	(3.8)	53,943	38,648	39.6	24.7
<b>Total State Taxes and Fees</b>	<b>\$952,800</b>	<b>24.74</b>	<b>\$108,268</b>	<b>\$103,891</b>	<b>4.2</b>	<b>\$969,018</b>	<b>\$912,933</b>	<b>6.1</b>	<b>4.4</b>
<b>Other Revenues:</b>									
Federal Grants and Contracts	\$1,354,852	35.19	\$59,354	\$44,852	32.3	\$618,516	\$480,822	28.6	181.8
Receipts from Cities/Counties (a)	69,303	1.80	398	4,704	(91.5)	42,066	47,329	(11.1)	46.4
Toll Revenues (Includes Route 28)	96,447	2.50	6,981	11,071	(36.9)	103,731	113,439	(8.6)	(15.0)
Miscellaneous Revenues	17,391	0.45	1,709	6,225	(72.5)	21,562	22,018	(2.1)	(21.0)
<b>Total Other Revenues</b>	<b>\$1,537,993</b>	<b>39.94</b>	<b>\$68,442</b>	<b>\$66,852</b>	<b>2.4</b>	<b>\$785,875</b>	<b>\$663,608</b>	<b>18.4</b>	<b>131.8</b>
Transfer (to) / from Highway Maintenance and Operating Fund	(\$286,303)	(7.43)	\$0	\$0	-	(\$231,205)	(\$186,199)	(24.2)	(53.8)
<b>Total Transportation Trust Fund</b>	<b>\$2,204,490</b>	<b>57.25</b>	<b>\$176,710</b>	<b>\$170,743</b>	<b>3.5</b>	<b>\$1,523,688</b>	<b>\$1,390,342</b>	<b>9.6</b>	<b>58.6</b>
<b>TOTAL HIGHWAY MAINTENANCE AND OPERATING AND TRANSPORTATION TRUST FUND</b>									
	<b>\$3,850,893</b>	<b>100.00</b>	<b>\$369,059</b>	<b>\$367,151</b>	<b>0.5</b>	<b>\$3,148,418</b>	<b>\$2,998,454</b>	<b>5.0</b>	<b>28.4</b>

# Percentage is greater than or equal to 1,000%.

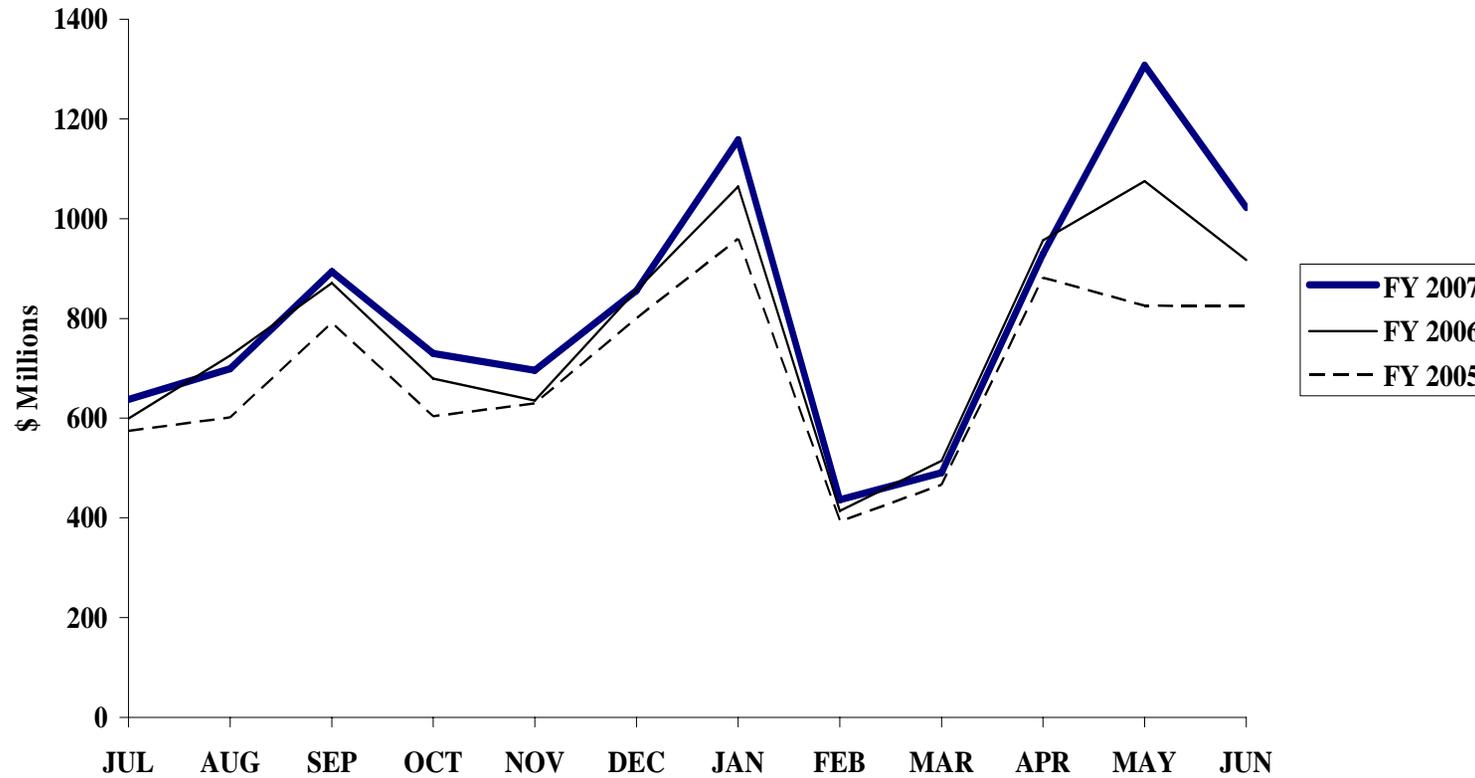
(a) A new line, "Miscellaneous Revenues", was added to the Highway Maintenance and Operating Fund Revenue Forecast. A portion of the amounts previously reported in "Miscellaneous Taxes, Fees, and Revenues" and "Receipts from Cities/Counties" were reclassified to "Miscellaneous Revenues." In order to provide comparable data, the Fiscal Year 2007 and Fiscal Year 2006 monthly and year-to-date amounts were likewise reclassified.

