



COMMONWEALTH of VIRGINIA
Office of the Governor

Richard D. Brown
Secretary of Finance

PO Box 1475
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October 15, 2008

MEMORANDUM

TO: The Honorable Timothy M. Kaine

THROUGH: The Honorable Wayne M. Turnage

FROM: Richard D. Brown 

SUBJECT: September Revenue Data

September completes the first quarter of the fiscal year and is a significant month for revenue collections. Estimated payments from individuals, corporations, and insurance premiums are all due in September, along with regular monthly collections in withholding, sales, and other sources.

The effects of the financial turmoil that began with Fannie Mae and Freddie Mac early in the month are evident in September collections. Monthly total general fund revenue collections fell 7.4 percent in September, despite two more deposit days than September of last year. Although the extra deposit days boosted withholding collections, collections of sales tax declined by 3.9 percent and corporate collections dropped 10.9 percent. On a year-to-date basis, total revenues declined 4.2 percent in the first quarter of the fiscal year, below the annual forecast of 2.0 percent growth.

National Economic Indicators

Most recent indicators suggest the short-term outlook for the national economy remains bleak, as the financial crisis appears to have dragged the economy into recession.

- The labor market contracted for the ninth consecutive month in September, with payroll employment falling by 159,000 jobs. The economy has shed 760,000 jobs since December. Education and healthcare is the only major sector that continues to expand. In a separate report, the unemployment rate was unchanged at 6.1 percent.

- Initial claims for unemployment fell by 20,000 to 478,000 during the week ending October 4, as the impact from hurricanes Gustav and Ike eased. The four-week moving average rose slightly from 474,000 to 483,000.
- Although prices remain elevated, they appear to have peaked in July. After increasing 0.8 percent in July, the Consumer Price Index (CPI) fell 0.1 percent in August for an annual growth of 5.4 percent. Core inflation, excluding food and energy, rose by 0.2 percent in August, with annual growth unchanged at 2.5 percent.
- The manufacturing sector contracted in September. The Institute of Supply Management index fell from 49.9 to 43.5, its lowest level since 2001. Although demand for U.S. exports has so far limited the severity of the downturn in manufacturing, the outlook for global economies is worsening.
- The Conference Board's index of leading indicators fell 0.5 percent to 100.8 in August, the third decline in the past four months. The weakness in the leading index suggests that the national economy will continue to weaken.
- The Conference Board's index of consumer confidence rose modestly in September from 58.5 to 59.8. A fall in the current situation component was offset by a strong increase in the expectations component. Since many responses to the survey were received before the recent financial turmoil, it is likely to be revised downward in future reports.
- To deal with the financial crisis, central banks around the globe have lowered interest rates. In addition to the federal government bailout, the Federal Reserve lowered the federal funds rate by 50 basis points to 1.50 percent on October 8.

Virginia Economy

In Virginia, payroll employment grew 0.5 percent in August. Northern Virginia posted job growth of 1.1 percent in August. Jobs grew by 2.2 percent in Hampton Roads and 0.5 percent in Richmond-Petersburg. The unemployment rate rose slightly from 4.5 percent to 4.6 percent in August.

The Virginia Leading Index grew 0.3 percent in July, only the third increase in the last twelve months. All three components contributed to the increase. However, on a year-over-year basis, auto registrations and building permits are significantly below last July's levels and initial claims for unemployment are much higher. The leading index increased in five of the eleven metro areas in July. The indices increased in Harrisonburg, Charlottesville, Winchester, Blacksburg, and Bristol, and contracted in all other MSAs.

September Revenue Collections

Monthly total general fund revenue collections fell 7.4 percent in September, despite two more deposit days than September of last year. Although the extra deposit days boosted withholding collections, collections of sales tax fell by 3.9 percent and corporate collections dropped 10.9 percent. On a year-to-date basis, total revenues declined 4.2 percent in the first quarter of the fiscal year, below the annual forecast of 2.0 percent growth. Adjusted for the repeal of the estate tax and transfers to transportation from insurance and recordation per HB 3202, first quarter collections declined 0.4 percent, only the third time on record (along with fiscal year 1990 and fiscal year 2002) that first quarter collections have declined.

Net Individual Income Tax (67% of general fund revenues): For the first quarter of the fiscal year, net individual income tax increased 3.4 percent from the same period last year, trailing the annual estimate of 6.5 percent. Performance in each component of individual income tax is as follows:

Individual Income Tax Withholding (59% of general fund revenues): With two additional deposit days, collections of payroll withholding taxes grew 6.2 percent in September. Year-to-date withholding growth is 5.5 percent, lagging the projected annual growth rate of 6.4 percent.

Individual Income Tax Nonwithholding (19% of general fund revenues): The first estimated payment in fiscal year 2009 was due in September. Year to date, collections through September were \$406.5 million compared with \$394.1 million in the same period last year, growing 3.1 percent compared with the annual estimate of 6.9 percent.

Individual Income Tax Refunds: Through September, \$127.2 million has been refunded compared with \$83.6 million during the same period last year. The growth is primarily attributable to refunds related to overpayments made as the economy has slowed.

Sales Tax (20% of general fund revenues): Collections of sales and use taxes, reflecting August sales, fell 3.9 percent in September. On a year-to-date basis, collections have fallen 2.0 percent, far behind the annual estimate of 4.9 percent growth. Large payments related to housing continue to decline from prior year levels.

Corporate Income Tax (4% of general fund revenues): The first estimated payment for fiscal year 2009 was due in September. Collections in corporate income tax fell 10.9 percent in September. On a year-to-date basis, collections in this source have fallen 12.1 percent from the first quarter of last year, close to expectations. Payments from large corporations in the finance, housing, and investment sectors fell over 50% from the first quarter of last year.

