

Summary of Fiscal Year 2007 Revenue Collections

July through September

<u>Major Source</u>	As a % of Total <u>Revenues</u>	Percent Growth over Prior Year		
		<u>YTD Actual</u>	<u>Chapter 3 Estimate</u>	<u>Variance</u>
Withholding	54.9 %	4.0 %	5.3 %	(1.3) %
Nonwithholding	16.1	5.3	(1.7)	7.0
Refunds	8.6	118.3	3.1	115.2
Net individual	62.4	1.6	3.7	(2.1)
Sales *	20.4	31.6	11.9	19.7
Corporate	5.1	20.5	(9.6)	30.1
Wills (Recordation)	3.8	(25.7)	(15.4)	(10.3)
Insurance	2.7	4.5	11.4	(6.9)
All Other Revenue	5.6	28.8	11.7	17.1
Total **	100.0 %	7.6 %	4.2 %	3.4 %

* Reflects the end of the Accelerated Sales Tax program in FY06. Adjusted growth stands at 3.8% compared with the forecast of 6.0% growth.

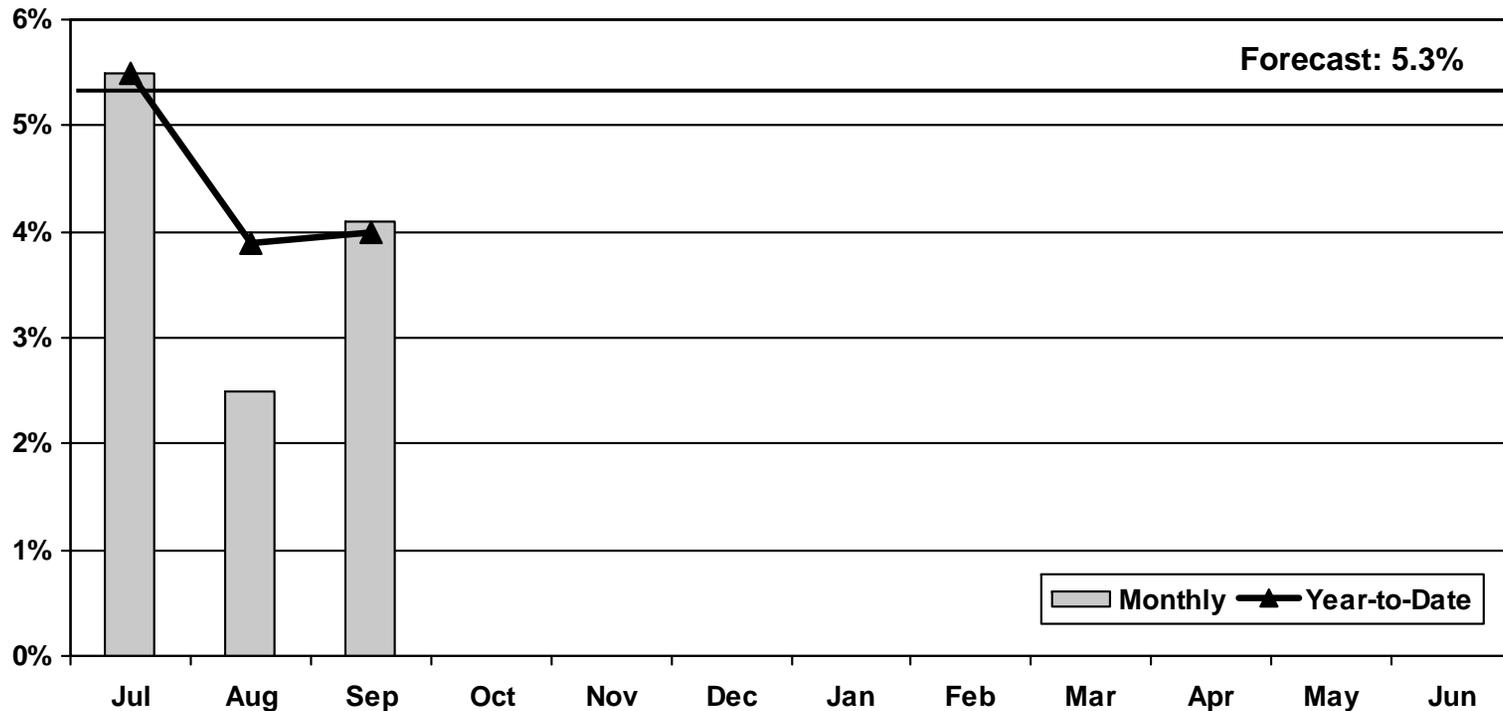
** Year-to-date growth of 7.6% is overstated due to the end of the Accelerated Sales Tax program in FY06. Adjusted for the Accelerated Sales Tax program, adjusted growth stands at 3.0%, in line with the forecast of 3.1% growth.