## Total General Fund Revenues



**FY 2005 Actual = \$13,687.3 Million**  
**FY 2006 Actual = \$14,834.3 Million**  
**FY 2007 Actual = \$15,565.8 Million**

## Net Individual Income Tax

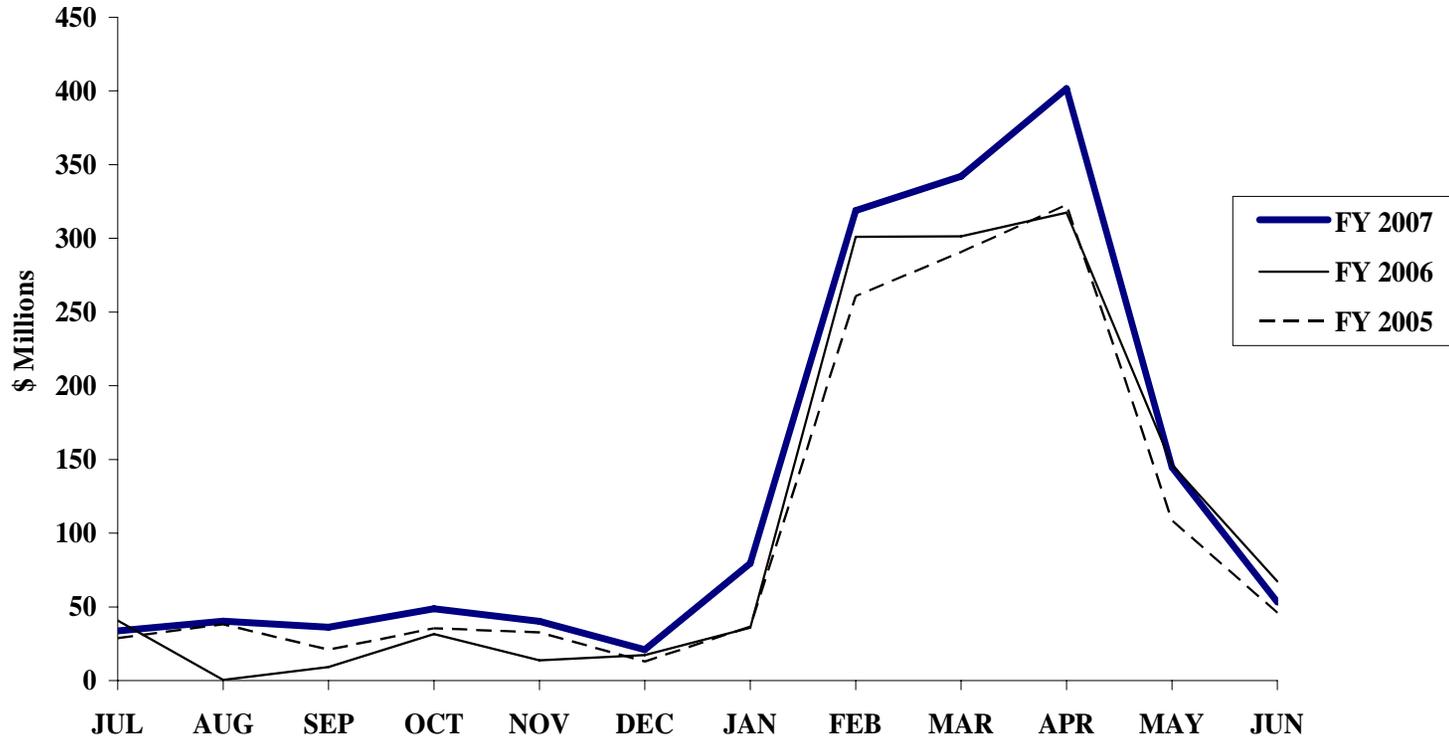


**FY 2005 Actual = \$8,352.4 Million**

**FY 2006 Actual = \$9,308.6 Million**

**FY 2007 Actual = \$9,857.0 Million**

## Individual and Fiduciary Income Tax Refunds



**FY 2005 Actual = \$1,234.2 Million**  
**FY 2006 Actual = \$1,282.6 Million**  
**FY 2007 Actual = \$1,559.8 Million**

## DEPARTMENT OF THE TREASURY

General Account Investment Portfolio  
 Monthly Average Balances and Rates  
 For the Fiscal Year 2007  
 (Dollars in Millions)

MONTH	PRIMARY LIQUIDITY		EXTERNAL MANAGEMENT EXTENDED DURATION <sup>1, 2, 3</sup>		COMPOSITE <sup>3</sup>	
	Avg. Balance	Yield	Avg. Balance	Annualized Total Return	Avg. Balance	Rate
<b>July, 2006</b>	\$5,684.6	5.12%	\$1,242.8	13.40%	\$6,927.4	6.61%
<b>August</b>	\$5,305.9	5.20%	\$1,357.8	14.82%	\$6,663.7	7.16%
<b>September</b>	\$5,541.2	5.31%	\$1,371.6	9.66%	\$6,912.8	6.17%
<b>October</b>	\$5,805.7	5.27%	\$1,381.2	7.47%	\$7,186.9	5.69%
<b>November</b>	\$5,528.9	5.32%	\$1,391.9	11.64%	\$6,920.8	6.59%
<b>December</b>	\$5,209.7	5.28%	\$1,395.8	-4.51%	\$6,605.5	3.21%
<b>January, 2007</b>	\$5,938.6	5.29%	\$1,393.8	1.21%	\$7,332.4	4.51%
<b>February</b>	\$5,838.4	5.48%	\$1,705.4	15.98%	\$7,543.8	7.85%
<b>March</b>	\$5,513.1	5.32%	\$1,717.2	1.86%	\$7,230.3	4.50%
<b>April</b>	\$5,368.4	5.40%	\$1,722.3	6.03%	\$7,090.7	5.55%
<b>May</b>	\$6,059.2	5.35%	\$1,722.1	-6.76%	\$7,781.3	2.67%
<b>June</b>	\$6,029.7	5.40%	\$1,716.7	-0.60%	\$7,746.4	4.07%
<b>Year-to-Date Average</b>	\$5,652.0	5.31%	\$1,509.9	5.52%	\$7,161.9	5.33% <sup>4</sup>
<b>Latest 12-month Average</b>	\$5,652.0	5.31%	\$1,509.9	5.52%	\$7,161.9	5.33% <sup>4</sup>