Wills, Suits, Deeds, Contracts (2% of general fund revenues): Collections of wills, suits, deeds, and contracts – mainly recordation tax collections – fell 22.4 percent in the month of September, and are down 30.9 percent on a year-to-date basis. Adjusted for the transfer of 3 cents of the 25 cents per \$100 recordation tax to the Commonwealth Transportation Fund, year-to-date collections are down 23.5 percent.

Other Revenue Sources

The following list provides data on September collections for other revenue sources:

| | <u>Year-to-Date</u> | <u>Annual Estimate</u> |
|--------------------------------------|----------------------------|-------------------------------|
| Insurance Premiums (2% GF revenues)* | -100.0% | -25.7% |
| Interest Income (1% GF revenues) | -29.3% | -35.5% |
| ABC Taxes (1% GF revenues) | -7.2% | 3.6% |

**Monthly collections of insurance premiums are being transferred to the Transportation Trust Fund per HB 3202 until the required amount of \$132.3 million has been booked.*

All Other Revenue (3% of general fund revenues): Receipts in All Other Revenue fell 24.2 percent in September – \$27.8 million compared with \$36.7 million in September of last year. Most of the decline was due to a steep decline in the estate tax. The General Assembly repealed the tax effective July 1, 2007, and estates from deaths prior to that date had up to nine months to file. For the fiscal year-to-date, collections of All Other Revenue fell 24.5 percent from the same period in fiscal year 2008, ahead of the annual estimate of a 26.7 percent decline.

Lottery Revenues: Net income for September 2008 totaled \$34.6 million, a decline of 5.3 percent from September 2007. Year-to-date, net income is down 10.2 percent, trailing the annual estimate of 1.3 percent growth. However, the first quarter of last year was significantly enhanced by the growth of the Mega Millions jackpot to \$330 million.

Summary

September completes the first quarter of the fiscal year and is a significant month for revenue collections. Estimated payments from individuals, corporations, and insurance premiums are all due in September, along with regular monthly collections in withholding, sales, and other sources.

The effects of the financial turmoil that began with Fannie Mae and Freddie Mac early in the month are evident in September collections. Monthly total general fund revenue

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collections fell 7.4 percent in September, despite two more deposit days than September of last year. Although the extra deposit days boosted withholding collections, collections of sales tax fell by 3.9 percent and corporate collections dropped 10.9 percent. On a year-to-date basis, total revenues declined 4.2 percent in the first quarter of the fiscal year, below the annual forecast of 2.0 percent growth.

In light of current revenue performance, the Governor presented an official revision to the revenue estimates for fiscal year 2009 and 2010 on October 9. This revised revenue forecast reduces total general fund revenues and transfers for the 2008-2010 biennium by \$2.5 billion (7.4 percent) from the official forecast. Revenues are now expected to decline 4.0 percent in fiscal year 2009. The projected decline for fiscal year 2009 represents the second worst performance on record (outside of fiscal year 2002) and a major revision from the 2.0 percent growth projected in the official forecast. Total general fund revenues are projected to increase a sluggish 3.6 percent in fiscal year 2010. These official revisions will be incorporated into next month's revenue report covering the revenue collections for October.

FY 2009 Estimate
Per Chapter 879

Commonwealth of Virginia/Department of Accounts
Summary Report on General Fund and Lottery Revenue Collections
For the Fiscal Years 2008 and 2009
(Dollars in Thousands)

| Revenue | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) |
|--|---------------------|--|--------------------|--------------------|----------------|--------------------|----------------------|----------------|----------------------------|
| | FY 2009 Estimate | As a % of Gen Fund Rev & Net Lottery Profits | FY 2009 | September FY 2008 | % Change | FY 2009 | Year-To-Date FY 2008 | % Change | % Annual Growth Req By Est |
| Individual Income Tax: | | | | | | | | | |
| Withholding (a) | \$9,506,500 | 57.44 | \$698,579 | \$657,768 | 6.2 | \$2,175,755 | \$2,062,888 | 5.5 | 6.4 |
| Tax Dues/Estimated Payments (a) | 3,057,200 | 18.47 | 330,522 | 322,233 | 2.6 | 406,452 | 394,073 | 3.1 | 6.9 |
| Gross Individual Income Tax (a) | \$12,563,700 | 75.91 | \$1,029,101 | \$980,001 | 5.0 | \$2,582,207 | \$2,456,961 | 5.1 | 6.5 |
| Individual and Fiduciary Income (Refunds) | (1,786,800) | (10.80) | (33,094) | (20,237) | 63.5 | (127,165) | (83,636) | 52.0 | 6.4 |
| Net Individual Income Tax (a) | \$10,776,900 | 65.11 | \$996,007 | \$959,764 | 3.8 | \$2,455,042 | \$2,373,325 | 3.4 | 6.5 |
| Sales and Use Tax | \$3,225,700 | 19.49 | \$247,063 | \$257,128 | (3.9) | \$769,917 | \$785,788 | (2.0) | 4.9 |
| Corporations Income Tax (a) | 706,000 | 4.26 | 166,238 | 186,621 | (10.9) | 191,438 | 217,728 | (12.1) | (12.6) |
| Wills, Suits, Deeds, Contracts | 380,800 | 2.30 | 28,011 | 36,096 | (22.4) | 90,337 | 130,699 | (30.9) | (16.6) |
| Insurance Premiums | 294,800 | 1.78 | 0 | 95,461 | (100.0) | 0 | 101,740 | (100.0) | (25.7) |
| Interest Income (a) (b) | 122,100 | 0.74 | 22,721 | 34,893 | (34.9) | 74,551 | 105,463 | (29.3) | (35.5) |
| Alcoholic Beverage Sales (c) | 175,000 | 1.06 | 4,076 | 4,357 | (6.4) | 12,805 | 13,795 | (7.2) | 3.6 |
| All Other Revenues (a) | 408,600 | 2.47 | 27,796 | 36,675 | (24.2) | 85,770 | 113,582 | (24.5) | (26.7) |
| Total General Fund Revenues | \$16,089,900 | 97.21 | \$1,491,912 | \$1,610,995 | (7.4) | \$3,679,860 | \$3,842,120 | (4.2) | 2.0 |
| Gross Lottery Revenue | \$1,399,051 | 8.45 | \$104,341 | \$103,883 | 0.4 | \$327,751 | \$340,231 | (3.7) | 0.9 |
| Less: Expenses | (938,051) | (5.66) | (69,707) | (67,305) | 3.6 | (219,350) | (219,583) | (0.1) | 0.7 |
| Net Lottery Profits | \$461,000 | 2.79 | \$34,634 | \$36,578 | (5.3) | \$108,401 | \$120,648 | (10.2) | 1.3 |
| Total General Fund Revenues and Net Lottery Profits | \$16,550,900 | 100.00 | \$1,526,546 | \$1,647,573 | (7.3) | \$3,788,261 | \$3,962,768 | (4.4) | 2.0 |

