



The Economic Outlook and Revenue Forecast through Fiscal Year 2026

Prepared by the Virginia Department of Taxation
for Review by the
Governor's Advisory Council on Revenue Estimates

November 20, 2023

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GOVERNOR'S CONFIDENTIAL WORKING PAPERS

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Section 1 The U.S. Economy

Introduction

This section reviews FY 2023 economic outcomes compared with the official forecast and examines the outlook for the national economy for FYs 2024 through 2026. Table 1.1 on the next page compares the official forecast for FY 2023 to the actual outcomes for key economic variables. Tables 1.2 and 1.3 at the end of this section compare two forecasts for consideration.

Review of FY 2023

The FY 2023 U.S. economic forecast was based on the October 2022 IHS Market standard scenario. As IHS Markit prepared the October 2022 forecast, the consensus among economists was that the Federal Reserve's action to bring down inflation by raising interest rates would cause the economy to contract and enter a mild recession lasting three quarters. Seventy percent of economists polled in the November 2022 *Blue Chip* economic consensus thought a recession would occur in calendar year (CY) 2023. At the November Governor's Advisory Council on Revenue Estimates meeting, a majority of members concurred that a recession would happen in CY 2023. Compared to the October IHS forecast, the timing of the recession was thought to begin later, and the December post-GACRE forecast pushed the start of the recession back to the end of the first quarter of CY 2023.

The Fed raised interest rates seven times during FY 2023, increasing the federal funds rate by 350 basis points. Eventually, the Fed's actions along with some alleviation of global supply chain issues, caused increases in the consumer price index to moderate. Over the FY ending June 2023, consumer prices increased 3.0 percent, after increasing 4.0 percent over the year ending in May 2023. The June 2023 increase was the smallest 12-month increase since March 2021. A year earlier, in June 2022, the 12-month increase in overall prices was 9.1 percent, and had been 7.0 percent or higher in the preceding 6 months.

U.S. job growth was unexpectedly strong throughout FY 2023 but did begin to cool near the end of the year. Nonfarm payrolls increased 209,000 in June 2023 and the unemployment rate was 3.6 percent. The total, while still solid from a historical perspective, marked a considerable drop from May's downwardly revised total of 306,000 and was the slowest month for job creation since payrolls fell by 268,000 in December 2020.

Over the course of the fiscal year, economic data largely surprised to the upside. Labor market and retail spending data showed an economy that continued to be resilient despite the Fed's rate increases. There were some shocks, with the banking crisis in March setting off fears of a credit contraction, and the showdown over the debt ceiling also

threatening to disrupt the economy. These downside risks to the economy appear to be contained for now.

Table 1.1 below compares the official U.S. economic forecast and actual results for key variables in FY 2023. All key measures show growth exceeding the forecast as the predicted slowdown in the economy did not occur.

Table 1.1 - FY 2023 U.S. Forecast Performance (percent Change)

| | <u>Forecast</u> | <u>Actual</u> | <u>Actual Minus Forecast</u> |
|--------------------------------------|-----------------|---------------|--------------------------------------|
| <u>Output, Income, and Spending</u> | | | |
| Real GDP | 0.4 | 1.8 | 1.4 |
| Total Personal Income | 4.5 | 5.1 | 0.6 |
| Wages and Salaries | 6.2 | 6.6 | 0.4 |
| Average Wage | 3.9 | 3.3 | (0.6) |
| Real Consumer Spending | 1.1 | 2.1 | 1.0 |
| <u>Employment and Labor Markets</u> | | | |
| Total Nonagricultural Employment | 2.4 | 3.3 | 0.9 |
| Construction | 0.9 | 3.5 | 2.6 |
| Manufacturing | 2.3 | 2.9 | 0.6 |
| Trade, Transportation, and Utilities | 2.0 | 2.1 | 0.1 |
| Financial Activities | 0.3 | 1.8 | 1.5 |
| Professional and Business Services | 1.5 | 3.6 | 2.1 |
| Education and Health Services | 3.7 | 3.9 | 0.2 |
| Leisure and Hospitality | 6.8 | 7.2 | 0.4 |
| Government | 1.2 | 1.5 | 0.3 |
| Unemployment Rate (percent) | 3.8 | 3.5 | (0.3) |
| <u>Interest Rates (percent)</u> | | | |
| Effective Federal Funds | 3.8 | 4.1 | 0.3 |
| 10-Year Treasury Bonds | 3.7 | 3.7 | 0.0 |
| <u>Prices (percent)</u> | | | |
| CPI | 6.5 | 6.3 | (0.2) |

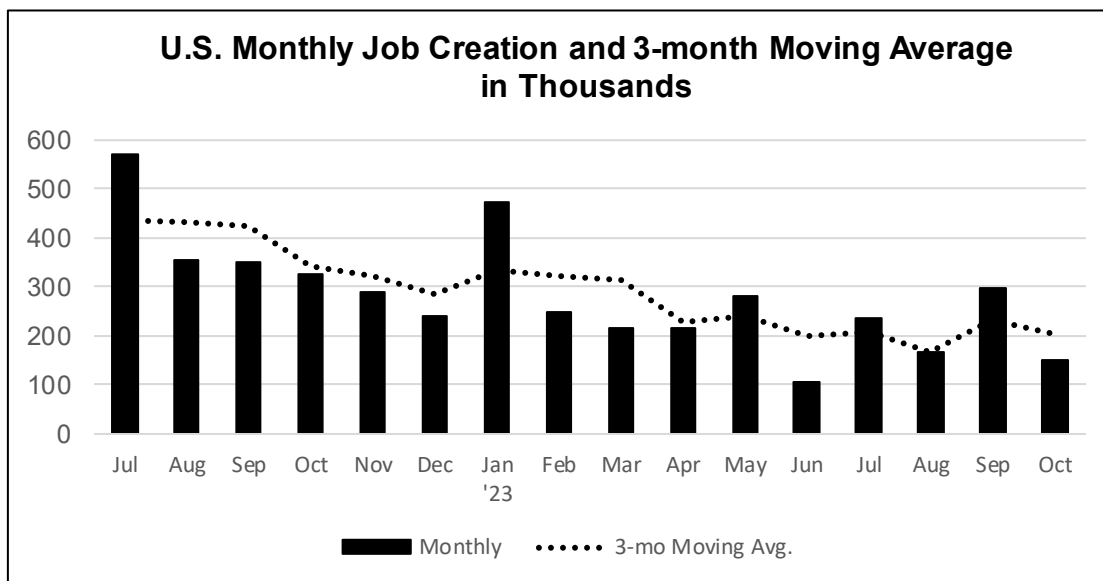
The Official forecast is IHS Markit's October 2022 U.S. standard scenario.
FY 2023 results are preliminary.

Recent Developments in the U.S. Economy

The U.S. economy of 2023 continues to show resilience, with forecasters' predictions for a slowdown going unrealized. Real GDP rose a robust 4.9 percent (seasonally adjusted annual rate) in the third quarter of CY 2023, more than double the second quarter rate. The economy may face headwinds going into the first quarter of CY 2024, including a possible federal government shutdown, possible regional spillover of the military operations in Gaza, the resumption of student loan payments, and higher energy prices as a result of the actions of OPEC+ and Saudi Arabia. In addition, monetary policy impacts are known to be lagged and variable; therefore, higher interest rates have not yet fully impacted the economy.

Labor Markets

The October employment report showed a much more subdued picture of the US job market. Payroll employment rose by just 150,000, partly weighed down by the now-ended UAW strike. The unemployment rate increased to 3.9 percent in October as both the labor force and employment dropped. October's job report marks a return to the moderating trend seen through CY 2023. Payroll increases are now averaging 204,000 over the last three months after downward revisions to the August and September figures. The only real negative in October's labor report was the drop in the labor participation rate, which declined for the first time since April,



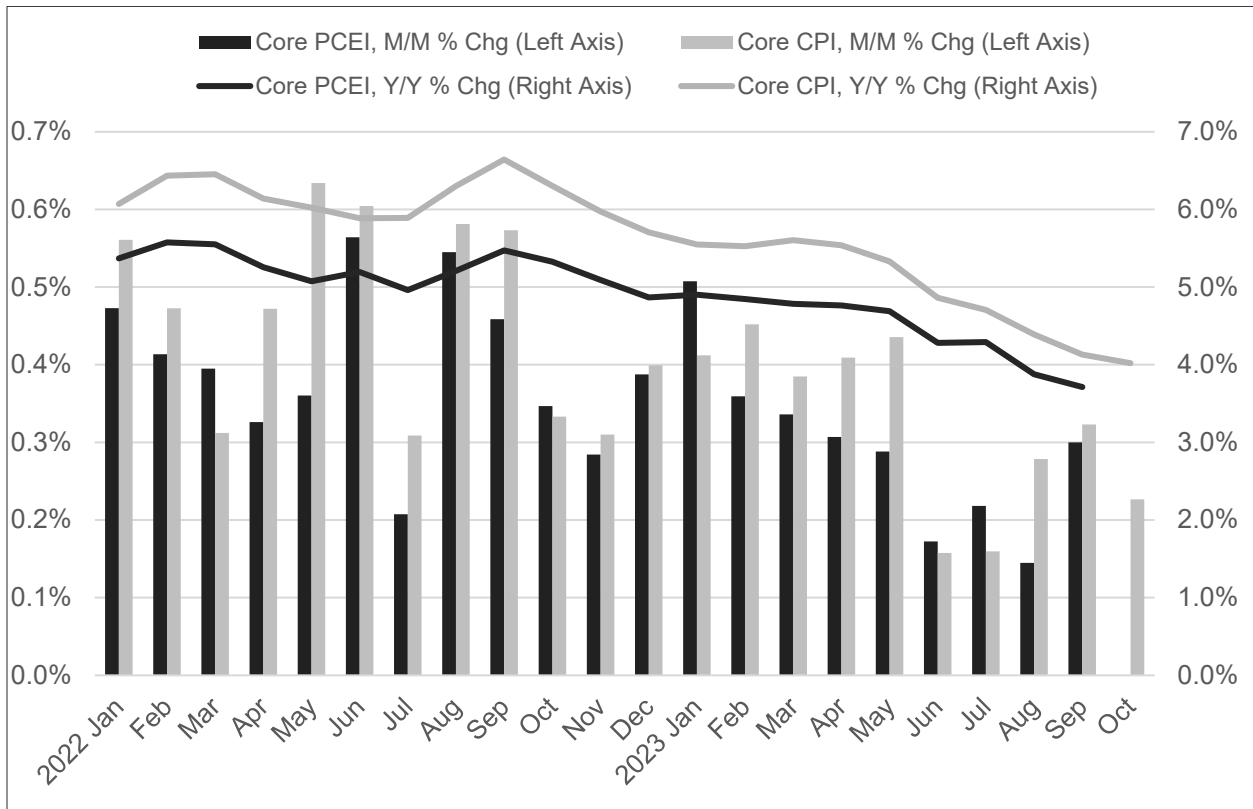
Source: US Bureau of Labor Statistics

Inflation

The Consumer Price Index (CPI) was unchanged in October, bringing the annual rate of inflation to 3.2 percent. Excluding food and energy prices, September's CPI data came in as expected and show a continuation of the steady moderation that began in late 2022. Relative to a year earlier, core CPI was up 4.0 percent in October, a healthy deceleration

from September's 4.1 percent pace. The twelve-month change in Core Personal Consumption Expenditure Price Index (Core PCE), the Federal Reserve's preferred inflation measure, fell to 3.8 percent, though it is still well above the Fed's two-percent target.

The October jobs report provided a positive note in the fight against inflation. Average hourly earnings grew at 0.2 percent, and growth has slowed to close to 4 percent on a year-ago basis. Wage growth is likely to moderate further over the coming months and recent gains in productivity would allow higher wage growth to continue.



Sources: US Bureau of Economic Analysis

Monetary Policy

In their November 1, 2023 meeting, the Federal Reserve held rates steady. Fed officials have now skipped a rate hike for two consecutive meetings, making it the longest period without an increase since they began to lift rates from near zero in March 2022. Since then, they raised rates at the fastest pace in four decades to combat high inflation.

However, with inflation's slowdown extended through October, many Fed watchers interpret this to mean that there will not be another increase in the federal funds rate before year-end.

Supply-side improvements have allowed the economy to grow even while inflation has been abetting. Reductions in logistics bottlenecks have alleviated supply shortages. The economic fallout from the massive supply shocks caused by the pandemic and Russian war have largely faded, and higher labor force participation and labor productivity growth have illustrated that you can have close to full employment with strong job growth.

Retail Sales

U.S. retail and food services sales weakened in October 2023, falling 0.1 percent after rising 0.9 percent in September and 0.7 percent in August and suggesting that consumers may be beginning to feel the weight of rising economic pressures. The change in the three-month moving average indicates 0.5 percent rise in sales during October compared to 0.7 percent in September, and 0.5 percent in August. The year-over-year growth of retail sales were up 2.5 percent compared to October 2022, whereas the September revised year-over-year growth was 4.1 percent. Total sales for the August 2023 through October 2023 period were up 3.1 percent from the same period a year ago.



Source: U.S. Census Bureau Advance Monthly Retail Trade Survey Historical Data

War In Gaza

Although Israel’s ground offensive in Gaza is not likely to lead to a larger regional war, the probability cannot be discounted. Israel deciding to carry out military measures against Iran for having materially supported Hamas, or against Iran’s nuclear

infrastructure, would significantly increase the likelihood of Iran (and with that Lebanese Hezbollah) joining the conflict, with substantial subsequent risks to Israeli and US shipping in the Gulf to seizure or targeting with attack UAVs.

The US becoming directly involved in offensive and not only defensive operations would be likely to extend the geographical scope of the conflict toward the Gulf and US force positions, diplomatic facilities, and commercial assets in additional countries such as Syria and Iraq. This would probably only occur if other regional actors, especially Hezbollah, or Iranian forces do so too.

Federal Government Shutdown

On September 30, Congress passed a 45-day continuing resolution, temporarily averting a federal government shutdown. With the stopgap spending deal in place, Congress had until November 17 to resolve their differences or face another budget impasse which could potentially lead to a government shutdown. On November 14, 2023, the House passed a two-tiered stopgap spending bill that will keep the federal government operating through January and February. The Senate passed the continuing resolution that will fund the government through early next year. The vote came late Wednesday night, just a day after it passed the House.

