Virginia’s Fiscal Outlook and Implications for Higher Education

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Virginia Secretary of Finance

May 15, 2009
Virginia’s Fiscal Outlook and Implications for Higher Education

**Fiscal Outlook**
- Deteriorating Economy
- Current Indicators – Turning Point?
- General Fund Revenue Collections FY2009
- Next Steps

**Future Implications**
- Volatility
- Structure and Composition of State Budget
- Revenue Stabilization Fund
- Debt Financing
- Structural Balance
Dealing With Uncertainty

• In the fall of 2007, national economists acknowledged slowed growth but argued that a recession could be avoided
  – Personal income, employment and consumption were more resilient than expected in fragile economy
    • Housing unwinding for two years
    • Commodity prices rising
    • Crisis unfolding in financial markets
    • Stock market a roller coaster

• Typical “turning point scenario”
  – Storm clouds gathering
  – Disagreement among experts
  – No hard data to prove or disprove anything (lag in key economic data)

• Caution, caution and more caution
  – Rely on instinct;
  – At the point you know you’re in trouble, you’re in trouble;
  – Budget funds in way they can be easily extracted, if necessary.
Rapid deterioration . . .

• Early January 2008: a few noted economists started to use the “r” word.
  – Virginia sales tax in January (2007 Christmas sales) dropped 12 percent;  
  – Small business owners signaled reduced tax liability in final quarterly payments made by mid-January.

• Based on this data, General Assembly pulled $1.0 billion out of projected 2008-10 revenue stream (on top of $849 million extracted in the August 2007 reforecast).

• Growth rates assumed in budgets adopted by 2008 General Assembly
  – FY2008: 1.2 percent
  – FY 2009: 2.2 percent
  – FY 2010: 6.8 percent (assumes recovery underway)
FY 2008 Year End Close

• In August 2008, the Governor determined that the economic and revenue trends did not support the official forecast approved by the 2008 General Assembly
  – The three-month moving average growth rate for withholding through July 2008 was 1.6 percent, well below the 6.4 percent growth rate required to meet the annual estimate for FY09;
  – Sales tax collections fell 3.1 percent during the second half of FY 2008, the worst 6-month performance since the 6.4 percent decline in the second half of FY 1991
  – Pending home sales, a leading indicator of future closings, pointed to a continued slump in housing
View of National Experts in Summer 2008

• Question no longer “if” recession, but how deep and how long?
  – Consensus view is a shallow recession but a protracted recovery.

• Why shallow?
  – Businesses appeared to be in good financial shape;
  – Feds have demonstrated willingness to do whatever is necessary.

• Why protracted recovery?
  – Housing is at root of problem; takes long time for housing to correct.
  – Unsold inventory at record high and still increasing.
  – Consumer confidence/spending will suffer.
View of National Experts at End of 2008

• Longer and deeper recession than originally anticipated
  – Financial and banking crisis continue to grow
  – Credit crunch (lack of liquidity)
  – Loss of wealth and uncertainty reduce consumer confidence/spending
  – Lack of demand and credit hurt employers
  – Unemployment could reach 10%

• When will it end?
  – 6 to 8 quarters from January 2008 (longest past WWII recession)
  – Labor markets weak until 2010
  – Unsold housing inventory gradually recedes (must stabilize to recover)
  – Consumer confidence takes time to restore
  – Federal stimulus acting more like safety net, not economic ladder

• Slower growth for some time to come
  – No artificial “bubble” stimulus (dot.com or housing)
  – Growth will settle in at more sustainable long-term trend
Impact on State Government

- A series of revenue reductions for the 2008-2010 biennium, totaling more than $5.6 billion.

<table>
<thead>
<tr>
<th>Date</th>
<th>Reductions in Millions</th>
</tr>
</thead>
<tbody>
<tr>
<td>August 2007</td>
<td>-$ 849.1</td>
</tr>
<tr>
<td>February 2008</td>
<td>- 1,064.5</td>
</tr>
<tr>
<td>October 2008</td>
<td>- 2,513.7</td>
</tr>
<tr>
<td>December 2008</td>
<td>- 373.6</td>
</tr>
<tr>
<td>February 2009</td>
<td>- 821.5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>-$5,622.4</strong></td>
</tr>
</tbody>
</table>