<sup>1</sup> 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.

<sup>2</sup> Unaudited.

<sup>3</sup> Revised External Manager Duration Average Balance & Annualized Total Return and Composite Average Balance & Rate for March 2007.

<sup>4</sup> Year-to-date Average Yield has been revised to show a time weighted return.

**Commonwealth of Virginia/Department of Accounts  
Report on the Revenue Stabilization Fund  
For the Fiscal Year 2007**

<b>Month</b>	<b>Beginning Balance</b>	<b>Deposits</b>	<b>Withdrawals</b>	<b>Interest Allocated (A)</b>	<b>Ending Balance</b>
<b>July</b>	\$1,064,664,515	\$0	\$0	\$0	\$1,064,664,515
<b>August</b>	\$1,064,664,515	\$0	\$0	\$0	\$1,064,664,515
<b>September</b>	\$1,064,664,515	\$0	\$0	\$0	\$1,064,664,515
<b>October</b>	\$1,064,664,515	\$0	\$0	\$12,886,734	\$1,077,551,249
<b>November</b>	\$1,077,551,249	\$0	\$0	\$0	\$1,077,551,249
<b>December</b>	\$1,077,551,249	\$0	\$0	\$0	\$1,077,551,249
<b>January</b>	\$1,077,551,249	\$0	\$0	\$12,379,321	\$1,089,930,570
<b>February</b>	\$1,089,930,570	\$0	\$0	\$0	\$1,089,930,570
<b>March</b>	\$1,089,930,570	\$0	\$0	\$0	\$1,089,930,570
<b>April</b>	\$1,089,930,570	\$0	\$0	\$13,196,740	\$1,103,127,310
<b>May</b>	\$1,103,127,310	\$0	\$0	\$0	\$1,103,127,310
<b>June</b>	\$1,103,127,310	\$106,690,348 (B)	(\$34,186,251) (C)	\$14,203,010	\$1,189,834,417

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. Interest deposited in June as required by statute was subsequently withdrawn (see Note C).

(B) Deposit of \$106,690,348 made as required by Item 260.10 of Chapter 847. A portion was subsequently withdrawn (see Note C).

(C) Withdrawals of \$14,203,010 (see Note A) and \$19,983,241 (see Note B) were required by Section 3-1.01J, Chapter 847, as the Revenue Stabilization Fund cannot exceed the maximum fund allowed as outlined in both Article X of the Constitution of Virginia and Section 2.2-1829, Code of Virginia. As of June 30, 2007, the maximum fund allowed is \$1,189,834,417.

Commonwealth of Virginia/Department of Accounts  
Summary Report on General Fund and Lottery Revenue Collections  
For the Fiscal Years 2007 and 2008  
(Dollars in Thousands)

Revenue	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	FY 2008 Estimate	As a % of Gen Fund Rev & Net Lottery Profits	July FY 2008	July FY 2007	% Change	Year-To-Date FY 2008	Year-To-Date FY 2007	% Change	% Annual Growth Req By Est
<b>Individual Income Tax:</b>									
<b>Withholding</b>	\$9,056,700	53.79	\$668,051	\$645,087	3.6	\$668,051	\$645,087	3.6	5.6
<b>Tax Dues/Estimated Payments</b>	2,900,600	17.22	37,111	26,435	40.4	37,111	26,435	40.4	2.1
<b>Gross Individual Income Tax</b>	<u>\$11,957,300</u>	<u>71.01</u>	<u>\$705,162</u>	<u>\$671,522</u>	<u>5.0</u>	<u>\$705,162</u>	<u>\$671,522</u>	<u>5.0</u>	<u>4.7</u>
<b>Individual and Fiduciary Income (Refunds)</b>	(1,442,000)	(8.56)	(32,141)	(33,640)	(4.5)	(32,141)	(33,640)	(4.5)	(7.6)
<b>Net Individual Income Tax</b>	<u>\$10,515,300</u>	<u>62.45</u>	<u>\$673,021</u>	<u>\$637,882</u>	<u>5.5</u>	<u>\$673,021</u>	<u>\$637,882</u>	<u>5.5</u>	<u>6.7</u>
<b>Sales and Use Tax</b>	\$3,255,100	19.33	\$280,968	\$266,856	5.3	\$280,968	\$266,856	5.3	6.8
<b>Corporations Income Tax</b>	794,900	4.72	25,832	36,168	(28.6)	25,832	36,168	(28.6)	(10.7)
<b>Wills, Suits, Deeds, Contracts</b>	554,900	3.30	47,542	51,514	(7.7)	47,542	51,514	(7.7)	(4.8)
<b>Insurance Premiums</b>	411,100	2.44	2,643	1,139	132.0	2,643	1,139	132.0	6.8
<b>Interest Income (a)</b>	194,600	1.15	27,975	24,259	15.3	27,975	24,259	15.3	38.9
<b>Alcoholic Beverage Sales (b)</b>	163,000	0.97	4,115	4,318	(4.7)	4,115	4,318	(4.7)	0.7
<b>All Other Revenues</b>	543,500	3.23	33,469	37,536	(10.8)	33,469	37,536	(10.8)	8.7
<b>Total General Fund Revenues</b>	<u>\$16,432,400</u>	<u>97.59</u>	<u>\$1,095,565</u>	<u>\$1,059,672</u>	<u>3.4</u>	<u>\$1,095,565</u>	<u>\$1,059,672</u>	<u>3.4</u>	<u>5.6</u>
<b>Gross Lottery Revenue</b>	\$1,304,430	7.75	\$109,863	\$99,208	10.7	\$109,863	\$99,208	10.7	(4.3)
<b>Less: Expenses</b>	(899,030)	(5.34)	(73,423)	(67,069)	9.5	(73,423)	(67,069)	9.5	(2.8)
<b>Net Lottery Profits</b>	<u>\$405,400</u>	<u>2.41</u>	<u>\$36,440</u>	<u>\$32,139</u>	<u>13.4</u>	<u>\$36,440</u>	<u>\$32,139</u>	<u>13.4</u>	<u>(7.3)</u>
<b>Total General Fund Revenues and Net Lottery Profits</b>	<u>\$16,837,800</u>	<u>100.00</u>	<u>\$1,132,005</u>	<u>\$1,091,811</u>	<u>3.7</u>	<u>\$1,132,005</u>	<u>\$1,091,811</u>	<u>3.7</u>	<u>5.2</u>

