

Governor Warner's Proposed 2006-2008 Budget

Economic Outlook & Revenue Forecast

*A Briefing for the Senate Finance,
House Finance, and House Appropriations
Committees*

December 16, 2005



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Outline...

- FY 2005 Year-end Revenue Results
- U.S. and Virginia Economic Outlook
- December Revenue Forecast
- Key Changes Affecting Revenues

Governor Warner set three critical objectives for his 2006-2008 budget...

- 1) Maintain fiscal stability over the long term.

- 2) Meet the state's basic commitments to education, health care, transportation, environmental protection, and other core services.

- 3) Make targeted investments that will build a stronger, more competitive economy.

The FY 2005 revenue surplus was driven by the three most volatile sources...

- Over three-fourths of the \$544.6 million surplus occurred in individual nonwithholding, corporate, and recordation taxes.
 - Major economic variables either tracked or were slightly above their forecasts.
 - The FY 2005 revenue surplus was largely committed to meet statutory obligations for the Revenue Stabilization Fund and Water Quality Improvement Fund.

Summary of Fiscal Year 2005 Revenue Collections

(millions of dollars)

<u>Source</u>	<u>Forecast</u>	<u>Actual</u>	<u>\$ Variance</u>	<u>% Growth</u>
Withholding	\$ 7,490.4	\$ 7,513.0	\$ 22.6	6.7 %
Nonwithholding	1,809.1	2,073.5	264.4	32.7
Refunds	1,296.8	1,234.2	(62.6)	1.4
Net Individual	8,002.7	8,352.4	349.7	13.1
Sales and Use Tax	2,938.0	2,946.1	8.1	15.0
Corporate Income Tax	549.0	616.7	67.7	44.9
Insurance Premiums	381.0	373.6	(7.4)	6.3
Public Service	87.4	88.3	0.9	1.7
Wills, Suits, and Deeds	512.8	596.1	83.3	75.0
All Other	671.8	714.2	42.4	(6.8)
Total GF Revenue	\$ 13,142.7	\$ 13,687.3	\$ 544.6	14.8 %

The revised economic and revenue forecast is the result of the forecasting process set forth in the Code...

- The Governor's Advisory Board of Economists met on October 24th to assess the economic outlook for the nation and Virginia.
 - Participants included a senior official from Global Insight, 9 economists from the Board, and staff from 10 executive and legislative agencies.
 - With few revisions, the Board's economists selected the Standard economic outlook on which to base the preliminary revenue forecast.

- The Governor's Advisory Council on Revenue Estimates met on November 21st to review a preliminary revenue forecast.
 - Council members endorsed the Standard economic outlook and revenue forecast.
 - GACRE members were particularly cautious about future prospects for the housing market.

The latest indicators show that the U.S. economy is continuing to grow at a healthy pace...

- Current national indicators suggest broad-based strength:
 - Real GDP Growth 4.3% in the 3rd quarter
 - Employment uneven, 168K per month
 - Unemployment Rate 5.0% in November
 - Jobless Claims near 320,000
 - ISM - manufacturing index above 50.0 - expanding
 - Retail Sales (w/o autos) up 8.7% year-over-year
 - Leading Indicators no increasing risks
 - Inflation core CPI at 2.0%
- Cautionary signs still exist:
 - Energy Prices oil well over \$50/barrel
 - Consumer Confidence has been unstable
 - Housing signs of slowing
- The U.S. outlook anticipates that the economy will continue on a solid path.
 - FY 2006: Employment + 1.5%
 - Personal Income + 5.8%

In FY 2006, Virginia's economic expansion continues to outpace the nation's...

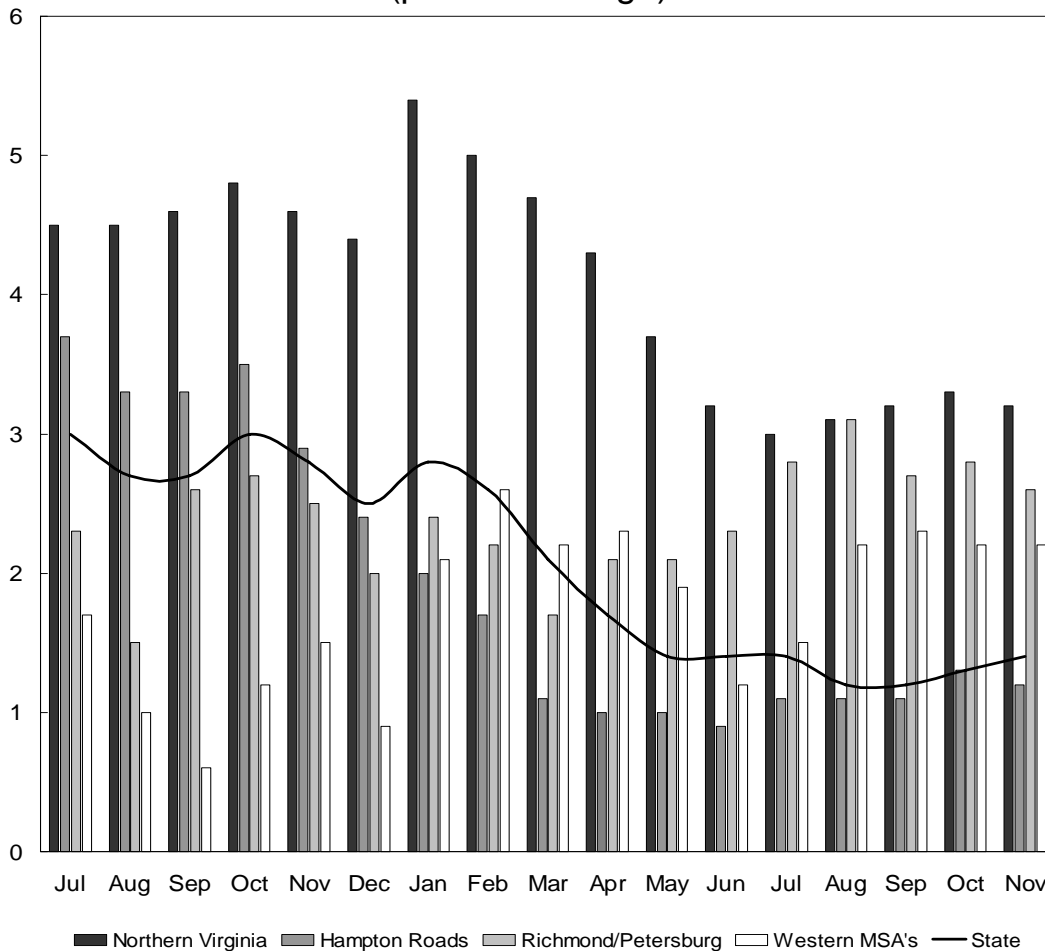
**Comparison of Key Variables
US and Virginia
(percent change)**

	<u>FY 2005 Actual</u>	<u>FY 2006 Forecast</u>
Employment		
U.S.	1.6	1.5
Virginia	2.5	1.8
Personal Income		
U.S.	6.4	5.8
Virginia	8.3	7.2
Wages and Salaries		
U.S.	6.8	5.7
Virginia	8.5	6.9
Unemployment		
U.S.	5.3	5.0
Virginia	3.5	3.7

Although job growth in Virginia has slowed, it remains positive...

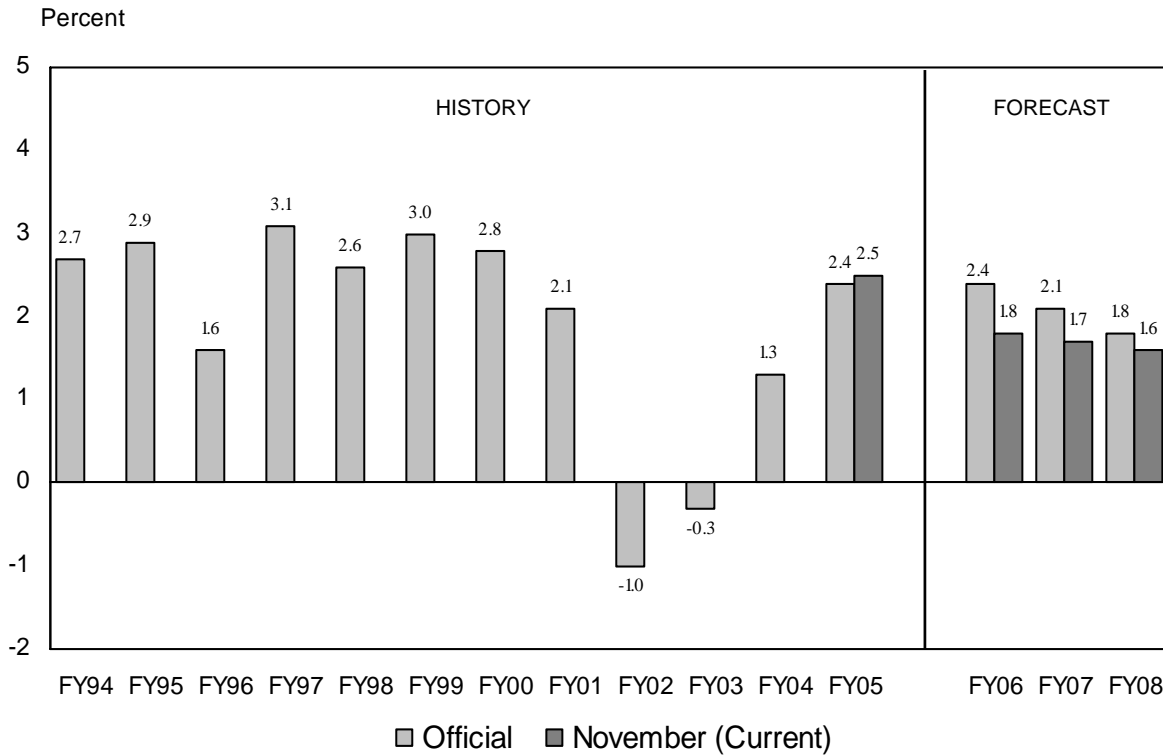
- Gains statewide have been strongest in construction, trade, and professional and business services.
- Job growth in Northern Virginia continues to average about 3.0%.
- All 10 metropolitan areas are experiencing job growth except Danville.

Monthly Employment Growth
(percent change)



Over the forecast horizon, employment growth is expected to be slightly below long-term trends...

Virginia Employment Growth
 FY 1994-05 Actual and FY 2006-08 Forecast

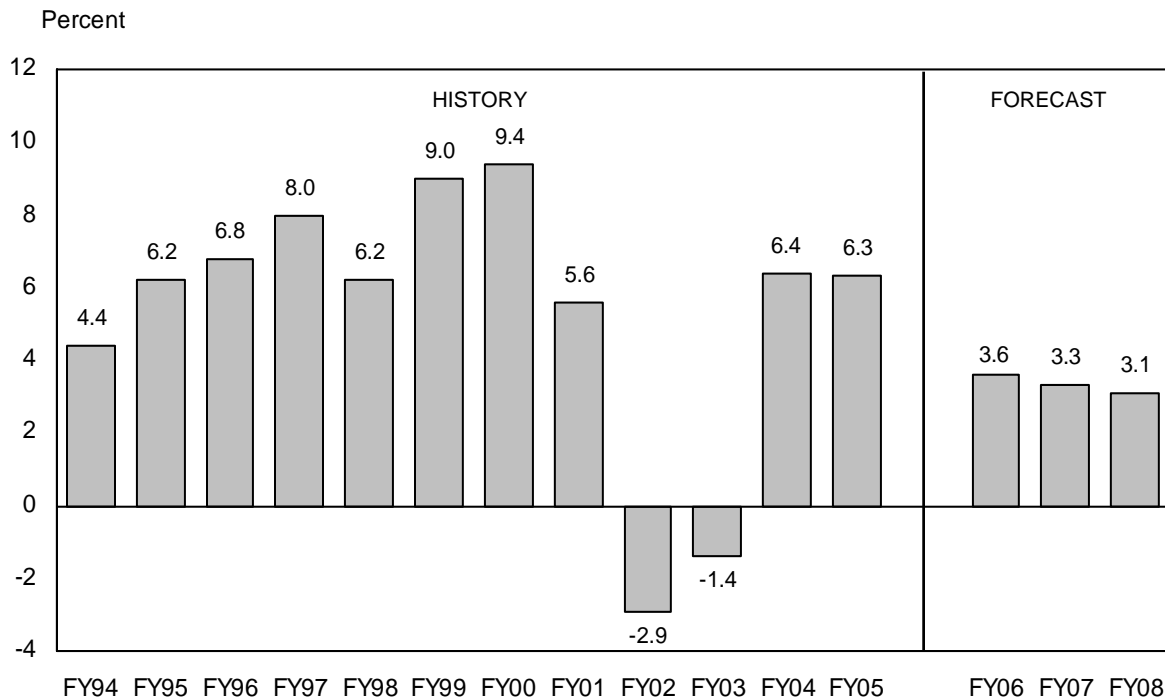


FY 2003 Actual Job Losses	-8,900
FY 2004 Actual Job Gains	+45,700
FY 2005 Actual Job Gains	+89,600
FY 2006 Forecast	+64,200
FY 2007 Forecast	+63,200
FY 2008 Forecast	+58,300

Federal spending in Northern Virginia remains a source of strength...