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

(a) Certain revenue reclassifications among line items were made by the Department of Taxation to the monthly and year-to-date amounts for the first four months of Fiscal Year 2008. Total revenue was unchanged.

(b) Interest will be allocated in accordance with Section 3-3.04 of Chapter 879, 2008 Virginia Acts of Assembly.

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

Commonwealth of Virginia/Department of Accounts
General Fund Statement of Revenue Collections and Estimates
For the Fiscal Years 2008 and 2009
(Dollars in Thousands)

| Revenue | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) |
|---|---------------------|------------------------------|--------------------|--------------------|---------------|----------------------|----------------------|---------------|----------------------------|
| | FY 2009 Estimate | As a % of Total Gen Fund Rev | September FY 2009 | September FY 2008 | % Change | Year-To-Date FY 2009 | Year-To-Date FY 2008 | % Change | % Annual Growth Req By Est |
| Taxes: | | | | | | | | | |
| Individual Income Tax - Withholding (a) | \$9,506,500 | 59.08 | \$698,579 | \$657,768 | 6.2 | \$2,175,755 | \$2,062,888 | 5.5 | 6.4 |
| Tax Dues/Estimated Payments (a) | 3,057,200 | 19.00 | 330,522 | 322,233 | 2.6 | 406,452 | 394,073 | 3.1 | 6.9 |
| Gross Individual Income Tax (a) | \$12,563,700 | 78.08 | \$1,029,101 | \$980,001 | 5.0 | \$2,582,207 | \$2,456,961 | 5.1 | 6.5 |
| Individ and Fiduc Income (Refunds) | (1,786,800) | (11.10) | (33,094) | (20,237) | 63.5 | (127,165) | (83,636) | 52.0 | 6.4 |
| Net Individual Income Tax (a) | \$10,776,900 | 66.98 | \$996,007 | \$959,764 | 3.8 | \$2,455,042 | \$2,373,325 | 3.4 | 6.5 |
| Sales and Use Tax | 3,225,700 | 20.05 | 247,063 | 257,128 | (3.9) | 769,917 | 785,788 | (2.0) | 4.9 |
| Corporations Income (a) | 706,000 | 4.39 | 166,238 | 186,621 | (10.9) | 191,438 | 217,728 | (12.1) | (12.6) |
| Public Service Corporations | 88,900 | 0.55 | 7,301 | 2,862 | 155.1 | 21,048 | 19,594 | 7.4 | (7.8) |
| Insurance Premiums | 294,800 | 1.83 | 0 | 95,461 | (100.0) | 0 | 101,740 | (100.0) | (25.7) |
| Alcoholic Beverage Excise | 131,000 | 0.82 | 0 | 0 | - | 467 | 1,477 | (68.4) | 4.5 |
| Beer and Beverage Excise | 44,000 | 0.27 | 4,076 | 4,357 | (6.4) | 12,338 | 12,318 | 0.2 | 1.1 |
| Wills, Suits, Deeds, Contracts | 380,800 | 2.37 | 28,011 | 36,096 | (22.4) | 90,337 | 130,699 | (30.9) | (16.6) |
| Inheritance, Gift, and Estate | 0 | 0.00 | 713 | 14,418 | (95.1) | 3,138 | 34,275 | (90.8) | (100.0) |
| Bank Franchise | 13,500 | 0.08 | 0 | 0 | - | 0 | 52 | (100.0) | (2.0) |
| Other Taxes | 10,800 | 0.07 | 175 | 1,662 | (89.5) | 1,922 | 3,450 | (44.3) | 541.7 |
| Total Taxes (a) | \$15,672,400 | 97.41 | \$1,449,584 | \$1,558,369 | (7.0) | \$3,545,647 | \$3,680,446 | (3.7) | 2.5 |
| Rights and Privileges: | | | | | | | | | |
| Licenses and Permits | \$5,000 | 0.03 | \$467 | \$480 | (2.7) | \$1,162 | \$1,249 | (7.0) | 8.5 |
| Corp. Franchise and Charters | 47,900 | 0.30 | 541 | 427 | 26.7 | 1,726 | 1,603 | 7.7 | 1.8 |
| Fees for Misc. Privileges & Services | 16,700 | 0.10 | 748 | 622 | 20.3 | 2,165 | 2,035 | 6.4 | 5.6 |
| Total Rights and Privileges | \$69,600 | 0.43 | \$1,756 | \$1,529 | 14.8 | \$5,053 | \$4,887 | 3.4 | 3.2 |
| Other Revenues: | | | | | | | | | |
| Sales of Property & Commodities | \$1,900 | 0.01 | \$0 | \$0 | - | \$1 | \$1 | 0.0 | - |
| Assessmts & Rcpts for Support of Special Svcs | 300 | 0.00 | 26 | 0 | - | 82 | 66 | 24.2 | (34.9) |
| Institutional Revenue | 7,500 | 0.05 | 595 | 687 | (13.4) | 1,822 | 1,825 | (0.2) | (1.2) |
| Interest (a) (b) | 122,100 | 0.76 | 22,721 | 34,893 | (34.9) | 74,551 | 105,463 | (29.3) | (35.5) |
| Dividends and Rent | 300 | 0.00 | 35 | 22 | 59.1 | 128 | 135 | (5.2) | (19.6) |
| Fines, Forfeitures & Fees (a) | 229,700 | 1.43 | 17,436 | 17,145 | 1.7 | 54,222 | 54,659 | (0.8) | 4.2 |
| Other Revenue | 3,900 | 0.02 | 474 | 258 | 83.7 | 1,665 | 751 | 121.7 | (61.5) |
| Excess Fees | (28,100) | (0.17) | (1,547) | (2,517) | 38.5 | (5,491) | (8,372) | 34.4 | (15.4) |
| Private Donations, Gifts & Cont. | 0 | 0.00 | 0 | 30 | (100.0) | 0 | 30 | (100.0) | (100.0) |
| Cities, Counties, and Towns | 10,300 | 0.06 | 832 | 579 | 43.7 | 2,180 | 2,229 | (2.2) | 2.1 |
| Total Other Revenues (a) | \$347,900 | 2.16 | \$40,572 | \$51,097 | (20.6) | \$129,160 | \$156,787 | (17.6) | (16.0) |
| Total General Fund Revenues | \$16,089,900 | 100.00 | \$1,491,912 | \$1,610,995 | (7.4) | \$3,679,860 | \$3,842,120 | (4.2) | 2.0 |

