



Revenue and Budget Update

A Briefing for the House Appropriations Committee

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Topics for Discussion

- FY2009 General Fund Revenue Collections
(Preliminary Through August)
- Status of Revenue Reforecasting Process
- Budget Reduction Actions

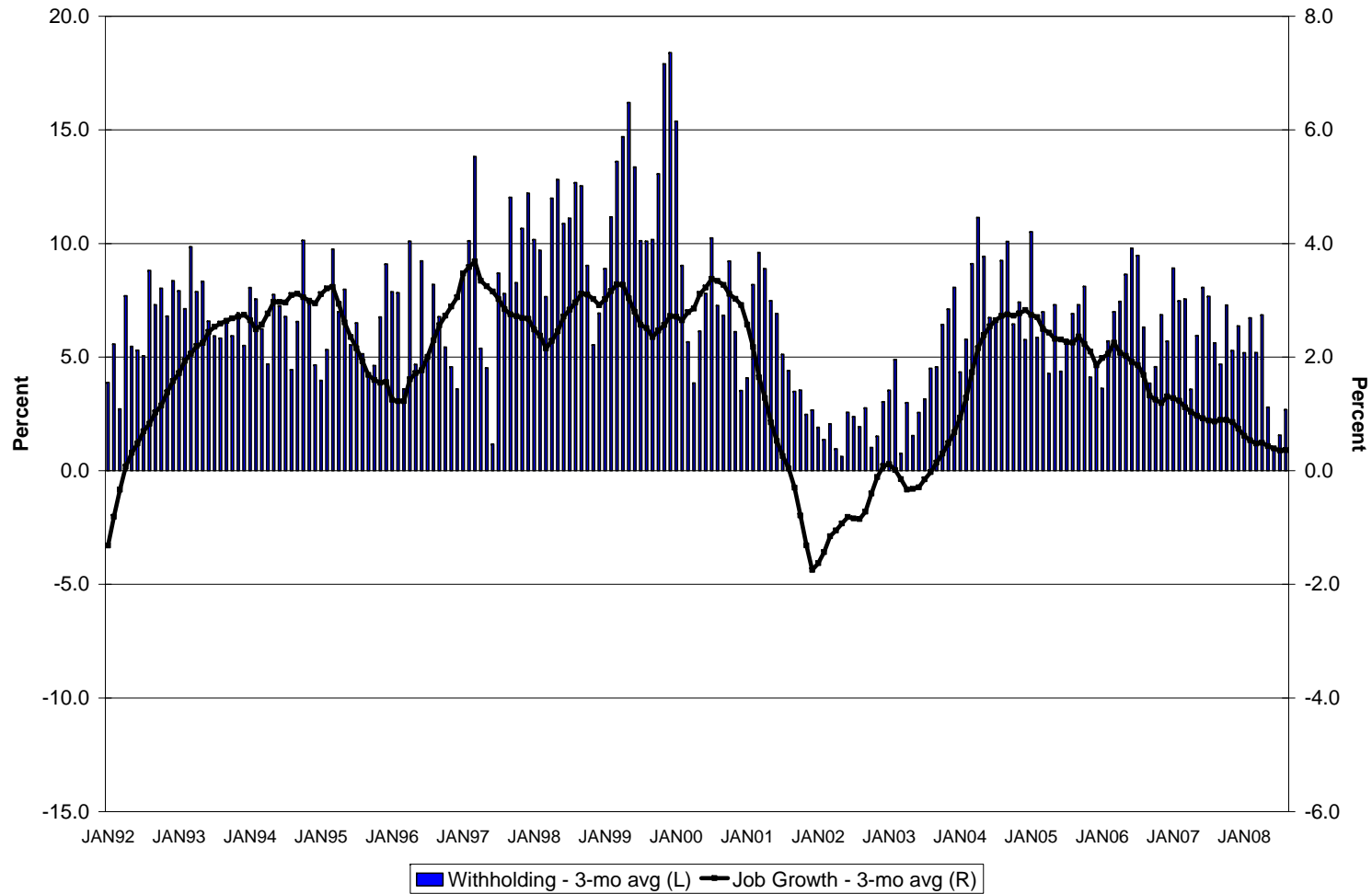
Summary of Fiscal Year 2009 Revenue Collections