- Growth rates assumed in adopted budget
  - FY2009 -7.3 percent
  - FY2010 +4.4 percent (recovery reached by 2011)

- Percentage loss in general fund revenue for FY2009 is almost twice as bad as FY2002 recession.
<table>
<thead>
<tr>
<th>FY</th>
<th>Total Revenues</th>
<th>Growth</th>
<th>FY</th>
<th>Total Revenues</th>
<th>Growth</th>
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</thead>
<tbody>
<tr>
<td>61</td>
<td>230,998,887</td>
<td>-</td>
<td>86</td>
<td>4,131,778,000</td>
<td>9.0%</td>
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<tr>
<td>62</td>
<td>242,144,567</td>
<td>4.8%</td>
<td>87</td>
<td>4,590,434,000</td>
<td>11.1%</td>
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<tr>
<td>63</td>
<td>286,304,265</td>
<td>18.2%</td>
<td>88</td>
<td>5,054,382,000</td>
<td>10.1%</td>
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<tr>
<td>64</td>
<td>298,033,919</td>
<td>4.1%</td>
<td>89</td>
<td>5,478,912,000</td>
<td>8.4%</td>
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<tr>
<td>65</td>
<td>323,213,412</td>
<td>8.4%</td>
<td>90</td>
<td>5,494,884,000</td>
<td>0.3%</td>
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<tr>
<td>66</td>
<td>365,129,776</td>
<td>13.0%</td>
<td>91</td>
<td>5,471,879,000</td>
<td>-0.4%</td>
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<tr>
<td>67</td>
<td>414,755,644</td>
<td>13.6%</td>
<td>92</td>
<td>5,623,213,000</td>
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<tr>
<td>68</td>
<td>533,597,744</td>
<td>28.7%</td>
<td>93</td>
<td>6,133,637,000</td>
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<tr>
<td>69</td>
<td>706,254,374</td>
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<td>94</td>
<td>6,503,368,000</td>
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<td>71</td>
<td>807,954,651</td>
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<td>96</td>
<td>7,356,110,000</td>
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<td>72</td>
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<td>75</td>
<td>1,303,178,893</td>
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<td>00</td>
<td>10,788,482,000</td>
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<tr>
<td>76</td>
<td>1,428,421,157</td>
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<td>01</td>
<td>11,105,275,000</td>
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<tr>
<td>77</td>
<td>1,636,301,819</td>
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<td>10,678,954,000</td>
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<tr>
<td>78</td>
<td>1,923,085,084</td>
<td>17.5%</td>
<td>03</td>
<td>10,867,149,000</td>
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<tr>
<td>79</td>
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<td>11,917,867,000</td>
<td>9.7%</td>
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<tr>
<td>80</td>
<td>2,344,928,934</td>
<td>10.9%</td>
<td>05</td>
<td>13,687,252,000</td>
<td>14.8%</td>
</tr>
<tr>
<td>81</td>
<td>2,579,663,941</td>
<td>10.0%</td>
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<td>14,834,298,000</td>
<td>8.4%</td>
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<tr>
<td>82</td>
<td>2,796,458,741</td>
<td>8.4%</td>
<td>07</td>
<td>15,565,827,000</td>
<td>4.9%</td>
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<tr>
<td>83</td>
<td>2,975,687,935</td>
<td>6.4%</td>
<td>08</td>
<td>15,766,951,000</td>
<td>1.3%</td>
</tr>
<tr>
<td>84</td>
<td>3,397,710,261</td>
<td>14.2%</td>
<td>09*</td>
<td>14,617,600,000</td>
<td>-7.3%</td>
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<tr>
<td>85</td>
<td>3,790,816,000</td>
<td>11.6%</td>
<td>10*</td>
<td>15,265,700,000</td>
<td>4.4%</td>
</tr>
</tbody>
</table>

* March Post-GA Forecast (Excludes Transfers)
Pending Home Sales

Seasonally-adjusted 2-quarter moving average

<table>
<thead>
<tr>
<th>Area</th>
<th>2007 Q4</th>
<th>2008 Q4</th>
<th>% Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Northern Virginia</td>
<td>$482,199</td>
<td>$341,845</td>
<td>-29%</td>
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<tr>
<td>Hampton Roads</td>
<td>285,047</td>
<td>259,825</td>
<td>-9%</td>
</tr>
<tr>
<td>Richmond</td>
<td>296,581</td>
<td>254,160</td>
<td>-14%</td>
</tr>
</tbody>
</table>