# Percentage is greater than or equal to 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 2007 and 2008  
(Dollars in Thousands)

Revenue	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	FY 2008 Estimate	As a % of Total Gen Fund Rev	FY 2008	July FY 2007	% Change	FY 2008	Year-To-Date FY 2007	% Change	% Annual Growth Req By Est
<b>Taxes:</b>									
Individual Income Tax - Withholding	\$9,056,700	55.12	\$668,051	\$645,087	3.6	\$668,051	\$645,087	3.6	5.6
Tax Dues/Estimated Payments	2,900,600	17.65	37,111	26,435	40.4	37,111	26,435	40.4	2.1
Gross Individual Income Tax	\$11,957,300	72.77	\$705,162	\$671,522	5.0	\$705,162	\$671,522	5.0	4.7
Individ and Fiduc Income (Refunds)	(1,442,000)	(8.78)	(32,141)	(33,640)	(4.5)	(32,141)	(33,640)	(4.5)	(7.6)
Net Individual Income Tax	\$10,515,300	63.99	\$673,021	\$637,882	5.5	\$673,021	\$637,882	5.5	6.7
Sales and Use Tax	3,255,100	19.81	280,968	266,856	5.3	280,968	266,856	5.3	6.8
Corporations Income	794,900	4.84	25,832	36,168	(28.6)	25,832	36,168	(28.6)	(10.7)
Public Service Corporations	95,100	0.58	10,055	6,219	61.7	10,055	6,219	61.7	8.1
Insurance Premiums	411,100	2.50	2,643	1,139	132.0	2,643	1,139	132.0	6.8
Alcoholic Beverage Excise	119,000	0.72	0	0	-	0	0	-	0.2
Beer and Beverage Excise	44,000	0.27	4,115	4,318	(4.7)	4,115	4,318	(4.7)	2.0
Wills, Suits, Deeds, Contracts	554,900	3.38	47,542	51,514	(7.7)	47,542	51,514	(7.7)	(4.8)
Inheritance, Gift, and Estate	129,400	0.79	7,136	17,507	(59.2)	7,136	17,507	(59.2)	(15.3)
Bank Franchise	13,300	0.08	48	60	(20.0)	48	60	(20.0)	5.8
Other Taxes	14,300	0.08	795	1,598	(50.3)	795	1,598	(50.3)	114.8
<b>Total Taxes</b>	<b>\$15,946,400</b>	<b>97.04</b>	<b>\$1,052,155</b>	<b>\$1,023,261</b>	<b>2.8</b>	<b>\$1,052,155</b>	<b>\$1,023,261</b>	<b>2.8</b>	<b>5.0</b>
<b>Rights and Privileges:</b>									
Licenses and Permits	\$5,000	0.03	\$263	\$211	24.6	\$263	\$211	24.6	3.5
Corp. Franchise and Charters	46,300	0.28	567	596	(4.9)	567	596	(4.9)	(3.4)
Fees for Misc. Privileges & Services	15,300	0.10	777	560	38.8	777	560	38.8	(2.2)
<b>Total Rights and Privileges</b>	<b>\$66,600</b>	<b>0.41</b>	<b>\$1,607</b>	<b>\$1,367</b>	<b>17.6</b>	<b>\$1,607</b>	<b>\$1,367</b>	<b>17.6</b>	<b>(2.6)</b>
<b>Other Revenues:</b>									
Sales of Property & Commodities	\$100	0.00	\$6	\$0	-	\$6	\$0	-	#
Assessmts & Rcpts for Support of Special Svcs	400	0.00	44	32	37.5	44	32	37.5	78.6
Institutional Revenue	8,800	0.05	620	44	#	620	44	#	22.8
Interest (a)	194,600	1.18	27,975	24,259	15.3	27,975	24,259	15.3	38.9
Dividends and Rent	300	0.00	31	10	210.0	31	10	210.0	9.9
Fines, Forfeitures & Fees	230,200	1.40	15,270	14,352	6.4	15,270	14,352	6.4	26.0
Other Revenue	6,800	0.04	157	324	(51.5)	157	324	(51.5)	73.6
Excess Fees	(32,000)	(0.18)	(3,174)	(4,713)	32.7	(3,174)	(4,713)	32.7	3.4
Private Donations, Gifts & Cont.	0	0.00	0	5	(100.0)	0	5	(100.0)	(100.0)
Cities, Counties, and Towns	10,200	0.06	874	731	19.6	874	731	19.6	(0.8)
<b>Total Other Revenues</b>	<b>\$419,400</b>	<b>2.55</b>	<b>\$41,803</b>	<b>\$35,044</b>	<b>19.3</b>	<b>\$41,803</b>	<b>\$35,044</b>	<b>19.3</b>	<b>34.6</b>
<b>Total General Fund Revenues</b>	<b>\$16,432,400</b>	<b>100.00</b>	<b>\$1,095,565</b>	<b>\$1,059,672</b>	<b>3.4</b>	<b>\$1,095,565</b>	<b>\$1,059,672</b>	<b>3.4</b>	<b>5.6</b>