Federal government shutdowns in the past have been short-lived and relatively harmless to the national economy. JPMorgan estimates that each week of government shutdown reduces GDP growth by 0.1 percentage point. Because federal employees receive retroactive salaries after the shutdown ends, any GDP growth lost is typically recouped. A government shutdown changes the timing of a relatively small amount of economic activity, so it doesn't appreciably raise the risk of economic recession. The overall stock market is not likely to be impacted by a shutdown, while companies with considerable exposure to government spending could see a negative impact.

Resumption of Student Loan Payments

Starting October 1st, when repayments started up again, impacted households have less to spend on goods and services. According to Moody's, the resumption of student loan payments will pull \$70 billion per year out of the economy. The impact is expected to be somewhat marginal, but if the U.S. consumer were weakening in October already, then student loans may have the potential to worsen the situation. Even if the economy remains robust, the resumption of student loan payments could put additional pressures on consumers.

Energy Prices

Recent oil production cuts by OPEC, led by Saudi Arabia, followed by Russia's decision to limit oil exports will result in a one million barrel per day reduction in the world oil supply compared to the beginning of CY 2023, With global demand expected to be robust in both CY 2023 and CY 2024, it is probable that oil could trade in the \$80–100 range in the near term. The price of a barrel of West Texas Intermediate crude is in the mid-\$80s, but given the uncertainty around demand and supply in the global oil markets—Israel's declaration

of war against Hamas being the latest—it would not be too surprising if prices increased to more than \$90 or even \$100 per barrel. Because the U.S. produces about as much oil as it consumes, the ultimate impact of higher prices will be largely a wash, but the early impact is decidedly negative since after-inflation household incomes suffer and inflation expectations rise, potentially pushing up wage growth and pressuring the Federal Reserve to further tighten monetary policy. Such a result would be negative for the U.S. consumer and the world economy at large.

China's Real Estate Crisis

The real estate crisis in China and the resulting impact on financial markets could have ripple effects throughout the broader global economy. China's robust economic growth was propelled for decades by a housing boom fueled by a rising population and urbanization. At its peak, China's residential property sector contributed an estimated 25-30 percent of the country's GDP. However, China's property sector has been in a severe crisis - initially triggered by government moves to rein in debt - with many developers defaulting on payments as they struggle to sell apartments and raise funds, including Chinese builders Country Garden Holdings and Evergrande. The ongoing correction in China's real estate market could lead to reduced demand for raw materials and goods globally, impacting international markets and export-driven economies. Besides, financial market instability in China could have spillover effects on global financial markets, given China's significant role in global finance.

What Other Professional Forecasters Are Predicting

The Blue Chip Economic Indicators consensus forecast looks for a sharp slowdown after the third quarter surge with GDP rising only 0.7 percent in the fourth quarter, 0.2 percent in first quarter of CY2024 and 0.5 percent in the second quarter of CY 2024, yielding a subpar 1.1 percent increase for all of CY 2024.

In October of last year, forecasters polled by The Wall Street Journal estimated the unemployment rate at the end of CY 2023 to be at 4.7 percent, on average. They also put the chances of a recession within the next 12 months at 63 percent. By last month, they dropped the recession chance to 48 percent. Available data show that, as a group, economists have never forecast a recession before it has actually started. Now it looks as if the one time they did forecast one, they were either wrong or early.

The Conference Board forecasts that US economic growth will buckle under mounting headwinds early next year, leading to a very short and shallow recession. This outlook is associated with numerous factors, including, elevated inflation, high interest rates, dissipating pandemic savings, rising consumer debt, lower government spending, and the resumption of mandatory student loan repayments. They forecast that real GDP will grow by 2.2 percent in CY 2023, and then fall to 0.8 percent in CY 2024.

The panel of professional forecasters surveyed by the Philadelphia Fed in August 2023 predicts real GDP will grow at an annual rate of 1.9 percent this quarter, up from the prediction of 0.6 percent in the May survey. Over the next two quarters, the forecasters

also see higher output growth than they predicted previously. Using the annual-average over annual-average computation, the forecasters expect real GDP to grow at an annual rate of 2.1 percent in 2023 and 1.3 percent in 2024. These annual projections are higher than the previous estimates of three months ago.

Goldman Sachs Group Inc. has lowered their forecast to a 15 percent chance the U.S. will slide into recession, down from 20 percent previously as cooling inflation and a still-resilient labor market suggest the Federal Reserve may not need to raise interest rates any further.

A majority of respondents to the National Association of Business Economics (NABE) October Outlook Survey put the odds of a recession at less than 50 percent. Panelists expect economic growth to moderate in 2024 and anticipate further slowing in inflation.

U.S. ECONOMIC SCENARIOS

Baseline Forecast: Mild Recession

Our baseline assumption is for a “mild recession.” In this scenario, the combination of a federal government shutdown, elevated inflation and interest rates, reduced credit accessibility, and rising geopolitical tensions cause the economy to fall into a shallow recession in the second quarter of CY 2024 (fourth quarter of State FY 2024). The recession lasts through the fourth quarter of CY 2024 (second quarter of State FY 2025), with a peak to trough decline of 1.0 percent in GDP and the unemployment rate rising to 6.5 percent in the third quarter of CY 2024.

In this scenario, the risk of an extended federal government shutdown results in a drop in consumer and business confidence. The stock market falls by 22 percent from the third quarter of CY 2023 through the second quarter of CY 2024.

Key Assumptions and Risks in the “Mild Recession” Scenario

- Because the Fed remains concerned about inflation, it keeps the fed funds rate elevated in the fourth quarter of 2023 despite the weakening economy.
- Despite the temporary deal in Congress, the risk of an extended federal government shutdown increases, causing consumer and business confidence to decline.
- The crisis caused by Russia’s invasion of Ukraine persists longer than expected.
- Worries grow that the attack by Hamas on Israel will lead to a wider conflict.
- Concerns increase that China might block the Taiwan Strait, limiting the supply of semiconductor chips from Taiwan and raising fears of a wider war. Business and consumer confidence declines.

- Recent bank failures reduce consumer confidence and cause banks to tighten lending standards more than expected.
- The stock market falls by 22 percent from the third quarter of 2023 through the second quarter of 2024.
- Declines in European economies hurt U.S. exports and also corporate earnings from European subsidiaries.
- The economy returns to full employment by the fourth quarter of 2025.

Alternative Forecast: Severe Recession

In the “Severe Recession” scenario, the risk of an extended shutdown of the federal government increases substantially despite the short-term deal in Congress, resulting in a marked decline in consumer and business confidence. Unemployment begins to increase in the fourth quarter of 2023. From the third quarter of 2023 through the second quarter of 2024, real GDP declines cumulatively by 2.6 percent. The unemployment rate peaks at 7.7 percent in the fourth quarter of 2024.

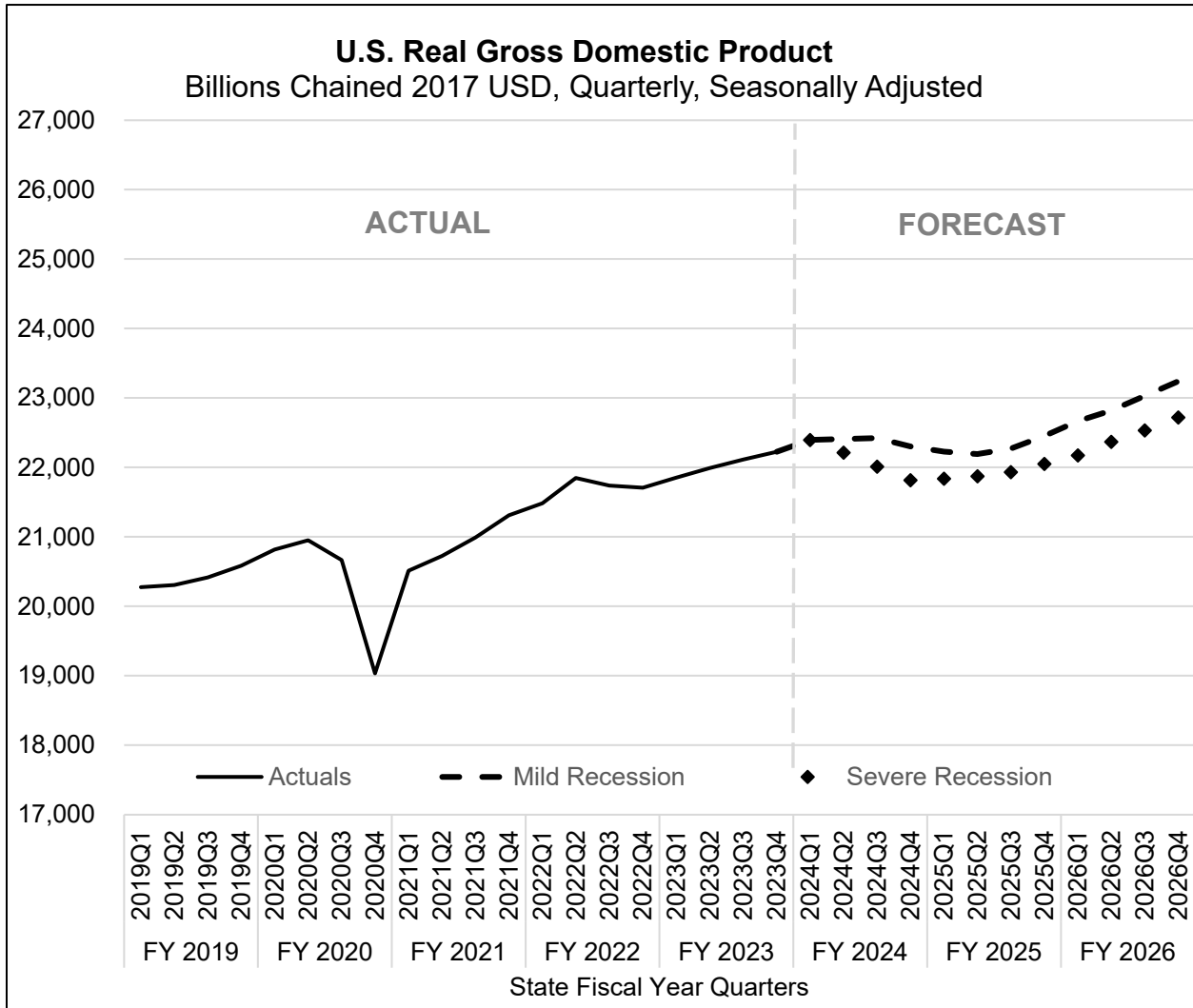
The “Severe Recession” scenario is based on the Moody’s Analytics October 2023 “S3: Alternative Scenario 3 – Downside – 90th Percentile” scenario. This pessimistic scenario is assigned a 90 percent probability that the economy will perform better and 10 percent chance that it will perform worse than this outlook.

Key Assumptions and Risks in the “Severe Recession” Scenario

- Because of concerns about inflation, the Fed keeps the fed funds rate at the terminal range of 5.25 percent to 5.5 percent through the fourth quarter of 2023. However, it starts to ease subsequently as the economy weakens.
- The Russian invasion of Ukraine persists longer than expected.
- Worries grow that the attack by Hamas on Israel will lead to a wider conflict.
- Tensions between China and Taiwan increase and China briefly interrupts trade through the Taiwan Strait, worsening the chip shortage since Taiwan is a major producer. The threat of a wider conflict causes consumer and business confidence to fall.
- Recent bank failures raise fears of further collapse in the banking industry, reducing consumer confidence and causing banks to tighten lending standards.
- The combination of the risk of a federal shutdown, political tensions, recent bank failures, still-elevated inflation, and the Fed’s decision to initially keep the fed funds

rate elevated causes the stock market to fall. The economy falls into recession in the fourth quarter of 2023.

- Declines in European economies hurt U.S. exports and corporate earnings from European subsidiaries.



Sources: U.S. Bureau of Economic Analysis; Federal Reserve Bank of St. Louis; Moody's Analytics September 2023 U.S. Macroeconomic Outlook and Alternative Scenarios; and staff calculations.

Table 1.2 - Fiscal Years 2024-2026 Actual and October Forecasts
U.S. Economic Forecasts - Income and Other Indicators (% Change)

| | | <u>FY24</u> | <u>FY25</u> | <u>FY26</u> |
|-------------------------------------|------------------|-------------|-------------|-------------|
| <u>Output, Income, and Spending</u> | | | | |
| Real GDP | Mild Recession | 1.5 | (0.4) | 2.9 |
| | Severe Recession | 0.3 | (0.8) | 2.4 |
| Total Personal Income | Mild Recession | 3.7 | 2.9 | 4.3 |
| | Severe Recession | 3.2 | 1.0 | 3.6 |
| Wages and Salaries | Mild Recession | 4.5 | 3.1 | 5.2 |
| | Severe Recession | 3.9 | 1.5 | 4.5 |
| Average Wage | Mild Recession | 4.7 | 3.4 | 3.1 |
| | Severe Recession | 5.2 | 3.6 | 2.5 |
| Real Consumer Spending | Mild Recession | 1.5 | 1.2 | 2.5 |
| | Severe Recession | 0.6 | 0.3 | 2.9 |
| <u>Interest Rates (%)</u> | | | | |
| Effective Federal Funds | Mild Recession | 5.0 | 2.9 | 2.3 |
| | Severe Recession | 4.9 | 2.4 | 1.2 |
| 10-Year Treasury Bonds | Mild Recession | 3.2 | 2.7 | 3.6 |
| | Severe Recession | 2.9 | 2.5 | 3.3 |
| <u>Prices</u> | | | | |
| CPI | Mild Recession | 3.1 | 2.0 | 2.1 |
| | Severe Recession | 2.9 | 1.3 | 1.8 |

The 'Mild Recession' forecast is modified from the Moody's October 2023 U.S. Downside 75th Percentile forecast and our estimates.

The 'Severe Recession' forecast is Moody's October 2023 U.S. Downside 90th Percentile forecast.