Review of First Quarter Revenue Collections

General Comments

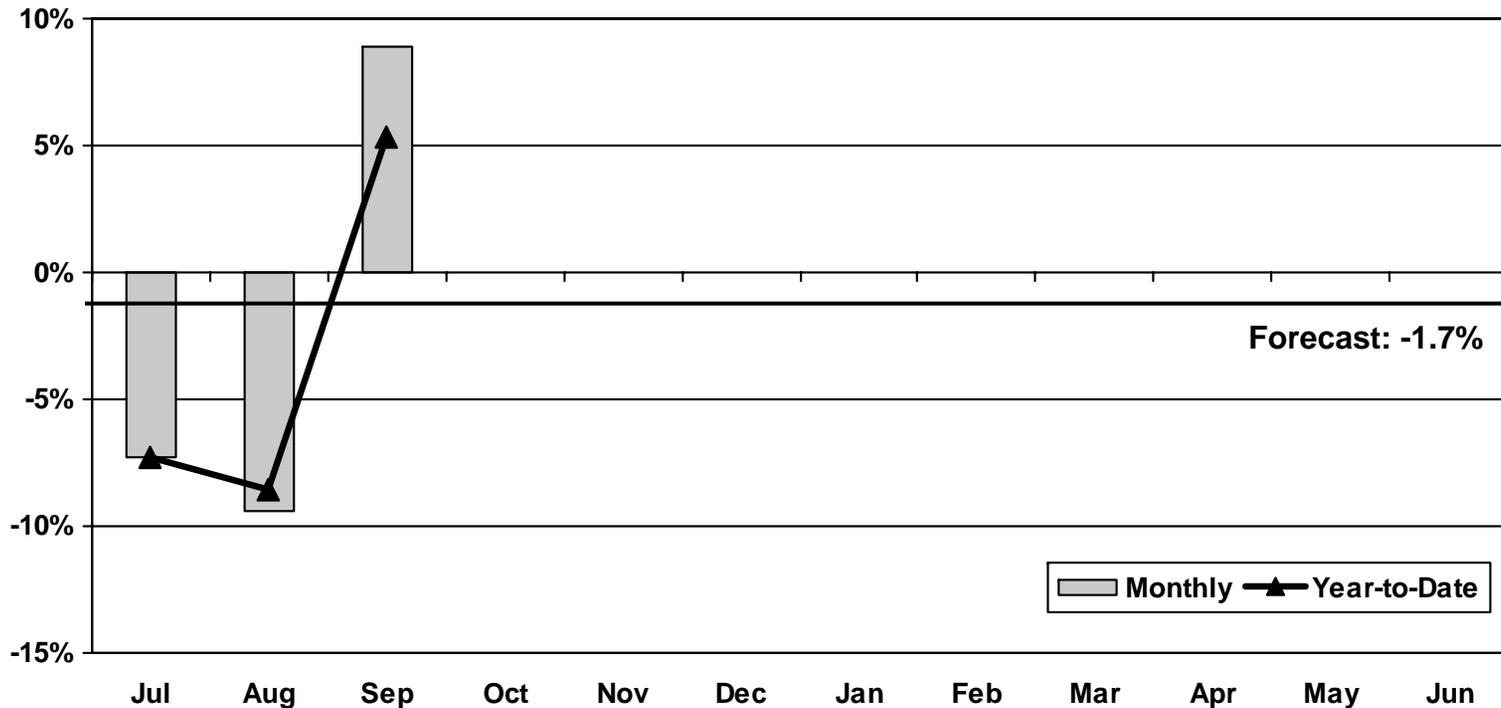
- The two largest revenue sources, withholding and sales taxes (73% of total revenues), are closely linked to economic activity in the Commonwealth. Collections for the first quarter of fiscal year 2007 suggest moderate growth in underlying economic conditions.
- First quarter nonwithholding collections suggests healthy gains in non-wage income. Stock market indices are up about eight percent for the year.
- Recordation taxes continued to fall with the slowing housing market. Sharp declines in pending home sales suggest continued declines in collections for the remainder of the year.