- Federal procurement contracts awarded to Northern Virginia firms increased 19.1% in 2004 (\$4.2 billion).
 - 82% of the contracts were for services and R&D projects in defense and homeland security.
 - CBO projects a slowing of DOD outlays beginning in 2006.

NOVA Professional and Business Services FY 1994-05 Actual and FY 2006-08 Forecast



- The professional and business services subsector in Northern Virginia accounted for 21% of all jobs created in FY 2005.

The Virginia economic outlook on which the revenue forecast is based anticipates a continuing moderate expansion...

- This year's standard forecast is weaker in employment growth, but stronger in wage and salary growth than last year's official estimate.

Comparison of Official and November Outlook

		Fiscal Year		
	05	06	07	08
Employment				
Official ('04)	2.4	2.4	2.1	1.8
November (Current)	2.5	1.8	1.7	1.6
Wages & Salaries				
Official ('04)	5.9	5.7	6.3	5.9
November (Current)	8.5	6.9	6.4	6.0
Average Wage				
Official ('04)	3.4	3.2	4.1	4.0
November (Current)	5.8	5.0	4.6	4.4
Personal Income				
Official ('04)	6.0	5.4	5.5	5.4
November (Current)	8.3	7.2	6.5	6.0

Some of FY 2005's extra-ordinary revenue growth has continued into FY 2006. As a result, the FY 2006 revenue forecast has been revised upward...

- About 89% of the revision can be attributed to changes in the nonwithholding, corporate, and recordation tax forecasts -- the three most volatile revenue sources.
- Withholding and sales tax collections (80% of total revenues) -- revenue sources most closely tied to current Virginia economic activity -- account for only 7% of the revision.

Summary of the Revised General Fund Revenue Forecast

Fiscal Year 2006
(millions of dollars)

	Official	Revised	\$ change	% growth
Withholding	\$ 7,932.6	\$ 8,031.8	\$ 99.2	6.9 %
Nonwithholding	1,765.6	2,347.5	581.9	13.2
Refunds	1,363.5	1,304.7	(58.8)	5.7
Net individual	8,334.7	9,074.6	739.9	8.6
Sales*	2,828.4	2,811.8	(16.6)	(4.6)
Corporate	508.2	722.4	214.2	17.1
Wills (Recordation)	483.8	772.0	288.2	29.5
Insurance	413.7	392.5	(21.2)	5.1
All Other Revenue	744.7	754.5	9.8	(6.0)
Total	\$ 13,313.5	\$ 14,527.8	\$ 1,214.3	6.1 %

* Includes \$200.1 million reduction in Accelerated Sales Tax payments and \$104.4 million loss in food tax revenues. The economics-based revenue growth rate is 8.4%.

Although revenue growth remains solid, it has decelerated...

General Fund Revenue Growth

Calendar Year 2005

(percent change)

	<u>Monthly Growth</u>	<u>Year-to-date Growth</u>
January	20.8	--
February	11.3	--
March	17.6	--
April	14.4	--
May	23.0	--
June	12.1	--
July*	8.8	8.8
August*	23.9	17.0
September*	11.2	14.5
October	7.7	12.8
November	6.2	11.5

* Compares months when HB5018 changes were in effect to prior year when changes were not in effect.

- As year-end approaches, overall growth will need to be about 1.4% above forecast in order to accommodate the \$200.1 million effect of eliminating most of the Accelerated Sales Tax payments.

Revenue projections for the FY 2007-08 biennium anticipate growth rates typical for a continued economic expansion...

- Withholding and sales tax collections are expected to grow in line with growth in wages and salaries and personal income.
- Growth in the three most volatile revenue sources is projected to slow as capital gains, housing activity, and corporate profitability all moderate.

Summary of the Revised General Fund Revenue Forecast

Fiscal Years 2007 and 2008

(millions of dollars)

	<u>FY 2007</u>	<u>% growth</u>	<u>FY 2008</u>	<u>% growth</u>
Withholding	\$ 8,539.5	6.3 %	\$ 9,049.7	6.0 %
Nonwithholding	2,456.2	4.6	2,572.0	4.7
Refunds	1,385.3	6.2	1,461.9	5.5
Net individual	9,610.4	5.9	10,159.8	5.7
Sales*	3,150.3	12.0	3,310.1	5.1
Corporate	746.5	3.3	795.9	6.6
Wills (Recordation)	659.0	(14.6)	665.0	0.9
Insurance	416.4	6.1	440.2	5.7
All Other Revenue	818.7	8.5	843.4	3.0
Total	\$ 15,401.3	6.0 %	\$ 16,214.4	5.3 %

* FY 2007 growth rate is influenced by elimination of most collections from the Accelerated Sales Tax in FY 2006.

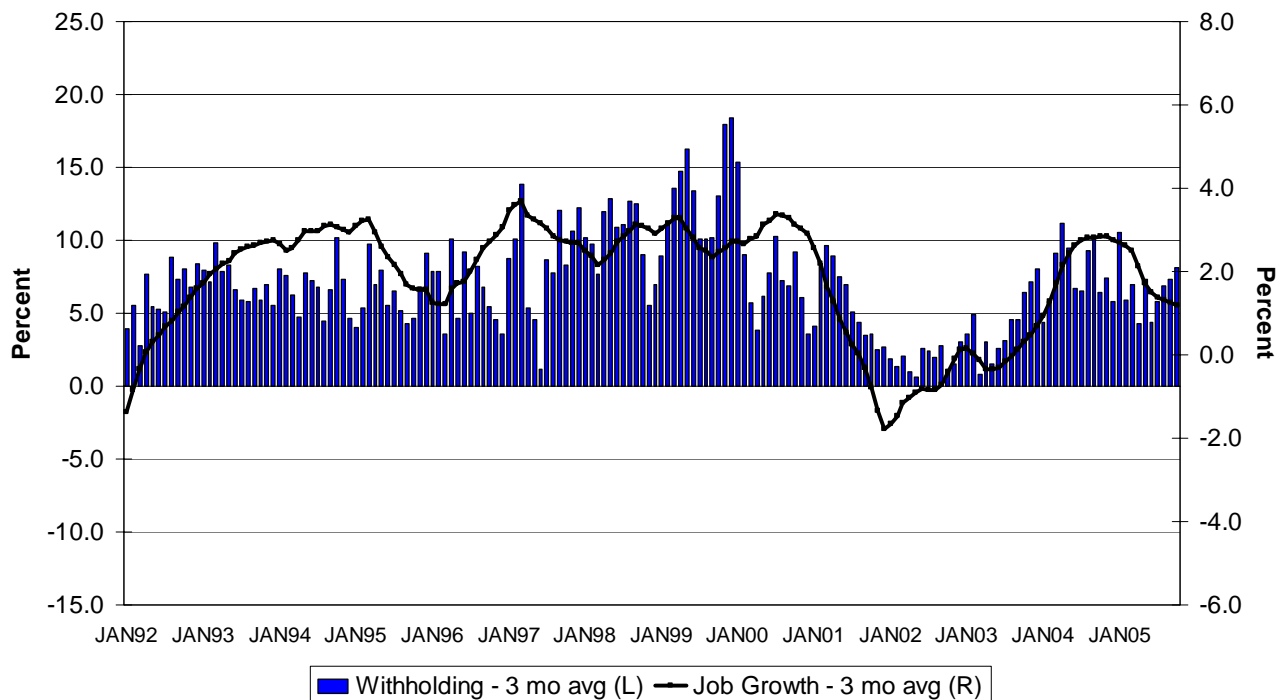
Withholding collections are expected to remain healthy through the forecast horizon...

- Predicted growth in withholding is similar to projected wage and salary growth -- typical for an economic expansion.

	Wage & Salary Growth	Withholding Growth*
FY06	6.9%	7.6%
FY07	6.4%	6.3%
FY08	6.0%	5.9%

*Economics-based growth excluding tax policy changes.

Economic Expansion -- Payroll Withholding



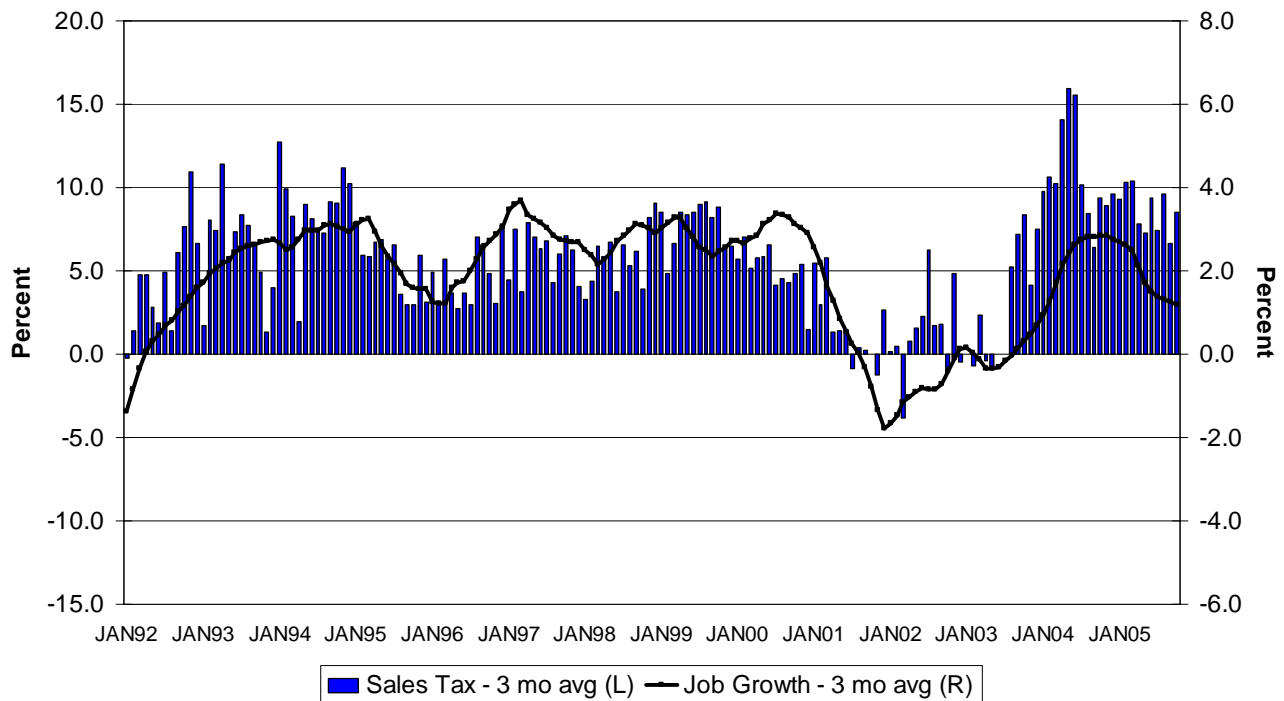
Sales tax growth rates are essentially unchanged from last year's official forecast...

- Sales tax growth is projected to moderate, with higher energy prices reducing discretionary income and a slowing housing market somewhat dampening consumer spending.

	Personal Income Growth	Sales Tax Growth*
FY06	7.2%	5.3%
FY07	6.5%	5.2%
FY08	6.0%	4.9%

*Economics-based growth excluding tax policy changes.

Economic Expansion -- Sales Tax Collections



Growth in nonwithholding tax payments is expected to moderate from FY 2005's unusually strong performance...

- Nonwithholding payments flow from non-wage income such as capital gains, self-employment income, dividends, interest and rents, partnership income, S corporations, bonuses and stock options.
- Extra-ordinary nonwithholding growth in FY 2004 and FY 2005 was boosted by federal tax law changes and one-time events such as Microsoft's \$32 billion dividend.
- The key variables driving nonwithholding payments are expected to moderate.