Average Sale Price

Northern Virginia: 34%
Hampton Roads: 24%
Richmond: 13%
Payroll Withholding and Employment Growth

Note: Shaded areas indicate a national recession

Percent
Withholding - 3-mo avg (L)  Original  Revised
Sales Tax and Employment Growth

Note: Shaded areas indicate a national recession

Sales Tax - 3-mo avg (L)  Original  Revised
Strategy to Address Shortfall

- Governor announced proposals in early October to address the shortfall
  - Manage the FY 2009 shortfall (three months into fiscal year, actions needed to immediately generate required savings)
  - FY 2010 shortfall would be addressed more strategically
  - About 70% of the proposed FY 2009 reduction strategies were one-time in nature and do not continue into FY 2010
  - Rainy Day Fund and supplanting cash with debt for capital projects

- In FY 2010, about 90% of the proposed reduction strategies were on-going savings that would continue in the next biennium
  - FY 2010 is the budget against which the 2010-12 base budget will be built
Reductions Are Proposed in the Biennial General Fund Spending for Five of the Six Budget Drivers

- **Higher Education** ($284,900,313) 17%
- **Mental Health** ($57,258,390) 3%
- **Corrections** ($90,732,185) 5%
- **Medicaid** ($70,010,612) 4%
- **All Other** ($477,616,365) 29%

- **Policy Revisions** ($498,140,726) 30%
- **Use Literary Fund** ($54,413,893) 3%
- **Other Changes** ($21,977,852) 1%
- **Technical Updates** ($139,322,586) 8%

**K-12** $713,855,057 43%
Current National and State Economic Indicators

The economy remains in a deep recession; however, some national indicators suggest the rate of decline may be slowing.

• Real GDP fell 6.1 percent at an annualized rate in the first quarter of 2009, according to the advance estimate, close to the 6.3 percent decline in the fourth quarter of 2008. The decline is the sharpest two-quarter drop since 1958. On a positive note, consumer spending increased in the first quarter, after declining sharply in the last half of 2008.

• The labor market continued to decline in April, with employers eliminating 539,000 jobs. Losses for February and March were 681,000 in February and 699,000 in March. The relatively smaller decline was due to federal government hiring and smaller job losses across most private industries.

• The national unemployment rate rose to 8.9 percent in April from 8.5 percent, the highest rate since 1983.
Current National and State Economic Indicators

- The manufacturing sector continues to contract, but at a slower rate. The Institute of Supply Management index increased by 3.8 points in April, rising from 36.3 to 40.1. Although the index remains at recessionary levels, the gradual improvement over the last four months suggests the rate of contraction has peaked.

- The Conference Board’s index of leading indicators fell 0.3 percent to 98.1 in March, following a 0.2 percent decrease in February. The decline was led by lower stock prices and falling building permits.

- Consumer confidence appears to have improved in April. The Conference Board’s index of consumer confidence jumped from 26.9 to 39.2 in April. The expectations component drove the increase, while the current conditions component rose only modestly.

- At its April meeting, the Federal Reserve left the federal funds target rate in the range of 0.0 percent to 0.25 percent, stating that “the economic outlook has improved modestly” since March.
In Virginia, payroll employment fell by 2.4 percent in March, the largest monthly drop since September 1991. Northern Virginia posted a decline of 1.2 percent, Hampton Roads fell 0.9 percent, and employment in the Richmond-Petersburg area fell 3.5 percent in March.

After rising for five consecutive months, the unemployment rate in Virginia held steady at 7.0 percent in March. In March of 2008, the unemployment rate was 3.6 percent.

The Virginia Leading Index fell 0.1 percent in February, its sixth consecutive decline. All three components – auto registrations, building permits, and initial unemployment claims – contributed to the decline. The leading index was unchanged or declined in eight of the eleven metro areas in the Commonwealth. Leading indexes for Lynchburg, Harrisonburg and Winchester increased in February.
April Revenue Collections

• April is a significant month for revenue collections.
  – Final payments for tax year 2008 and the first estimated payment for tax year 2009 are due from corporations.
  – Estimated and final payments from individuals, which are due May 1, are also typically received in April.

• April revenues fell 19.7 percent mainly due to a historic drop in individual estimated and final payments due May 1.