Growth in Withholding Tax Collections FY07 Monthly and Year-to-Date



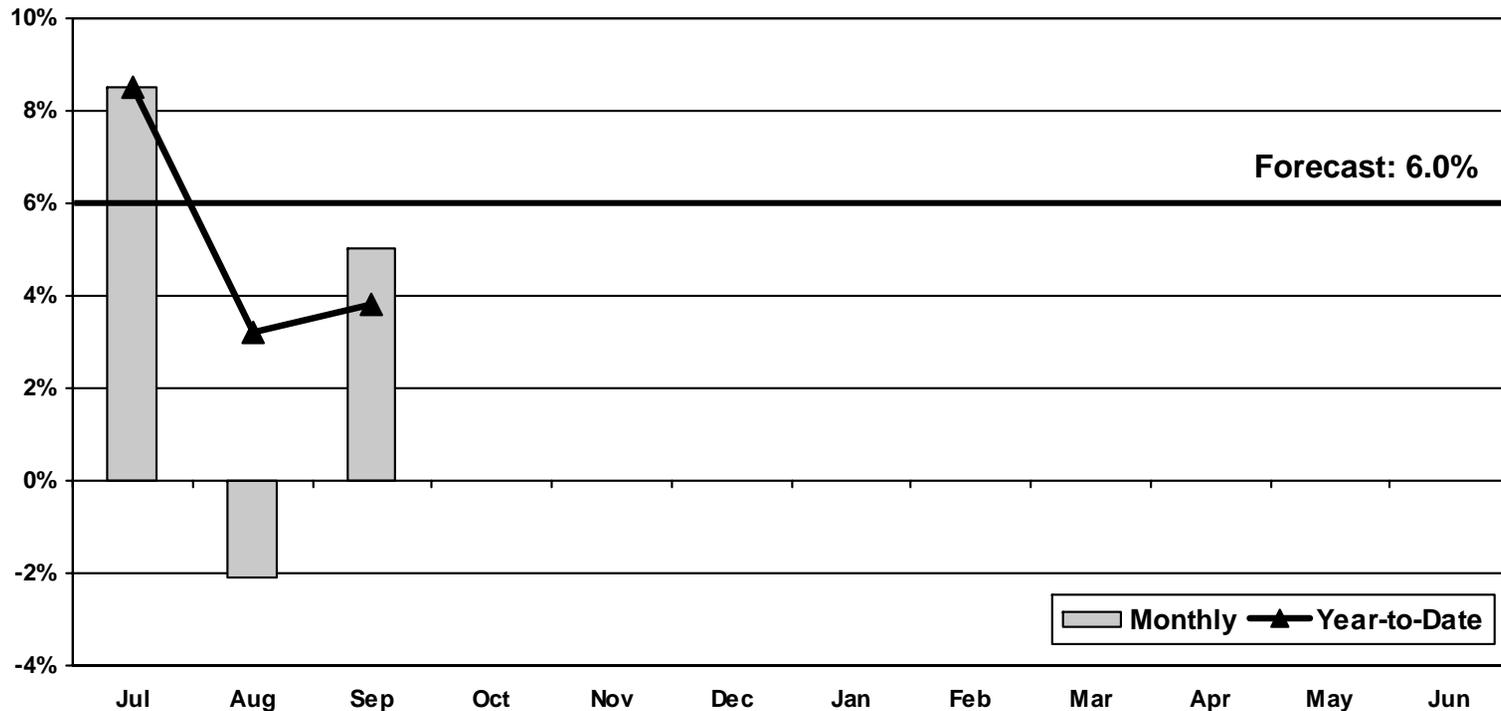
- Payroll withholding taxes grew 4.1 percent in September. Year-to-date growth is 4.0 percent, lagging the projected annual growth rate of 5.3 percent. This is the slowest first quarter growth since fiscal year 2003.

Growth in Nonwithholding Tax Collections FY07 Monthly and Year-to-Date



- Nonwithholding payments grew 8.9 percent above last September.
- The first two estimated payments for tax year 2006 liability increased a cumulative 16.2 percent.