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

(a) Certain revenue reclassifications among line items were made by the Department of Taxation to the monthly and year-to-date amounts for the first four months of Fiscal Year 2008. Total revenue was unchanged.

(b) Interest will be allocated in accordance with Section 3-3.04 of Chapter 879, 2008 Virginia Acts of Assembly.

**Commonwealth of Virginia/Department of Lottery
Summary Report on Lottery Collections
For the Fiscal Years 2008 and 2009
(Dollars in Thousands)**

| | FY 2009 Estimate | (a) | September | | | Year-To-Date | | | % Annual Growth Required By Estimate |
|----------------------------|-----------------------------|------------|---------------------|-----------------|---------------------|----------------------|------------------|-------------------------|---|
| | | | FY 2009 | FY 2008 | % Change | FY 2009 | FY 2008 | % Change (b) | |
| Lottery Collections | | | | | | | | | |
| Win for Life | \$33,336 | | \$2,442 | \$3,308 | (26.2) | \$8,262 | \$9,341 | (11.6) | (11.6) |
| Cash 5 | 28,734 | | 2,323 | 2,335 | (0.5) | 7,134 | 7,078 | 0.8 | (1.0) |
| Pick 4 | 189,580 | | 14,165 | 13,853 | 2.3 | 44,734 | 44,469 | 0.6 | 3.0 |
| Pick 3 | 269,995 | | 19,055 | 20,182 | (5.6) | 61,134 | 64,213 | (4.8) | 5.2 |
| Mega Millions | 146,653 | | 9,617 | 9,192 | 4.6 | 37,484 | 46,487 | (19.4) | (11.7) |
| Fast Play | 16,716 | | 525 | 626 | (16.1) | 2,410 | 2,169 | 11.1 | 81.1 |
| Raffle | 15,400 | | 1,132 | 0 | - | 1,132 | 0 | - | 75.0 |
| Scratch | 698,637 | | 55,082 | 54,387 | 1.3 | 165,461 | 166,474 | (0.6) | 0.5 |
| Gross Lottery Revenue | <u>1,399,051</u> | | <u>104,341</u> | <u>103,883</u> | <u>0.4</u> | <u>327,751</u> | <u>340,231</u> | <u>(3.7)</u> | <u>0.9</u> |
| Expenses (c) | <u>938,051</u> | | <u>69,707 (d)</u> | <u>67,305</u> | <u>3.6</u> | <u>219,350 (d)</u> | <u>219,583</u> | <u>(0.1)</u> | <u>0.7</u> |
| Net Lottery Ticket Profits | <u>\$461,000</u> | | <u>\$34,634 (d)</u> | <u>\$36,578</u> | <u>(5.3)</u> | <u>\$108,401 (d)</u> | <u>\$120,648</u> | <u>(10.2)</u> | <u>1.3</u> |

(a) Estimate established in Chapter 879, 2008 Virginia Acts of Assembly.

(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 and online gaming costs, Lottery operating expenses, and net other income/expense.