• On a year-to-date basis, total revenue fell 8.6 percent, below the annual forecast of a 7.3 percent decline.
  – The 8.6 percent decline in revenue collections through April represents the largest drop on record (nearly double the fiscal year 2002 decline).
  – All major sources are trailing their respective forecasts.
Collections of payroll withholding taxes increased 3.3 percent compared to last April.

Year-to-date withholding growth is 2.3 percent, slightly behind the projected annual growth rate of 2.5 percent.
• Individual estimated and final payments due May 1 declined 29.3 percent in April.

• Through April, collections fell 16.9 percent compared with the annual estimate of a 17.9 percent decline.
Individual Income Tax Refunds

• Through April, individual refunds were up 13.1 percent from the same period last year, ahead of the 7.4 percent annual forecast.

• April refunds surged 21 percent as 11 percent more refunds were processed with an average refund check increasing 10 percent.
  – There is only $159 million remaining in the refund forecast for May and June. Last year $223 million were issued.

Net Individual Income Tax

• Net individual income tax is down 4.5 percent through April, behind the annual forecast of a 4.1 percent decline.
• Sales tax collections declined 9.5 percent compared to last April.
• On a year-to-date basis, collections have fallen 4.8 percent, behind the annual estimate of a 3.7 percent decline.
### Summary of Fiscal Year 2009 Revenue Collections
#### July through April

<table>
<thead>
<tr>
<th>Major Source</th>
<th>As a % of Total Revenues</th>
<th>Percent Growth over Prior Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Withholding</td>
<td>62.6 %</td>
<td></td>
</tr>
<tr>
<td>Nonwithholding</td>
<td>16.1</td>
<td></td>
</tr>
<tr>
<td>Refunds</td>
<td>(12.4)</td>
<td></td>
</tr>
<tr>
<td>Net Individual</td>
<td>66.4</td>
<td></td>
</tr>
<tr>
<td>Sales</td>
<td>20.3</td>
<td></td>
</tr>
<tr>
<td>Corporate</td>
<td>4.7</td>
<td></td>
</tr>
<tr>
<td>Wills (Recordation)</td>
<td>2.0</td>
<td></td>
</tr>
<tr>
<td>Insurance</td>
<td>1.8</td>
<td></td>
</tr>
<tr>
<td>All Other Revenue</td>
<td>4.9</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100.0 %</strong></td>
<td><strong>(8.6) %</strong></td>
</tr>
</tbody>
</table>

**Percent Variance**

- Withholding: (0.2)
- Nonwithholding: 1.0
- Refunds: 5.7
- Net Individual: (0.4)
- Sales: (1.1)
- Corporate: (7.5)
- Wills (Recordation): 1.1
- Insurance: (12.6)
- All Other Revenue: (4.9)

Note: Adjusted for the repeal of the estate tax and transfers to transportation from insurance and recordation per HB 3202, year-to-date collections have declined 6.5 percent compared with the forecast of a 5.3 percent decline.
Through April, total general fund revenues have declined 8.6 percent, near the projected annual decline of 7.3 percent.

Total revenues can only decline about 1.0 percent over the last two months of fiscal year 2009 and attain the annual estimate.
Next Steps

• May and June are also important months for revenue collections.
  – The May 1 due data for individual estimated and final payments requires April and May collections to be analyzed together in order to accurately assess growth in nonwithholding.
  – In June, the second estimated payment for individuals, corporations, and insurance companies are due.

• Budget-Related Items
  – Agencies have been notified of the ability to generate FY 2009 balances to carry forward to address potential FY 2010 reductions.
  – Agencies will prepare plans to reduce existing appropriations for FY 2010 while reducing base budgets for FY 2011 and FY 2012.
Where the Money Goes
2008-2010 (General Fund) = $32.0 Billion

81.2% of the general fund budget goes to education, health and human resources, and public safety

“Other” includes legislative and judicial branches, technology, agriculture and forestry, natural resources, independent agencies, and non-state agencies.

“General Government” category includes administration, finance, executive offices, and central appropriations.