Table 1.3 - Fiscal Years 2024-2026 Actual and October Forecasts
U.S. Economic Forecasts - Employment and Labor Markets (% Change)

| | | <u>FY24</u> | <u>FY25</u> | <u>FY26</u> |
|--------------------------------------|------------------|-------------|-------------|-------------|
| <u>Employment and Labor Markets</u> | | | | |
| Total Nonagricultural Employment | Mild Recession | (0.2) | (0.4) | 2.1 |
| | Severe Recession | (1.2) | (2.1) | 1.9 |
| Construction | Mild Recession | (0.8) | (1.7) | 3.3 |
| | Severe Recession | (2.4) | (5.4) | 2.9 |
| Manufacturing | Mild Recession | (1.4) | (0.3) | 2.0 |
| | Severe Recession | (2.4) | (2.3) | 2.0 |
| Trade, Transportation, and Utilities | Mild Recession | (1.3) | (0.1) | 2.1 |
| | Severe Recession | (2.2) | (1.5) | 2.0 |
| Financial Activities | Mild Recession | (1.0) | (0.7) | 1.5 |
| | Severe Recession | (1.8) | (2.2) | 1.0 |
| Professional and Business Services | Mild Recession | (1.0) | (0.7) | 2.8 |
| | Severe Recession | (2.0) | (2.3) | 2.5 |
| Education and Health Services | Mild Recession | 1.2 | 0.2 | 2.3 |
| | Severe Recession | 0.2 | (1.4) | 2.3 |
| Leisure and Hospitality | Mild Recession | 0.5 | (1.1) | 2.3 |
| | Severe Recession | (0.9) | (3.1) | 2.0 |
| Government | Mild Recession | 1.7 | 0.3 | 1.0 |
| | Severe Recession | 1.0 | (1.1) | 0.8 |
| Unemployment Rate (%) | Mild Recession | 5.0 | 5.9 | 4.3 |
| | Severe Recession | 5.8 | 7.6 | 6.5 |

The 'Mild Recession' forecast is Moody's October 2023 U.S. Downside 75th Percentile forecast.

The 'Severe Recession' forecast is Moody's October 2023 U.S. Downside 90th Percentile forecast.

Section 2 The Virginia Economy

Introduction

This section begins with a review of Fiscal Year 2023, comparing actual economic growth in Virginia to the official forecast for the year. The official forecast for Virginia was based on IHS Markit's October 2022 U.S. standard forecast with modifications from both the Joint Advisory Board of Economists (JABE) and the Governor's Advisory Council on Revenue Estimates (GACRE) at their fall meetings. Tables 2.2 and 2.3 at the end of this section compare two forecasts, a mild recession scenario, and a more severe recession scenario.

Review of Fiscal Year 2023

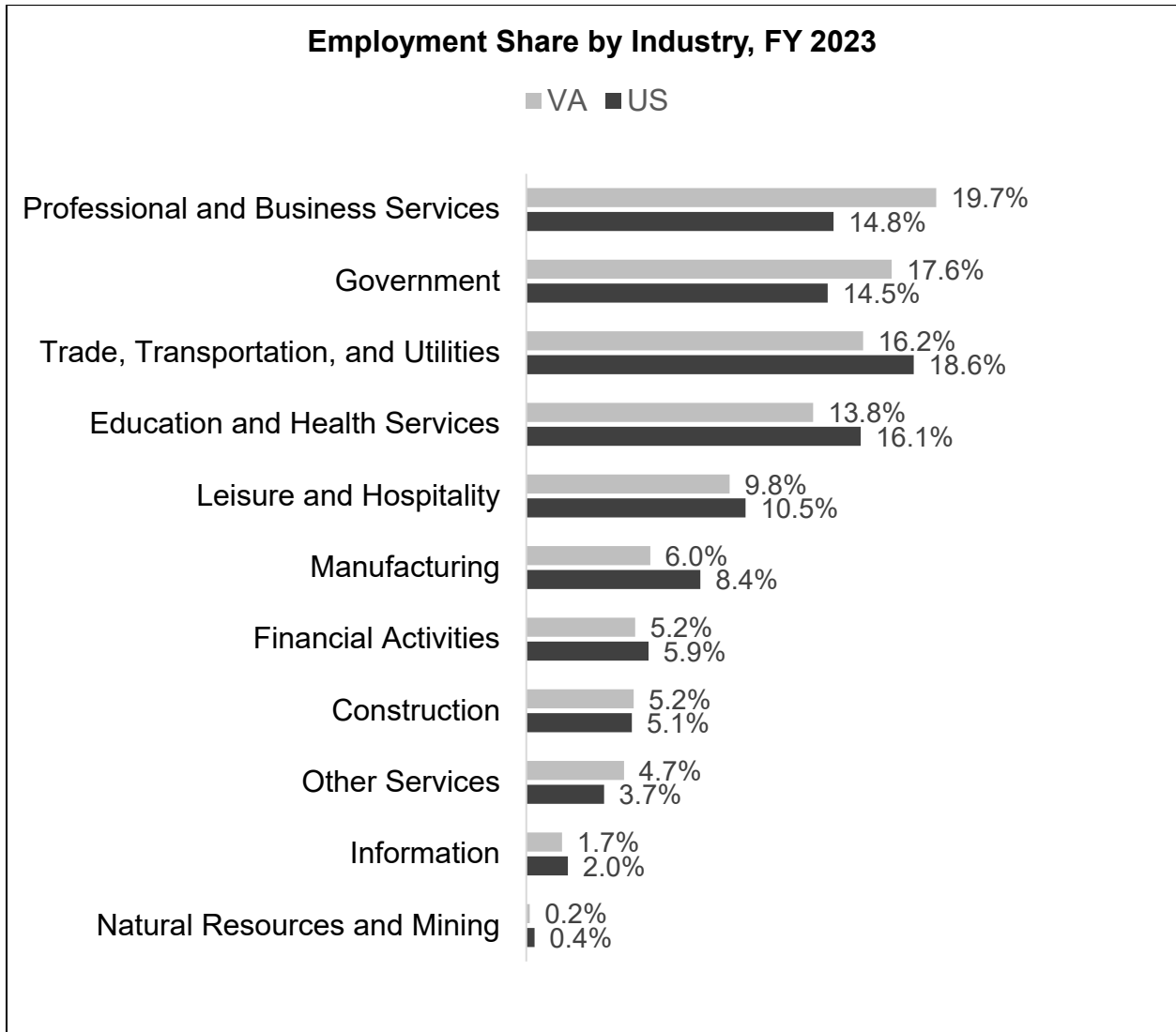
Payroll employment growth exceeded expectations in Fiscal Year 2023. In the official forecast, total nonagricultural employment was projected to increase by 2.5 percent and actual growth was 2.7 percent. Employment growth was driven largely by lower paying sectors of the economy such as Leisure and Hospitality, and Education and Health Services, which grew by 6.8 percent and 4.4 percent, respectively. Industry sectors with the largest positive variances to forecast were Construction, Financial Activities, and Professional & Business Services. The forecast for employment growth in Professional & Business Services assumed a reduction in temporary workers that did not occur as the economy continued to grow, avoiding a downturn in this highly cyclical subsector.

Table 2.1 – FY 2023 Virginia Forecast Performance (% Change)

| | <u>Forecast</u> | <u>Actual</u> | <u>Actual Minus Forecast</u> |
|--------------------------------------|-----------------|---------------|--------------------------------------|
| <u>Employment and Labor Markets</u> | | | |
| Total Nonagricultural Employment | 2.5 | 2.7 | 0.2 |
| Construction | 0.4 | 2.7 | 2.3 |
| Manufacturing | 2.3 | 2.1 | (0.2) |
| Trade, Transportation, and Utilities | 2.9 | 4.5 | 1.6 |
| Financial Activities | (1.5) | 0.8 | 2.3 |
| Professional and Business Services | 0.5 | 2.7 | 2.2 |
| Education and Health Services | 3.5 | 4.4 | 0.9 |
| Leisure and Hospitality | 6.3 | 6.8 | 0.5 |
| Government | 1.2 | 1.6 | 0.4 |
| Unemployment Rate (%) | 3.2 | 2.7 | (0.5) |

The forecast data are based on the October 2022 IHS Markit's U.S. standard forecast and the corresponding Virginia state forecast developed as recommended by JABE and GACRE members.

Five sectors accounted for three-quarters of Virginia’s employment in Fiscal Year 2023: Professional and Business Services; Government; Trade, Transportation, and Utilities; Education and Health Services; and Leisure and Hospitality.

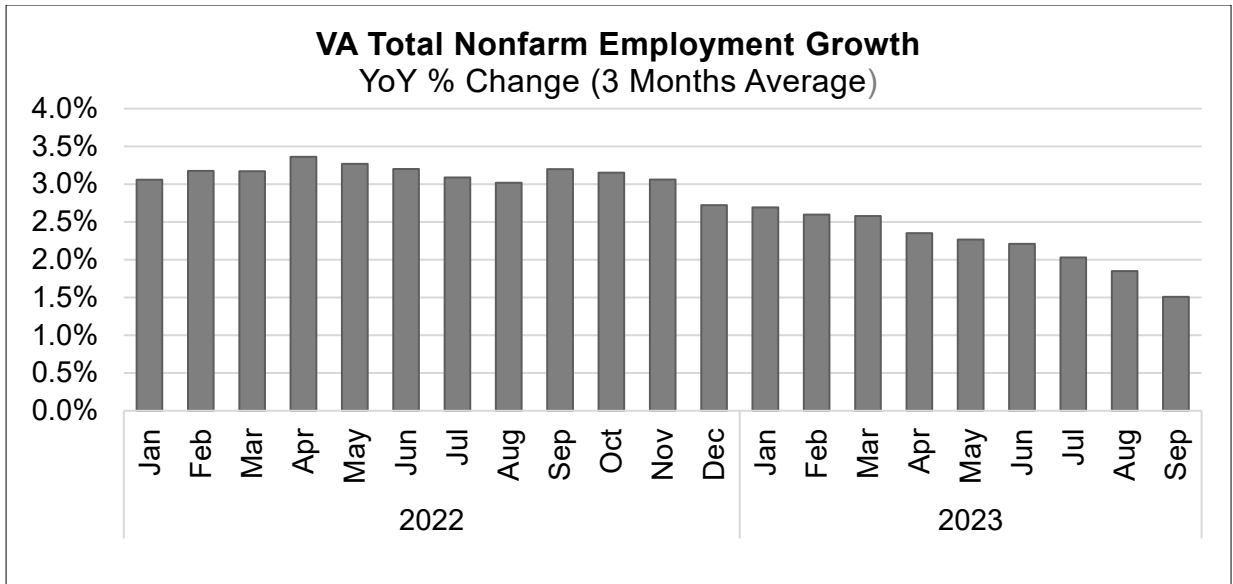


Source: Calculated from Moody's provided U.S. Bureau of Labor Statistics (BLS) data.

Recent Developments in the Virginia Economy

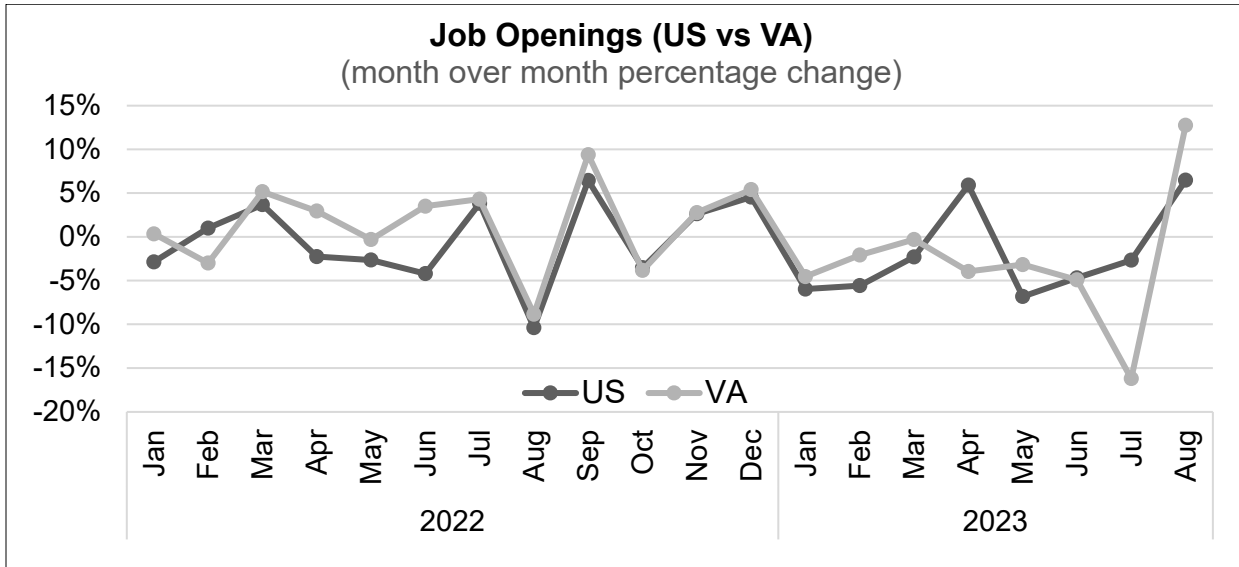
Labor Markets

The year-over-year percentage change calculated on the three-month moving average shows Virginia total nonagricultural employment growth has been moderating.



Source: Calculated from Bureau of Labor Statistics (BLS) Employment Data.

According to preliminary Bureau of Labor Statistics (BLS) estimates, Virginia job openings increased 12.8 percent during August compared to July, whereas the nationwide increase for the same period was 6.5 percent. The average rate of change in job openings in Virginia over the seven months prior to August was -5.0 percent, compared to -3.2 percent nationwide for the same period.

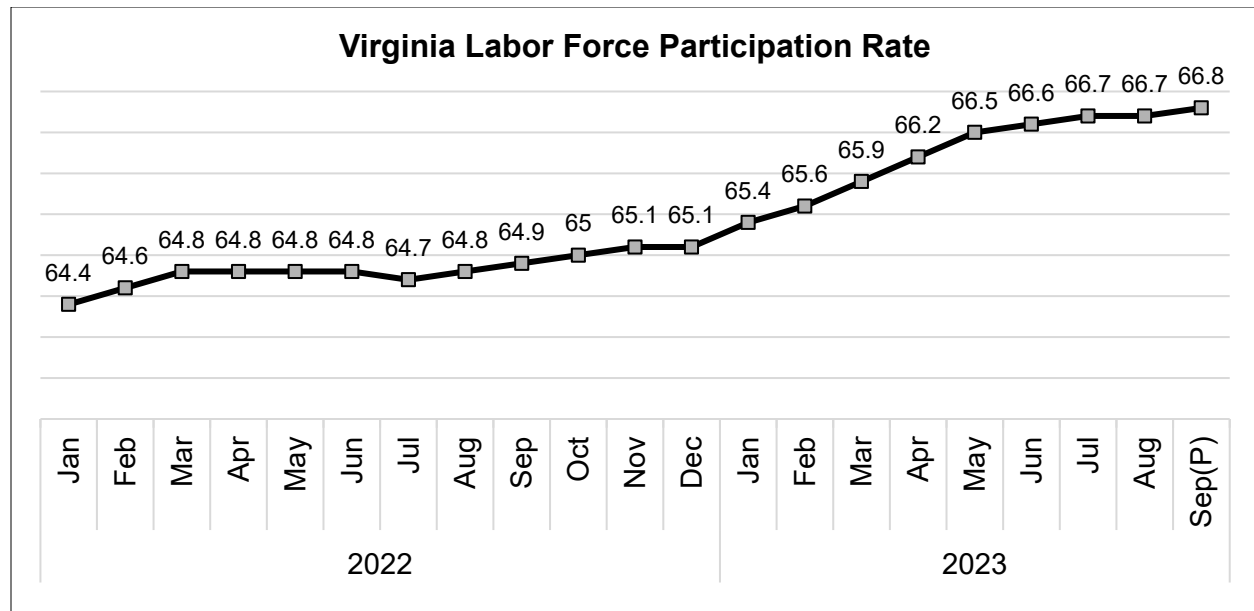


Source: Calculated from Bureau of Labor Statistics (BLS) Job Opening Data.