History and Forecast of Nonwithholding and Key Variables*

FY 2005 Actual and FY 2006-08 Forecast
(percent change)

	<u>Nonwithholding</u>	<u>S&P 500 Index</u>	<u>Self-Employment Income</u>	<u>Dividends Interest, Rents</u>
FY05	32.7%	17.3%	10.5%	5.8%
FY06	13.2	6.7	6.7	4.4
FY07	4.6	4.9	7.1	8.1
FY08	4.7	1.9	4.1	7.6

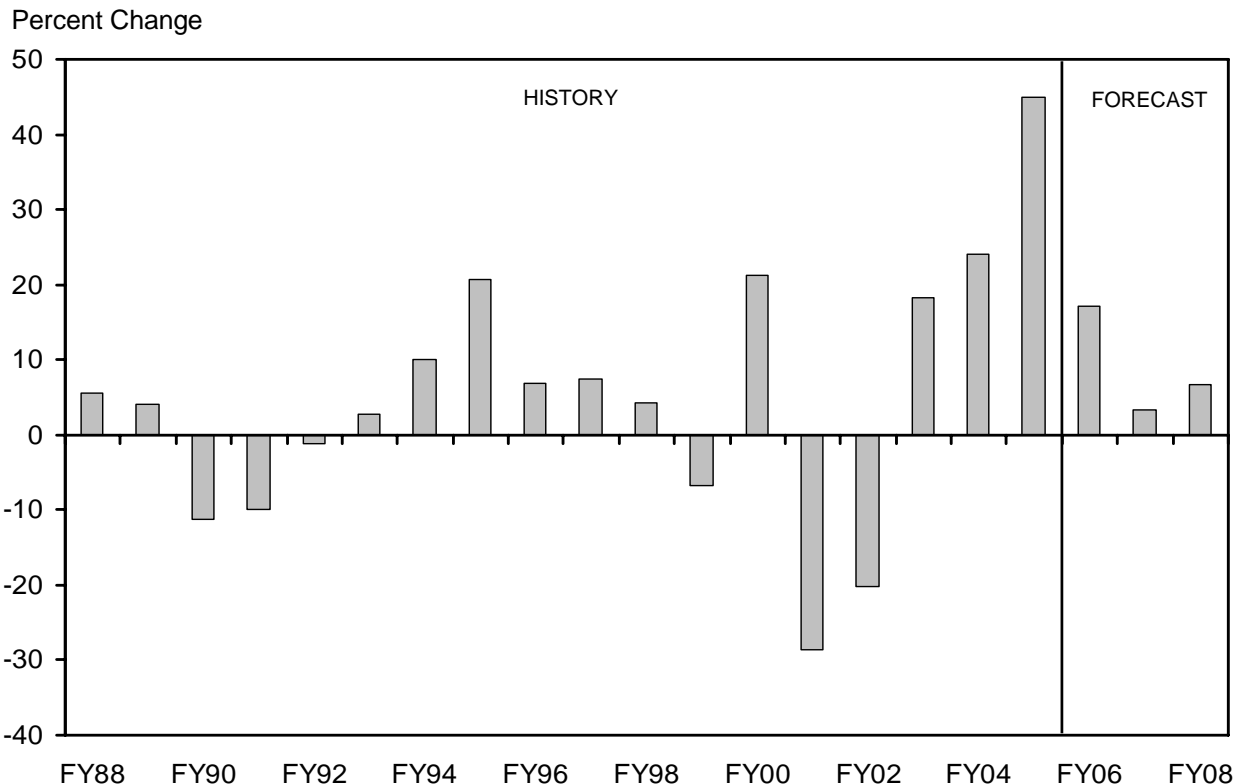
*Key variables are growth rates for prior calendar year.

Growth in corporate income taxes is expected to slow from FY 2005's historic spike...

- Corporate income tax is the most volatile revenue source. Historically, one year in three has had negative growth.
- Since FY 2002, corporate profits have surged to record levels, driven by productivity gains and corporate cost-cutting.
 - The current run of double-digit quarterly growth in corporate profits is the longest on record.
- Growth is expected to slow with higher costs and increased capital investments constraining future profits.

Growth in Corporate Income Tax Payments

FY 1988-05 Actual and FY 2006-08 Forecast



Recordation tax receipts are expected to slow as interest rates rise and price appreciation levels off...

- The last 5 years of strong growth have been driven by generationally low interest rates and new financing options.
- Pending home sales point to a slowdown in recordation taxes.

Survey of Pending Home Sales in Virginia
(percent change)

	<u>Monthly Growth</u>	<u>Year-to-date Growth</u>
January	4.1	4.1
February	10.0	7.1
March	(1.7)	3.5
April	7.1	4.6
May	5.8	4.8
June	5.3	4.9
July	0.8	4.3
August	3.8	4.3
September	(7.8)	3.0
October	(9.9)	1.0

Growth in Pending Home Sales
(percent change)

	<u>CY03</u>	<u>CY04</u>	<u>CY05 Oct</u>
Virginia -- Statewide Total	8.9	9.6	1.0
Fairfax County (16.0%)	8.2	6.6	(10.1)
Prince William County (8.2%)	19.2	10.4	4.2
Virginia Beach (6.7%)	2.8	8.4	5.6
Loudoun County (5.8%)	15.2	18.6	(2.5)

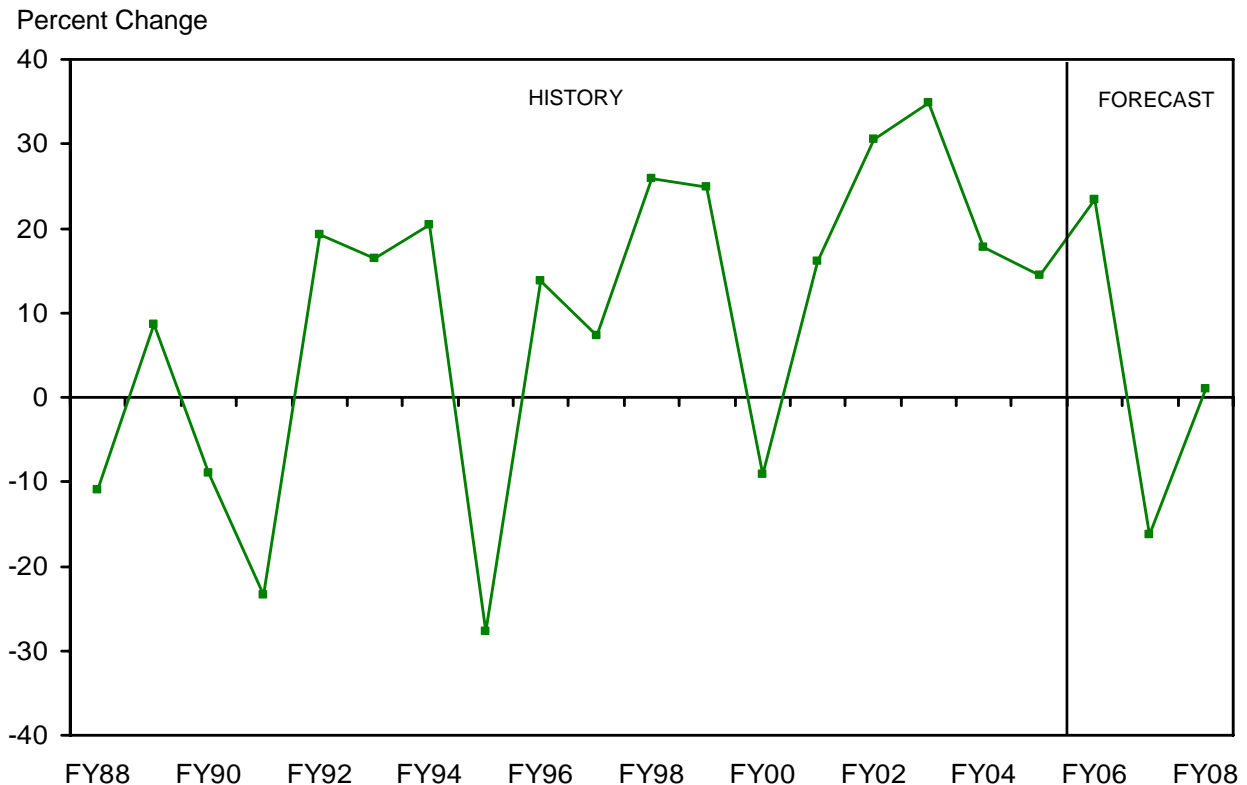
SOURCE: Virginia Association of Realtors

Recordation tax receipts are expected to slow as interest rates rise and price appreciation levels off... (cont)

- Most GACRE business members cited a slowdown in housing as a key risk to the outlook.
 - Rising interest rates are expected to slow demand for new homes and raise mortgage payments on non-conventional mortgage loans.

Growth in Recordation Taxes

FY 1988-05 Actual and FY 2006-08 Forecast

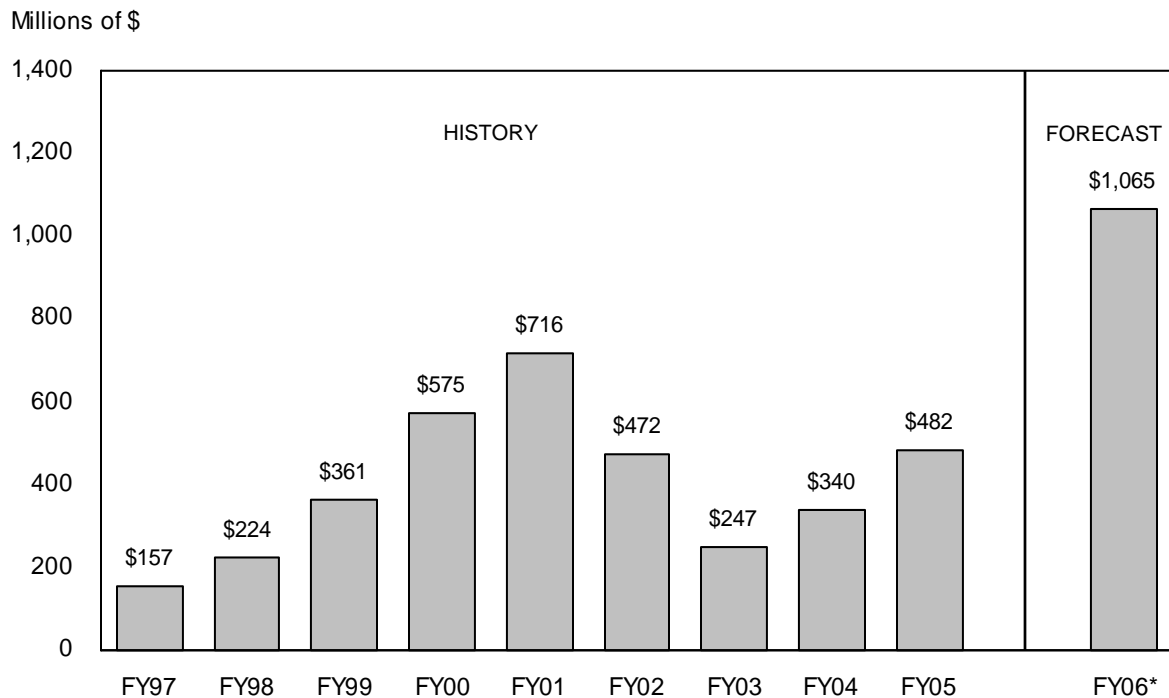


The Governor is proposing to fully fund the Revenue Stabilization Fund in FY 2006...

- The Caboose bill includes a deposit of \$402.2 million to the Revenue Stabilization Fund
 - With this deposit, the Fund will reach its constitutional maximum for the first time.

Revenue Stabilization Fund -- June 30 Balance

FY 1997-05 Actual and FY 2006 Forecast



*Includes interest at 3.0%.

- The Fund will now be fully replenished -- three years after the last withdrawal.

Key risks to the forecast...

- The impending slowdown in housing activity and its effect on economic growth.
- The extent to which elevated energy prices reduce households' discretionary income.
- Geopolitical pressures, particularly in the Middle East.
- Rising federal budget deficits and their impact on long-term interest rates.

APPENDIX

U.S. Economic Indicators

Virginia Economic Indicators

General Fund Forecast for FY 2006 through FY 2012

Growth in General Fund Revenues FY 1961 through FY 2008

Nongeneral Fund Forecast for FY 2006 through FY 2012

Revenue Report through November 2005

**Fiscal Years 2003-2008 October & Official
U.S. Economic Forecasts - Income and Other Indicators**

		<u>FY03</u>	<u>FY04</u>	<u>FY05</u>	<u>FY06</u>	<u>FY07</u>	<u>FY08</u>
<u>Output, Income and Spending (% Change)</u>							
GDP	-October Std.	3.8	6.5	6.5	6.3	5.3	5.6
	-Official	4.0	6.4	5.8	4.9	4.9	5.2
Real GDP	-October Std.	1.9	4.1	3.7	3.4	3.1	3.4
	-Official	2.3	4.4	3.8	3.1	3.1	3.2
Total Personal Income	-October Std.	2.2	4.7	6.4	5.8	6.4	5.8
	-Official	2.1	4.6	5.3	4.9	5.2	5.5
Wages and Salaries	-October Std.	1.4	4.0	6.8	5.7	6.0	5.8
	-Official	1.4	4.0	5.1	5.2	5.0	5.1
Average Wage (Nonag. Employ.)	-October Std.	2.0	3.7	5.1	4.1	4.5	4.5
	-Official	2.0	3.8	3.5	3.6	4.0	4.2
Real Consumer Spending	-October Std.	2.4	3.8	3.7	2.8	3.4	3.2
	-Official	3.0	3.8	3.2	2.9	3.0	2.7
<u>Interest Rates (%)</u>							
3-Month Treasury Bills	-October Std.	1.3	1.0	2.2	4.0	4.4	4.6
	-Official	1.3	1.0	2.0	3.0	3.2	3.4
30-Year Treasury Bonds	-October Std.	5.0	5.2	4.8	4.9	5.3	5.6
	-Official	5.0	5.2	5.3	5.8	5.9	6.1
<u>Prices (% Change)</u>							
CPI	-October Std.	2.2	2.2	3.0	3.8	1.5	1.6
	-Official	2.2	2.2	2.5	1.4	1.6	1.8
GDP Deflator	-October Std.	1.9	2.2	2.7	2.8	2.1	2.0
	-Official	1.7	1.9	1.9	1.8	1.7	1.9

The October Std. forecast is Global Insight's October 2005 U.S. standard forecast.