(d) 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 2008 and 2009
(Dollars in Thousands)

| Revenue | FY 2009 Estimate | As a % of Total Fund | September | | | Year-To-Date | | | % Annual Growth Required By Estimate |
|--|---------------------|----------------------------|------------------|------------------|-------------|------------------|------------------|-------------|---|
| | | | FY 2009 | FY 2008 | % Change | FY 2009 | FY 2008 | % Change | |
| Motor Fuel Taxes | \$902,000 | 23.56 | \$73,235 | \$78,336 | (6.5) | \$155,818 | \$158,243 | (1.5) | 4.5 |
| Priority Transportation Fund (PTF) (a) | 159,500 | 4.17 | 100,082 | 2,000 | # | 107,764 | 2,000 | # | - |
| Motor Vehicle Sales and Use Tax | 609,300 | 15.92 | 44,183 | 50,995 | (13.4) | 133,832 | 158,846 | (15.7) | 6.3 |
| State Sales and Use Tax | 540,100 | 14.11 | 42,592 | 43,493 | (2.1) | 132,403 | 133,835 | (1.1) | 2.9 |
| Motor Vehicle License Fees | 258,200 | 6.75 | 20,639 | 18,967 | 8.8 | 64,156 | 62,606 | 2.5 | 6.6 |
| International Registration Plan | 66,600 | 1.74 | 2,648 | 2,478 | 6.9 | 10,946 | 23,470 | (53.4) | (10.1) |
| Recordation Tax (b) | 45,900 | 1.20 | 2,293 | 0 | - | 9,593 | 0 | - | - |
| Interest Earnings | 37,200 | 0.97 | 19 | 62 | (69.4) | 67 | 115 | (41.7) | (40.1) |
| Misc. Taxes, Fees, and Revenues | 15,800 | 0.41 | 1,177 | 1,309 | (10.1) | 3,421 | 3,549 | (3.6) | 6.0 |
| Total State Taxes and Fees | \$2,634,600 | 68.83 | \$286,868 | \$197,640 | 45.1 | \$618,000 | \$542,664 | 13.9 | 11.0 |

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

(a) A new revenue stream, Insurance Premiums Tax, is included in the Fiscal Year 2009 Transportation Trust Fund Revenue Forecast. As there were no collections for insurance premiums tax recorded in the Transportation Trust Fund during Fiscal Year 2008, a comparison of the total "Priority Transportation Fund (PTF)" between Fiscal Years 2008 and 2009 may not be appropriate. Refer to the "PTF Motor Fuels" and "PTF Insurance Premiums Tax" line items on page 5 for the detailed information pertaining to the "Priority Transportation Trust Fund (PTF)" line item.

(b) New revenue streams for Recordation Tax are included in the Fiscal Year 2009 Highway Maintenance and Operating Fund and the Transportation Trust Fund Revenue Estimates, respectively. As there were no collections for recordation taxes recorded in these funds during Fiscal Year 2008, a comparison between Fiscal Years 2008 and 2009 may not be appropriate. Refer to the "Recordation Tax (1 cent)" and "Recordation Tax (2 cents)" line items on page 5 for the detailed information pertaining to the "Recordation Tax" line item.

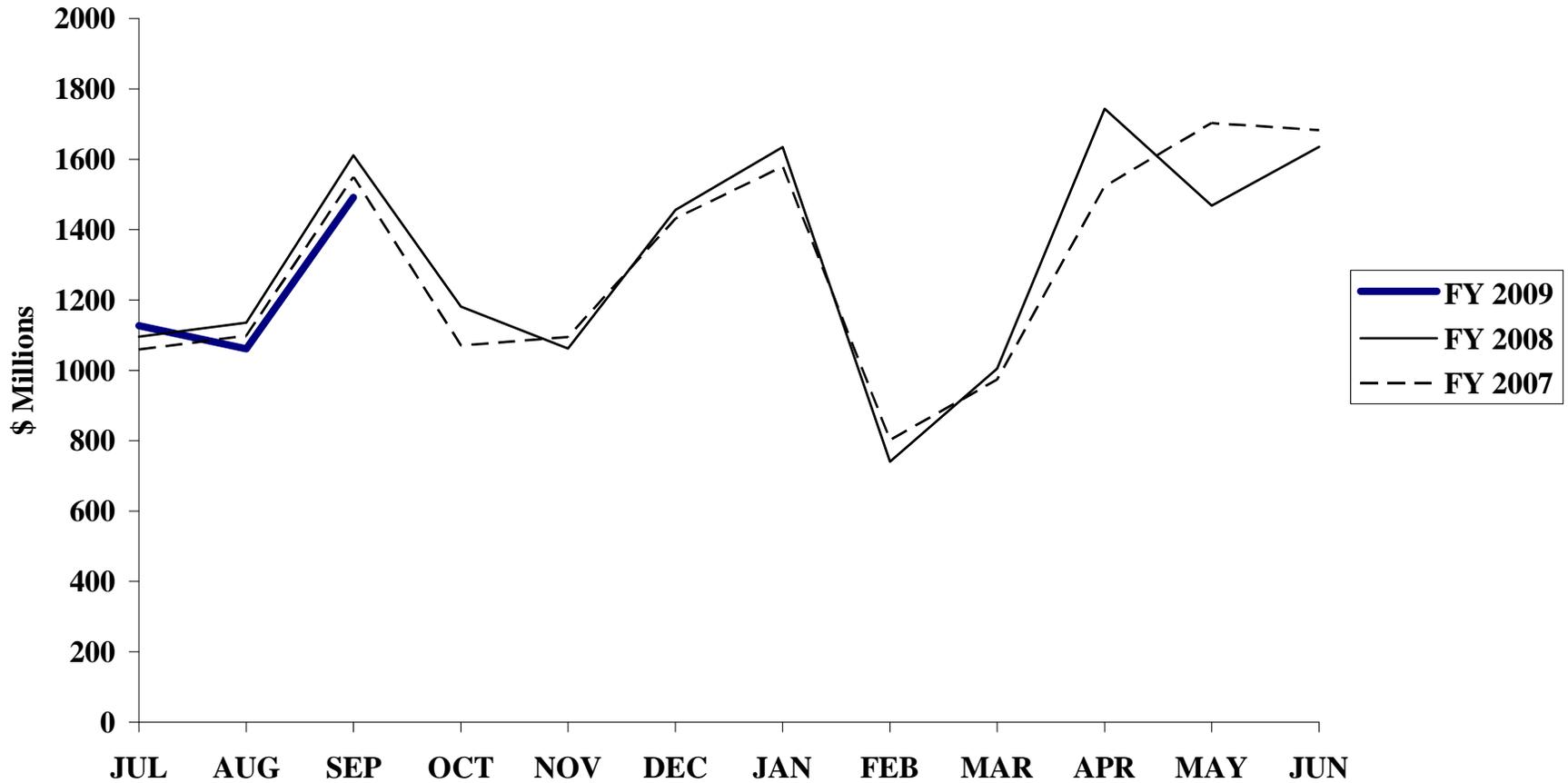
Commonwealth of Virginia/Department of Accounts
Highway Maintenance and Operating Fund and Transportation Trust Fund Revenues
Statement of Revenue Estimates & Collections
For the Fiscal Years 2008 and 2009
(Dollars in Thousands)