Growth in Sales Tax Collections FY07 Monthly and Year-to-Date

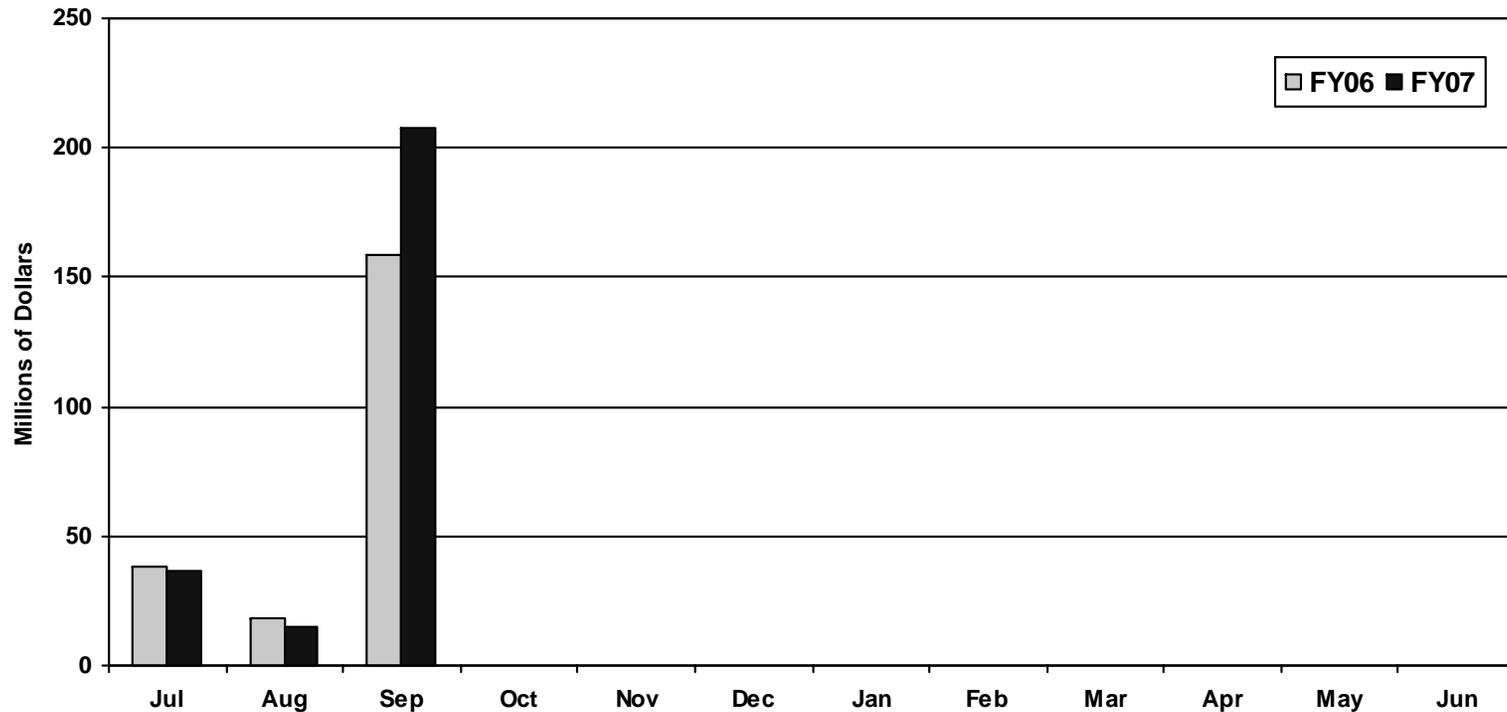


Note: July and Year-to-date growth is adjusted for the end of the Accelerated Sales Tax Program in FY06.

- Sales tax collections increased 5.0 percent in September. Year-to-date growth of 31.6 percent is overstated due to the repeal of the Accelerated Sales Tax program. Adjusted growth in this source through the first quarter of the year is 3.8 percent, behind the adjusted annual estimate of 6.0 percent growth.