The Official forecast is Global Insight's October 2004 U.S. standard forecast.

**Fiscal Years 2003-2008 October & Official
U.S. Economic Forecasts - Employment and Labor Markets**

		<u>FY03</u>	<u>FY04</u>	<u>FY05</u>	<u>FY06</u>	<u>FY07</u>	<u>FY08</u>
<u>Employment and Labor Markets (% Change)</u>							
Total Nonagricultural Employment	-October Std.	(0.6)	0.3	1.6	1.5	1.4	1.3
	-Official	(0.6)	0.2	1.6	1.5	0.9	0.9
Manufacturing	-October Std.	(5.4)	(3.7)	0.0	(0.6)	(1.4)	(0.5)
	-Official	(5.4)	(3.5)	0.9	1.2	0.2	(0.4)
Construction	-October Std.	(1.2)	2.2	3.8	3.4	0.5	2.1
	-Official	(1.2)	1.7	3.1	1.8	0.0	0.8
Trade, Transportation, and Utilities	-October Std.	(1.2)	(0.1)	1.2	1.3	1.7	1.3
	-Official	(1.2)	(0.2)	1.0	1.0	1.0	0.6
Information	-October Std.	(6.5)	(3.9)	(0.5)	0.6	2.1	1.6
	-Official	(6.4)	(3.3)	0.5	1.4	(0.3)	1.7
Financial Activities	-October Std.	1.1	1.2	1.6	1.1	(0.5)	0.8
	-Official	1.1	1.1	0.9	0.8	(0.3)	0.4
Professional and Business Services	-October Std.	(1.3)	1.5	3.2	3.2	3.4	4.0
	-Official	(1.3)	1.6	3.9	3.7	3.6	3.7
Education and Health Services	-October Std.	3.0	2.1	2.3	2.2	1.9	1.4
	-Official	3.0	1.9	2.2	1.9	1.5	1.0
Leisure and Hospitality	-October Std.	0.7	2.1	2.3	2.0	2.2	0.7
	-Official	0.6	1.2	2.0	2.3	0.1	(0.1)
Other Services	-October Std.	1.2	0.4	0.8	0.7	1.4	1.4
	-Official	1.2	0.0	0.8	0.1	0.8	1.6
Government	-October Std.	1.1	(0.1)	0.6	0.9	1.1	0.5
	-Official	1.0	(0.2)	0.2	0.3	0.3	0.2
Unemployment Rate (%)	-October Std.	5.9	5.8	5.3	5.0	4.9	4.9
	-Official	5.9	5.8	5.4	5.4	5.6	5.6

The October Std. forecast is Global Insight's October 2005 U.S. standard forecast.

The Official forecast is Global Insight's October 2004 U.S. standard forecast.

**Fiscal Years 2003-2008 October & Official
Virginia Economic Forecasts - Employment and Labor Markets**

		<u>FY03</u>	<u>FY04</u>	<u>FY05</u>	<u>FY06</u>	<u>FY07</u>	<u>FY08</u>
<u>Employment (% Change)</u>							
Total Nonagricultural Employment	-October Std.	(0.3)	1.3	2.5	1.8	1.7	1.6
	-Official	(0.2)	1.9	2.4	2.4	2.1	1.8
Manufacturing	-October Std.	(4.4)	(4.6)	(0.1)	(0.3)	(1.2)	(0.4)
	-Official	(4.4)	(4.2)	0.0	1.0	0.2	(0.5)
Construction & Mining	-October Std.	(1.1)	4.5	4.9	3.2	1.3	2.2
	-Official	(1.2)	4.9	3.8	1.8	2.5	2.7
Trade, Transportation, and Utilities	-October Std.	(0.8)	1.2	1.7	1.3	1.7	1.4
	-Official	(0.8)	2.4	3.3	3.7	3.3	2.2
Information	-October Std.	(8.7)	(1.4)	(1.1)	1.4	2.5	2.6
	-Official	(8.7)	(1.9)	1.4	3.6	3.6	3.2
Financial Activities	-October Std.	2.0	1.7	1.5	2.0	(0.1)	0.9
	-Official	2.0	2.9	1.7	0.7	0.4	1.1
Professional and Business Services	-October Std.	(1.2)	2.9	4.5	3.1	3.1	3.4
	-Official	(1.2)	3.3	5.5	3.5	4.3	3.6
Education and Health Services	-October Std.	3.6	2.5	4.3	2.4	2.5	1.6
	-Official	3.7	3.3	0.6	2.4	2.1	1.2
Leisure and Hospitality	-October Std.	1.5	2.7	2.3	1.9	2.1	0.7
	-Official	1.5	2.6	1.8	3.5	0.5	1.1
Other Services	-October Std.	2.6	(0.3)	2.7	2.3	2.3	2.2
	-Official	3.8	2.9	2.3	3.5	3.9	4.6
Government	-October Std.	0.7	1.3	1.9	0.9	1.5	0.9
	-Official	0.7	1.1	1.1	0.6	0.2	0.2
<u>Labor Markets (% Change)</u>							
Unemployment Rate (%)	-October Std.	4.2	3.9	3.5	3.7	3.7	3.7
	-Official	4.1	3.7	3.3	3.2	3.2	3.1

The October Std. forecast from the Department of Taxation is based on Global Insight's October 2005 U.S. standard forecast.

The Official forecast from the Department of Taxation is based on Global Insight's October 2004 U.S. standard forecast.

**Fiscal Years 2003-2008 October & Official
Virginia Economic Forecasts - Income and Other Indicators**

		<u>FY03</u>	<u>FY04</u>	<u>FY05</u>	<u>FY06</u>	<u>FY07</u>	<u>FY08</u>
<u>Income (% Change)</u>							
Total Personal Income	-October Std.	3.2	6.0	8.3	7.2	6.5	6.0
	-Official	2.7	5.4	6.0	5.4	5.5	5.4
Real Personal Income	-October Std.	1.4	3.8	5.5	3.9	4.6	4.1
	-Official	0.8	3.5	3.9	3.8	3.7	3.3
Wages and Salaries	-October Std.	2.2	6.1	8.5	6.9	6.4	6.0
	-Official	2.1	5.8	5.9	5.7	6.3	5.9
Average Wage (Nonag. Employ.)	-October Std.	2.5	4.7	5.8	5.0	4.6	4.4
	-Official	2.3	3.8	3.4	3.2	4.1	4.0
Dividends, Interest, and Rent	-October Std.	0.5	4.0	6.5	6.2	7.5	8.2
	-Official	(2.8)	1.1	6.2	6.2	5.5	6.0
Net Transfer Payments	-October Std.	12.0	(1.1)	(1.7)	9.7	9.3	8.7
	-Official	9.1	(3.7)	0.6	8.7	1.9	(0.9)
Supplements to Wages and Salaries	-October Std.	9.7	8.9	12.1	8.9	6.5	5.5
	-Official	8.8	7.9	6.9	4.8	4.7	4.4
<u>Migration and Housing (Thousands)</u>							
Net Migration	-October Std.	49.0	51.7	40.9	41.2	41.2	41.2
	-Official	51.8	51.4	29.6	32.9	34.3	36.9
Single Family Housing Starts	-October Std.	45.8	46.2	50.6	53.7	49.9	49.1
	-Official	49.4	49.8	45.7	42.4	41.9	41.3
Multi-Family Housing Starts	-October Std.	10.4	10.3	11.1	10.8	11.1	11.7
	-Official	10.6	10.1	8.8	8.3	8.4	8.9

The October Std. forecast from the Department of Taxation is based on Global Insight's October 2005 U.S. standard forecast.

The Official forecast from the Department of Taxation is based on Global Insight's October 2004 U.S. standard forecast.

The Official and December Standard General Fund Forecast for Fiscal Year 2006

(Dollars in Millions)

December 16, 2005

	Fiscal Year 2006					2005-2006 Biennium		
	Official Forecast	December Forecast	Change	% Growth Over FY 05 Official	% Growth Over FY 05 December	Official Forecast	December Forecast	Change
MAJOR TAX SOURCES								
Corporate Income	\$ 508.2	\$ 722.4	\$ 214.2	(17.6) %	17.1 %	\$ 1,124.9	\$ 1,339.1	\$ 214.2
Individual Income Tax:								
Gross	9,698.2	10,379.3	681.1	1.2	8.3	19,284.8	19,965.9	681.1
Withholding	7,932.6	8,031.8	99.2	5.6	6.9	15,445.6	15,544.8	99.2
Nonwithholding	1,765.6	2,347.5	581.9	(14.9)	13.2	3,839.1	4,421.0	581.9
Refunds	<u>(1,363.5)</u>	<u>(1,304.7)</u>	<u>58.8</u>	<u>10.5</u>	<u>5.7</u>	<u>(2,597.7)</u>	<u>(2,538.9)</u>	<u>58.8</u>
Net	8,334.7	9,074.6	739.9	(0.2)	8.6	16,687.1	17,427.0	739.9
Insurance Company Premiums	413.7	392.5	(21.2)	10.7	5.1	787.3	766.1	(21.2)
Public Service GR / Consumption Tax	88.6	90.6	2.0	0.3	2.6	176.9	178.9	2.0
State Sales & Use Tax	<u>2,828.4</u>	<u>2,811.8</u>	<u>(16.6)</u>	<u>(4.0)</u>	<u>(4.6)</u>	<u>5,774.5</u>	<u>5,757.9</u>	<u>(16.6)</u>
Total Major Tax Sources	\$ 12,173.6	\$ 13,091.9	\$ 918.3	(1.6) %	5.8 %	\$ 24,550.6	\$ 25,468.9	\$ 918.3
MISCELLANEOUS TAXES AND OTHER REVENUES								
Alcoholic Beverage State Tax	\$ 101.8	\$ 101.8	\$ 0.0	(0.9) %	(0.9) %	\$ 204.5	\$ 204.5	\$ 0.0
Bank Franchise Tax	9.6	10.9	1.3	(9.4)	2.8	20.2	21.5	1.3
Beer & Beverage Excise Tax	42.0	42.0	0.0	0.5	0.5	83.8	83.8	0.0
Corporate Franchise & Charter Fees	40.0	44.3	4.3	(7.1)	2.9	83.1	87.4	4.3
Excess & Other Fees from Officers	(29.1)	(39.5)	(10.4)	23.3	(4.2)	(67.0)	(77.4)	(10.4)
Estate & Gifts	144.0	144.0	0.0	(4.0)	(4.0)	294.0	294.0	0.0
Institutional Revenues	8.6	9.2	0.6	(6.5)	0.0	17.8	18.4	0.6
Interest & Rents	84.0	98.7	14.7	(0.1)	17.3	168.1	182.8	14.7
Licenses & Permits	4.7	4.8	0.1	1.2	3.3	9.3	9.4	0.1
Miscellaneous Taxes and Penalties	233.7	225.4	(8.3)	(6.7)	(10.0)	484.1	475.8	(8.3)
Other Miscellaneous Revenues	16.8	22.3	5.5	(65.6)	(54.3)	65.6	71.1	5.5
Tobacco Master Settlement	0.0	0.0	0.0	NA	NA	0.6	0.6	0.0
Tobacco Products Tax	0.0	0.0	0.0	NA	NA	6.3	6.3	0.0
Wills, Suits, Deeds, & Contract Fees	<u>483.8</u>	<u>772.0</u>	<u>288.2</u>	<u>(18.8)</u>	<u>29.5</u>	<u>1,079.9</u>	<u>1,368.1</u>	<u>288.2</u>
Total Misc. Taxes and Other Revenues	\$ 1,139.9	\$ 1,435.9	\$ 296.0	(13.0) %	9.6 %	\$ 2,450.1	\$ 2,746.1	\$ 296.0
TOTAL GF REVENUES	\$ 13,313.5	\$ 14,527.8	\$ 1,214.3	(2.7) %	6.1 %	\$ 27,000.8	\$ 28,215.1	\$ 1,214.3
TRANSFERS								
A.B.C. Profits	\$ 19.8	\$ 21.1	\$ 1.3	(20.5) %	(15.3) %	\$ 44.7	\$ 46.0	\$ 1.3
Lottery Proceeds Fund	441.8	433.5	(8.3)	4.3	2.4	865.3	857.0	(8.3)
Transfers Per Appropriations Act	<u>377.5</u>	<u>372.5</u>	<u>(5.0)</u>	<u>29.7</u>	<u>28.0</u>	<u>668.6</u>	<u>663.6</u>	<u>(5.0)</u>
Total Transfers	\$ 839.1	\$ 827.1	\$ (12.0)	13.5 %	11.8 %	\$ 1,578.6	\$ 1,566.6	\$ (12.0)
TOTAL GENERAL FUND	\$ 14,152.6	\$ 15,354.9	\$ 1,202.3	(1.9) %	6.4 %	\$ 28,579.4	\$ 29,781.7	\$ 1,202.3

The Official forecast is based on the October 2004 Global Insight Standard outlook and the corresponding Virginia state forecast developed by the Department of Taxation, and reflects actions of the 2005 General Assembly.