| Revenue | FY 2009 Estimate | As a % of Total Fund | September | | | Year-To-Date | | | % Annual Growth Required By Est |
|--|--------------------|----------------------|------------------|------------------|---------------|------------------|------------------|---------------|---------------------------------|
| | | | FY 2009 | FY 2008 | % Change | FY 2009 | FY 2008 | % Change | |
| HIGHWAY MAINTENANCE AND OPERATING FUND: | | | | | | | | | |
| Motor Fuel Taxes (Includes Road Tax) | \$777,800 | 20.32 | \$64,542 | \$64,022 | 0.8 | \$135,054 | \$133,767 | 1.0 | 5.0 |
| Motor Vehicle Sales and Use Tax | 374,500 | 9.78 | 26,995 | 32,949 | (18.1) | 81,557 | 99,055 | (17.7) | 5.5 |
| Motor Vehicle License Fees | 236,300 | 6.18 | 18,706 | 17,364 | 7.7 | 58,378 | 57,429 | 1.7 | 7.0 |
| International Registration Plan | 66,600 | 1.74 | 2,648 | 2,478 | 6.9 | 10,946 | 23,470 | (53.4) | (10.1) |
| Recordation Tax (1 cent) (a) | 15,300 | 0.40 | 764 | 0 | - | 3,198 | 0 | - | - |
| Misc. Taxes, Fees, and Revenues | 15,800 | 0.41 | 1,177 | 1,309 | (10.1) | 3,421 | 3,549 | (3.6) | 6.0 |
| Total State Taxes and Fees | \$1,486,300 | 38.83 | \$114,832 | \$118,122 | (2.8) | \$292,554 | \$317,270 | (7.8) | 5.7 |
| Other Revenues: | | | | | | | | | |
| Federal Grants and Contracts | \$0 | 0.00 | \$1,227 | \$758 | 61.9 | \$7,315 | \$3,899 | 87.6 | (100.0) |
| Miscellaneous Revenues | 19,605 | 0.51 | 1,665 | 937 | 77.7 | 4,593 | 3,747 | 22.6 | 16.3 |
| Transfer (to) / from Transportation Trust Fund | 384,970 | 10.06 | 120,000 | 100,000 | 20.0 | 220,000 | 200,000 | 10.0 | 45.0 |
| Total Highway Maintenance and Operating Fund | \$1,890,875 | 49.40 | \$237,724 | \$219,817 | 8.1 | \$524,462 | \$524,916 | (0.1) | 10.2 |
| TRANSPORTATION TRUST FUND: | | | | | | | | | |
| Motor Fuel Taxes (Includes Aviation & Road Taxes) | \$124,200 | 3.24 | \$8,693 | \$14,314 | (39.3) | \$20,764 | \$24,476 | (15.2) | 1.5 |
| PTF Motor Fuels | 20,000 | 0.52 | 0 | 2,000 | (100.0) | 2,000 | 2,000 | 0.0 | 0.0 |
| PTF Insurance Premiums Tax (a) | 139,500 | 3.65 | 100,082 | 0 | - | 105,764 | 0 | - | - |
| Motor Vehicle Sales and Use Tax (Includes Rental Tax) | 234,800 | 6.14 | 17,188 | 18,046 | (4.8) | 52,275 | 59,791 | (12.6) | 7.7 |
| State Sales and Use Tax | 540,100 | 14.11 | 42,592 | 43,493 | (2.1) | 132,403 | 133,835 | (1.1) | 2.9 |
| Motor Vehicle License Fees | 21,900 | 0.57 | 1,933 | 1,603 | 20.6 | 5,778 | 5,177 | 11.6 | 2.6 |
| Recordation Tax (2 cents) (a) | 30,600 | 0.80 | 1,529 | 0 | - | 6,395 | 0 | - | - |
| Interest Earnings | 37,200 | 0.97 | 19 | 62 | (69.4) | 67 | 115 | (41.7) | (40.1) |
| Total State Taxes and Fees | \$1,148,300 | 30.00 | \$172,036 | \$79,518 | 116.3 | \$325,446 | \$225,394 | 44.4 | 18.5 |
| Other Revenues: | | | | | | | | | |
| Federal Grants and Contracts | \$938,474 | 24.52 | \$63,834 | \$62,337 | 2.4 | \$210,481 | \$231,446 | (9.1) | 9.7 |
| Receipts from Cities/Counties | 97,299 | 2.54 | (11,135) | 6,712 | (265.9) | 9,896 | 22,746 | (56.5) | 114.4 |
| Toll Revenues (Includes Route 28) | 106,041 | 2.77 | 6,391 | 11,127 | (42.6) | 19,073 | 27,776 | (31.3) | (18.3) |
| Miscellaneous Revenues | 31,806 | 0.83 | 516 | 667 | (22.6) | 3,995 | 3,265 | 22.4 | 115.1 |
| Total Other Revenues | \$1,173,620 | 30.66 | \$59,606 | \$80,843 | (26.3) | \$243,445 | \$285,233 | (14.7) | 12.2 |
| Transfer (to) / from Highway Maintenance and Operating Fund | (\$384,970) | (10.06) | (\$120,000) | (\$100,000) | (20.0) | (\$220,000) | (\$200,000) | (10.0) | (45.0) |
| Total Transportation Trust Fund | \$1,936,950 | 50.60 | \$111,642 | \$60,361 | 85.0 | \$348,891 | \$310,627 | 12.3 | 10.8 |
| TOTAL HIGHWAY MAINTENANCE AND OPERATING AND TRANSPORTATION TRUST FUND | | | | | | | | | |
| | \$3,827,825 | 100.00 | \$349,366 | \$280,178 | 24.7 | \$873,353 | \$835,543 | 4.5 | 10.5 |