# Percentage is greater than or equal to 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 2007 and 2008  
(Dollars in Thousands)**

	FY 2008 Estimate (a)	July			Year-To-Date			% Annual Growth Required By Estimate
		FY 2008	FY 2007	% Change	FY 2008	FY 2007	% Change (b)	
Lottery Collections								
Win for Life	\$45,136	\$2,806	\$3,942	(28.8)	\$2,806	\$3,942	(28.8)	9.2
Cash 5	25,121	2,367	2,135	10.9	2,367	2,135	10.9	(8.7)
Pick 4	167,717	15,406	13,143	17.2	15,406	13,143	17.2	(6.8)
Pick 3	251,279	22,156	19,892	11.4	22,156	19,892	11.4	(5.3)
Mega Millions	122,553	11,013	6,852	60.7	11,013	6,852	60.7	(5.9)
Scratch/Bingo/Raffle (c)	692,624	56,115	53,244	5.4	56,115	53,244	5.4	(3.5)
Gross Lottery Revenue	<u>1,304,430</u>	<u>109,863</u>	<u>99,208</u>	<u>10.7</u>	<u>109,863</u>	<u>99,208</u>	<u>10.7</u>	<u>(4.3)</u>
Expenses (d)	<u>899,030</u>	<u>73,423 (e)</u>	<u>67,069</u>	<u>9.5</u>	<u>73,423 (e)</u>	<u>67,069</u>	<u>9.5</u>	<u>(2.8)</u>
Net Lottery Ticket Profits	<u>\$405,400</u>	<u>\$36,440 (e)</u>	<u>\$32,139</u>	<u>13.4</u>	<u>\$36,440 (e)</u>	<u>\$32,139</u>	<u>13.4</u>	<u>(7.3)</u>

(a) Estimate established in December 2006.

(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) Fast Play Bingo began on February 4, 2007. Fast Play Bingo is an online game which plays like a Scratch game. Millionaire Raffle began on April 15, 2007, and drawing occurred on June 14, 2007.

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

(e) Current month includes operating expenses estimated (unaudited closing).

Commonwealth of Virginia/Department of Accounts  
Highway Maintenance and Operating Fund and Transportation Trust Fund Revenues  
Summary Statement of Selected Revenue Estimates & Collections  
For the Fiscal Years 2007 and 2008  
(Dollars in Thousands)

Revenue	FY 2008 Estimate	As a % of Total Fund	July			Year-To-Date			% Annual Growth Required By Estimate
			FY 2008	FY 2007	% Change	FY 2008	FY 2007	Change	
Motor Fuel Taxes	\$897,500	23.64	\$3,999	\$1,524	162.4	\$3,999	\$1,524	162.4	4.4
Priority Transportation Fund	20,000	0.53	0	0	-	0	0	-	0.0
Motor Vehicle Sales and Use Tax	637,300	16.78	51,090	51,816	(1.4)	51,090	51,816	(1.4)	1.4
State Sales and Use Tax	536,000	14.12	48,023	45,147	6.4	48,023	45,147	6.4	3.6
Motor Vehicle License Fees	262,900	6.93	20,220	14,324	41.2	20,220	14,324	41.2	55.2
International Registration Plan	64,500	1.70	3,749	3,667	2.2	3,749	3,667	2.2	19.5
Interest Earnings	52,600	1.38	21	44	(52.3)	21	44	(52.3)	(2.5)
Misc. Taxes, Fees, and Revenues (a)	16,400	0.43	993	927	7.1	993	927	7.1	32.9
<b>Total State Taxes and Fees (a)</b>	<b>\$2,487,200</b>	<b>65.51</b>	<b>\$128,095</b>	<b>\$117,449</b>	<b>9.1</b>	<b>\$128,095</b>	<b>\$117,449</b>	<b>9.1</b>	<b>7.4</b>

# Percentage is greater than or equal to 1,000%.

(a) Certain Fiscal Year 2007 monthly and year-to-date amounts have been reclassified. Refer to (a) on page 5 for additional information.