The December forecast is based on the October 2005 Global Insight Standard outlook and the corresponding Virginia state forecast developed by the Department of Taxation, and incorporates recommendations of GABE and GACRE.

The Official and December Standard General Fund Forecast for Fiscal Year 2007

(Dollars in Millions)

December 16, 2005

	Fiscal Year 2007				
	Official Forecast	December Forecast	Change	% Growth Over FY 06 Official	December
MAJOR TAX SOURCES					
Corporate Income	\$ 505.5	\$ 746.5	\$ 241.0	(0.5) %	3.3 %
Individual Income Tax:					
Gross	10,305.3	10,995.7	690.4	6.3	5.9
Withholding	8,449.3	8,539.5	90.2	6.5	6.3
Nonwithholding	1,856.0	2,456.2	600.2	5.1	4.6
Refunds	<u>(1,474.5)</u>	<u>(1,385.3)</u>	<u>89.2</u>	<u>8.1</u>	<u>6.2</u>
Net	8,830.8	9,610.4	779.6	6.0	5.9
Insurance Company Premiums	456.1	416.4	(39.7)	10.2	6.1
Public Service GR / Consumption Tax	91.3	92.8	1.5	3.0	2.4
State Sales & Use Tax	<u>3,157.8</u>	<u>3,150.3</u>	<u>(7.5)</u>	<u>11.6</u>	<u>12.0</u>
Total Major Tax Sources	\$ 13,041.5	\$ 14,016.4	\$ 974.9	7.1 %	7.1 %
MISCELLANEOUS TAXES AND OTHER REVENUES					
Alcoholic Beverage State Tax	\$ 105.4	\$ 105.4	\$ 0.0	3.5 %	3.5 %
Bank Franchise Tax	9.9	11.2	1.3	3.1	2.8
Beer & Beverage Excise Tax	42.0	42.0	0.0	0.0	0.0
Corporate Franchise & Charter Fees	40.5	45.3	4.8	1.3	2.3
Excess & Other Fees from Officers	(16.0)	(35.5)	(19.5)	45.0	10.1
Estate & Gifts	144.0	145.0	1.0	0.0	0.7
Institutional Revenues	8.6	9.2	0.6	0.0	0.0
Interest & Rents	82.3	143.8	61.5	(2.0)	45.7
Licenses & Permits	4.7	4.9	0.2	0.0	2.1
Miscellaneous Taxes and Penalties	269.8	239.7	(30.1)	15.4	6.3
Other Miscellaneous Revenues	12.8	14.9	2.1	(23.8)	(33.2)
Tobacco Master Settlement	0.0	0.0	0.0	NA	NA
Tobacco Products Tax	0.0	0.0	0.0	NA	NA
Wills, Suits, Deeds, & Contract Fees	<u>475.9</u>	<u>659.0</u>	<u>183.1</u>	<u>(1.6)</u>	<u>(14.6)</u>
Total Misc. Taxes and Other Revenues	\$ 1,179.9	\$ 1,384.9	\$ 205.0	3.5 %	(3.6) %
TOTAL GF REVENUES	\$ 14,221.4	\$ 15,401.3	\$ 1,179.9	6.8 %	6.0 %
TRANSFERS					
A.B.C. Profits	\$ 19.8	\$ 22.8	\$ 3.0	0.0 %	8.1 %
Lottery Proceeds Fund	441.8	426.1	(15.7)	0.0	(1.7)
Transfers Per Appropriations Act	<u>342.6</u>	<u>331.1</u>	<u>(11.5)</u>	<u>(9.2)</u>	<u>(11.1)</u>
Total Transfers	\$ 804.2	\$ 780.0	\$ (24.2)	(4.2) %	(5.7) %
TOTAL GENERAL FUND	\$ <u>15,025.6</u>	\$ <u>16,181.3</u>	\$ <u>1,155.7</u>	<u>6.2 %</u>	<u>5.4 %</u>

The Official forecast is based on the October 2004 Global Insight Standard outlook and the corresponding Virginia state forecast developed by the Department of Taxation, and reflects actions of the 2005 General Assembly.

The December forecast is based on the October 2005 Global Insight Standard outlook and the corresponding Virginia state forecast developed by the Department of Taxation, and incorporates recommendations of GABE and GACRE.

The Official and December Standard General Fund Forecast for Fiscal Year 2008

(Dollars in Millions)

December 16, 2005

	Fiscal Year 2008					2007-2008 Biennium		
	Official Forecast	December Forecast	Change	% Growth Over FY 07 Official	December	Official Forecast	December Forecast	Change
MAJOR TAX SOURCES								
Corporate Income	\$ 558.0	\$ 795.9	\$ 237.9	10.4 %	6.6 %	\$ 1,063.5	\$ 1,542.4	\$ 478.9
Individual Income Tax:								
Gross	10,950.8	11,621.7	670.9	6.3	5.7	21,256.1	22,617.4	1,361.3
Withholding	8,959.2	9,049.7	90.5	6.0	6.0	17,408.5	17,589.2	180.7
Nonwithholding	1,991.6	2,572.0	580.4	7.3	4.7	3,847.6	5,028.2	1,180.6
Refunds	<u>(1,559.5)</u>	<u>(1,461.9)</u>	<u>97.6</u>	<u>5.8</u>	<u>5.5</u>	<u>(3,034.0)</u>	<u>(2,847.2)</u>	<u>186.8</u>
Net	9,391.3	10,159.8	768.5	6.3	5.7	18,222.1	19,770.2	1,548.1
Insurance Company Premiums	507.4	440.2	(67.2)	11.2	5.7	963.5	856.6	(106.9)
Public Service GR / Consumption Tax	94.0	95.1	1.1	3.0	2.5	185.3	187.9	2.6
State Sales & Use Tax	<u>3,292.9</u>	<u>3,310.1</u>	<u>17.2</u>	<u>4.3</u>	<u>5.1</u>	<u>6,450.7</u>	<u>6,460.4</u>	<u>9.7</u>
Total Major Tax Sources	\$ 13,843.6	\$ 14,801.1	\$ 957.5	6.2 %	5.6 %	\$ 26,885.1	\$ 28,817.5	\$ 1,932.4
MISCELLANEOUS TAXES AND OTHER REVENUES								
Alcoholic Beverage State Tax	\$ 109.6	\$ 109.6	\$ 0.0	4.0 %	4.0 %	\$ 215.0	\$ 215.0	\$ 0.0
Bank Franchise Tax	10.2	11.5	1.3	3.0	2.7	20.1	22.7	2.6
Beer & Beverage Excise Tax	42.0	42.0	0.0	0.0	0.0	84.0	84.0	0.0
Corporate Franchise & Charter Fees	41.0	46.3	5.3	1.2	2.2	81.5	91.6	10.1
Excess & Other Fees from Officers	(16.0)	(32.0)	(16.0)	0.0	9.9	(32.0)	(67.5)	(35.5)
Estate & Gifts	131.4	140.0	8.6	(8.7)	(3.4)	275.4	285.0	9.6
Institutional Revenues	8.6	9.2	0.6	0.0	0.0	17.2	18.4	1.2
Interest & Rents	82.3	148.2	65.9	0.0	3.1	164.6	292.0	127.4
Licenses & Permits	4.7	5.0	0.3	0.0	2.0	9.4	9.9	0.5
Miscellaneous Taxes and Penalties	285.2	253.1	(32.1)	5.7	5.6	555.0	492.8	(62.2)
Other Miscellaneous Revenues	12.8	15.4	2.6	0.0	3.4	25.6	30.3	4.7
Tobacco Master Settlement	0.0	0.0	0.0	NA	NA	0.0	0.0	0.0
Tobacco Products Tax	0.0	0.0	0.0	NA	NA	0.0	0.0	0.0
Wills, Suits, Deeds, & Contract Fees	<u>493.2</u>	<u>665.0</u>	<u>171.8</u>	<u>3.6</u>	<u>0.9</u>	<u>969.1</u>	<u>1,324.0</u>	<u>354.9</u>
Total Misc. Taxes and Other Revenues	\$ 1,205.0	\$ 1,413.3	\$ 208.3	2.1 %	2.1 %	\$ 2,384.9	\$ 2,798.2	\$ 413.3
TOTAL GF REVENUES	\$ 15,048.6	\$ 16,214.4	\$ 1,165.8	5.8 %	5.3 %	\$ 29,270.0	\$ 31,615.7	\$ 2,345.7
TRANSFERS								
A.B.C. Profits	\$ 19.8	\$ 24.6	\$ 4.8	0.0 %	7.9 %	\$ 39.6	\$ 47.4	\$ 7.8
Lottery Proceeds Fund	441.8	426.1	(15.7)	0.0	0.0	883.6	852.2	(31.4)
Transfers Per Appropriations Act	<u>352.9</u>	<u>331.4</u>	<u>(21.5)</u>	<u>3.0</u>	<u>0.1</u>	<u>695.5</u>	<u>662.5</u>	<u>(33.0)</u>
Total Transfers	\$ 814.5	\$ 782.1	\$ (32.4)	1.3 %	0.3 %	\$ 1,618.7	\$ 1,562.1	\$ (56.6)
TOTAL GENERAL FUND	\$ 15,863.1	\$ 16,996.5	\$ 1,133.4	5.6 %	5.0 %	\$ 30,888.7	\$ 33,177.8	\$ 2,289.1

The Official forecast is based on the October 2004 Global Insight Standard outlook and the corresponding Virginia state forecast developed by the Department of Taxation, and reflects actions of the 2005 General Assembly.

The December forecast is based on the October 2005 Global Insight Standard outlook and the corresponding Virginia state forecast developed by the Department of Taxation, and incorporates recommendations of GABE and GACRE.

The December Standard General Fund Forecast for Fiscal Years 2009-2012
(Dollars in Millions)

December 16, 2005

	Fiscal Year 2009	Fiscal Year 2010	Fiscal Year 2011	Fiscal Year 2012
MAJOR TAX SOURCES				
Corporate Income	\$ 874.6	\$ 935.1	\$ 1,005.7	\$ 1,087.3
Individual Income Tax:				
Gross	12,324.9	12,999.0	13,709.8	14,457.8
Withholding	9,628.5	10,143.5	10,680.1	11,231.3
Nonwithholding	2,696.4	2,855.5	3,029.7	3,226.5
Refunds	<u>(1,542.6)</u>	<u>(1,621.8)</u>	<u>(1,699.9)</u>	<u>(1,780.6)</u>
Net	10,782.3	11,377.2	12,009.9	12,677.2
Insurance Company Premiums	440.2	440.2	440.2	440.2
Public Service GR / Consumption Tax	98.0	100.9	103.9	107.0
State Sales & Use Tax	<u>3,470.4</u>	<u>3,624.8</u>	<u>3,782.6</u>	<u>3,939.8</u>
Total Major Tax Sources	\$ 15,665.5	\$ 16,478.2	\$ 17,342.3	\$ 18,251.5
MISCELLANEOUS TAXES AND OTHER REVENUES				
Alcoholic Beverage State Tax	\$ 114.0	\$ 118.5	\$ 123.3	\$ 128.2
Bank Franchise Tax	11.5	11.5	11.5	11.5
Beer & Beverage Excise Tax	42.0	42.0	42.0	42.0
Corporate Franchise & Charter Fees	46.3	46.3	46.3	46.3
Excess & Other Fees from Officers	(28.0)	(28.0)	(28.0)	(28.0)
Estate & Gifts	120.2	120.2	120.2	120.2
Institutional Revenues	9.2	9.2	9.2	9.2
Interest & Rents	148.2	148.2	148.2	148.2
Licenses & Permits	5.0	5.0	5.0	5.0
Miscellaneous Taxes and Penalties	267.2	267.7	268.2	268.8
Other Miscellaneous Revenues	13.6	13.6	13.6	13.6
Tobacco Master Settlement	0.0	0.0	0.0	0.0
Tobacco Products Tax	0.0	0.0	0.0	0.0
Wills, Suits, Deeds, & Contract Fees	<u>685.0</u>	<u>685.0</u>	<u>685.0</u>	<u>685.0</u>
Total Misc. Taxes and Other Revenues	\$ 1,434.2	\$ 1,439.2	\$ 1,444.5	\$ 1,450.0
TOTAL GF REVENUES	\$ 17,099.7	\$ 17,917.4	\$ 18,786.8	\$ 19,701.5
TRANSFERS				
A.B.C. Profits	\$ 24.6	\$ 24.6	\$ 24.6	\$ 24.6
Lottery Proceeds Fund	426.1	426.1	426.1	426.1
Transfers Per Appropriations Act	<u>363.5</u>	<u>375.3</u>	<u>387.4</u>	<u>400.2</u>
Total Transfers	\$ 814.2	\$ 826.0	\$ 838.1	\$ 850.9
TOTAL GENERAL FUND	\$ 17,913.9	\$ 18,743.4	\$ 19,624.9	\$ 20,552.4
\$ Change From Previous Year	\$ 917.4	\$ 829.5	\$ 881.5	\$ 927.5
TOTAL BIENNIUM GENERAL FUND		\$ 36,657.2		\$ 40,177.4
\$ Change From Previous Biennium		\$ 3,479.4		\$ 3,520.1
% Growth From Previous Biennium		10.5 %		9.6 %