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

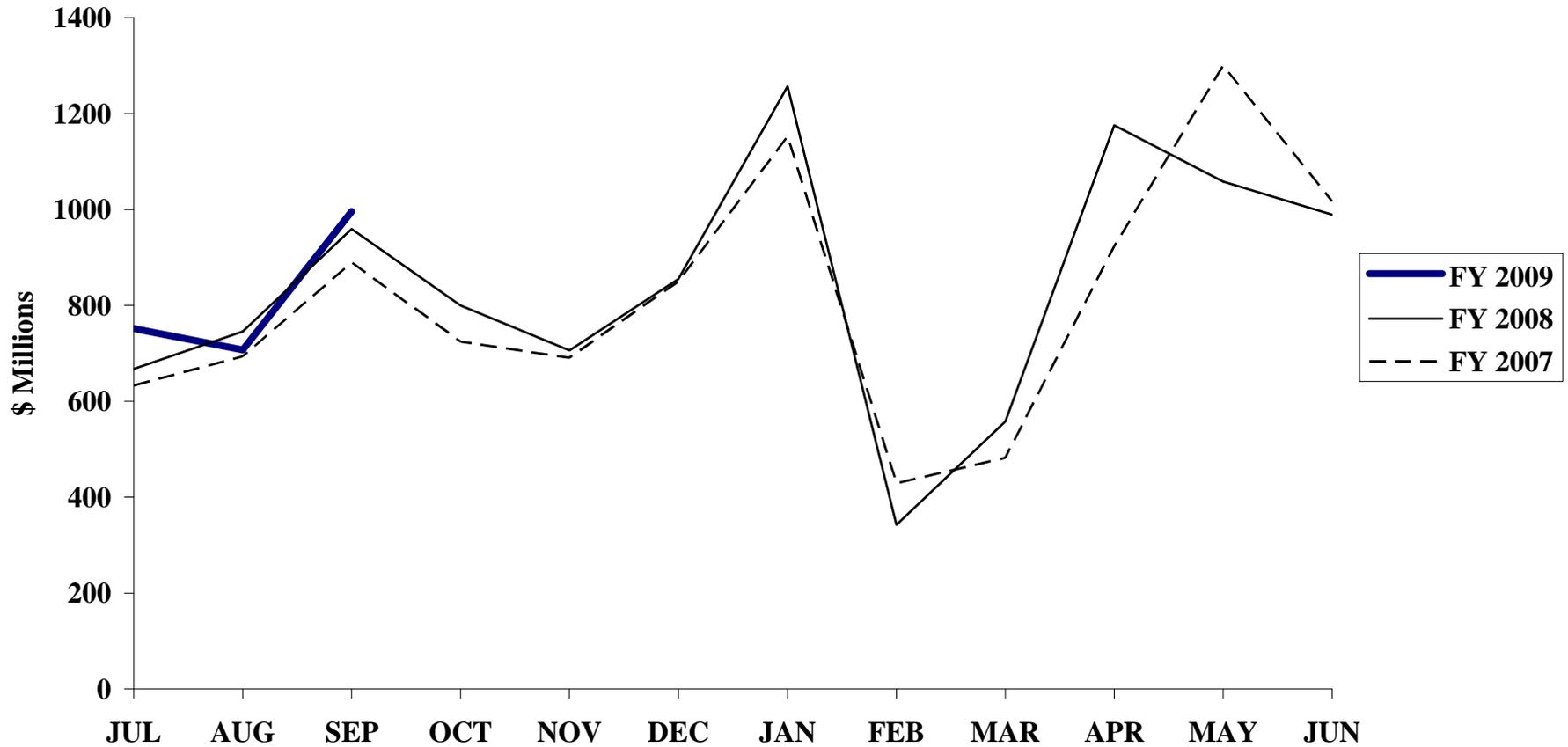
(a) These line items were added to the Fiscal Year 2009 Revenue Forecast. Since there were no collections for these line items during Fiscal Year 2008, the Monthly and Year-To-Date % Change columns do not provide comparable data.