Specifically, there were 274,000 job openings in Virginia during August (seasonally adjusted), which marked a 31,000 increase from the revised figure of 243,000 job openings in July 2023. Nationwide, job openings in August also increased to 9.6 million, representing a rise of 690,000 from July.

The number of layoffs and discharges in Virginia fell by 16,000 to 41,000 in August. This was an increase of five percent over the year, but still at low, pre-Pandemic levels. Layoffs and discharges are countercyclical, which means that layoffs typically increase during economic contractions and decrease during economic expansions.

The labor force participation rate also grew higher in 2023. The average labor force participation rate in Calendar Year 2022 was about 64.8 percent compared to the average of 66.8 percent in September 2023. Since January 2022, labor force participation has grown considerably, with most of this growth taking place in CY 2023.



Source: Bureau of Labor Statistics (BLS).

Although the unemployment rate fell throughout 2022 and in the first three quarters of CY 2023, it is expected to rise through the first two quarters of CY 2024. Considering the changes in all these factors, we are anticipating a mild downturn in Virginia employment growth at the end of FY 2024 and in the beginning of FY 2025.

Federal Government Shutdown

On November 14, 2023, the House passed a two-tiered stopgap spending bill that will keep the federal government operating through January and February. While a federal government shutdown was temporarily averted, given ongoing disagreements in Congress, the possibility of a government shutdown in early 2024 remains.

Virginia hosts numerous federal agencies and military installations, making it one of the states with the highest number of federal employees. The impact of a federal government shutdown on Virginia’s economy is dependent on the duration of the shutdown and any budget decisions affecting employment that may come out of it. During a shutdown, non-exempt employees would be furloughed without pay. Backpay is however guaranteed. This temporary hold on income could limit economic growth by dampening consumption.

According to the Virginia Employment Commission, during the 2018-2019 shutdown, over 14,000 federal workers in Virginia were directly affected. Before, in the 2013 shutdown, about one-third of Federal Civilian employees in VA were considered non-exempt, which resulted in approximately 55,275 employees affected by the shutdown.

The short-term impact on sales tax revenue is expected to be minimal as basic household purchases (such as groceries) are likely to continue and purchases of larger ticket items are likely to be postponed rather than foregone. A prolonged shut down of more than a month may bring a significant downturn in sales and revenue due to lack of consumer confidence. Small businesses and restaurants that operate in Northern Virginia and Hampton Roads, where most of Virginia's federal employees reside, would be particularly vulnerable. Some of these businesses may reduce hours of existing employees, postpone hiring decision, or even close permanently.

The Bureau of Economic Analysis (BEA) estimated that the 2013 shutdown lowered US real GDP growth by about 0.3 percentage points on an annualized basis in the fourth quarter of 2013. According to the Congressional Budget Office (CBO), US real GDP in the fourth quarter of 2018 was reduced by 0.1 percent with an expectation of further decline by 0.2 percent in first quarter of 2019. The level of GDP for the full CY 2019 was expected to be only 0.02 percent smaller than it would have been otherwise, since most of the real GDP lost during the fourth quarter of 2018 and the first quarter of 2019 was recovered later on. The CBO estimated the 2019 shutdown delayed about \$18 billion in federal spending and led to a \$3 billion shortfall in national GDP.

In line with the discussions above, our Virginia economic forecast scenarios consider the possibility of a federal government shutdown and informs the forecasts accordingly.

VIRGINIA ECONOMIC FORECASTS

Baseline Forecast: Mild Recession

In our baseline forecast, we anticipate a mild three-quarter recession in the U.S. economy beginning in the fourth quarter of State Fiscal Year 2024, with recovery beginning in the second quarter of Fiscal Year 2025. The economic downturn is driven by a combination of a federal shutdown, political tensions, still-high inflation, sustained higher interest rates, and reduced credit availability. Virginia's economy experiences contractions in most of its key indicators during this period. The mild recession forecast is based on the Moody's October U.S. Downside 75th Percentile Scenario, modified by staff for timing and severity.

- Real GSP grows at 1.4 percent in Fiscal Year 2024 compared to the actual growth of 1.7 percent in Fiscal Year 2023. It is projected to fall to 0.8 percent in FY 2025 and rise to 2.7 percent in Fiscal Year 2026.

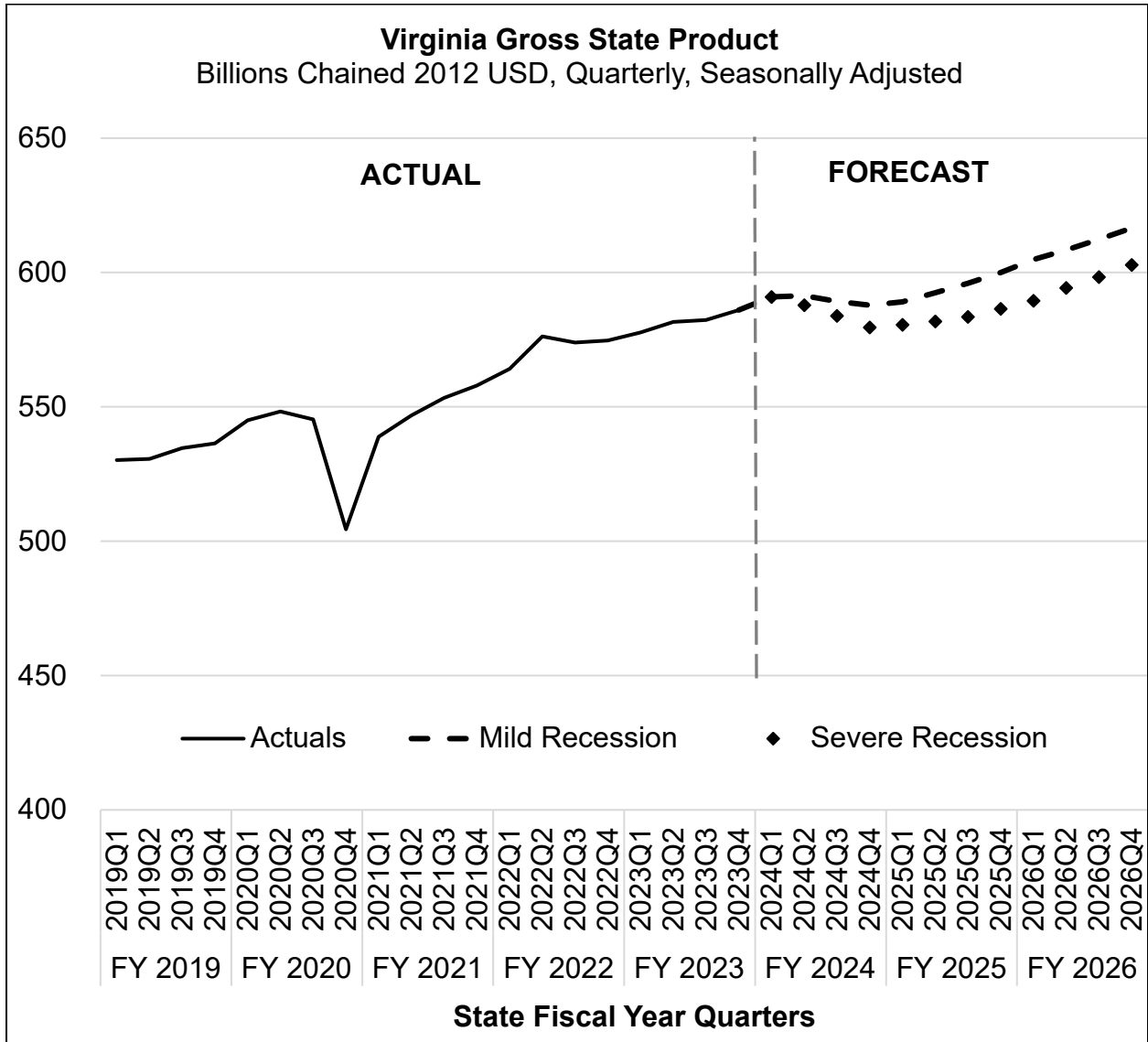
- Other major economic indicators used in our analysis, e.g., personal income, employment, and wages and salaries, show softening in growth rates starting in Fiscal Year 2024 through Fiscal Year 2025, and then experiencing an upturn in Fiscal Year 2026.
- The unemployment rate is projected to rise to 3.6 percent in Fiscal Year 2025, reaching its peak of 4.9 percent in the third quarter of Calendar Year 2024.
- Total nonfarm employment is expected to have slightly positive growth in Fiscal Year 2024 followed by a slightly negative growth in Fiscal Year 2025, a 0.1 percent rise and 0.1 percent decline, respectively.
- The mild recession forecast has personal income growing 3.9 percent in FY 2024, followed by 3.2 percent growth in Fiscal Year 2025. Income from wages and salaries is expected to grow 4.6 percent in Fiscal Year 2024 and 3.5 percent in Fiscal Year 2025.
- Average wages grow at 5.0 percent and 3.6 percent during Fiscal Years 2024 and 2025, respectively, followed by 3.7 percent growth in Fiscal Year 2026.

Alternative Forecast: Severe Recession

The severe recession scenario is based on the pessimistic 90th percentile forecast of Moody's Analytics that assigns 90 percent probability that the economy will perform better. Some of the key assumptions of the severe recession forecasts are as follows: federal government shutdown exceeding two weeks despite the temporary deal in Congress, continued high inflation, elevated federal funds rate, and a further collapse of the banking industry, restricting credit availability.

- In this scenario, Virginia's real GSP decreases during the fourth quarter of Calendar Year 2023 and keeps falling until the second quarter of Calendar Year 2024, yielding a real GSP growth of 0.6 percent in Fiscal Year 2024, followed by a 0.4 percent decline in Fiscal Year 2025.
- The unemployment rate, which was at 3.0 percent in Fiscal Year 2023, increases to approximately 4.0 percent by the end of Calendar Year 2023. Subsequently, it fluctuates within the range of 5.0 to 6.0 percent throughout the quarters of Calendar Year 2024-2025.
- In Fiscal Year 2024, total nonfarm employment contracts by 1.4 percent, followed by an additional decrease of 1.8 percent in Fiscal Year 2025, before rebounding with a 1.9 percent increase in Fiscal Year 2026.
- Meanwhile, total personal income experiences a 3.5 percent growth in Fiscal Year 2024 and a 1.5 percent increase in Fiscal Year 2025, in contrast to the 6.2 percent

actual growth observed in Fiscal Year 2023. Wages and salaries see growth at rates of 3.9 percent and 1.9 percent in Fiscal Years 2024 and 2025, respectively.



Virginia Non-Farm Employment
Thousands, Quarterly, Seasonally Adjusted

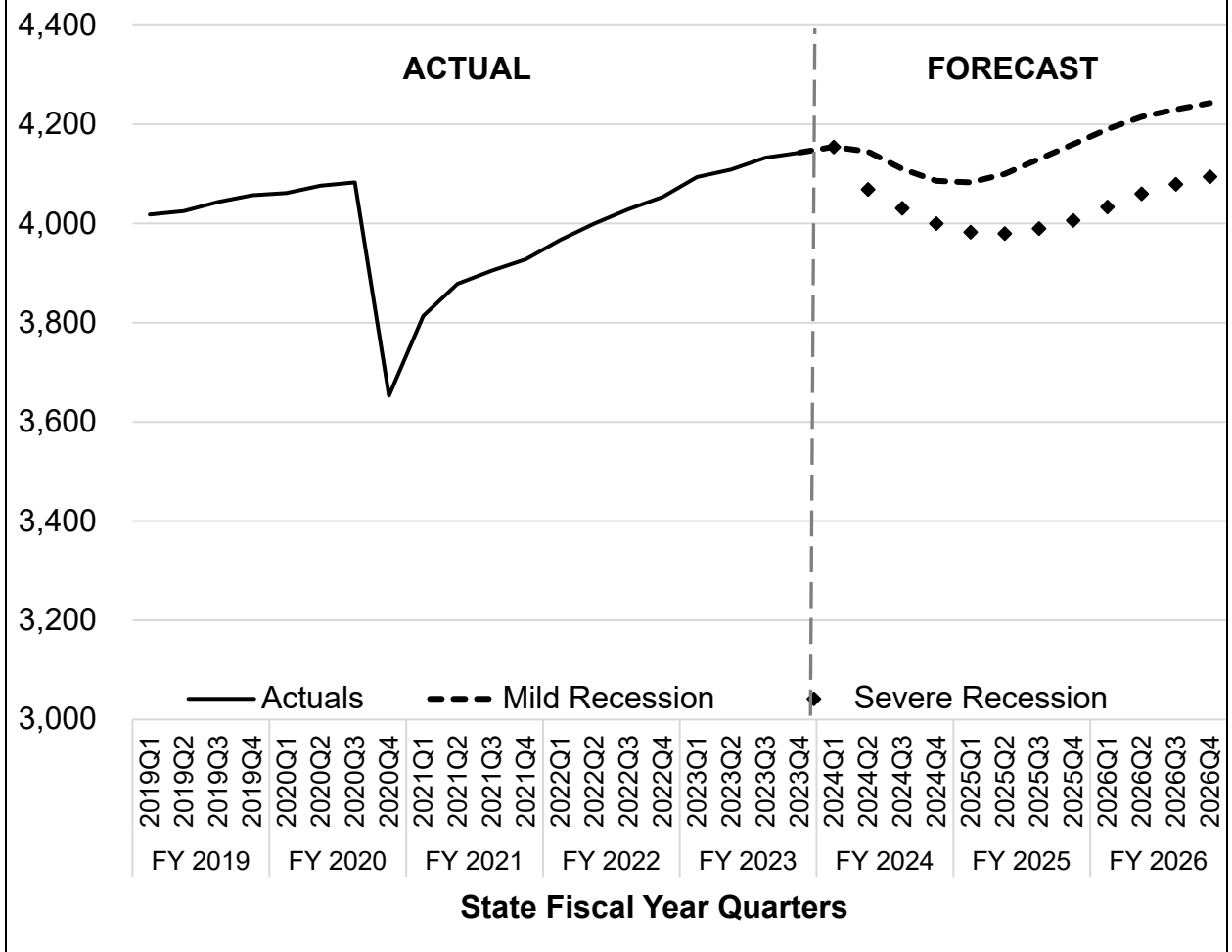


Table 2.2 - FY 2024-2026 October Forecasts
Virginia Economic Forecasts - Employment and Labor Markets (% Change)