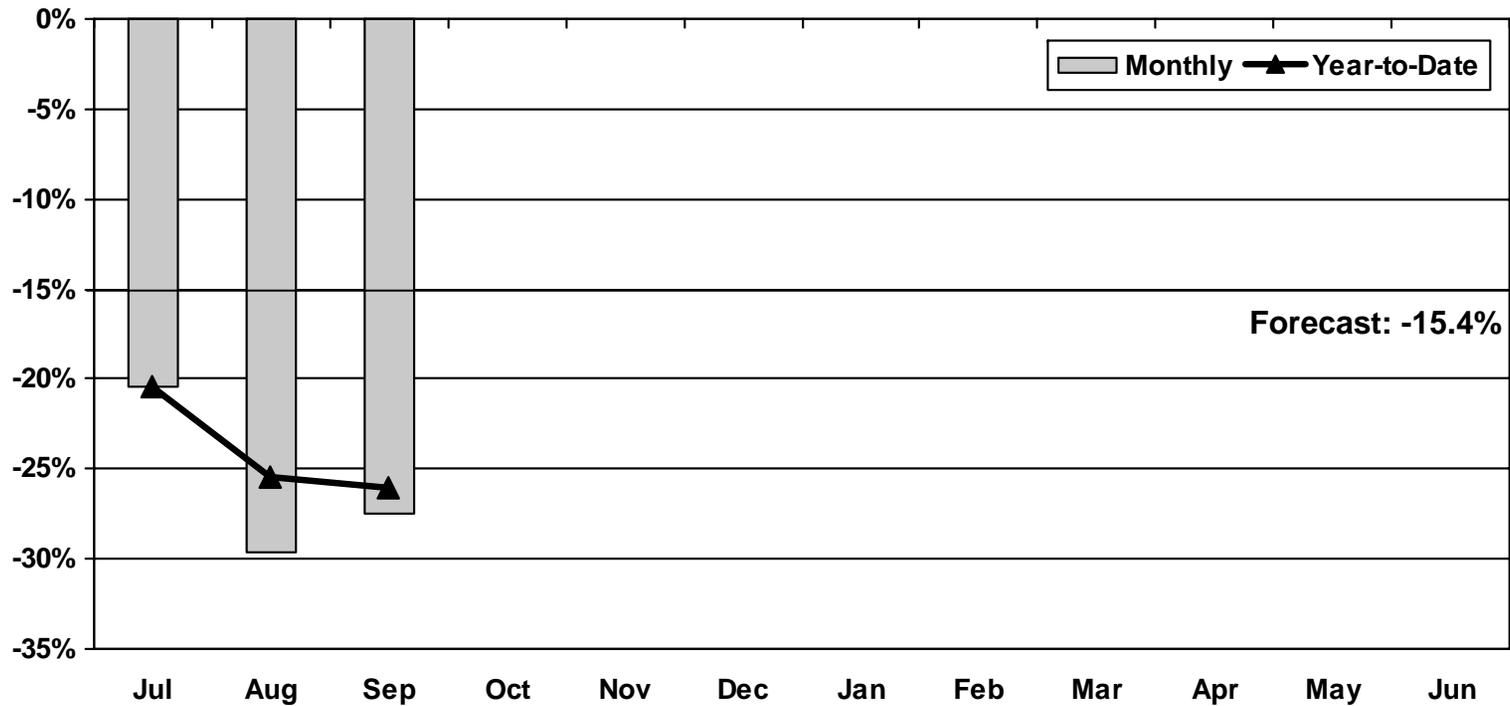
Corporate Income Tax Collections

Monthly Collections for FY06 and FY07



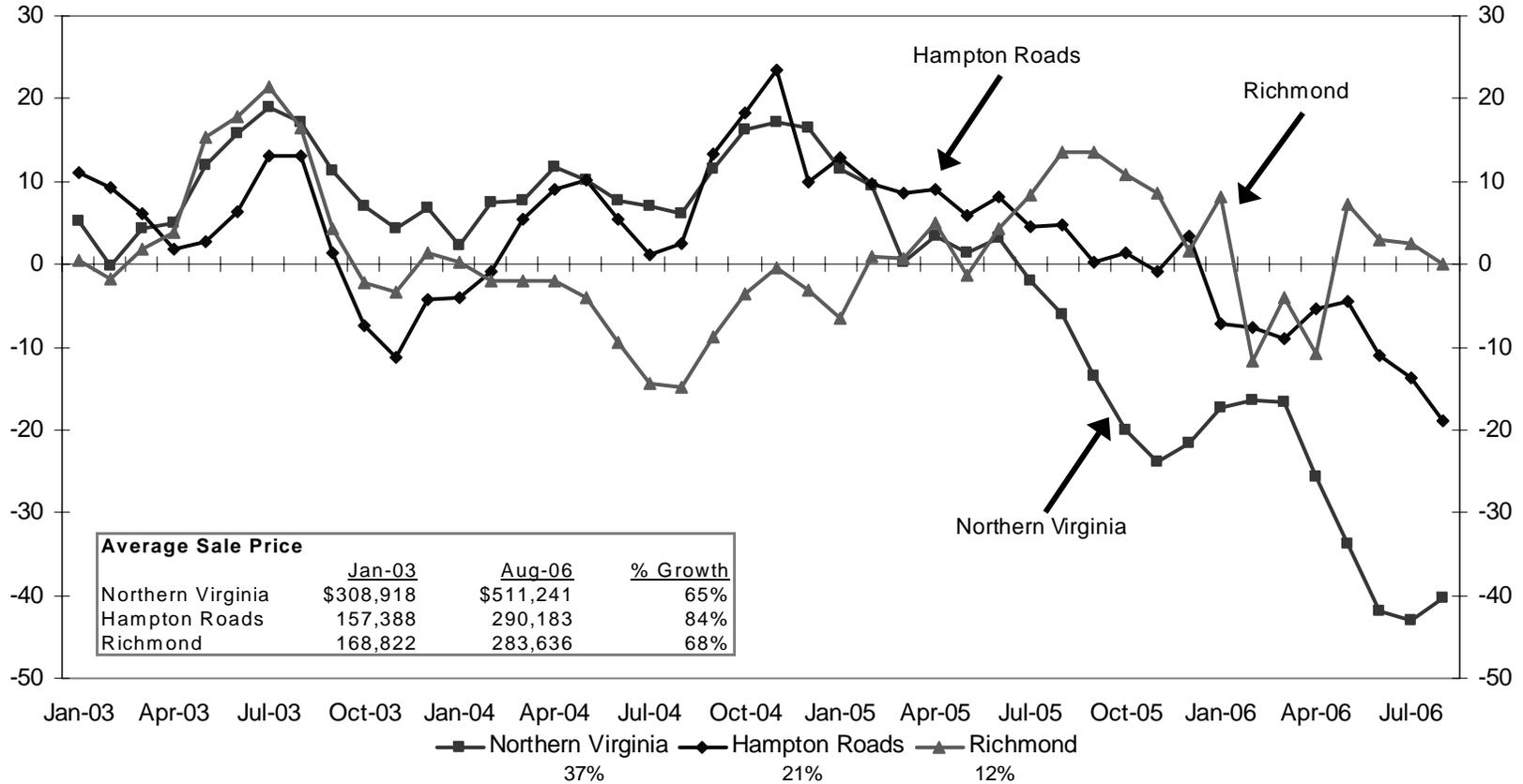
- Corporate income tax collections increased 31.1 percent over last September. However, a large, one-time payment distorted growth. Adjusted growth for the month was 10.2 percent.

Growth in "Economic Base" Recordation Tax Collections FY07 Monthly and Year-to-Date



- Recordation tax collections declined 27.5 percent in September, bringing growth for the first quarter of the fiscal year to -26.0 percent. Activity in the housing market is slowing dramatically.