Total General Fund Revenues



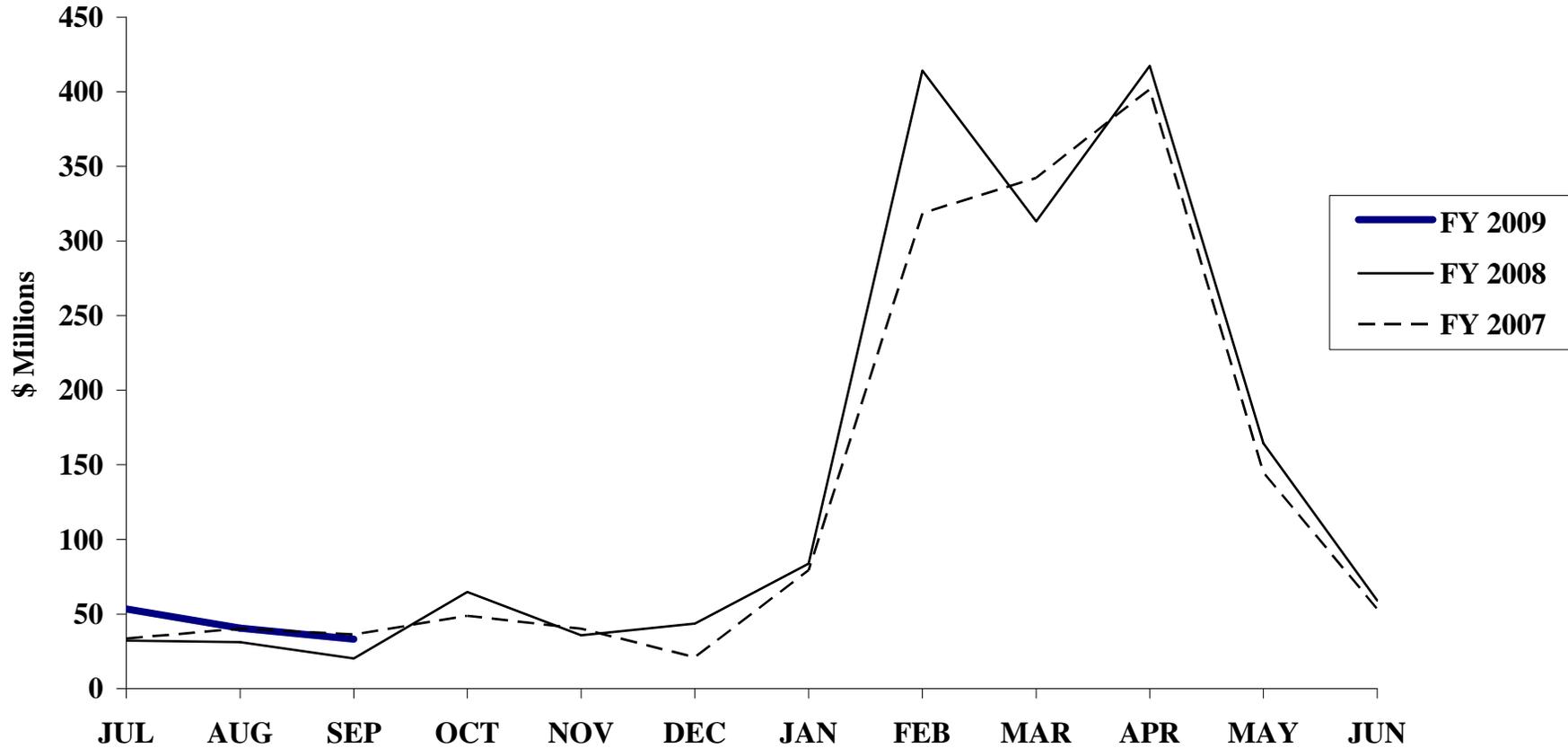
FY 2007 Actual = \$15,565.8 Million
FY 2008 Actual = \$15,766.9 Million
FY 2009 Estimate = \$16,089.9 Million

Net Individual Income Tax



FY 2007 Actual = \$9,787.6 Million
FY 2008 Actual = \$10,114.8 Million
FY 2009 Estimate = \$10,776.9 Million

Individual and Fiduciary Income Tax Refunds



FY 2007 Actual = \$1,559.8 Million
FY 2008 Actual = \$1,679.9 Million
FY 2009 Estimate = \$1,786.8 Million

DEPARTMENT OF THE TREASURY

General Account Investment Portfolio

Monthly Average Balances and Rates

For the Fiscal Year 2009

(Dollars in Millions)

| MONTH | PRIMARY LIQUIDITY | | EXTERNAL MANAGEMENT EXTENDED DURATION | | COMPOSITE | |
|-----------------------------|-------------------|-------|--|----------------------------|--------------|--------|
| | Avg. Balance | Yield | Avg. Balance | Annualized Total Return | Avg. Balance | Rate |
| July, 2008 | \$4,914.2 | 3.16% | \$1,812.2 | -3.54% | \$6,726.4 | 1.35% |
| August | \$4,238.3 | 3.20% | \$1,812.8 | 6.74% | \$6,051.1 | 4.26% |
| September | \$4,315.2 | 3.27% | \$1,800.1 | -24.46% | \$6,115.3 | -4.89% |
| October | | | | | | |
| November | | | | | | |
| December | | | | | | |
| January, 2009 | | | | | | |
| February | | | | | | |
| March | | | | | | |
| April | | | | | | |
| May | | | | | | |
| June | | | | | | |
| Year-to-Date Average | \$4,489.2 | 3.21% | \$1,808.4 | -6.86% | \$6,297.6 | 0.32% |

- 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 2009**

| <u>Month</u> | <u>Beginning Balance</u> | <u>Deposits</u> | <u>Withdrawals</u> | <u>Interest Allocated (A)</u> | <u>Ending Balance</u> |
|--------------|--------------------------|-----------------|--------------------|-------------------------------|-----------------------|
| July | \$1,014,870,245 | \$0 | \$0 | \$0 | \$1,014,870,245 |
| August | \$1,014,870,245 | \$0 | \$0 | \$0 | \$1,014,870,245 |
| September | \$1,014,870,245 | \$0 | \$0 | \$0 | \$1,014,870,245 |
| 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.