July through August (Preliminary)

<u>Major Source</u>	As a % of Total <u>Revenues</u>	Percent Growth over Prior Year		
		<u>YTD Actual</u>	C. 879 <u>Estimate</u>	<u>Variance</u>
Withholding	59.1 %	5.1 %	6.4 %	(1.3) %
Nonwithholding	19.0	5.7	6.9	(1.2)
Refunds	(11.1)	48.4	6.4	42.0
Net Individual	<u>67.0</u>	<u>3.2</u>	<u>6.5</u>	<u>(3.3)</u>
Sales	20.0	(1.2)	4.9	(6.1)
Corporate	4.4	(19.0)	(12.6)	(6.4)
Wills (Recordation)	2.4	(33.6)	(16.6)	(17.0)
Insurance	1.8	(100.0)	(25.7)	(74.3)
All Other Revenue	4.4	(22.7)	(22.9)	0.2
Total	100.0 %	(1.8) %	2.0 %	(3.8) %

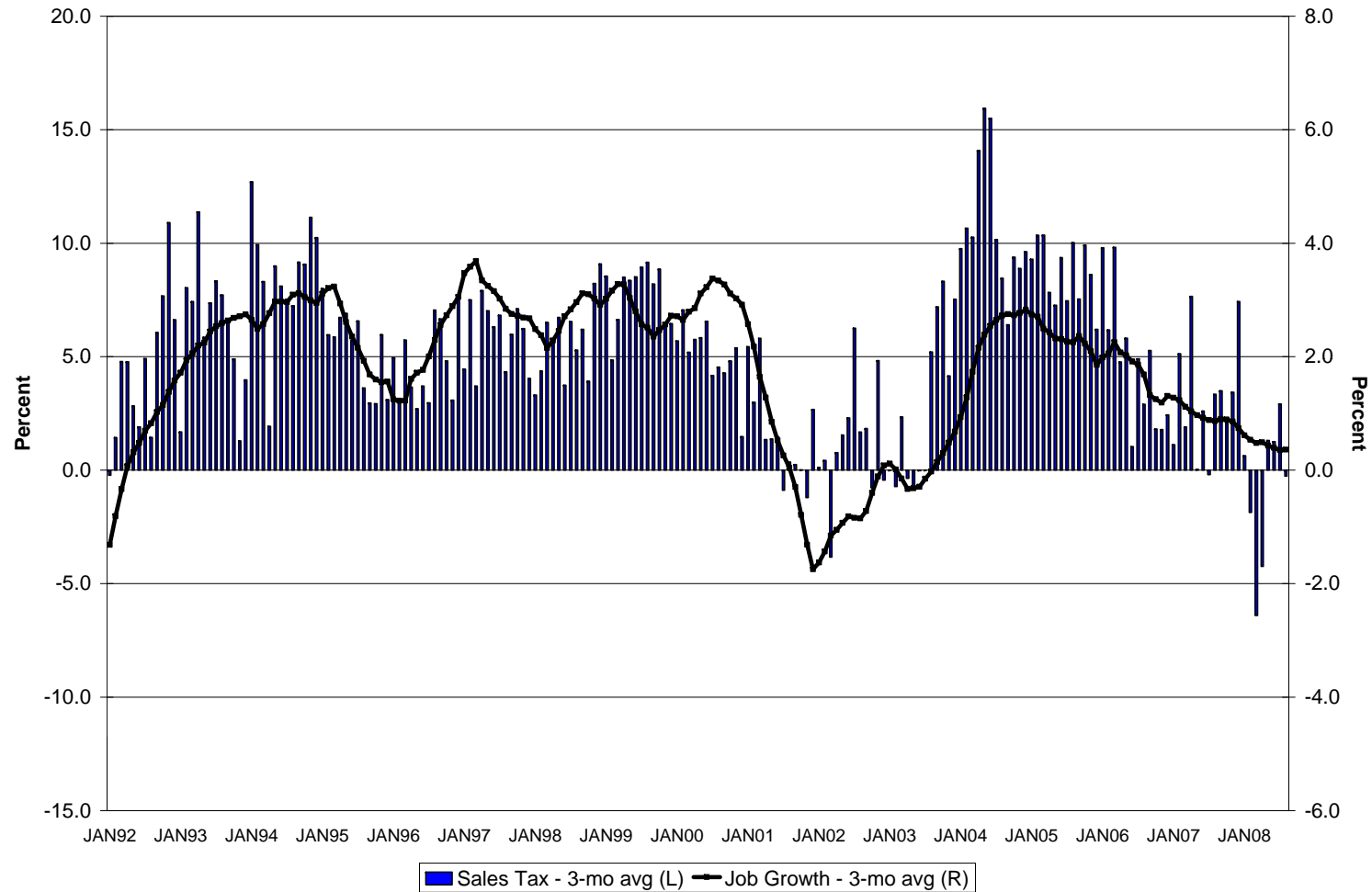
Note: Adjusted for transfers to transportation from insurance and recordation per HB 3202, year-to-date collections have declined 1.4 percent compared with the forecast of 3.2 percent growth.