| | | <u>FY24</u> | <u>FY25</u> | <u>FY26</u> |
|--------------------------------------|------------------|-------------|-------------|-------------|
| <u>Employment and Labor Markets</u> | | | | |
| Total Nonagricultural Employment | Mild Recession | 0.1 | (0.1) | 2.5 |
| | Severe Recession | (1.4) | (1.8) | 1.9 |
| Construction and Mining | Mild Recession | (2.4) | (1.7) | 3.1 |
| | Severe Recession | (3.9) | (5.3) | 2.8 |
| Manufacturing | Mild Recession | (1.5) | (0.3) | 1.7 |
| | Severe Recession | (2.5) | (2.1) | 1.8 |
| Trade, Transportation, and Utilities | Mild Recession | (1.3) | 0.1 | 1.9 |
| | Severe Recession | (2.0) | (1.1) | 1.8 |
| Financial Activities | Mild Recession | (1.3) | (0.7) | 1.7 |
| | Severe Recession | (2.2) | (2.3) | 1.2 |
| Professional and Business Services | Mild Recession | 1.3 | (0.1) | 4.9 |
| | Severe Recession | (2.4) | (2.1) | 2.8 |
| Education and Health Services | Mild Recession | 0.6 | 0.3 | 2.5 |
| | Severe Recession | (0.4) | (1.3) | 2.5 |
| Leisure and Hospitality | Mild Recession | (0.3) | (0.3) | 2.0 |
| | Severe Recession | (1.4) | (2.0) | 1.9 |
| Government | Mild Recession | 2.1 | 0.3 | 0.9 |
| | Severe Recession | 1.5 | (0.9) | 0.8 |
| Unemployment Rate | Mild Recession | 3.0 | 3.6 | 4.4 |
| | Severe Recession | 3.0 | 4.2 | 5.7 |

The 'Mild Recession' forecast is Moody's October 2023 VA Downside 75th Percentile scenario and our estimates.

The 'Severe Recession' Pessimistic forecast is Moody's October 2023 VA Downside 90th Percentile forecast.

Table 2.3 - FY 2024-2026 October Forecasts
Virginia Economic Forecasts - Income (% Change)

| | | <u>FY24</u> | <u>FY25</u> | <u>FY26</u> |
|--------------------------|------------------|-------------|-------------|-------------|
| <u>Income</u> | | | | |
| Real Gross State Product | Mild Recession | 1.4 | 0.8 | 2.7 |
| | Severe Recession | 0.6 | (0.4) | 2.3 |
| Total Personal Income | Mild Recession | 3.9 | 3.2 | 4.4 |
| | Severe Recession | 3.5 | 1.5 | 3.8 |
| Wages and Salaries | Mild Recession | 4.6 | 3.5 | 5.9 |
| | Severe Recession | 3.9 | 1.9 | 4.5 |
| Average Wage | Mild Recession | 5.0 | 3.6 | 3.7 |
| | Severe Recession | 5.4 | 3.7 | 2.5 |

The 'Mild Recession' forecast is Moody's October 2023 VA Downside 75th Percentile scenario and our estimates.

The 'Severe Recession' Pessimistic forecast is Moody's October 2023 VA Downside 90th Percentile forecast.

Section 3 General Fund Revenues

General Fund Revenues

This section reviews general fund revenue collections for Fiscal Year 2023. Table 3.1 shows results unadjusted for policy actions compared to the official forecast. The official forecast is the forecast of general fund revenues included in Chapter 769 of the *2023 Acts of Assembly*. Table 3.2 shows recent policy changes impacting the Fiscal Years 2024 through 2026 forecast. Following this review, the baseline and alternative pessimistic forecasts are presented. The baseline forecast is based on the mild recession scenario while the alternative pessimistic forecast is based on the severe recession scenario, discussed in Section 1.

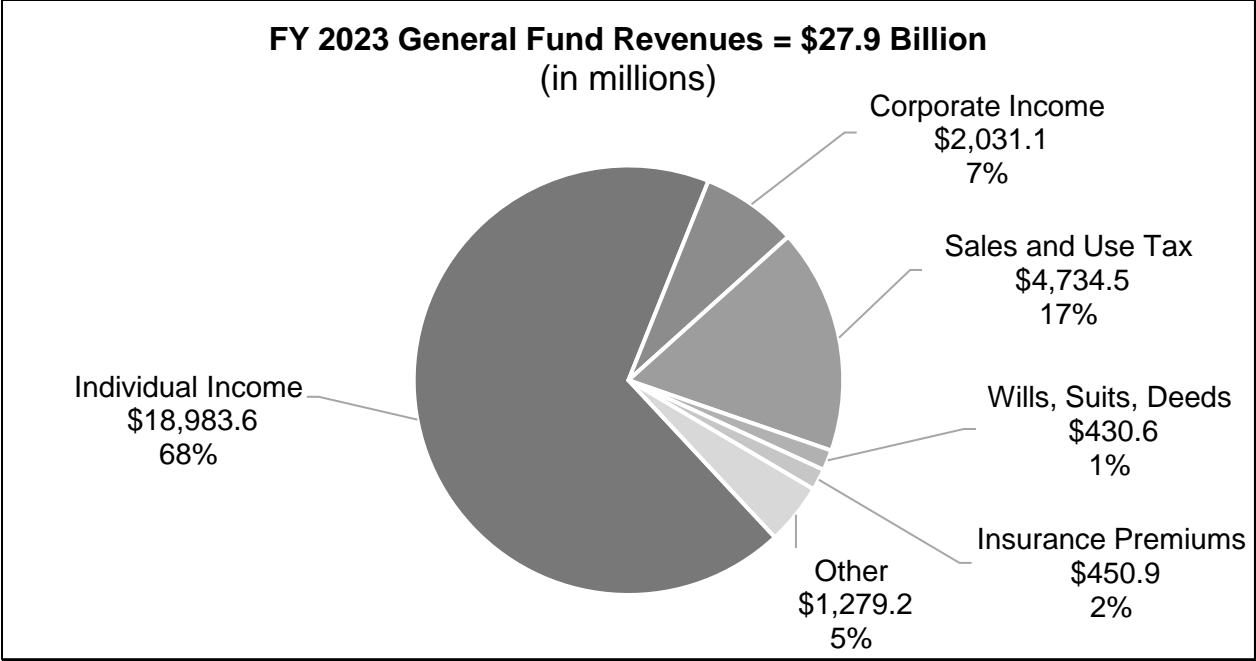
Fiscal Year 2023 in Review

In Fiscal Year 2023, total General Fund revenues fell 3.5 percent to \$27.9 billion, well ahead of the official forecast of a 14.0 percent decline. All major revenue sources except Wills, Suits, and Deeds (mainly recordation taxes) exceeded the official forecast. The majority of the excess revenues can be attributed to individual non-withholding collections, related to stronger than expected economic performance and timing issues associated with the new Pass-Through Entity Tax (PTET).

Table 3.1 compares actual revenues for Fiscal Year 2023 with the official forecast. The official forecast was based on the October 2021 IHS Markit Standard Outlook and the corresponding Virginia state forecast developed by the Department of Taxation and incorporated policy actions adopted during the 2022 and 2023 sessions of the General Assembly.

Composition of General Fund Revenues

General fund revenues totaled \$27.9 billion in Fiscal Year 2023, with more than two-thirds derived from individual income taxes. The general fund portion of the state sales and use tax accounted for 17 percent, corporate income taxes accounted for seven percent. Other major sources include the insurance premiums license tax (two percent) and taxes on wills, suits, and deeds, predominantly recordation taxes (one percent).



Individual Income Taxes

The Virginia Individual Income Tax applies to the entire income of Virginia residents and to income from Virginia sources received by nonresident individuals. Generally, all residents and nonresidents with Virginia taxable income are required to file a return. Individual income tax rates are as follows:

| <u>Income</u> | <u>Tax Rate</u> |
|---------------------|-----------------|
| \$0 to \$3,000 | 2.00% |
| \$3,001 to \$5,000 | 3.00% |
| \$5,001 to \$17,000 | 5.00% |
| \$17,001 and over | 5.75% |

Withholding: In Fiscal Year 2023, withholding receipts (57 percent of GF revenues) increased 4.0 percent to \$15,957.1 million, exceeding the projected revenue figure of \$15,319.7 million by \$637.4 million.

Nonwithholding: Collections of individual nonwithholding (24 percent of GF revenues) decreased by 2.7 percent to \$6,629.2 million, significantly outperforming the projected estimate of \$5,213.6 million. Approximately two-thirds of this surplus is attributable to the timing of PTET payments and refunds. Another \$500 million in excess is due to the stronger than expected stock market performance in Fiscal Year 2023.

Refunds: Fiscal Year 2023 refunds amounted to \$3,602.8 million, compared to the \$3,800.9 million projected in the forecast. This represents a 107 percent increase from

Fiscal Year 2022's \$1,740.5 million. Two major policy initiatives contributed to this growth: a one-time tax rebate totaling approximately \$1 billion and the standard deduction for individuals and married couples increasing from \$4,500/\$9,000 to \$8,000/\$16,000.

Retail Sales and Use Taxes

In general, all sales, leases, and rentals of tangible personal property in or for use in Virginia, as well as accommodations and certain taxable services, are subject to Virginia sales and use tax, unless an exemption or exception is established. The sales tax rate for most locations in Virginia is 5.3 percent which includes both general fund and nongeneral fund revenues, and the local option 1.0 percent tax. Several areas have an additional regional or local tax. In all of Virginia, food for home consumption (e.g. grocery items) and certain essential personal hygiene items are exempt from the state sales tax but are subject to the 1.0 percent local option sales tax.

Collections of sales and use taxes (17 percent of GF revenues) totaled \$4,734.5 million, \$236.7 million over the forecast. This represented year over year growth of 3.9 percent.

Corporate Income Taxes

Corporations that are subject to the state corporate income tax are required to pay an income tax equal to 6.0 percent of the corporation's Virginia taxable income. In Fiscal Year 2023, corporate income tax collections totaled \$2,031.1 million, \$294.1 million over the forecast. The forecast had anticipated weak corporate profits for the year and a 12.2 percent decline in revenues from this source. Unexpectedly strong economic growth allowed corporate income tax, like nonwithholding, to exceed expectations and grow 2.6 percent year-over-year.

Wills, Suits, Deeds, and Contract Fees

Virginia imposes a state tax on the recordation of deeds, deeds of trusts, mortgages, leases, and contracts relating to real estate. This category is comprised predominantly of state recordation taxes. Revenues from Wills, Suits, Deeds, and Contract Fees came in at \$430.6 million, a 34.2 percent year over year decline and \$163.1 million less than the forecast had predicted. Interest rates increased sharply in Fiscal Year 2023 causing real estate transaction volumes to decline from their pandemic heights.

Insurance Premiums License Taxes

Any insurance company with premiums allocated to Virginia on its annual statement is subject to an annual tax on its direct gross premiums income, which includes all premiums, assessments, dues, and fees collected, received, or derived, or obligations taken from business in the Commonwealth during the calendar year, decreased by returns for cancellation and all amounts returned to subscribers or credited to their accounts as savings.

One-third of the revenue from the Insurance Premiums License Tax from the prior year is deposited into the Priority Transportation Fund (a sub-fund of the Commonwealth Transportation Fund) and the remaining revenue from the Insurance Premiums License Tax goes to the General Fund. General Fund revenues from the insurance premiums license tax were \$450.9 million, exceeding the forecast by \$44.8 million. Collections grew 5.6 percent year over year.