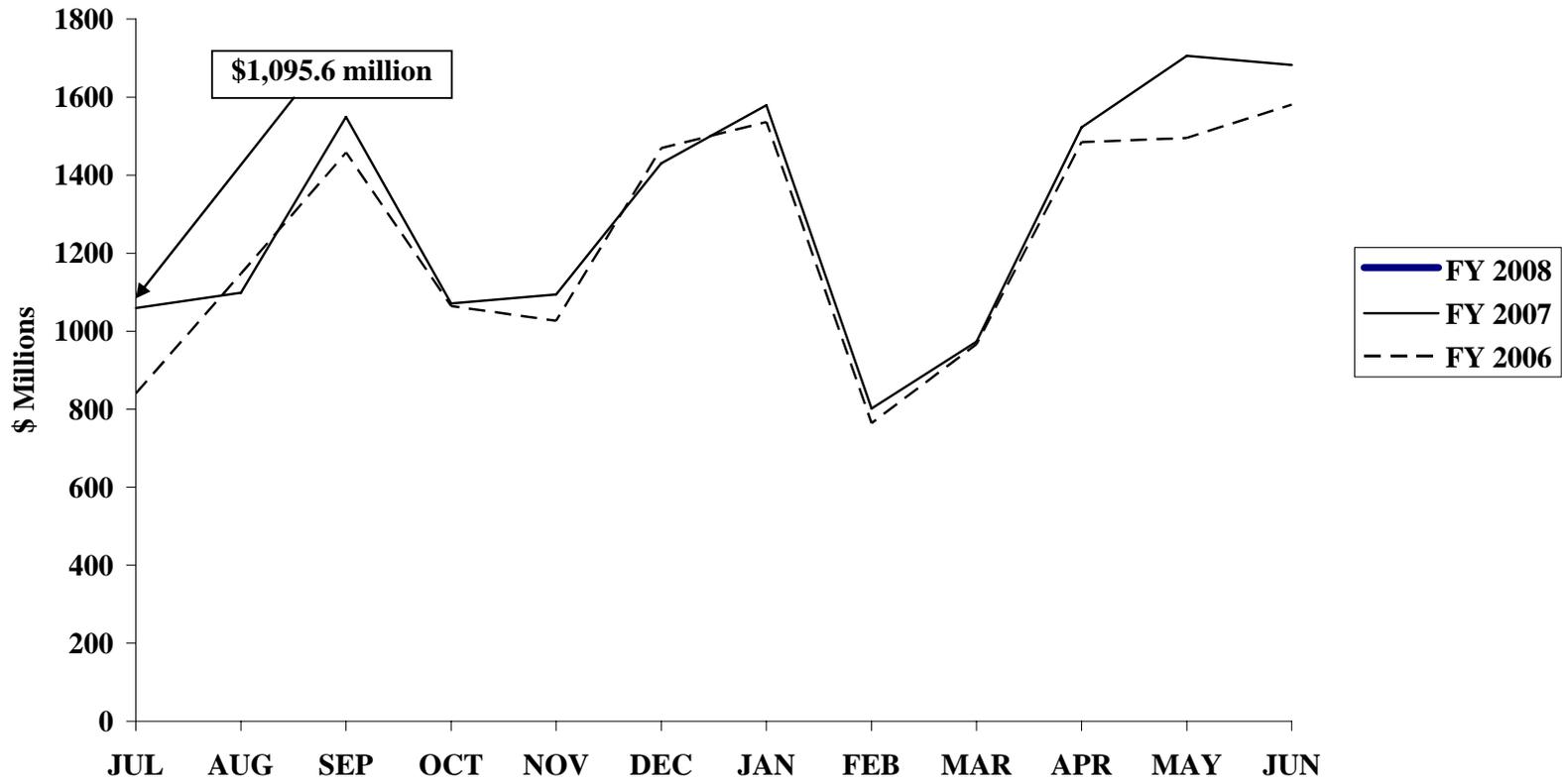
Commonwealth of Virginia/Department of Accounts  
Highway Maintenance and Operating Fund and Transportation Trust Fund Revenues  
Statement of Revenue Estimates & Collections  
For the Fiscal Years 2007 and 2008  
(Dollars in Thousands)

Revenue	FY 2008 Estimate	As a % of Total Fund	July			Year-To-Date			% Annual Growth Required By Est
			FY 2008	FY 2007	% Change	FY 2008	FY 2007	% Change	
<b>HIGHWAY MAINTENANCE AND OPERATING FUND:</b>									
Motor Fuel Taxes (Includes Road Tax)	\$777,400	20.48	\$3,170	(\$772)	510.6	\$3,170	(\$772)	510.6	4.8
Motor Vehicle Sales and Use Tax	393,900	10.37	31,240	31,809	(1.8)	31,240	31,809	(1.8)	1.0
Motor Vehicle License Fees	241,300	6.36	18,479	12,505	47.8	18,479	12,505	47.8	62.8
International Registration Plan	64,500	1.70	3,749	3,667	2.2	3,749	3,667	2.2	19.5
Misc. Taxes, Fees, and Revenues (a)	16,400	0.43	993	927	7.1	993	927	7.1	32.9
<b>Total State Taxes and Fees</b>	<b>\$1,493,500</b>	<b>39.34</b>	<b>\$57,631</b>	<b>\$48,136</b>	<b>19.7</b>	<b>\$57,631</b>	<b>\$48,136</b>	<b>19.7</b>	<b>11.0</b>
<b>Other Revenues:</b>									
Federal Grants and Contracts	\$0	0.00	\$606	\$1,170	(48.2)	\$606	\$1,170	(48.2)	(100.0)
Miscellaneous Revenues (a)	16,937	0.45	1,516	2,126	(28.7)	1,516	2,126	(28.7)	0.1
Transfer (to) / from Transportation Trust Fund	262,570	6.91	100,000	100,000	0.0	100,000	100,000	0.0	13.6
<b>Total Highway Maintenance and Operating Fund</b>	<b>\$1,773,007</b>	<b>46.70</b>	<b>\$159,753</b>	<b>\$151,432</b>	<b>5.5</b>	<b>\$159,753</b>	<b>\$151,432</b>	<b>5.5</b>	<b>9.1</b>
<b>TRANSPORTATION TRUST FUND:</b>									
Motor Fuel Taxes (Includes Aviation & Road Taxes)	\$120,100	3.16	\$829	\$2,296	(63.9)	\$829	\$2,296	(63.9)	1.8
Priority Transportation Fund	20,000	0.53	0	0	-	0	0	-	0.0
Motor Vehicle Sales and Use Tax (Includes Rental Tax)	243,400	6.41	19,850	20,007	(0.8)	19,850	20,007	(0.8)	2.0
State Sales and Use Tax	536,000	14.12	48,023	45,147	6.4	48,023	45,147	6.4	3.6
Motor Vehicle License Fees	21,600	0.57	1,741	1,819	(4.3)	1,741	1,819	(4.3)	1.7
Interest Earnings	52,600	1.38	21	44	(52.3)	21	44	(52.3)	(2.5)
<b>Total State Taxes and Fees</b>	<b>\$993,700</b>	<b>26.17</b>	<b>\$70,464</b>	<b>\$69,313</b>	<b>1.7</b>	<b>\$70,464</b>	<b>\$69,313</b>	<b>1.7</b>	<b>2.5</b>
<b>Other Revenues:</b>									
Federal Grants and Contracts	\$1,100,568	28.98	\$86,281	\$57,086	51.1	\$86,281	\$57,086	51.1	77.9
Receipts from Cities/Counties (a)	78,428	2.07	7,298	1,599	356.4	7,298	1,599	356.4	86.4
Toll Revenues (Includes Route 28)	100,598	2.65	7,661	6,374	20.2	7,661	6,374	20.2	(3.0)
Miscellaneous Revenues	12,854	0.34	1,470	1,032	42.4	1,470	1,032	42.4	(40.4)
<b>Total Other Revenues</b>	<b>\$1,292,448</b>	<b>34.04</b>	<b>\$102,710</b>	<b>\$66,091</b>	<b>55.4</b>	<b>\$102,710</b>	<b>\$66,091</b>	<b>55.4</b>	<b>64.5</b>
Transfer (to) / from Highway Maintenance and Operating Fund	(\$262,570)	(6.91)	(\$100,000)	(\$100,000)	0.0	(\$100,000)	(\$100,000)	0.0	(13.6)
<b>Total Transportation Trust Fund</b>	<b>\$2,023,578</b>	<b>53.30</b>	<b>\$73,174</b>	<b>\$35,404</b>	<b>106.7</b>	<b>\$73,174</b>	<b>\$35,404</b>	<b>106.7</b>	<b>32.8</b>
<b>TOTAL HIGHWAY MAINTENANCE AND OPERATING AND TRANSPORTATION TRUST FUND</b>	<b>\$3,796,585</b>	<b>100.00</b>	<b>\$232,927</b>	<b>\$186,836</b>	<b>24.7</b>	<b>\$232,927</b>	<b>\$186,836</b>	<b>24.7</b>	<b>20.6</b>