Source: Data from 2009 Appropriation Act (Chapter 781) (operating only).
Almost Half of the General Fund Operating Budget Goes to Localities

- Aid to Localities: $15,769.6 (48.1%)
- State Programs: $8,907.9 (27.2%)
- Debt Service: $957.3 (2.9%)
- Aid to individuals: $7,125.0 (21.7%)
- Car Tax: $1,900.0 (12.7%)
- Local Sheriffs: $955.9 (6.1%)
- Other Aid to Localities: $1,964.3 (12.5%)

Public Education: $10,949.3 (69.4%)

*Total GF Operating $32,759.7 million; HB1600 Introduced.
Major Budget Drivers: 1990-1995

Percent increase in general fund budget

- Higher Education: -2.1%
- K-12: 23.1%
- Mental Disabilities: 17.7%
- Corrections: 38.4%
- Medicaid: 111.8%

All programs: 22.8%
Major Budget Drivers: 1995-2000

Percent increase in general fund budget

- Higher Education: 54.9%
- K-12: 45.3%
- Mental Disabilities: 40.1%
- Corrections: 40.2%
- Medicaid: 27.7%

All programs: 50.8%
Major Budget Drivers: 2000-2005

Percent increase in general fund budget

- Higher Education: -1.6%
- K-12: 29.6%
- Mental Disabilities: 28.3%
- Corrections: 20.1%
- Medicaid: 37.5%
- Car Tax: 123.6%

All programs: 24.2%
Major Budget Drivers: 2005-2010

Percent increase in general fund budget

(Based on 2009 Appropriation Act for 2008-2010)
Components of General Fund Revenues

- In FY08, individual nonwithholding, corporate income, and recordation tax payments accounted for $4.0 billion of GF Revenues. Up significantly from FY02’s $2.0 billion.

- In FY02, 82% of GF Revenues were from ongoing economic activity via withholding and sales tax collections. FY08 these sources made up only 76%.
Trends in Withholding Compared to Nonwithholding

Percent Growth Over the Prior Year

Percent Change

81 82 83 84 86 87 88 90 91 92 93 94 95 96 97 98 99 '00 '01 '02 '03 '04 '05 '06 '07 '08 '09 '10

Withholding  Nonwithholding
Trends in Withholding Compared to Corporate Income Tax

Percent Growth Over the Prior Year

Percent Change

* Forecast

Withholding
Corporate
Trends In Withholding Compared To Recordation

Percent Growth Over the Prior Year

Note: Recordation growth rate is adjusted to remove the rate increase and for transfers per HB 3202.
Revenue Stabilization Fund
FY2009 Withdrawal Calculation

<table>
<thead>
<tr>
<th>Two Percent Threshold Determination</th>
<th>(In thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Certified tax revenues collected in FY 2008</td>
<td>$14,227,165</td>
</tr>
<tr>
<td>Two Percent of Certified Revenues</td>
<td>$284,543</td>
</tr>
</tbody>
</table>

**Total Revised General Fund Forecast**

| Revised General Fund Revenue Estimate FY 2009 | $15,016,157 |
| Revised General Fund Transfers FY 2009 | 401,898 |
| Revised FY 2008 Balance Forward | 565,815 |
| **Total Revised General Fund Forecast** | $15,983,870 |

**Calculation of General Fund Variance and FY 2009 Estimated Withdrawal**

| General Fund Revenues Appropriated: |
|-------------------------------------|---------------|
| Operating Appropriations (Chapter 879) | $16,965,377 |
| Capital Appropriations (Chapter 879) | 5,000 |
| **Total General Fund Revenue Appropriated FY 2009** | $16,970,377 |
| **Revised General Fund Forecast FY 2009** | $15,983,870 |
| **Calculated Variance** | $986,507 |
| **FY 2009 Estimated Withdrawal (1/2 of calculated variance)** | $493,254 |

**Calculation of One-Half the Balance of the Revenue Stabilization Fund**

| Revenue Stabilization Fund Balance as of June 30, 2008 | $1,014,870 |
| 50% of the Balance of the Revenue Stabilization Fund | $507,435 |
| **Maximum Amount Available for Withdrawal Based on Calculations** | $493,254 |
The Balance in the Revenue Stabilization Fund Will Exceed $575 Million After the Proposed Withdrawal of $490 Million

Revenue Stabilization Fund -- June 30 Balance
FY 1995-08 Actual and FY 2009 Forecast
(millions of dollars)
Tax-Supported Debt Service Actual and Projected Fiscal Years 1998 – 2018

Trend in Tax-Supported Debt Issuance Fiscal Years 1998 - 2008
## AAA / Aaa / AAA State Debt Burdens 2001 – 2008