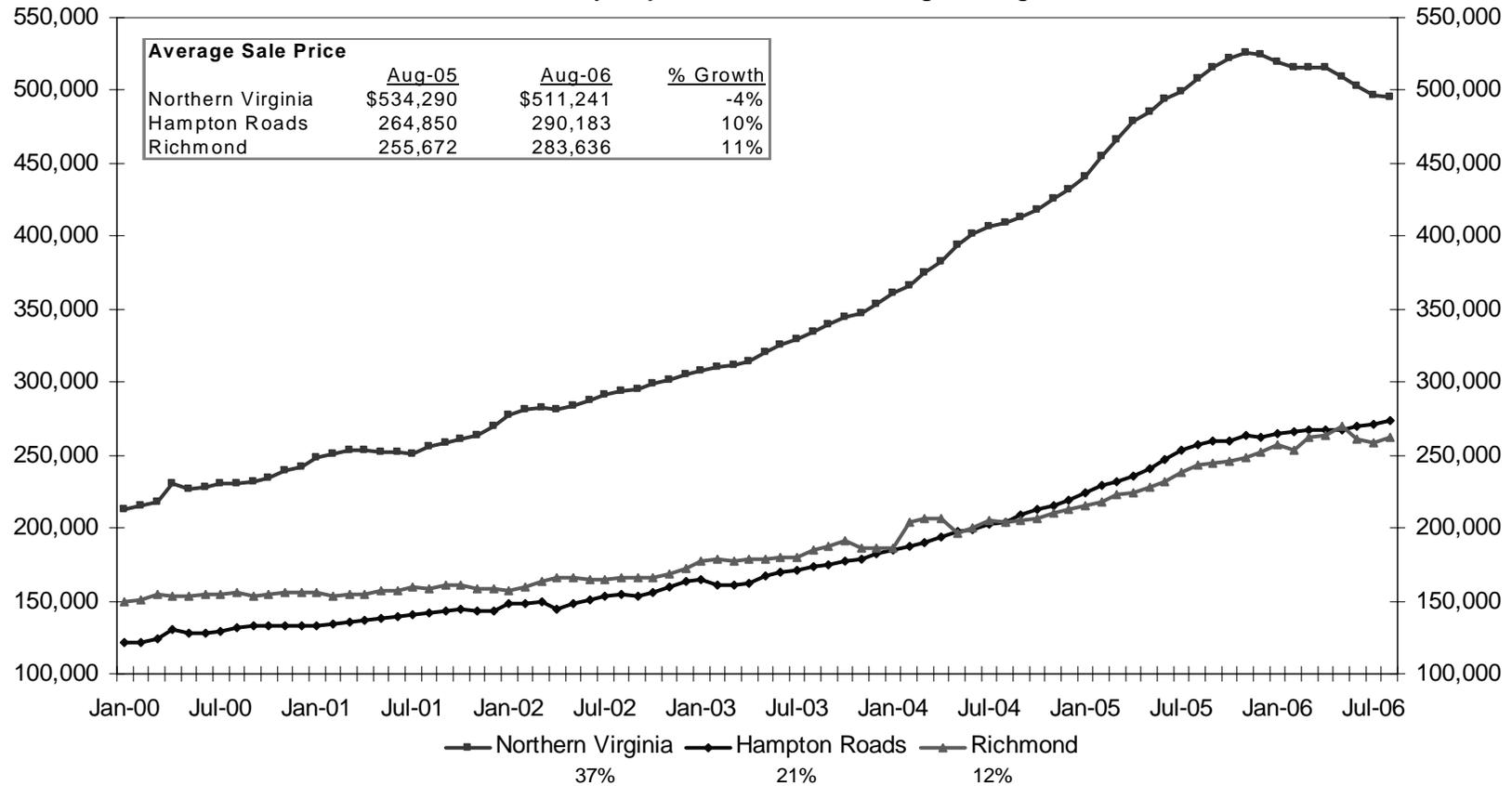
Pending Home Sales in Northern Virginia, Hampton Roads, and Richmond
 Year-over-Year Percent Change
 Seasonally-adjusted 3-month moving average



- Two of three major metropolitan areas, representing 79% of all recordation taxes, have pending sales levels lower than last year.

Average Sale Price in Northern Virginia, Hampton Roads, and Richmond Levels

Seasonally-adjusted 3-month moving average



- The average sales price in Northern Virginia has been declining since November 2005.

The Fall Forecasting Process

Governor's Advisory Board of Economists

- Meets October 18, 2006

- Members include:
 - Dr. Vinod Agarwal, Old Dominion University
 - Dr. John M. Albertine, Albertine Enterprises
 - Dr. David A. Brat, Randolph-Macon College
 - Dr. Christine Chmura, Chmura Economics and Analytics
 - Dr. Stephen S. Fuller, George Mason University
 - Dr. George Hoffer, Virginia Commonwealth University
 - Dr. Daniel C. Messerschmidt, Lynchburg College
 - Dr. Roy L. Pearson, The College of William and Mary
 - Dr. Michael D. Pratt, Virginia Commonwealth University
 - Ms. Kitty Vollbrecht, Norfolk Southern Corporation
 - Mr. Roy H. Webb, Federal Reserve Bank of Richmond
 - Dr. Gilbert R. Yochum, Old Dominion University

- The Board will review three possible economic outlooks and make recommendations on the “most likely” path for the nation and state.

The Fall Forecasting Process (continued)

Governor's Advisory Council on Revenue Estimates

- Meets November 20, 2006
- Members include:
 - Governor Kaine
 - Delegate Howell
 - Delegate Griffith
 - Delegate Callahan
 - Delegate Purkey
 - Senator Chichester
 - Senator Stosch
 - 15 leading private business leaders appointed by the Governor
- The Council will review two possible economic and revenue outlooks. Business leaders provide insight into their business outlooks.