The December Standard General Fund Forecast for Fiscal Years 2009-2012
(Dollars in Millions)

December 16, 2005

	FY 09 % Growth Over FY 08	FY 10 % Growth Over FY 09	FY 11 % Growth Over FY 10	FY 12 % Growth Over FY 11
MAJOR TAX SOURCES				
Corporate Income	9.9 %	6.9 %	7.5 %	8.1 %
Individual Income Tax:				
Gross	6.1	5.5	5.5	5.5
Withholding	6.4	5.3	5.3	5.2
Nonwithholding	4.8	5.9	6.1	6.5
Refunds	<u>5.5</u>	<u>5.1</u>	<u>4.8</u>	<u>4.7</u>
Net	6.1	5.5	5.6	5.6
Insurance Company Premiums	0.0	0.0	0.0	0.0
Public Service GR / Consumption Tax	3.0	3.0	3.0	3.0
State Sales & Use Tax	<u>4.8</u>	<u>4.4</u>	<u>4.4</u>	<u>4.2</u>
Total Major Tax Sources	5.8 %	5.2 %	5.2 %	5.2 %
MISCELLANEOUS TAXES AND OTHER REVENUES				
Alcoholic Beverage State Tax	4.0 %	3.9 %	4.1 %	4.0 %
Bank Franchise Tax	0.0	0.0	0.0	0.0
Beer & Beverage Excise Tax	0.0	0.0	0.0	0.0
Corporate Franchise & Charter Fees	0.0	0.0	0.0	0.0
Excess & Other Fees from Officers	(12.5)	0.0	0.0	0.0
Estate & Gifts	(14.1)	0.0	0.0	0.0
Institutional Revenues	0.0	0.0	0.0	0.0
Interest & Rents	0.0	0.0	0.0	0.0
Licenses & Permits	0.0	0.0	0.0	0.0
Miscellaneous Taxes and Penalties	5.6	0.2	0.2	0.2
Other Miscellaneous Revenues	(11.7)	0.0	0.0	0.0
Tobacco Master Settlement	NA	NA	NA	NA
Tobacco Products Tax	NA	NA	NA	NA
Wills, Suits, Deeds, & Contract Fees	<u>3.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Total Misc. Taxes and Other Revenues	1.5 %	0.3 %	0.4 %	0.4 %
TOTAL GF REVENUES	5.5 %	4.8 %	4.9 %	4.9 %
TRANSFERS				
A.B.C. Profits	0.0 %	0.0 %	0.0 %	0.0 %
Lottery Proceeds Fund	0.0	0.0	0.0	0.0
Transfers Per Appropriations Act	<u>9.7</u>	<u>3.2</u>	<u>3.2</u>	<u>3.3</u>
Total Transfers	4.1 %	1.4 %	1.5 %	1.5 %
TOTAL GENERAL FUND	<u>5.4 %</u>	<u>4.6 %</u>	<u>4.7 %</u>	<u>4.7 %</u>

Growth in Total General Fund Revenues
Fiscal Year 1961 - Fiscal Year 2008
(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	14,527,800,000	6.1%
83	2,975,687,935	6.4%	*07	15,401,300,000	6.0%
84	3,397,710,261	14.2%	*08	16,214,400,000	5.3%

*December 16, 2005 Forecast (Excludes Transfers)

Growth in Total General Fund Revenues
Fiscal Year 1961 - Fiscal Year 2008
(Real -- Inflation-Adjusted Dollars)

<u>FY</u>	<u>Total Revenues</u>	<u>Growth</u>	<u>FY</u>	<u>Total Revenues</u>	<u>Growth</u>
61	1,105,204,952	---	85	5,753,860,632	7.9%
62	1,147,658,974	3.8%	86	6,094,607,192	5.9%
63	1,341,192,041	16.9%	87	6,593,367,039	8.2%
64	1,377,299,871	2.7%	88	6,993,554,904	6.1%
65	1,473,505,411	7.0%	89	7,261,838,617	3.8%
66	1,634,567,893	10.9%	90	6,993,348,860	-3.7%
67	1,807,607,949	10.6%	91	6,660,109,057	-4.8%
68	2,255,178,327	24.8%	92	6,644,938,788	-0.2%
69	2,862,342,441	26.9%	93	7,058,595,332	6.2%
70	2,875,507,740	0.5%	94	7,338,156,707	4.0%
71	2,989,435,198	4.0%	95	7,585,370,828	3.4%
72	3,287,677,045	10.0%	96	7,950,488,522	4.8%
73	3,619,253,280	10.1%	97	8,415,993,860	5.9%
74	3,711,490,777	2.5%	98	9,183,662,361	9.1%
75	3,754,693,134	1.2%	99	10,040,717,553	9.3%
76	3,861,328,243	2.8%	00	10,914,876,267	8.7%
77	4,181,920,412	8.3%	01	10,979,667,603	0.6%
78	4,607,295,362	10.2%	02	10,398,506,285	-5.3%
79	4,703,501,194	2.1%	03	10,389,740,427	-0.1%
80	4,733,691,855	0.6%	04	11,164,696,569	7.5%
81	4,728,556,394	-0.1%	05	12,483,243,194	11.8%
82	4,791,902,980	1.3%	*06	12,844,979,266	2.9%
83	4,861,679,114	1.5%	*07	13,372,202,059	4.1%
84	5,334,762,539	9.7%	*08	13,817,599,236	3.3%

*December 16, 2005 Forecast (Excludes Transfers)

Shaded areas indicate years in which there was a national recession.

NONGENERAL FUND REVENUE PROJECTIONS
For Fiscal Years 2005 Through 2012
\$ (Millions)

	Actual							
	2005	2006	2007	2008	2009	2010	2011	2012
Taxes:								
Motor vehicle fuel tax	911.1	926.8	953.5	989.7	1,023.3	1,051.9	1,059.8	1,069.5
Unemployment compensation payroll tax	510.7	581.8	538.2	425.7	363.6	337.8	337.1	356.1
Special highway tax from sales tax	449.9	479.8	521.9	547.2	573.9	599.6	625.8	662.8
Motor vehicle sales tax and use tax	608.3	610.5	624.0	634.7	641.2	652.8	657.9	671.3
Other taxes	344.5	326.2	334.4	336.5	339.2	342.2	344.8	347.0
Total	2,824.4	2,925.0	2,972.1	2,933.8	2,941.1	2,984.3	3,025.4	3,106.7
Rights and privileges:								
Motor Vehicle Licenses	230.9	258.7	259.7	261.6	261.8	264.0	264.5	265.0
Other Rights & Privileges	479.7	579.0	633.0	647.7	657.9	670.0	683.7	693.4
Total	710.6	837.7	892.7	909.3	919.7	934.1	948.3	958.4
Sales of property and commodities:								
Alcoholic Beverage Sales	439.3	475.0	493.0	513.0	529.0	545.0	561.0	577.0
Other Sales	39.1	28.6	33.0	30.8	30.3	30.4	30.6	30.7
Total	478.4	503.6	526.0	543.8	559.3	575.4	591.6	607.7
Assessment & Receipts for Support of Special Services:	305.2	330.2	357.9	388.1	413.4	448.1	486.1	524.7
Institutional revenue:								
Institutions of Higher Education	2,366.3	2,576.0	2,809.6	2,988.3	3,139.5	3,401.6	3,681.9	3,984.6
Other Educational Institutions	5.3	5.6	5.6	5.6	6.2	6.3	6.4	6.5
Medical Hospitals	822.8	870.2	928.8	1,000.5	1,036.9	1,059.1	1,119.0	1,158.3
Mental Hospitals	284.9	280.4	282.5	288.8	289.8	290.8	291.9	292.9
Corrections	53.9	48.8	63.0	63.8	51.0	51.8	52.6	52.6
Other Institutions	29.3	31.7	44.9	55.2	48.4	38.7	39.4	39.9
Total	3,562.3	3,812.7	4,134.4	4,402.2	4,571.9	4,848.4	5,191.2	5,534.8
Interest dividends and rents:	81.6	87.2	98.2	107.9	111.7	113.5	114.0	113.9
Grants and donations:								
Federal grants and contracts	5,810.7	6,950.1	7,426.8	7,402.4	7,632.7	7,881.9	8,198.0	8,539.2
Other grants & contracts	171.9	171.5	198.4	295.6	305.9	216.4	149.6	154.3
Total	5,982.6	7,121.5	7,625.1	7,698.0	7,938.6	8,098.3	8,347.6	8,693.5
Other Revenue:	1,222.1	1,223.9	1,322.4	1,413.0	1,490.3	1,597.9	1,713.9	1,840.0
Total Nongeneral Fund Revenue	15,167.3	16,841.9	17,928.9	18,396.1	18,945.9	19,599.9	20,418.0	21,379.6
\$ Amount change from previous year		1,674.6	1,087.0	467.2	549.7	654.0	818.1	961.6
% Change from previous year		11.0%	6.5%	2.6%	3.0%	3.5%	4.2%	4.7%

Commonwealth of Virginia/Department of Accounts
Summary Report on General Fund and Lottery Revenue Collections
For the Fiscal Years 2005 and 2006
(Dollars in Thousands)

Revenue	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	FY 2006 Estimate	As a % of Gen Fund Rev & Net Lottery Profits	November FY 2006	November FY 2005	% Change	Year-To-Date FY 2006	Year-To-Date FY 2005	% Change	% Annual Growth Req By Est
Individual Income Tax:									
Withholding	\$7,932,600	57.67	\$639,271	\$631,611	1.2	\$3,176,715	\$2,986,066	6.4	5.6
Tax Dues/Estimated Payments	1,765,600	12.83	9,550	31,177	(69.4)	429,241	370,419	15.9	(14.9)
Gross Individual Income Tax	<u>\$9,698,200</u>	<u>70.50</u>	<u>\$648,821</u>	<u>\$662,788</u>	<u>(2.1)</u>	<u>\$3,605,956</u>	<u>\$3,356,485</u>	<u>7.4</u>	<u>1.2</u>
Individual and Fiduciary Income (Refunds)	(1,363,500)	(9.91)	(13,714)	(32,736)	(58.1)	(95,763)	(155,911)	(38.6)	10.5
Net Individual Income Tax	<u>\$8,334,700</u>	<u>60.59</u>	<u>\$635,107</u>	<u>\$630,052</u>	<u>0.8</u>	<u>\$3,510,193</u>	<u>\$3,200,574</u>	<u>9.7</u>	<u>(0.2)</u>
Sales and Use Tax	\$2,828,400	20.56	\$253,362	\$239,520	5.8	\$1,078,762	\$1,010,076	6.8	(4.0)
Corporations Income Tax	508,200	3.69	15,132	(30,031)	150.4	286,858	135,768	111.3	(17.6)
Public Service Corporations	88,600	0.65	5,635	4,209	33.9	34,029	30,787	10.5	0.3
Insurance Premiums	413,700	3.01	(14,663)	(7,167)	(104.6)	71,851	81,968	(12.3)	10.7
Interest Income (a)	83,700	0.61	18,531	14,481	28.0	47,732	38,669	23.4	(0.2)
Alcoholic Beverage Sales (b)	143,800	1.05	29,163	27,607	5.6	46,494	43,933	5.8	(0.5)
Tobacco Master Settlement	0	0.00	0	0	-	0	571	(100.0)	(100.0)
All Other Revenues	912,400	6.63	84,529	87,828	(3.8)	461,335	422,105	9.3	(15.6)
Total General Fund Revenues	<u>\$13,313,500</u>	<u>96.79</u>	<u>\$1,026,796</u>	<u>\$966,499</u>	<u>6.2</u>	<u>\$5,537,254</u>	<u>\$4,964,451</u>	<u>11.5</u>	<u>(2.7)</u>
Gross Lottery Revenue	\$1,425,000	10.36	\$123,719	\$109,490	13.0	\$578,045	\$519,218	11.3	6.8
Less: Expenses	(983,200)	(7.15)	(78,439)	(73,451)	6.8	(396,371)	(350,937)	12.9	8.0
Net Lottery Profits	<u>\$441,800</u>	<u>3.21</u>	<u>\$45,280</u>	<u>\$36,039</u>	<u>25.6</u>	<u>\$181,674</u>	<u>\$168,281</u>	<u>8.0</u>	<u>4.3</u>
Total General Fund Revenues and Net Lottery Profits	<u>\$13,755,300</u>	<u>100.00</u>	<u>\$1,072,076</u>	<u>\$1,002,538</u>	<u>6.9</u>	<u>\$5,718,928</u>	<u>\$5,132,732</u>	<u>11.4</u>	<u>(2.5)</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 January.

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

NOTE: Due to the Department of Taxation's implementation of a new accounting system, there are various estimates within the detailed tax line items listed above. While the total revenue represents the collections for the fiscal year, the classification within line items is largely a result of estimates provided by the Department of Taxation. In addition, the Department of Taxation has processed fewer refunds during this implementation phase which has the effect of reporting higher than normal revenue.

