

Resources

The adopted 2008-10 budget includes \$34.6 billion in general fund resources available for appropriation.

General Fund Resources Available for Appropriation (2008-10 biennium, \$ in millions)	
Beginning Balance	\$312.8
Adjustments to the Balance	247.9
Official GF Revenue Estimate	33,280.0
Transfers	<u>772.3</u>
GF Resources Available for Appropriation	\$34,613.0

Available Balance

The adopted budget includes \$312.8 million as a projected unspent balance at the end of the 2006-08 biennium. Adjustments to the beginning balance include a reversion of \$11.0 million in capital cash balances due to a change in project priorities at Radford University (replacement projects are included in a Virginia College Building Authority bond issue), a reversion of \$1.9 million from land acquisition funds, a reversion of \$55.0 million in capital cash balances from previously-approved projects that will be moved to debt financing, and a reversion of \$180.0 million in fiscal year 2009 from the \$500.0 million GF appropriation to transportation in fiscal year 2008 (the \$180.0 million will be moved to transportation bonds).

Final adjustments reflect a \$500,000 per year contingency for the Intergovernmental Cash Management Act, a planned reversion of \$123,866 from the Governor's Office, and legislative agency savings of \$1.0 million.

(Note: This total does not include \$17.1 million which the Governor has indicated in a written communication that he plans to unallot administratively as a one-time FY 2008 savings).

Economic Projections

The 2008-10 general fund revenue forecast assumes below trend revenue growth of 2.2 percent in fiscal year 2009 (4.1 percent growth, if adjusted for new tax policy changes of Estate Tax elimination and dedication of general funds to transportation), accelerating to 6.8 percent in fiscal year 2010.

This forecast assumes that housing-related economic weakness will continue through fiscal year 2009 and that job and income variables will be approaching long-term trend growth by FY 2010, with Virginia continuing to out-perform the nation.

Economic Variables Assumed In Forecast				
Percent Growth Over Prior Year				
(December 2007 Forecast)				
	<u>FY 2009</u>		<u>FY 2010</u>	
	<u>VA</u>	<u>National</u>	<u>VA</u>	<u>National</u>
Employment	1.0%	0.9%	1.8%	1.3%
Personal Income	5.4%	4.7%	6.2%	5.1%
Wages & Salaries	4.8%	4.5%	5.9%	4.8%

Mid-Session Reforecast of General Fund Revenues				
Projected Growth				
(2008-10 biennium, \$ in millions)				
	<u>FY 2009</u>	<u>% Growth</u>	<u>FY 2010</u>	<u>% Growth</u>
Net Individual	\$10,776.9	6.0%	\$11,593.5	7.6%
Corporate	706	1.0%	728.2	3.1%
Sales	3,225.7	4.2%	3,391.2	5.1%
Insurance	294.8	(29.5%)	317.3	7.6%
Recordation	380.8	(23.1%)	415.1	9.0%
All Other	<u>705.7</u>	<u>1.0%</u>	<u>744.7</u>	<u>2.6%</u>
Total Revenues	\$16,089.9	2.2%	\$17,190.1	6.8%

* Reduction in Insurance in FY 2009 reflects shift of 1/3 of revenues to NGF pursuant to legislation adopted by 2007 General Assembly.

The revenue estimate is based on assumed growth rates for employment, income and sales that are between the January Global Insight standard and low-growth (recession) forecast. Miscellaneous revenue adjustments from legislative changes and the sale of surplus property reduce biennial revenues by roughly \$3.2 million.

Impact of Policy Changes on Revenue Estimates

The general fund revenue projection incorporates the impact of the following recently enacted tax policy changes:

Tax Policy Changes
Increase the income tax filing threshold from \$7,000 to \$11,250 for single and from \$14,000 to \$22,500 for married filers, and increase the personal exemption from \$900 to \$930, effective January 1, 2008.
Sales tax holidays for hurricane preparedness/energy efficiency
Elimination of the estate tax
Dedicated 1/3 of Insurance premiums to transportation (27 percent previously dedicated)
\$0.03/\$100 recordation tax dedicated to transportation
Increased use of Land Preservation Tax Credit

In combination, these tax policy changes reduce general fund revenues by \$482.2 million in FY 2009 and \$437.1 million in FY 2010.

Chapter 879 of the 2008 Acts of Assembly (HB30) also includes the impact of a tax policy change to advance the date of conformity with federal tax law from December 2006 to December 2007, with a related revenue loss of \$7.0 million over the biennium.

Transfers

Transfers to the general fund increase available resources by \$772.3 million (general funds are reduced by \$461.0 million per year with a related increase in nongeneral funds to reflect the accounting reclassification of the Lottery Proceeds Fund).

An additional \$501.6 million will be transferred from the Local Real Estate/SOQ Fund for public education to reflect the 1/4 percent sales tax enacted in 2004. Other customary transfers include ABC profits of \$70.3 million for the biennium, with an additional \$65.4 million each year of ABC profits and \$9.9 million each year of wine tax profits going to DMHMRSAS for substance abuse programs.

The adopted budget includes a transfer of \$890,000 per year for the Health Department's Vital Records fee increase that was initiated in FY 2008 as a GF budget savings strategy.

Transfers are increased by \$12.0 million to reflect the anticipated sale of an ABC regional office building in Alexandria. This sale has been scheduled and delayed several times. Finally, Miscellaneous transfers include a reduction of \$15.6 million in FY 2009, reflecting the foregone Rainy Day Fund refund that results from the FY 2008 Fund withdrawal.

Transfers in 2008-10 Biennial Budget	
1/4 cent Sales Tax - Local Real Estate/SOQ Fund	\$501.6
ABC/Wine to Dept. MHMRSAS for Substance Abuse	150.5
ABC Profits	70.3
5% reduction in ABC administration costs	3.0
Un-refunded Marine Fuels Tax	14.8
Sales Tax Compliance & Indirect Cost Recoveries	33.5
Court Debt Collections	7.2
Sale of ABC Alexandria Regional Office	12.0
Vital Records Fee Increase	1.8
IDEA Funds	11.0
Covanet Savings	1.7
Transfer Sales Tax to Game Protection Fund	(35.3)
Transfer to Children's Health Program	(28.1)
Interest on certain NGF accounts	20.0
Transfer a portion of VDH Trauma Center balances	2.0
Transfer SCC balances	5.0
Miscellaneous Other	<u>3.3</u>
Total	\$772.3