Payroll Withholding And Employment Growth



- Over the last three months, withholding collections have increased 2.7 percent.

Sales Tax And Employment Growth



- Over the last three months, sales tax collections have declined 0.3 percent.

Status of Revenue Reforecasting Process Housing Industry Outlook August 12 Meeting

- The greatest risk to economic growth in the Commonwealth is a deepening in the downturn in the housing market.
- Because of this, a meeting of housing industry experts in late-August to review current trends and discuss the outlook for the U.S. and Virginia.
 - The attendees included home builders, real estate agents, and mortgage brokers for various regions of Virginia.
- The general consensus among the attendees was that the housing market will not recover until the mortgage market recovers, which will not be before the third quarter of 2009.
- Most attendees agreed that the pace of recovery would be sluggish, with no significant price appreciation until late-2009 or early-2010.

Status of Revenue Reforecasting Process Consumer Spending/Auto Industry Outlook September 5 Meeting

- The downturn in the housing market has spilled over into the consumer sector.
- Because of this, a meeting of industry experts on September 5 to review current trends and discuss the outlook for the U.S. and Virginia.
 - The attendees included representatives from consumer product manufacturing, small retailers, and the National Federation of Independent Businesses, as well as university economists specializing in the consumer and auto sectors.
- The automotive industry will remain depressed for at least another year, if not two.
- The general consensus among the attendees was that consumer spending has deteriorated rapidly and will remain sluggish.
- Most attendees agreed that we are moving along a U-shaped pattern in spending and that we may not be at the bottom of that U.

Status of Revenue Reforecasting Process

Next Steps

- The Governor's Advisory Board of Economist's (GABE) will meet September 10 to review the economic outlook for the current biennium.
 - The economic scenario approved by the GABE will be updated with the most recent economic data and serve as the basis for a revised revenue forecast.
- On September 23, the Governor's Advisory Council on Revenue Estimates (GACRE) will meet to discuss the economic and revenue forecasts. These forecasts will include input from the GABE as well as the housing, consumer, and auto industry experts.
 - The GACRE will recommend the most likely path of the Virginia economy along with the revenue forecast associated with their chosen economic outlook.
- A revised revenue forecast for fiscal years 2009 and 2010 will be finalized in early-October.

Budget Reduction Actions
Five, ten, and fifteen percent reduction plans will be due
September 26, 2008 ...

Task	Proposed
Instructions issued to agencies requesting submission of five, ten, and fifteen percent reductions	Tuesday, September 2
DPB issues five, ten, and fifteen percent reduction targets to agencies	Thursday, September 4
Cabinet and DPB dialog with agencies regarding reduction strategies	Tuesday, September 2 to Thursday, September 25
Agencies submit reduction plans to DPB	Friday, September 26
General fund revenue reforecast completed	Early October

Budget Reduction Actions
General fund appropriations will be placed into one of three
groups for review. . .

FY 2010 Base for General Fund Reductions