# Percentage is greater than or equal to 1,000%.

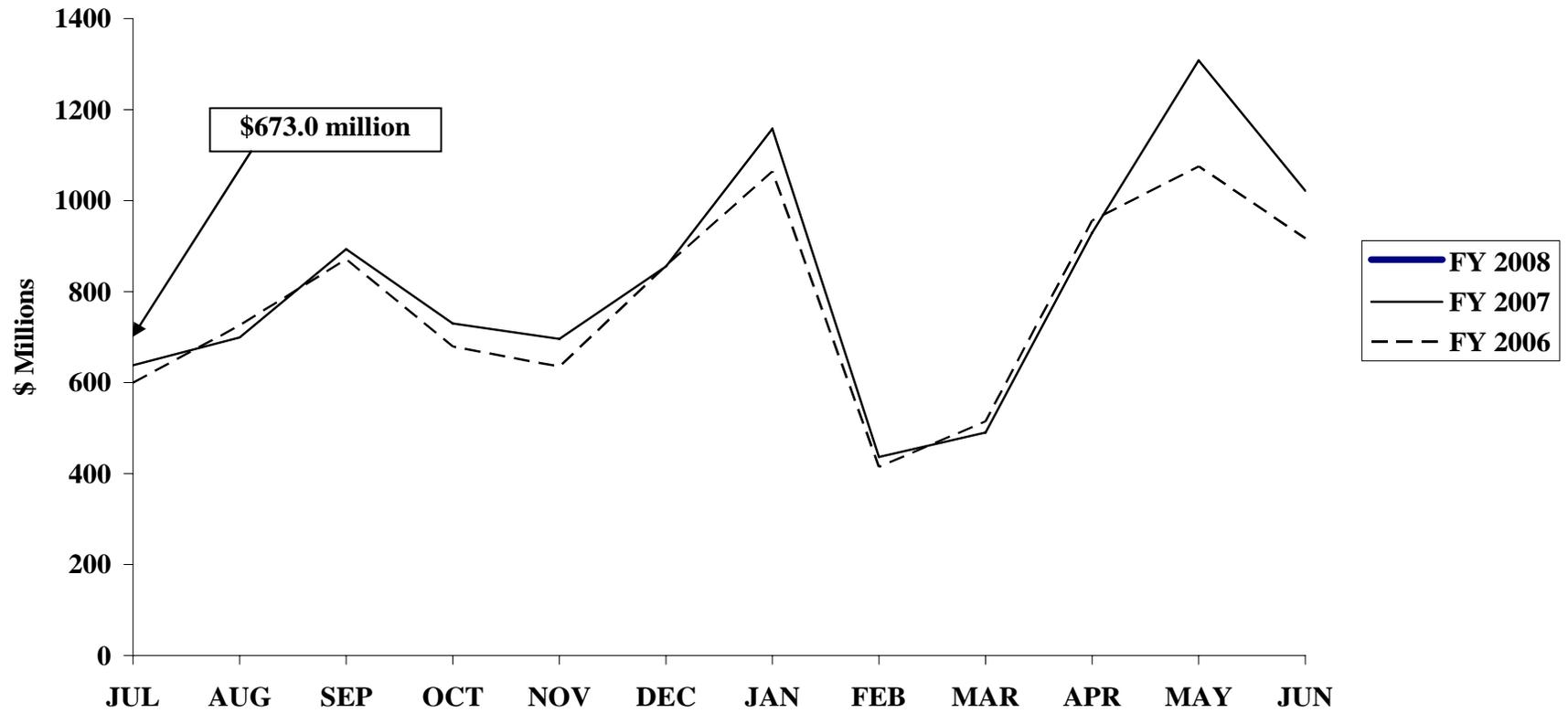
(a) A new line, "Miscellaneous Revenues", was added to the Highway Maintenance and Operating Fund Revenue Forecast in FY 2007. A portion of the amounts previously reported in "Miscellaneous Taxes, Fees, and Revenues" and "Receipts from Cities/Counties" were reclassified to "Miscellaneous Revenues". In order to provide comparable data, the Fiscal Year 2007 monthly and year-to-date amounts were likewise reclassified.