Table 3.1
Fiscal Year 2023 General Fund Collections: Actual and Official Forecast
(Dollars in Millions)

| | Fiscal Year 2022 | | Official Forecast | Actual | Fiscal Year 2023 | | % Growth Over FY22 | | |
|---|--------------------|---------------|--------------------|--------------------|------------------|-------------------|--------------------|----------------|--------|
| | Actual | % Growth | | | Actual | Forecast Variance | | Official | Actual |
| | | | | | | Dollars | Percent | | |
| MAJOR TAX SOURCES | | | | | | | | | |
| Corporate Income | \$ 1,978.7 | 30.5 % | \$ 1,737.0 | \$ 2,031.1 | 294.1 | \$ 16.9 % | (12.2) % | 2.6 % | |
| Individual Income Tax: | | | | | | | | | |
| Gross | 22,150.8 | 15.2 | 20,533.3 | 22,586.3 | 2,053.0 | 10.0 | (7.3) | 2.0 | |
| Withholding | 15,340.3 | 9.5 | 15,319.7 | 15,957.1 | 637.4 | 4.2 | (0.1) | 4.0 | |
| Nonwithholding | 6,810.5 | 30.5 | 5,213.6 | 6,629.2 | 1,415.6 | 27.2 | (23.4) | (2.7) | |
| Refunds | <u>(1,740.5)</u> | <u>(9.6)</u> | <u>(3,800.9)</u> | <u>(3,602.8)</u> | 198.1 | <u>(5.2)</u> | <u>118.4</u> | <u>107.0</u> | |
| Net | 20,410.3 | 18.0 | 16,732.4 | 18,983.6 | 2,251.2 | 13.5 | (18.0) | (7.0) | |
| Insurance Company Premiums | 426.8 | 17.5 | 406.1 | 450.9 | 44.8 | 11.0 | (4.9) | 5.6 | |
| State Sales & Use Tax | 4,558.1 | 9.4 | 4,497.8 | 4,734.5 | 236.7 | 5.3 | (1.3) | 3.9 | |
| Wills, Suits, Deeds, & Contract Fees | <u>654.1</u> | <u>(3.8)</u> | <u>593.7</u> | <u>430.6</u> | <u>(163.1)</u> | <u>(27.5)</u> | <u>(9.2)</u> | <u>(34.2)</u> | |
| Total Major Tax Sources | \$ 28,027.9 | 16.6 % | \$ 23,967.0 | \$ 26,630.7 | 2,663.7 | \$ 11.1 % | (14.5) % | (5.0) % | |
| MISCELLANEOUS TAXES AND OTHER REVENUES | | | | | | | | | |
| Alcoholic Beverage State Tax | \$ 260.2 | 2.4 % | \$ 261.6 | \$ 268.9 | 7.3 | \$ 2.8 | 0.6 % | 3.4 % | |
| Bank Franchise Tax | 37.4 | 39.6 | 26.8 | 31.4 | 4.6 | 17.2 | (28.4) | (16.1) | |
| Beer & Beverage Excise Tax | 40.0 | (4.8) | 42.0 | 38.6 | (3.4) | (8.1) | 5.0 | (3.5) | |
| Corporate Franchise & Charter Fees | 77.4 | 26.1 | 62.3 | 83.2 | 20.9 | 33.5 | (19.5) | 7.5 | |
| Sports Betting Taxes | 27.4 | | 31.7 | 67.3 | 35.6 | | 15.7 | 145.6 | |
| Interest & Rents | 76.8 | (8.0) | 98.4 | 365.3 | 266.9 | 271.2 | 28.2 | 375.8 | |
| Miscellaneous Taxes and Penalties | 250.7 | (0.3) | 243.6 | 261.6 | 18.0 | | (2.8) | 4.3 | |
| Other Miscellaneous Revenues | 34.4 | 15.1 | 34.2 | 58.5 | 24.3 | | (0.6) | 70.1 | |
| Public Service GR / Consumption Tax | <u>102.6</u> | <u>1.5</u> | <u>103.5</u> | <u>104.4</u> | <u>0.9</u> | <u>0.9</u> | <u>0.9</u> | <u>1.8</u> | |
| Total Misc. Taxes and Other Revenues | \$ 906.9 | 6.7 % | \$ 904.1 | \$ 1,279.2 | 375.1 | \$ 41.5 | (0.3) % | 41.1 % | |
| TOTAL GF REVENUES | \$ 28,934.8 | 16.3 % | \$ 24,871.1 | \$ 27,909.9 | 3,038.8 | \$ 12.2 % | (14.0) % | (3.5) % | |
| TRANSFERS | | | | | | | | | |
| A.B.C. Profits | \$ 162.9 | (8.4) % | \$ 112.1 | \$ 164.3 | 52.2 | \$ 46.6 | (31.2) % | 0.9 % | |
| Sales Tax (0.375%) | 522.5 | 14.0 | 506.9 | 557.0 | 50.1 | 9.9 | (3.0) | 6.6 | |
| Transfers Per Appropriations Act | <u>129.0</u> | <u>5.5</u> | <u>95.7</u> | <u>94.3</u> | <u>(1.4)</u> | <u>(1.5)</u> | <u>(25.8)</u> | <u>(26.9)</u> | |
| Total Transfers | \$ 814.3 | 7.3 % | \$ 714.7 | \$ 815.6 | 100.9 | \$ 14.1 | (12.2) % | 0.2 % | |
| TOTAL GENERAL FUND | \$ 29,749.1 | 16.0 % | \$ 25,585.8 | \$ 28,725.5 | 3,139.7 | \$ 12.3 % | (14.0) % | (3.4) % | |

The Official forecast is based on the October 2021 IHS Markit Standard Outlook and the corresponding Virginia state forecast developed by the Department of Taxation and incorporates actions of the General Assembly 2022 special session, Chapter 769.

The General Fund Revenue Forecast for Fiscal Years 2024-2026

Recent Policy Changes Affecting the Revenue Forecast

A number of policy changes were enacted which affect the revenue forecast. Major changes are described below.

Standard Deduction Increase

The standard deduction is currently \$8,000 for single individuals and \$16,000 for married couples filing jointly for taxable year 2023. For taxable years beginning on or after January 1, 2024, the standard deduction increases to \$8,500 and \$17,000, respectively. This provision is contingent on the Virginia Auditor of Public Accounts certifying individual withholding growth of at least the growth rate in the official revenue estimate contained in the enacted 2023 Special Session I Amendments to the 2023 Appropriation Act for the six-month period of July 2023 through December 2023.

Military Retirement Income Tax Subtraction

In Tax Year 2022, Virginia began allowing an income tax subtraction for certain military benefits received by an individual age 55 or older. New legislation has removed the age restriction, now allowing individuals under 55 to claim this subtraction beginning in Tax Year 2024. The maximum subtraction is \$10,000 in Tax Year 2022; \$20,000 in Tax Year 2023; \$30,000 in Tax Year 2024; and \$40,000 in Tax Year 2025 and later. For the purposes of this subtraction, "military benefits" means any military retirement income received for service in the Armed Forces of the United States; qualified military benefits received pursuant to § 134 of the Internal Revenue Code; benefits paid to the surviving spouse of a veteran of the Armed Forces of the United States under the Survivor Benefit Plan program established by the U.S. Department of Defense; and military benefits paid to the surviving spouse of a veteran of the Armed Forces of the United States. This subtraction is not allowed if a credit, exemption, subtraction, or deduction is claimed for the same income pursuant to any other provision of Virginia or federal law.

Increase in Income Tax Deduction for Certain Disallowed Business Interest

Section 163(j) of the Internal Revenue Code places limits on the deduction for business interest expense in excess of interest income. Virginia allows a certain percentage of this disallowed business interest to be deducted on the state tax return. Beginning in Tax Year 2022, the General Assembly enacted legislation to increase the allowable interest expense deduction from 20 percent to 30 percent of the amount disallowed at the federal level. New legislation increases the limit to 50 percent beginning with Tax Year 2024.

Modifications to the Livable Home Tax Credit

House Bill 2099 (Chapter 444 of the *2023 Acts of Assembly*) increases the aggregate cap of the Livable Home Tax Credit from \$1 million to \$2 million per fiscal year.

Individual Income Tax Subtraction for National Guard Pay

Chapters 584 and 585 of the *2023 Acts of Assembly* increase the individual income tax subtraction for National Guard pay from \$3,000 to \$5,500. The Acts also expand eligibility for the subtraction from persons in the ranks of O3 and below to persons in the ranks of O6 and below.

Firearm Safety Device Tax Credit

House Bill 2387 (Chapter 220 of the *2023 Acts of Assembly*) establishes an individual income tax credit of up to \$300 for the purchase of one or more firearm safety devices in an eligible transaction.

Food Crop Donation Credit Renewed and Expanded

House Bill 2445 (Chapter 165) and Senate Bill 1525 (Chapter 166) extend the sunset date for the Food Crop Donation Tax Credit by five years and increase the amount of the tax credit from 30 percent to 50 percent of the fair market value of qualifying donations and increase the maximum annual amount of tax credits that a taxpayer could earn from \$5,000 to \$10,000.

Elective Pass-Through Entity Tax

Legislation enacted in 2022 created a new elective Pass-Through Entity Tax (PTET) that allows owners of pass-through entities to pay their state income tax at the entity level rather than the individual level, thus reducing their federal tax liability after Congress placed a \$10,000 cap on state and local tax (SALT) deductions at the federal level.

The elective PTET is effectively revenue neutral because it simply allows a qualifying pass-through entity to shift the income tax burden from individual pass-through entity owners to the entity itself. However, late implementation and unfamiliarity with the new PTET led many filers to pay their state tax liability at both levels which inflated non-withholding revenues in Fiscal Year 2023. Because many of these taxpayers file returns on extension, this created an estimated \$1 billion overpayment in Fiscal Year 2023 which could not be reconciled until after the start of Fiscal Year 2024 via refunds and overpayment credits.

Current trends indicate approximately 20 percent of the overpayments will be corrected via overpayment credits, which decrease future nonwithholding revenues. The other 80 percent is expected to go out as refunds. Experience in other states shows it takes a minimum of three years for full taxpayer adaptation to the PTET. In that time there will be

a continued pattern of overpayments in one fiscal year followed by compensating refunds and overpayment credits in the next. The expectation is for overpayments as a percentage of total PTET payments to shrink to 25 percent by Fiscal Year 2026.

| Source | FY 24 | FY 25 | FY 26 |
|---|----------------|----------------|----------------|
| Withholding | (531.8) | (579.3) | (572.4) |
| Increase Standard Deduction to \$8,000 | (502.3) | (510.8) | (518.9) |
| Increase Standard Deduction to \$8,500 (FY24 Q3) | (34.2) | (72.2) | (72.8) |
| Conformity | 4.7 | 3.7 | 19.3 |
| Non-Withholding | (167.8) | (185.0) | (182.7) |
| Increase Standard Deduction to \$8,000 | (148.6) | (151.1) | (153.5) |
| Increase Standard Deduction to \$8,500 (FY24 Q3) | (10.1) | (21.4) | (21.5) |
| Conformity | 5.9 | 1.3 | 6.8 |
| 163(j) Deduction 20% to 50% | (12.1) | (13.9) | (14.5) |
| Expansion of Neighborhood Assistance Program (NAP) | (3.0) | - | - |
| Refunds | (450.2) | (480.2) | (498.9) |
| Increase Standard Deduction to \$8,000 | (56.6) | (57.5) | (58.5) |
| Increase Standard Deduction to \$8,500 (FY24 Q3) | (3.8) | (8.1) | (8.2) |
| Conformity | (1.3) | (0.5) | (2.8) |
| Deduction for Eligible Educator Qualifying Expenses | (3.5) | (3.6) | (3.7) |
| Refundable EITC to 15% of EITC | (156.0) | (159.5) | (155.0) |
| Military Retirement Subtraction | (156.1) | (182.0) | (194.4) |
| Eliminate Age Requirement for Military Retirement Subtraction | (37.8) | (33.4) | (34.7) |
| Hardwood Management Practices | (0.3) | - | - |
| Housing Tax Credit | (6.0) | (12.0) | (18.0) |
| Education Tax Credit | (12.0) | (12.0) | (12.0) |
| Firearm Safety Device Tax Credit | (5.0) | (5.0) | (5.0) |
| Food Crop Donation Credit | (0.1) | (0.1) | (0.1) |
| Livable Home Tax Credit | (1.0) | (1.0) | (1.0) |
| Subtraction for National Guard Pay | (0.8) | (0.5) | (0.5) |
| Prescription Meds for Pets Exemption | (4.7) | (4.8) | (5.0) |
| Expiration of Coalfield Emp Enhancement Credit | (5.2) | - | - |
| Sales | (269.1) | (272.5) | (273.6) |
| Eliminate State Share of Grocery Tax | (269.1) | (272.5) | (273.6) |
| Corporate | (3.7) | (15.7) | (17.1) |
| Conformity 23 Secure Act Corporate | 5.4 | 4.3 | 3.6 |
| 163(j) Deduction Increase from 20% to 50% | (9.1) | (20.0) | (20.8) |

General Fund Revenue Forecasts

Table 3.3 at the end of this section provides a comparison of the November baseline forecast with the official forecast adopted in Chapter 1 of the General Assembly's 2023 special session. The official forecast predicted a 5.5 percent decline in general fund revenues from Fiscal Year 2023, while the November forecast predicts decline of 0.8 percent. The models used to arrive at this forecast are based on the October 2023 Moody's Analytics Mild Recession Scenario, modified by staff, and incorporate recommendations of the Joint Advisory Board of Economists. Because the upside risks are relatively minor while the downside risks of monetary policy overcorrections, governmental impasse, and foreign wars are all more severe, we have chosen a conservative approach.

Individual Income Taxes

Withholding

The withholding revenue model is based on a difference in log values of Virginia wages and salaries and incorporates historic tax rates, standard deductions, and quarterly cycles. Withholding collections are projected to experience just 0.5 percent growth in Fiscal Year 2024, before rebounding in Fiscal Year 2025 to 3.7 percent.

Non-withholding

Non-withholding revenue is extremely volatile. The revenue model uses log values of non-withholding regressed on log vectors of the S&P 500, proprietor's income, and dividends and interest. The model also adjusts for an anticipated minor recession beginning in the middle of 2024. Fiscal Years 2021 and 2022 experienced significantly above normal growth in non-withholding revenues. In Fiscal Year 2023, there was a slight decline as markets began to cool. This model predicts the elevated revenues to decline over Fiscal Year 2024 and 2025 before returning to normal growth rates in Fiscal Year 2026.

Refunds

The forecasting methodology for refunds sees the series as moderately impacted by changes in withholding collections, while the dominant driver is policy impacts. Thus, after adjusting for policy a time series approach was used with the lagged withholding forecast as the main covariate. A seasonal autoregressive moving average model was applied and predicts a return to average values which is then re-adjusted with the policy impacts shown earlier in Table 3.2.

Retail Sales and Use Taxes

Retail sales and use tax was computed using a cross sectional model of differences in revenue against taxable sales and interactions with structural shifts including tax rates, tax base, and recessions. The result is a forecasted 4.6 percent decline in sales in Fiscal Year 2024 as the loss of grocery tax is fully accounted for before returning to normal growth rates in 2025 and accelerating in 2026.

All Other General Fund Revenues

All other revenues are forecasted to total \$4,665.8 million in Fiscal Year 2024, which is a growth of 11.3 percent over Fiscal Year 2023. Most of this growth is in two categories: corporate income tax and interest income. Corporate income tax collections are estimated based on forecasted growth in corporate profits. Interest income is estimated using projected general account balances and projected yields provided by the Department of Treasury. Interest income on general account balances accrue to the general fund on a monthly basis with portions periodically credited back to special (nongeneral) funds that are entitled by law to retain interest earnings. The balance remains in the general fund. Growth in both of these categories is expected to dampen in Fiscal Year 2025 as interest rates and consumer spending slowly return to normal.