Commonwealth of Virginia/Department of Accounts
General Fund Statement of Revenue Collections and Estimates
For the Fiscal Years 2005 and 2006
(Dollars in Thousands)

Revenue	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	FY 2006 Estimate	As a % of Total Gen Fund Rev	November		% Change	Year-To-Date		% Change	% Annual Growth Req By Est
			FY 2006	FY 2005		FY 2006	FY 2005		
Taxes:									
Individual Income Tax - Withholding	\$7,932,600	59.58	\$639,271	\$631,611	1.2	\$3,176,715	\$2,986,066	6.4	5.6
Tax Dues/Estimated Payments	1,765,600	13.26	9,550	31,177	(69.4)	429,241	370,419	15.9	(14.9)
Gross Individual Income Tax	\$9,698,200	72.84	\$648,821	\$662,788	(2.1)	\$3,605,956	\$3,356,485	7.4	1.2
Individ and Fiduc Income (Refunds)	(1,363,500)	(10.24)	(13,714)	(32,736)	(58.1)	(95,763)	(155,911)	(38.6)	10.5
Net Individual Income Tax	\$8,334,700	62.60	\$635,107	\$630,052	0.8	\$3,510,193	\$3,200,574	9.7	(0.2)
Sales and Use Tax	2,828,400	21.25	253,362	239,520	5.8	1,078,762	1,010,076	6.8	(4.0)
Corporations Income	508,200	3.82	15,132	(30,031)	150.4	286,858	135,768	111.3	(17.6)
Public Service Corporations	88,600	0.67	5,635	4,209	33.9	34,029	30,787	10.5	0.3
Insurance Premiums	413,700	3.11	(14,663)	(7,167)	(104.6)	71,851	81,968	(12.3)	10.7
Alcoholic Beverage Excise	101,800	0.76	25,821	24,404	5.8	27,374	25,365	7.9	(0.9)
Beer and Beverage Excise	42,000	0.32	3,342	3,203	4.3	19,120	18,568	3.0	0.5
Wills, Suits, Deeds, Contracts	483,800	3.63	53,187	48,788	9.0	312,706	211,126	48.1	(18.8)
Inheritance, Gift, and Estate	144,000	1.08	13,349	18,996	(29.7)	59,022	86,492	(31.8)	(4.0)
Tobacco Products	0	0.00	0	0	-	0	6,334	(100.0)	(100.0)
Bank Franchise	9,600	0.07	(100)	0	-	(180)	719	(125.0)	(9.4)
Other Taxes	5,600	0.04	21	1,663	(98.7)	3,402	8,631	(60.6)	(82.0)
Total Taxes	\$12,960,400	97.35	\$990,193	\$933,637	6.1	\$5,403,137	\$4,816,408	12.2	(2.7)
Rights and Privileges:									
Licenses and Permits	\$4,700	0.03	\$322	\$360	(10.6)	\$1,722	\$1,722	0.0	1.2
Corp. Franchise and Charters	40,000	0.30	504	492	2.4	2,860	2,798	2.2	(7.1)
Fees for Practice of Prof	1,000	0.01	0	0	-	0	0	-	-
Fees for Misc. Privileges & Services	12,100	0.09	624	801	(22.1)	4,335	4,280	1.3	(8.9)
Total Rights and Privileges	\$57,800	0.43	\$1,450	\$1,653	(12.3)	\$8,917	\$8,800	1.3	(5.2)
Other Revenues:									
Sales of Property & Commodities	\$100	0.00	\$2,690	\$1	#	\$5,737	\$11,190	(48.7)	(99.2)
Assessmts & Rcpts for Support of Special Svcs	400	0.00	11	8	37.5	119	133	(10.5)	20.1
Institutional Revenue	8,600	0.07	689	733	(6.0)	4,102	3,206	27.9	(6.5)
Interest (a)	83,700	0.63	18,531	14,481	28.0	47,732	38,669	23.4	(0.2)
Dividends and Rent	300	0.00	29	17	70.6	168	134	25.4	22.4
Fines, Forfeitures & Fees	228,100	1.71	15,073	17,734	(15.0)	80,570	88,669	(9.1)	4.0
Other Revenue	(6,000)	(0.04)	879	372	136.3	2,742	9,673	(71.7)	(143.0)
Excess Fees	(29,100)	(0.22)	(3,616)	(2,857)	(26.6)	(20,081)	(16,522)	(21.5)	23.3
Private Donations, Gifts & Cont.	0	0.00	0	0	-	67	0	-	(100.0)
Cities, Counties, and Towns	9,200	0.07	867	720	20.4	4,044	3,520	14.9	(2.6)
Tobacco Master Settlement	0	0.00	0	0	-	0	571	(100.0)	(100.0)
Total Other Revenues	\$295,300	2.22	\$35,153	\$31,209	12.6	\$125,200	\$139,243	(10.1)	(5.0)
Total General Fund Revenues	\$13,313,500	100.00	\$1,026,796	\$966,499	6.2	\$5,537,254	\$4,964,451	11.5	(2.7)

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 January.

NOTE: Due to the Department of Taxation's implementation of a new accounting system, there are various estimates within the detailed tax line items listed above. While the total revenue represents the collections for the fiscal year, the classification within line items is largely a result of estimates provided by the Department of Taxation. In addition, the Department of Taxation has processed fewer refunds during this implementation phase which has the effect of reporting higher than normal revenue.

**Commonwealth of Virginia/Department of Lottery
Summary Report on Lottery Collections
For the Fiscal Years 2005 and 2006
(Dollars in Thousands)**

	FY 2006 Estimate (d)	November			Year-To-Date			% Annual Growth Required By Estimate
		FY 2006	FY 2005	% Change	FY 2006	FY 2005	% Change (b)	
Lottery Collections								
Lotto South	\$74,000	\$6,704	\$4,671	43.5	\$27,498	\$26,695	3.0	11.0
Cash 5	28,900	2,349	2,267	3.6	11,590	11,593	0.0	2.8
Pick 4	171,900	14,503	13,294	9.1	71,301	66,326	7.5	1.6
Pick 3	241,700	21,271	19,484	9.2	106,521	98,086	8.6	(4.5)
Mega Millions	141,000	20,847	13,339	56.3	77,306	57,925	33.5	2.8
Scratch	767,500	58,045	56,435	2.9	283,829	258,593	9.8	12.9
Gross Lottery Revenue	<u>1,425,000</u>	<u>123,719</u>	<u>109,490</u>	<u>13.0</u>	<u>578,045</u>	<u>519,218</u>	<u>11.3</u>	<u>6.8</u>
Expenses (c)	<u>983,200</u>	<u>78,439 (a)</u>	<u>73,451</u>	<u>6.8</u>	<u>396,371 (a)</u>	<u>350,937</u>	<u>12.9</u>	<u>8.0</u>
Net Lottery Ticket Profits	<u>\$441,800</u>	<u>\$45,280 (a)</u>	<u>\$36,039</u>	<u>25.6</u>	<u>\$181,674 (a)</u>	<u>\$168,281</u>	<u>8.0</u>	<u>4.3</u>

(a) Current month includes operating expenses estimated (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 2004.

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 2005 and 2006
(Dollars in Thousands)

Revenue	FY 2006 Estimate	As a % of Total Fund	November			Year-To-Date			% Annual Growth Required By Estimate
			FY 2006	FY 2005	% Change	FY 2006	FY 2005	% Change	
Motor Fuel Taxes	\$878,900	25.30	\$70,026	\$72,485	(3.4)	\$309,761	\$296,231	4.6	3.5
Priority Transportation Fund	20,000	0.58	2,000	2,000	0.0	6,000	6,000	0.0	0.0
Motor Vehicle Sales and Use Tax	655,700	18.88	52,202	46,730	11.7	277,535	261,618	6.1	6.6
State Sales and Use Tax	463,400	13.34	39,853	38,296	4.1	175,304	168,128	4.3	3.0
Motor Vehicle License Fees	166,500	4.79	11,640	11,033	5.5	70,309	65,563	7.2	1.2
International Registration Plan	59,600	1.71	1,925	2,014	(4.4)	11,370	12,729	(10.7)	(1.8)
Interest Earnings	11,200	0.32	68	0	-	7,221	3,491	106.8	(36.5)
Misc. Taxes, Fees, and Revenues	20,400	0.59	4,612	2,982	54.7	14,903	12,372	20.5	(22.9)
Total State Taxes and Fees	\$2,275,700	65.51	\$182,326	\$175,540	3.9	\$872,403	\$826,132	5.6	3.3

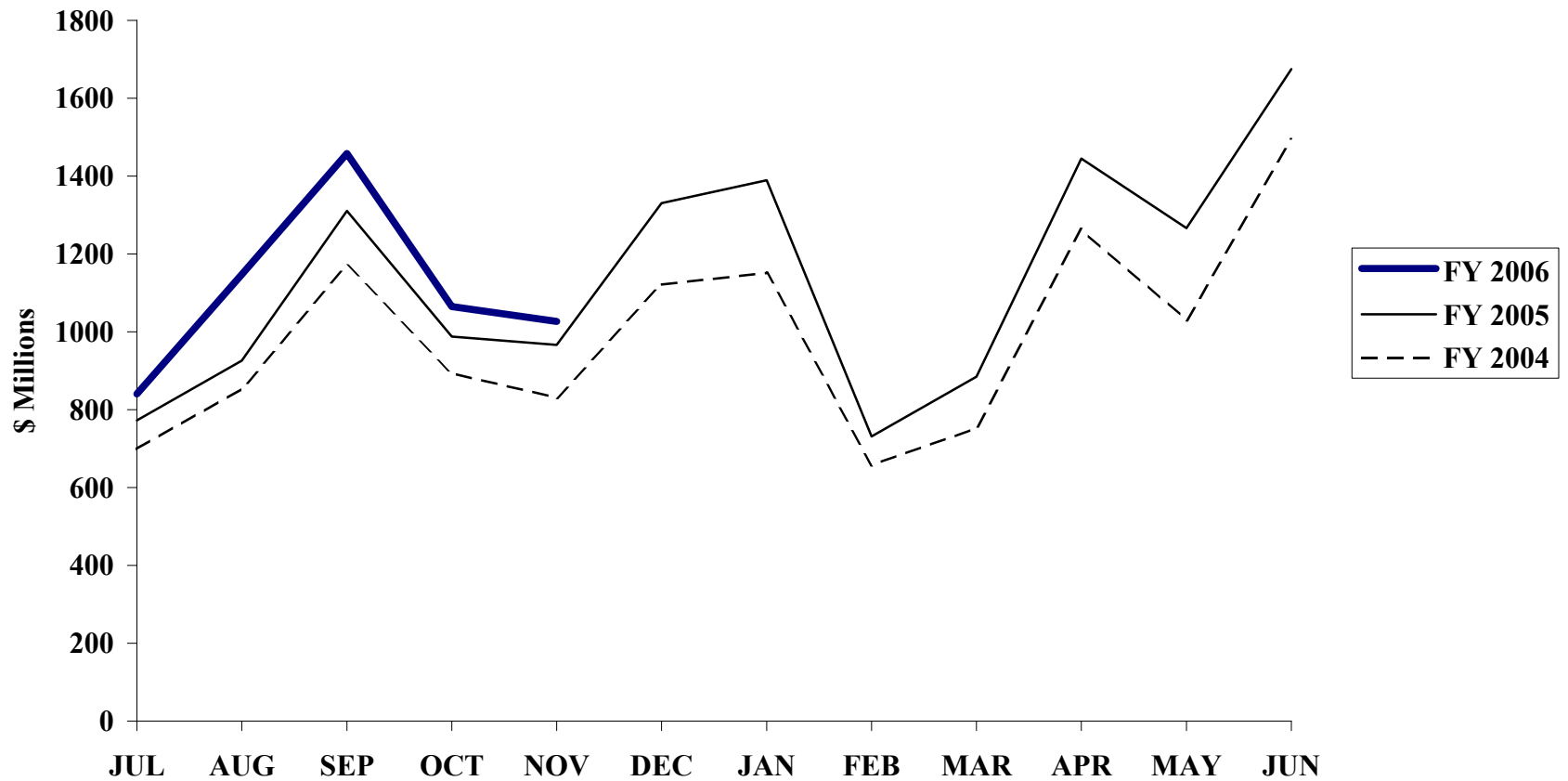
Percentage is greater than 1,000%.

