

Resources

The Governor's proposed 2012-14 budget includes \$34.6 billion in general fund resources available for appropriation.

General Fund Resources Available for Appropriation (2012-14 biennium, \$ in millions)	
Beginning Balance	\$546.0
Adjustments to the Balance	7.2
Official GF Revenue Estimate	33,215.9
Transfers	<u>805.9</u>
GF Resources Available for Appropriation	\$34,575.0

Available Balance

The budget, as introduced, includes \$546.0 million as a projected unspent balance at the end of the 2010-12 biennium. This beginning balance results from a FY 2011 revenue surplus of \$321.7 million, a revised FY 2012 revenue estimate and net spending reductions of \$157.8 million proposed in HB/SB 29. The balance contains \$132.7 million for the FY 2013 Constitutionally-required deposit to the Rainy Day Fund, \$114.0 million to apply toward the \$166.4 million that is appropriated for the FY 2014 Rainy Day Fund deposit, \$50.3 million to be appropriated to the Water Quality Improvement Fund, and about \$18.0 million that is proposed to be used toward the VRS repayment.

Economic Projections

The 2012-14 general fund revenue forecast assumes "economic" growth rates of 3.4 percent for FY 2013 and 4.4 percent for FY 2014. After proposed tax policy changes and technical adjustments, estimated growth rates for the two years are 3.3 percent and 4.5 percent respectively, resulting in projected collections of \$33,215.9 million. The forecast assumes that growth will remain sluggish as the housing market continues to struggle, job and salary growth improve slowly, and volatility continues due to lack of clarity in domestic and foreign fiscal policy.

In addition, anticipated federal spending cuts will impact Virginia more heavily than most states due to the large military presence in Virginia and heavy reliance on federal procurement spending. Rather than outperforming the nation, as is the norm for Virginia, growth over the next two years should be similar to that of the nation as defense cuts that already are approved impact Virginia's growth.

**Economic Variables Assumed In Forecast
Percent Growth Over Prior Year
(December Forecast)**

	<u>FY 2013</u>		<u>FY 2014</u>	
	<u>VA</u>	<u>U.S.</u>	<u>VA</u>	<u>U.S.</u>
Employment	1.0%	1.0%	1.8%	1.8%
Personal Income	3.5%	3.4%	4.0%	4.3%
Wages & Salaries	3.7%	3.3%	4.2%	4.6%

**Forecast of General Fund Revenues
Projected Growth
(2012-14 biennium, \$ in millions)**

	<u>FY 2013</u>	<u>% Growth</u>	<u>FY 2014</u>	<u>% Growth</u>
Net Individual	\$10,902.1	3.5%	\$11,451.8	4.5%
Corporate	877.6	6.0%	904.5	3.1%
Sales	3,153.3	2.8%	3,260.8	3.4%
Insurance	293.6	2.2%	307.5	4.7%
Recordation	322.9	0.0%	322.9	0.0%
All Other	<u>697.0</u>	1.1%	<u>722.0</u>	3.6%
Total Revenues	\$16,246.5	3.3%	\$16,969.5	4.5%

Proposed Tax Policy Changes Assumed in Revenue Forecast

A total of \$161.7 million is removed from the biennial revenue forecast based on proposed tax policy changes which will be included in separate legislation.

Tax Policy Changes	FY 2013	FY 2014	Biennial
Increase existing sales tax dedicated to Transportation from 0.5 percent to 0.75 percent, phased over 8 years.	\$(54.4)	\$(56.3)	\$(110.7)
Extend enhanced Earned Income Tax Credit for an additional year (conformity)	(7.0)	0	(7.0)
Increase Long Term Care Insurance Tax Credit from 15 percent to 30 percent of premium.	(1.2)	(1.2)	(2.4)
Section 199 Domestic Production Income: Increase amount of income disregarded for business tax purposes from 6 percent "hold harmless" level approved by 2010 General Assembly to maximum 9 percent level allowed by federal law.	(10.0)	0	(10.0)
Private School Tax Credit - Corporate tax credit for donations to private school scholarship fund.	0	(10.0)	(10.0)
Increase R&D Tax Credit Cap	0	(5.0)	(5.0)
Small Business Tax Credit for 10 percent of qualified investment in small business.	(1.5)	(1.5)	(3.0)
Accelerated sales tax adjustment (HB/SB 29)	<u>(6.8)</u>	<u>(6.8)</u>	<u>(13.6)</u>
Total Tax Policy Changes	\$(80.9)	\$(80.8)	\$(161.7)

Other adjustments in the revenue forecast include: 1) shifting the \$20.0 million that is estimated to be received from the sale of the Brunswick Correctional Center from FY 2012 to FY 2014; 2) adding \$2.3 million from sale of the former Tax Department headquarters and three Forestry Department properties, as authorized in the Appropriation Act; and 3) modifying the interest income forecast to continue the diversion of NGF interest at the \$16.0 million level collected in FY 2011.

Transfers

Proposed transfers to the general fund increase total available resources by \$805.9 million over the biennium. Of this amount, \$460.0 million represents the 1/4th cent sales tax that is transferred from the Local Real Estate/SOQ Fund for public education.

Other customary transfers include ABC profits of \$107.7 million for the biennium, with an additional \$130.7 million of ABC profits and \$18.3 million of wine taxes going to the

Department of Behavioral Health and Developmental Services (DBHDS) for substance abuse programs.

The introduced budget continues a \$7.4 million per year transfer of the State Corporation Commission's share of the uninsured motorist fees and a \$6.5 million per year transfer from the IDEA Fund. Finally, State Corporation Commission unobligated NGF balances of \$3.2 million are transferred to the GF.

Proposed Transfers in HB/SB 30, as Introduced	
1/4 cent Sales Tax - Local Real Estate/SOQ Fund	\$460.0
ABC/Wine to DBHDS for Substance Abuse	149.0
ABC Profits	107.7
Unrefunded Marine Fuels Tax	14.8
Sales Tax Compliance & Indirect Cost Recoveries	30.3
Court Debt Collections	8.0
ABC Operating Efficiencies	3.1
VITA Savings	1.7
IDEA Funds	13.0
Uninsured Motorist Fees	14.8
Transfer Sales Tax to Game Protection Fund	(27.3)
Transfer to Children's Health Program	(28.1)
Sale of Alexandria ABC office (moved from FY 2012)	10.3
Driver license Reinstatement-Trauma Center Fund	18.1
Vehicle registration fee-Increase \$4 for Life	21.0
SCC unobligated balances	3.2
Alicia's Law	1.3
Miscellaneous Other	<u>5.0</u>
Total	\$805.9