### AAA/Aaa/AAA STATE DEBT BURDENS FROM 2000-2007
**PROVIDED BY MOODY'S INVESTORS SERVICE**

#### Net Tax-Supported Debt per Capita (1)

<table>
<thead>
<tr>
<th></th>
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<tr>
<td>Delaware</td>
<td>2002</td>
<td>1998</td>
<td>1845</td>
<td>1,865</td>
<td>1,800</td>
<td>1,599</td>
<td>1,650</td>
<td>1,616</td>
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<tr>
<td>Maryland</td>
<td>1297</td>
<td>1171</td>
<td>1169</td>
<td>1,064</td>
<td>1,077</td>
<td>977</td>
<td>879</td>
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<tr>
<td>Georgia</td>
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<td>784</td>
<td>803</td>
<td>827</td>
<td>802</td>
<td>804</td>
<td>679</td>
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<tr>
<td>North Carolina</td>
<td>898</td>
<td>728</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>375</td>
<td>340</td>
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<td>VIRGINIA</td>
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<td>546</td>
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<td>Missouri</td>
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</tr>
<tr>
<td>Utah</td>
<td>542</td>
<td>621</td>
<td>707</td>
<td>792</td>
<td>846</td>
<td>682</td>
<td>708</td>
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<td>599</td>
<td>587</td>
<td>615</td>
<td>398</td>
</tr>
<tr>
<td>South Carolina</td>
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AAA Median: 898 728 746 798 827 682 615 546
AAA Average: 1019 963 934 927 879 794 724 651

(1) Population is based on Census data from one year prior to each respective year’s debt analyzed.

#### Net Tax-Supported Debt as Percent of Personal Income (2)

<table>
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<tr>
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<tbody>
<tr>
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<td>5.5</td>
<td>5.3</td>
<td>5.5</td>
<td>5.6</td>
<td>4.9</td>
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<td>3.0</td>
<td>2.7</td>
<td>2.8</td>
<td>2.9</td>
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<td>2.9</td>
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<td>Maryland</td>
<td>3.0</td>
<td>2.8</td>
<td>3.0</td>
<td>2.9</td>
<td>3.0</td>
<td>2.7</td>
<td>2.6</td>
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<tr>
<td>North Carolina</td>
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<td>Missouri</td>
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<td>1.6</td>
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<td>Utah</td>
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<tr>
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<td>1.8</td>
<td>1.8</td>
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</table>

AAA Median: 2.4 2.4 2.7 2.9 2.9 2.7 2.5 1.9
AAA Average: 3.2 3.2 2.8 3.0 3.0 2.6 2.5 2.4

(2) Personal income is based on Census data from two years prior to each respective year’s debt analyzed.
Maintaining Structural Balance Going Forward

FY2010 General Fund Budget

<table>
<thead>
<tr>
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<th>$ in Millions</th>
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<tbody>
<tr>
<td>Beginning Balance</td>
<td>190.1</td>
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<tr>
<td>Revenues</td>
<td>15,262.0</td>
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<tr>
<td>Transfers</td>
<td>440.7</td>
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<tr>
<td>Total Resources</td>
<td>15,892.8</td>
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<tr>
<td>Operating Appropriations</td>
<td>15,845.5 *</td>
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<tr>
<td>Capital Outlay</td>
<td>0.8</td>
</tr>
<tr>
<td>Total Spending</td>
<td>15,846.3</td>
</tr>
<tr>
<td>Ending Balance</td>
<td>46.5</td>
</tr>
</tbody>
</table>

Issues

- Use of Balance
- One time revenue and savings (bond capital outlay / tax amnesty)
- Use of federal stimulus monies (only Medicaid)

* Does not include federal stimulus funding except for Medicaid match increase
General Fund Revenue Growth
% Increase Year-Over-Year
Budgetary Issues Going Forward

• Budgetary shortfall in FY 2010?
• Step-like growth in K-12 (rebasing)
• Medical inflation / aging population
• General Inflation / Costs + / Employee Compensation
• Debt Services costs
• New prisons coming on line
• Relatively low spending rankings across-the-board
• Capital Outlay (Debt vs. Pay-as-you-Go)
• Transportation (???)
For more information on Virginia’s budget, visit these websites at:

or
www.DPB.Virginia.gov

Thank You