Alternate General Fund Forecast

Table 3.4 provides an overview of the alternate general fund forecast and a comparison to the official forecast adopted in Chapter 1 of the General Assembly's 2023 special session. The alternate forecast is based on the 90th percentile recession scenario provided by Moody's Analytics, modified by staff, and incorporates recommendations from the Joint Advisory Board of Economists. The alternate forecast has significant downturns in Fiscal Year 2024 for all major sources and results in a similar prediction as the official forecast. The alternative Fiscal Year 2024 general fund forecast totals \$26.1 billion, a 6.5 percent decline from Fiscal Year 2023.

Table 3.3
The Official to November General Fund Forecast for Fiscal Year 2024
(Dollars in Millions)

November 20, 2023

| | Fiscal Year 2024 | | | | | 2022-2024 Biennium | | |
|---|--------------------|--------------------|-------------------|--------------------|----------------|--------------------|--------------------|-------------------|
| | Official | November | Change | % Growth Over FY23 | | Official | November | Change |
| | Forecast | Forecast | | Official | November | Forecast | Forecast | |
| MAJOR TAX SOURCES | | | | | | | | |
| Corporate Income | \$ 1,896.1 | \$ 2,213.5 | \$ 317.4 | (6.6) % | 9.0 % | \$ 3,927.2 | \$ 4,244.6 | \$ 317.4 |
| Individual Income Tax: | | | | | | | | |
| Gross | 20,540.5 | 21,852.3 | 1,311.8 | (9.1) | (3.3) | 43,126.9 | 44,438.7 | 1,311.8 |
| Withholding | 15,852.9 | 16,038.5 | 185.6 | (0.7) | 0.5 | 31,810.1 | 31,995.7 | 185.6 |
| Nonwithholding | 4,687.6 | 5,813.8 | 1,126.2 | (29.3) | (12.3) | 11,316.8 | 12,443.0 | 1,126.2 |
| Refunds | <u>(2,834.8)</u> | <u>(3,336.2)</u> | <u>(501.4)</u> | <u>(21.3)</u> | <u>(7.4)</u> | <u>(6,437.6)</u> | <u>(6,939.0)</u> | <u>(501.4)</u> |
| Net | 17,705.7 | 18,516.1 | 810.4 | (6.7) | (2.5) | 36,689.3 | 37,499.7 | 810.4 |
| Insurance Company Premiums | 429.7 | 446.3 | 16.6 | (4.7) | (1.0) | 880.6 | 897.2 | 16.6 |
| State Sales & Use Tax | 4,418.2 | 4,515.8 | 97.6 | (6.7) | (4.6) | 9,152.7 | 9,250.3 | 97.6 |
| Wills, Suits, Deeds, & Contract Fees | <u>374.9</u> | <u>425.6</u> | <u>50.7</u> | <u>(12.9)</u> | <u>(1.2)</u> | <u>805.5</u> | <u>856.2</u> | <u>50.7</u> |
| Total Major Tax Sources | \$ 24,824.6 | \$ 26,117.3 | \$ 1,292.7 | (6.8) % | (1.9) % | \$ 51,455.3 | \$ 52,748.0 | \$ 1,292.7 |
| MISCELLANEOUS TAXES AND OTHER REVENUES | | | | | | | | |
| Alcoholic Beverage State Tax | \$ 277.9 | \$ 284.0 | \$ 6.1 | 3.3 % | 5.6 % | \$ 546.8 | \$ 552.9 | \$ 6.1 |
| Bank Franchise Tax | 38.4 | 30.4 | (8.0) | 22.3 | (3.2) | 69.8 | 61.8 | (8.0) |
| Beer & Beverage Excise Tax | 41.0 | 40.0 | (1.0) | 6.2 | 3.6 | 79.6 | 78.6 | (1.0) |
| Corporate Franchise & Charter Fees | 79.4 | 83.0 | 3.6 | (4.6) | (0.2) | 162.6 | 166.2 | 3.6 |
| Sports Betting Taxes | 67.3 | 74.1 | 6.8 | 0.0 | 10.1 | 134.6 | 134.6 | 0.0 |
| Interest & Rents | 635.3 | 672.9 | 37.6 | 73.9 | 84.2 | 1,000.6 | 1,038.2 | 37.6 |
| Miscellaneous Taxes and Penalties | 270.2 | 244.4 | (25.8) | 3.3 | (6.6) | 328.7 | 506.0 | 177.3 |
| Other Miscellaneous Revenues | 29.3 | 47.3 | 18.0 | (49.9) | (19.1) | 87.8 | 105.8 | 18.0 |
| Public Service GR / Consumption Tax | <u>105.9</u> | <u>104.3</u> | <u>(1.6)</u> | <u>1.4</u> | <u>(0.1)</u> | <u>210.3</u> | <u>208.7</u> | <u>(1.6)</u> |
| Total Misc. Taxes and Other Revenues | \$ 1,544.7 | \$ 1,580.4 | \$ 35.7 | 20.8 % | 23.5 % | \$ 2,823.9 | \$ 2,859.6 | \$ 35.7 |
| TOTAL GF REVENUES | \$ 26,369.3 | \$ 27,697.7 | \$ 1,328.4 | (5.5) % | (0.8) % | \$ 54,279.2 | \$ 55,607.6 | \$ 1,328.4 |
| TRANSFERS | | | | | | | | |
| A.B.C. Profits | \$ 153.6 | \$ 174.1 | \$ 20.5 | (6.5) % | 6.0 % | \$ 317.9 | \$ 338.4 | \$ 20.5 |
| Sales Tax (0.375%) | 521.5 | 550.8 | 29.3 | (6.4) | (1.1) | 1,078.5 | 1,107.8 | 29.3 |
| Transfers Per Appropriations Act | <u>(804.9)</u> | <u>(804.9)</u> | <u>0.0</u> | <u>(953.6)</u> | <u>(953.6)</u> | <u>(710.6)</u> | <u>(710.6)</u> | <u>0.0</u> |
| Total Transfers | \$ (129.8) | \$ (80.0) | \$ 49.8 | (115.9) % | (109.8) % | \$ 685.8 | \$ 735.6 | \$ 49.8 |
| TOTAL GENERAL FUND | \$ 26,239.5 | \$ 27,617.7 | \$ 1,378.2 | (8.7) % | (3.9) % | \$ 54,965.0 | \$ 56,343.2 | \$ 1,378.2 |

The official forecast is based on the July 2023 S&P Global pessimistic economic outlook and the corresponding Virginia state forecast developed by the Department of Taxation and incorporates actions of the General Assembly 2023 special session. Chapter 1.

The November forecast is based on the October 2023 Moody's Analytics Mild Recession Scenario and incorporates recommendations of the Joint Advisory Board of Economists.

The Official General Fund Forecast for Fiscal Years 2025-26
(Dollars in Millions)

November 20, 2023

| | Fiscal Year 2025 | | Fiscal Year 2026 | | 2025-2026 Biennium | |
|---|-------------------------|---------------------|-------------------------|---------------------|---------------------------|---------------------|
| | November Forecast | % Growth Over FY 24 | November Forecast | % Growth Over FY 25 | November Forecast | % Growth Over 22-24 |
| MAJOR TAX SOURCES | | | | | | |
| Corporate Income | \$ 2,063.8 | (6.8) % | \$ 2,161.3 | 4.7 % | \$ 4,225.1 | (0.5) % |
| Individual Income Tax: | | | | | | |
| Gross | 22,250.2 | 1.8 | 23,533.7 | 5.8 | 45,783.9 | 3.0 |
| Withholding | 16,629.4 | 3.7 | 17,739.9 | 6.7 | 34,369.3 | 7.4 |
| Nonwithholding | 5,620.8 | (3.3) | 5,793.8 | 3.1 | 11,414.6 | (8.3) |
| Refunds | <u>(3,025.9)</u> | <u>(9.3)</u> | <u>(2,759.8)</u> | <u>(8.8)</u> | <u>(5,785.7)</u> | <u>(16.6)</u> |
| Net | 19,224.3 | 3.8 | 20,773.9 | 8.1 | 39,998.2 | 6.7 |
| Insurance Company Premiums | 439.3 | (1.6) | 452.3 | 3.0 | 891.6 | (0.6) |
| State Sales & Use Tax | 4,687.5 | 3.8 | 4,929.7 | 5.2 | 9,617.2 | 4.0 |
| Wills, Suits, Deeds, & Contract Fees | <u>456.7</u> | <u>7.3</u> | <u>457.2</u> | <u>0.1</u> | <u>913.9</u> | <u>6.7</u> |
| Total Major Tax Sources | \$ 26,871.6 | 2.9 % | \$ 28,774.4 | 7.1 % | \$ 55,646.0 | 5.5 % |
| MISCELLANEOUS TAXES AND OTHER REVENUES | | | | | | |
| Alcoholic Beverage State Tax | \$ 297.2 | 4.6 % | \$ 311.2 | 4.7 % | \$ 608.4 | 10.0 % |
| Bank Franchise Tax | 30.4 | 0.0 | 30.4 | 0.0 | 60.8 | (1.6) |
| Beer & Beverage Excise Tax | 40.0 | 0.0 | 40.0 | 0.0 | 80.0 | 1.8 |
| Corporate Franchise & Charter Fees | 83.0 | 0.0 | 83.0 | 0.0 | 166.0 | (0.1) |
| Excess & Other Fees from Officers | 78.0 | 5.3 | 78.0 | 0.0 | 156.0 | 15.9 |
| Interest & Rents | 724.5 | 7.7 | 652.2 | (10.0) | 1,376.7 | 32.6 |
| Miscellaneous Taxes and Penalties | 254.0 | 3.9 | 260.3 | 2.5 | 514.3 | 1.6 |
| Other Miscellaneous Revenues | 47.3 | 0.0 | 48.7 | 3.0 | 96.0 | (9.3) |
| Public Service GR / Consumption Tax | <u>105.9</u> | <u>1.5</u> | <u>107.7</u> | <u>1.7</u> | <u>213.6</u> | <u>2.3</u> |
| Total Misc. Taxes and Other Revenues | \$ 1,660.3 | 5.1 % | \$ 1,611.5 | (2.9) % | \$ 3,271.8 | 14.4 % |
| TOTAL GF REVENUES | \$ 28,531.9 | 3.0 % | \$ 30,385.9 | 6.5 % | \$ 58,917.8 | 6.0 % |
| TRANSFERS | | | | | | |
| A.B.C. Profits | \$ 206.2 | 18.4 % | \$ 231.0 | 12.0 % | \$ 437.2 | 29.2 % |
| Sales Tax (0.375%) | 571.9 | 3.8 | 613.7 | 7.3 | 1,185.6 | 7.0 |
| Transfers Per Appropriations Act | <u>95.9</u> | <u>(111.9)</u> | <u>97.1</u> | <u>1.3</u> | <u>193.0</u> | <u>(127.2)</u> |
| Total Transfers | \$ 874.0 | (1,192.5) % | \$ 941.8 | 7.8 % | \$ 1,815.8 | 146.8 % |
| TOTAL GENERAL FUND | \$ 29,405.9 | 6.5 % | \$ 31,327.7 | 6.5 % | \$ 60,733.6 | 7.8 % |

The November forecast is based on the October 2023 Moody's Analytics Mild Recession Scenario and incorporates recommendations of the Joint Advisory Board of Economists.

Table 3.4
The Official to Alternative November General Fund Forecast for Fiscal Year 2024
(Dollars in Millions)

November 20, 2023

| | Fiscal Year 2024 | | | | 2022-2024 Biennium | | | |
|---|--------------------|--------------------|-------------------|--------------------|--------------------|--------------------|--------------------|-------------------|
| | Official | November | Change | % Growth Over FY23 | | Official | November | Change |
| | Forecast | Forecast | | Official | November | Forecast | Forecast | |
| MAJOR TAX SOURCES | | | | | | | | |
| Corporate Income | \$ 1,896.1 | \$ 1,982.8 | \$ 86.7 | (6.6) % | (2.4) % | \$ 3,927.2 | \$ 4,013.9 | \$ 86.7 |
| Individual Income Tax: | | | | | | | | |
| Gross | 20,540.5 | 20,684.5 | 144.0 | (9.1) | (8.4) | 43,126.9 | 43,270.9 | 144.0 |
| Withholding | 15,852.9 | 15,930.7 | 77.8 | (0.7) | (0.2) | 31,810.1 | 31,887.9 | 77.8 |
| Nonwithholding | 4,687.6 | 4,753.8 | 66.2 | (29.3) | (28.3) | 11,316.8 | 11,383.0 | 66.2 |
| Refunds | <u>(2,834.8)</u> | <u>(3,336.2)</u> | <u>(501.4)</u> | <u>(21.3)</u> | <u>(7.4)</u> | <u>(6,437.6)</u> | <u>(6,939.0)</u> | <u>(501.4)</u> |
| Net | 17,705.7 | 17,348.3 | (357.4) | (6.7) | (8.6) | 36,689.3 | 36,331.9 | (357.4) |
| Insurance Company Premiums | 429.7 | 437.3 | 7.6 | (4.7) | (3.0) | 880.6 | 888.2 | 7.6 |
| State Sales & Use Tax | 4,418.2 | 4,387.9 | (30.3) | (6.7) | (7.3) | 9,152.7 | 9,122.4 | (30.3) |
| Wills, Suits, Deeds, & Contract Fees | <u>374.9</u> | <u>358.0</u> | <u>(16.9)</u> | <u>(12.9)</u> | <u>(16.9)</u> | <u>805.5</u> | <u>788.6</u> | <u>(16.9)</u> |
| Total Major Tax Sources | \$ 24,824.6 | \$ 24,514.2 | \$ (310.4) | (6.8) % | (7.9) % | \$ 51,455.3 | \$ 51,144.9 | \$ (310.4) |
| MISCELLANEOUS TAXES AND OTHER REVENUES | | | | | | | | |
| Alcoholic Beverage State Tax | \$ 277.9 | \$ 284.0 | \$ 6.1 | 3.3 % | 5.6 % | \$ 546.8 | \$ 552.9 | \$ 6.1 |
| Bank Franchise Tax | 38.4 | 30.4 | (8.0) | 22.3 | (3.2) | 69.8 | 61.8 | (8.0) |
| Beer & Beverage Excise Tax | 41.0 | 40.0 | (1.0) | 6.2 | 3.6 | 79.6 | 78.6 | (1.0) |
| Corporate Franchise & Charter Fees | 79.4 | 83.0 | 3.6 | (4.6) | (0.2) | 162.6 | 166.2 | 3.6 |
| Sports Betting Taxes | 67.3 | 74.1 | 6.8 | 0.0 | 10.1 | 134.6 | 134.6 | 0.0 |
| Interest & Rents | 635.3 | 672.9 | 37.6 | 73.9 | 84.2 | 1,000.6 | 1,038.2 | 37.6 |
| Miscellaneous Taxes and Penalties | 270.2 | 244.4 | (25.8) | 3.3 | (6.6) | 328.7 | 506.0 | 177.3 |
| Other Miscellaneous Revenues | 29.3 | 47.3 | 18.0 | (49.9) | (19.1) | 87.8 | 105.8 | 18.0 |
| Public Service GR / Consumption Tax | <u>105.9</u> | <u>104.3</u> | <u>(1.6)</u> | <u>1.4</u> | <u>(0.1)</u> | <u>210.3</u> | <u>208.7</u> | <u>(1.6)</u> |
| Total Misc. Taxes and Other Revenues | \$ 1,544.7 | \$ 1,580.4 | \$ 35.7 | 20.8 % | 23.5 % | \$ 2,823.9 | \$ 2,859.6 | \$ 35.7 |
| TOTAL GF REVENUES | \$ 26,369.3 | \$ 26,094.6 | \$ (274.7) | (5.5) % | (6.5) % | \$ 54,279.2 | \$ 54,004.5 | \$ (274.7) |
| TRANSFERS | | | | | | | | |
| A.B.C. Profits | \$ 153.6 | \$ 174.1 | \$ 20.5 | (6.5) % | 6.0 % | \$ 317.9 | \$ 338.4 | \$ 20.5 |
| Sales Tax (0.375%) | 521.5 | 534.9 | 13.4 | (6.4) | (4.0) | 1,078.5 | 1,091.9 | 13.4 |
| Transfers Per Appropriations Act | <u>(804.9)</u> | <u>(804.9)</u> | <u>0.0</u> | <u>(953.6)</u> | <u>(953.6)</u> | <u>(710.6)</u> | <u>(710.6)</u> | <u>0.0</u> |
| Total Transfers | \$ (129.8) | \$ (95.9) | \$ 33.9 | (115.9) % | (111.8) % | \$ 685.8 | \$ 719.7 | \$ 33.9 |
| TOTAL GENERAL FUND | \$ 26,239.5 | \$ 25,998.7 | \$ (240.8) | (8.7) % | (9.5) % | \$ 54,965.0 | \$ 54,724.2 | \$ (240.8) |