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 2005 and 2006
(Dollars in Thousands)

Revenue	FY 2006 Estimate	As a % of Total Fund	November			Year-To-Date			% Annual Growth Required By Est
			FY 2006	FY 2005	% Change	FY 2006	FY 2005	% Change	
HIGHWAY MAINTENANCE AND OPERATING FUND:									
Motor Fuel Taxes (Includes Road Tax)	\$754,100	21.71	\$61,054	\$62,927	(3.0)	\$271,123	\$257,676	5.2	3.2
Motor Vehicle Sales and Use Tax	406,400	11.70	26,505	29,956	(11.5)	171,728	168,683	1.8	2.6
Motor Vehicle License Fees	145,500	4.19	10,128	9,597	5.5	61,672	57,500	7.3	1.1
International Registration Plan	59,600	1.71	1,925	2,014	(4.4)	11,370	12,729	(10.7)	(1.8)
Misc. Taxes, Fees, and Revenues	20,400	0.59	4,612	2,982	54.7	14,903	12,372	20.5	(22.9)
Total State Taxes and Fees	\$1,386,000	39.90	\$104,224	\$107,476	(3.0)	\$530,796	\$508,960	4.3	2.1
Other Revenues:									
Federal Grants and Contracts	\$0	0.00	(\$1,602)	\$1,538	(204.2)	\$13,198	\$7,456	77.0	(100.0)
Transfer (to) / from Transportation Trust Fund	186,200	5.36	0	24,462	(100.0)	186,199	194,977	(4.5)	(4.5)
Total Highway Maintenance and Operating Fund	\$1,572,200	45.26	\$102,622	\$133,476	(23.1)	\$730,193	\$711,393	2.6	(0.6)
TRANSPORTATION TRUST FUND:									
Motor Fuel Taxes (Includes Aviation & Road Taxes)	\$124,800	3.59	\$8,972	\$9,558	(6.1)	\$38,638	\$38,555	0.2	4.8
Priority Transportation Fund	20,000	0.58	2,000	2,000	0.0	6,000	6,000	0.0	0.0
Motor Vehicle Sales and Use Tax (Includes Rental Tax)	249,300	7.18	25,697	16,774	53.2	105,807	92,935	13.9	13.7
State Sales and Use Tax	463,400	13.34	39,853	38,296	4.1	175,304	168,128	4.3	3.0
Motor Vehicle License Fees	21,000	0.60	1,512	1,436	5.3	8,637	8,063	7.1	2.0
Interest Earnings	11,200	0.32	68	0	-	7,221	3,491	106.8	(36.5)
Total State Taxes and Fees	\$889,700	25.61	\$78,102	\$68,064	14.7	\$341,607	\$317,172	7.7	5.1
Other Revenues:									
Federal Grants and Contracts	\$1,011,300	29.12	\$44,013	\$32,216	36.6	\$232,516	\$215,471	7.9	121.8
Receipts from Cities/Counties	70,400	2.03	2,679	863	210.4	18,146	14,265	27.2	174.6
Toll Revenues (Includes Route 28)	88,700	2.55	6,041	3,826	57.9	42,866	39,583	8.3	(20.5)
Miscellaneous Revenues	27,500	0.79	2,096	3,527	(40.6)	7,719	19,345	(60.1)	1.1
Total Other Revenues	\$1,197,900	34.49	\$54,829	\$40,432	35.6	\$301,247	\$288,664	4.4	93.1
Transfer (to) / from Highway Maintenance and Operating Fund	(\$186,200)	(5.36)	\$0	(\$24,462)	100.0	(\$186,199)	(\$194,977)	4.5	4.5
Total Transportation Trust Fund	\$1,901,400	54.74	\$132,931	\$84,034	58.2	\$456,655	\$410,859	11.1	49.5
TOTAL HIGHWAY MAINTENANCE AND OPERATING AND TRANSPORTATION TRUST FUND									
	\$3,473,600	100.00	\$235,553	\$217,510	8.3	\$1,186,848	\$1,122,252	5.8	21.7

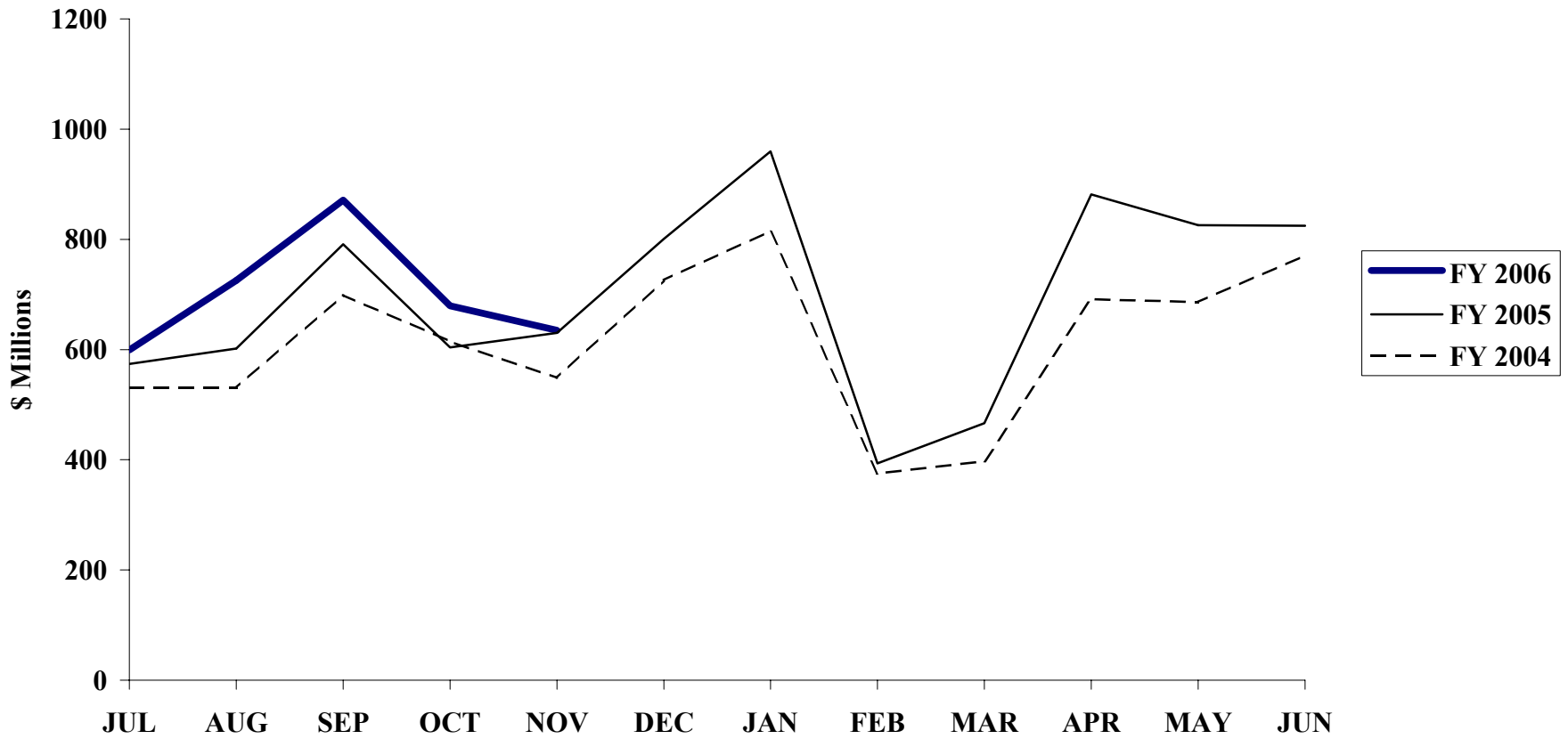
Percentage is greater than 1,000%.

Total General Fund Revenues



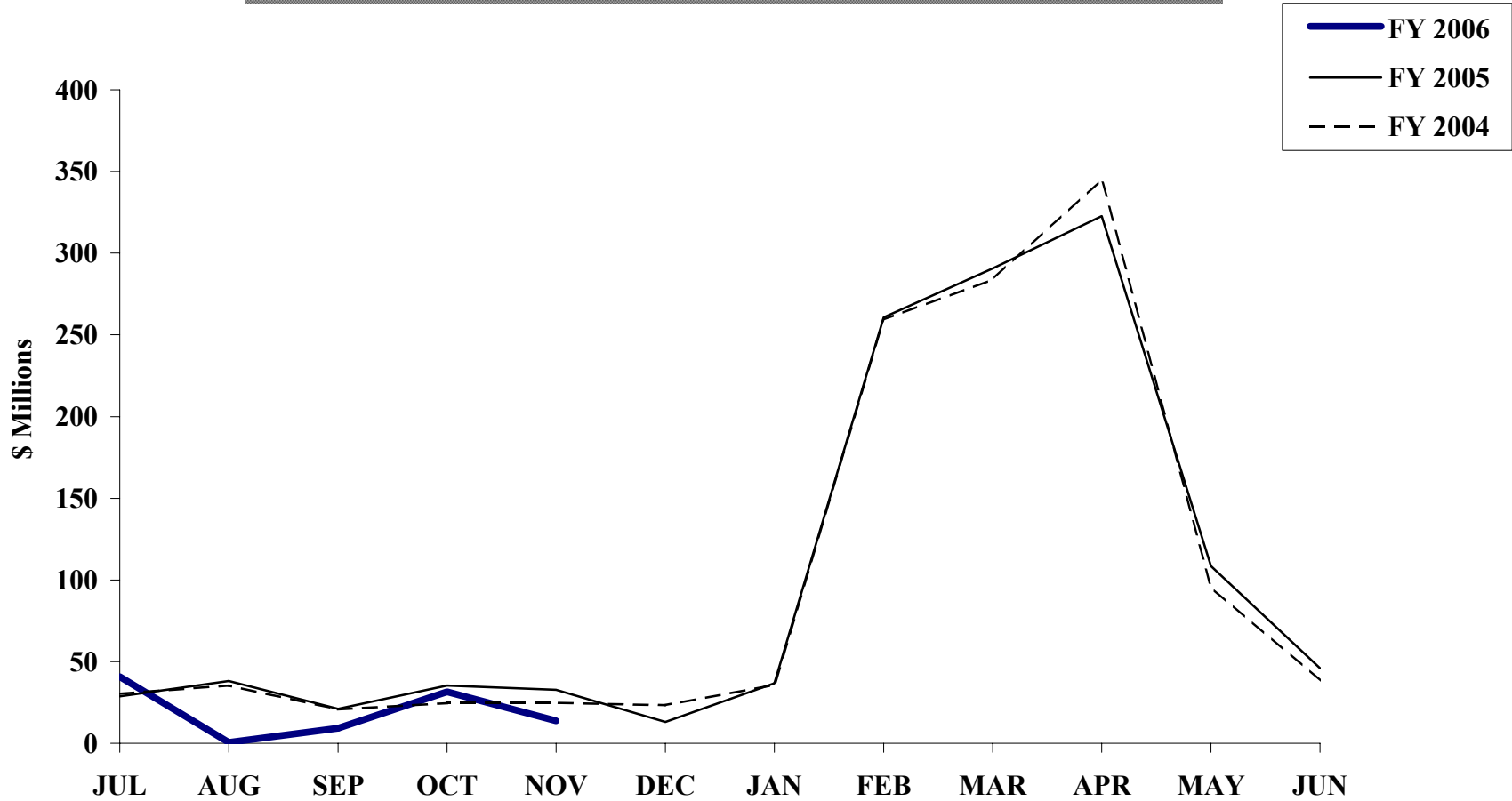
FY 2004 Actual = \$11,917.8 Million
FY 2005 Actual = \$13,687.3 Million
FY 2006 Estimate = \$13,313.5 Million

Net Individual Income Tax



FY 2004 Actual = \$7,384.8 Million
FY 2005 Actual = \$8,352.4 Million
FY 2006 Estimate = \$8,334.7 Million

Individual and Fiduciary Income Tax Refunds



FY 2004 Actual = \$1,217.2 Million
FY 2005 Actual = \$1,234.2 Million
FY 2006 Estimate = \$1,363.5 Million

DEPARTMENT OF THE TREASURY

General Account Investment Portfolio

Monthly Average Balances and Rates

For the Fiscal Year 2006

(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, 2005	\$4,108.3	3.13%	\$1,030.2	-9.52%	\$5,138.5	0.59%
August	\$4,049.1	3.29%	\$1,020.0	13.63% ³	\$5,069.1	5.37%
September	\$4,407.7	3.54%	\$1,010.4	-8.54%	\$5,418.1	1.28%
October	\$4,423.6	3.60%	\$1,015.5	-5.93%	\$5,439.1	1.82%
November	\$4,364.1	3.79%	\$1,026.5	5.00%	\$5,390.6	4.02%
December						
January, 2006						
February						
March						
April						
May						
June						
Year-to-Date Average	\$4,270.6	3.48%	\$1,020.5	-1.06%	\$5,291.1	2.60%
Latest 12-month Average	\$3,945.5	2.99%	\$966.9	2.28%	\$4,912.4	2.85%

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 Revised Annualized Total Return.

**Commonwealth of Virginia/Department of Accounts
Report on the Revenue Stabilization Fund
For the Fiscal Year 2006
(Dollars in Thousands)**

<u>Month</u>	<u>Beginning Balance</u>	<u>Deposits/(Withdrawals)</u>	<u>Interest Allocated (A)</u>	<u>Ending Balance</u>
July	\$482,259	\$0	\$0	\$482,259
August	\$482,259	\$0	\$0	\$482,259
September	\$482,259	\$0	\$0	\$482,259
October	\$482,259	\$0	\$3,947	\$486,206
November	\$486,206	\$0	\$0	\$486,206
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.