# Total General Fund Revenues



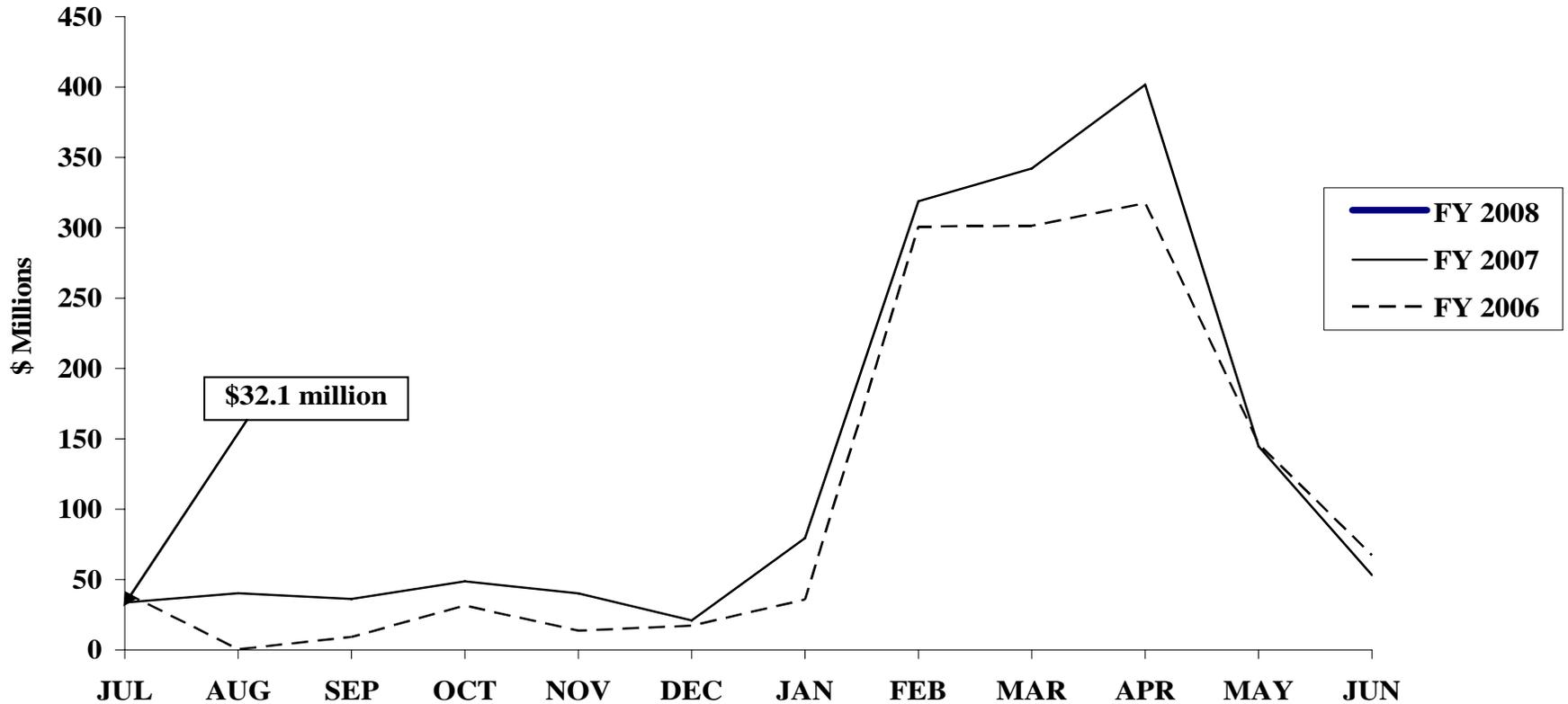
**FY 2006 Actual = \$14,834.3 Million**  
**FY 2007 Actual = \$15,565.8 Million**  
**FY 2008 Estimate = \$16,432.4 Million**

## Net Individual Income Tax



**FY 2006 Actual = \$9,308.6 Million**  
**FY 2007 Actual = \$9,857.0 Million**  
**FY 2008 Estimate = \$10,515.3 Million**

## Individual and Fiduciary Income Tax Refunds



**FY 2006 Actual = \$1,282.6 Million**  
**FY 2007 Actual = \$1,559.8 Million**  
**FY 2008 Estimate = \$1,442.0 Million**

## DEPARTMENT OF THE TREASURY

General Account Investment Portfolio

Monthly Average Balances and Rates

For the Fiscal Year 2008

(Dollars in Millions)

MONTH	PRIMARY LIQUIDITY		EXTERNAL MANAGEMENT EXTENDED DURATION		COMPOSITE	
	Avg. Balance	Yield	Avg. Balance	Annualized Total Return	Avg. Balance	Rate
<b>July, 2007</b>	\$5,727.9	5.35%	\$1,723.0	9.69%	\$7,450.9	6.35%
<b>August</b>						
<b>September</b>						
<b>October</b>						
<b>November</b>						
<b>December</b>						
<b>January, 2008</b>						
<b>February</b>						
<b>March</b>						
<b>April</b>						
<b>May</b>						
<b>June</b>						
<b>Year-to-Date Average</b>	\$5,727.9	5.35%	\$1,723.0	9.69%	\$7,450.9	6.35%

- 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.

- Unaudited.

**Commonwealth of Virginia/Department of Accounts  
Report on the Revenue Stabilization Fund  
For the Fiscal Year 2008**

<u>Month</u>	<u>Beginning Balance</u>	<u>Deposits</u>	<u>Withdrawals</u>	<u>Interest Allocated (A)</u>	<u>Ending Balance</u>
July	\$1,189,834,417	\$0	\$0	\$0	\$1,189,834,417
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.