The official forecast is based on the July 2023 S&P Global pessimistic economic outlook and the corresponding Virginia state forecast developed by the Department of Taxation and incorporates actions of the General Assembly 2023 special session. Chapter 1.

The November Alternative forecast is based on the October 2023 Moody's Analytics Severe Recession Scenario and incorporates recommendations of the Joint Advisory Board of Economists.

The Alternative General Fund Forecast for Fiscal Years 2025-26
(Dollars in Millions)

November 20, 2023

| | Fiscal Year 2025 | | Fiscal Year 2026 | | 2025-2026 Biennium | |
|---|--------------------|---------------------|--------------------|---------------------|--------------------|---------------------|
| | November Forecast | % Growth Over FY 24 | November Forecast | % Growth Over FY 25 | November Forecast | % Growth Over 22-24 |
| MAJOR TAX SOURCES | | | | | | |
| Corporate Income | \$ 1,721.7 | (13.2) % | \$ 1,878.7 | 9.1 % | \$ 3,600.4 | (10.3) % |
| Individual Income Tax: | | | | | | |
| Gross | 20,932.6 | 1.2 | 21,616.8 | 3.3 | 42,549.4 | (1.7) |
| Withholding | 16,281.6 | 2.2 | 17,137.7 | 5.3 | 33,419.3 | 4.8 |
| Nonwithholding | 4,651.0 | (2.2) | 4,479.1 | (3.7) | 9,130.1 | (19.8) |
| Refunds | <u>(2,962.4)</u> | <u>(11.2)</u> | <u>(2,666.0)</u> | <u>(10.0)</u> | <u>(5,628.3)</u> | <u>(18.9)</u> |
| Net | 17,970.2 | 3.6 | 18,950.8 | 5.5 | 36,921.1 | 1.6 |
| Insurance Company Premiums | 430.5 | (1.6) | 443.3 | 3.0 | 873.8 | (1.6) |
| State Sales & Use Tax | 4,356.3 | (0.7) | 4,588.1 | 5.3 | 8,944.5 | (2.0) |
| Wills, Suits, Deeds, & Contract Fees | <u>368.3</u> | <u>2.9</u> | <u>377.8</u> | <u>2.6</u> | <u>746.1</u> | <u>(5.4)</u> |
| Total Major Tax Sources | \$ 24,847.1 | 1.4 % | \$ 26,238.7 | 5.6 % | \$ 51,085.8 | (0.1) % |
| MISCELLANEOUS TAXES AND OTHER REVENUES | | | | | | |
| Alcoholic Beverage State Tax | \$ 297.2 | 4.6 % | \$ 311.2 | 4.7 % | \$ 608.4 | 10.0 % |
| Bank Franchise Tax | 30.4 | 0.0 | 30.4 | 0.0 | 60.8 | (1.6) |
| Beer & Beverage Excise Tax | 40.0 | 0.0 | 40.0 | 0.0 | 80.0 | 1.8 |
| Corporate Franchise & Charter Fees | 83.0 | 0.0 | 83.0 | 0.0 | 166.0 | (0.1) |
| Excess & Other Fees from Officers | 78.0 | 5.3 | 78.0 | 0.0 | 156.0 | 15.9 |
| Interest & Rents | 724.5 | 7.7 | 652.2 | (10.0) | 1,376.7 | 32.6 |
| Miscellaneous Taxes and Penalties | 254.0 | 3.9 | 260.3 | 2.5 | 514.3 | 1.6 |
| Other Miscellaneous Revenues | 47.3 | 0.0 | 48.7 | 3.0 | 96.0 | (9.3) |
| Public Service GR / Consumption Tax | <u>105.9</u> | <u>1.5</u> | <u>107.7</u> | <u>1.7</u> | <u>213.6</u> | <u>2.3</u> |
| Total Misc. Taxes and Other Revenues | \$ 1,660.3 | 5.1 % | \$ 1,611.5 | (2.9) % | \$ 3,271.8 | 14.4 % |
| TOTAL GF REVENUES | \$ 26,507.4 | 1.6 % | \$ 27,850.2 | 5.1 % | \$ 54,357.6 | 0.7 % |
| TRANSFERS | | | | | | |
| A.B.C. Profits | \$ 206.2 | 18.4 % | \$ 231.0 | 12.0 % | \$ 437.2 | 29.2 % |
| Sales Tax (0.375%) | 497.7 | (7.0) | 524.0 | 5.3 | 1,021.7 | (6.4) |
| Transfers Per Appropriations Act | <u>95.9</u> | <u>(111.9)</u> | <u>97.1</u> | <u>1.3</u> | <u>193.0</u> | <u>(127.2)</u> |
| Total Transfers | \$ 799.8 | (934.0) % | \$ 852.1 | 6.5 % | \$ 1,651.9 | 129.5 % |
| TOTAL GENERAL FUND | \$ 27,307.2 | 5.0 % | \$ 28,702.3 | 5.1 % | \$ 56,009.5 | 2.3 % |

The November Alternative forecast is based on the October 2023 Moody's Analytics Severe Recession Scenario and incorporates recommendations of the Joint Advisory Board of Economists.

Section 4 Non-General Fund Revenues

Transportation Revenues

2020 House Bill 1414 and Senate Bill 890 (Chapters 1230 and 1275 of the 2020 *Acts of Assembly*) directed most transportation revenues to a new Commonwealth Transportation Fund. In addition to the financial structural changes made to the Commonwealth's transportation funding system, several changes were made to the funding mechanisms: the motor fuels tax was converted to a cents-per-gallon tax, the base registration fee was reduced, and a highway use fee for alternative fuel and fuel-efficient vehicles were implemented in Fiscal Year 2021.

Revenues used for the Commonwealth's transportation program are derived from the following taxes and fees:

- Motor Fuels and Road Use Taxes,
- A 4.15 percent Motor Vehicle Sales and Use Tax,
- Licensing fees,
- A portion of the state Retail Sales and Use Tax,
- 3.0 cents of the state Recordation Tax,
- One-third of the state Insurance Premiums License Tax,
- International Registration Plan Fees,
- Interest Earnings, and
- Other miscellaneous taxes and fees.

In addition, federal, local, and toll revenues are also used to finance transportation programs. These revenue sources, however, do not determine the fiscal capacity of the state's transportation program and, therefore, are not addressed here. Instead, the discussion focuses on revenues from state sources.

Fiscal Year 2023 in Review

Table 4.1 on the following page compares actual collections in Fiscal Year 2023 to the official forecast for the Commonwealth Transportation Fund. Total transportation revenues totaled over \$4.8 billion, an increase of \$223.6 million over last year. Revenue collections grew by 4.9 percent, slightly ahead of the official forecast of 3.9 percent, resulting in a forecast variance of 0.9 percent.

Strong growth in motor vehicle sales tax collections, mainly attributable to a surge in new and used vehicles prices, drove the surplus in the Commonwealth Transportation Fund. In addition, higher interest rates resulted in an upturn in interest earnings.

Table 4.1
Commonwealth Transportation Fund
Actual Collections Compared to the Official Forecast for Fiscal Year 2023
(Millions of Dollars)

| Revenue Sources | FY2022 Actual | FY2023 Actual | FY2023 Forecast | Percent Change 2022-2023 | | Forecast Variance | |
|-------------------------|------------------|------------------|--------------------|-----------------------------|------------|-------------------|------------|
| | | | | Actual | Forecast | Amount | Percent |
| Motor Fuels Tax | 1,215.3 | 1,382.8 | 1,407.7 | 13.8 | 15.8 | (24.9) | (1.8) |
| Road Use Tax | 71.2 | 87.6 | 71.4 | 23.0 | 0.3 | 16.2 | 22.7 |
| Vehicle Sales Tax | 1,200.2 | 1,208.6 | 1,141.8 | 0.7 | (4.9) | 66.8 | 5.9 |
| Vehicle Licenses | 231.0 | 196.6 | 200.7 | (14.9) | (13.1) | (4.1) | (2.0) |
| Highway User Fee | 53.8 | 58.4 | 61.3 | 8.6 | 13.9 | (2.9) | (4.7) |
| State Sales Tax | 1,368.3 | 1,416.7 | 1,433.1 | 3.5 | 4.7 | (16.4) | (1.1) |
| Recordation Tax | 81.6 | 52.6 | 61.7 | (35.5) | (24.4) | (9.1) | (14.7) |
| Insurance Premiums Tax | 180.7 | 202.5 | 202.5 | 12.1 | 12.1 | 0.0 | 0.0 |
| Int'l Registration Plan | 118.7 | 115.1 | 119.2 | (3.0) | 0.4 | (4.1) | (3.4) |
| Interest Earnings | 1.7 | 21.2 | 3.2 | 1147.1 | 88.2 | 18.0 | 562.5 |
| Rental Tax | 48.8 | 53.8 | 52.3 | 10.2 | 7.2 | 1.5 | 2.9 |
| Aviation Fuels Tax | 1.5 | 2.0 | 2.0 | 33.3 | 33.3 | 0.0 | 0.0 |
| Miscellaneous | 21.3 | 19.8 | 17.6 | (7.0) | (17.4) | 2.2 | 12.5 |
| TOTAL | \$4,594.1 | \$4,817.7 | \$4,774.5 | 4.9 | 3.9 | 43.2 | 0.9 |

Outlook for Key Tax Base Variables

Motor Fuel Consumption

Table 4.2 on the next page shows that gasoline consumption marginally increased by 0.2 percent while diesel fuel consumption experienced a second annual decline in Fiscal Year 2023, falling by 2.4 percent. Motor fuels consumption has yet to reach its pre-pandemic peak attained in Fiscal Year 2019.

Corporate Average Fuel Economy (CAFE) standards

Light-duty vehicle (LDV) fuel economy increases due to rising CAFE standards and electric vehicle (EV) sales. In addition to required fuel economy increases, consumer purchase decisions are also influenced by fuel prices. Consumer interest in EVs, which are significantly more efficient than internal combustion engine vehicles, and the impact EV adoption has on average light-duty vehicle fuel economy are sensitive to the price of gasoline.

The updated CAFE standard, which applies to model years 2024 through 2026, significantly increases average new vehicle fuel economy requirements. By 2026, the updated CAFE standard is 28 percent higher than the Safer Affordable Fuel-Efficient (SAFE) standard for new vehicles it replaced, resulting in an increase from 37 miles per gallon (mpg) to 47 mpg by 2026. In addition to improved conventional vehicle fuel efficiency, EV sales increase through 2050, increasing EVs on the road. The CAFE standard, which offers credits to EV manufacturers, and decreasing battery prices help drive this increase in EV sales.

Table 4.2
Motor Fuel Consumption, History and Forecast, Fiscal Years 2023 - 2026
(Percent Growth)

| | <u>2023</u> | <u>2024</u> | <u>2025</u> | <u>2026</u> |
|----------------------------|-------------|-------------|-------------|-------------|
| Taxable Gallons - Gasoline | | | | |
| Official (November 2022) | 0.2 | 3.4 | 0.7 | 0.7 |
| Mild Recession | | (1.0) | 1.0 | 2.2 |
| Severe Recession | | (1.2) | (1.7) | 0.7 |
| Taxable Gallons - Diesel | | | | |
| Official (November 2022) | (2.4) | 0.4 | 1.0 | 0.6 |
| Mild Recession | | 0.5 | (3.1) | (2.1) |
| Severe Recession | | 0.5 | (6.9) | (0.3) |

Motor Fuels Prices

In its October Short-Term Energy Outlook, the Energy Information Agency (EIA) increased its 2024 forecast for Brent crude by \$6.69 to \$94.91/b and forecast WTI crude in 2024 to average \$90.91/b, up \$7.69 from last month's estimate for the year. The higher oil prices are a reflection of the EIA's estimates that oil production by OPEC+ members will fall by 340,000 b/d in 2024 to 37.84 million b/d, following a 1.39 million b/d decline in 2023 that partly offset an expected 2.7 million b/d of production growth achieved by non-OPEC producers.

With oil prices on the rise, the EIA reversed its forecast for declining gasoline and diesel prices. It now sees retail gasoline prices rising from an average of \$3.62/gal this year to an average of \$3.69/gal in 2024, a 17-cent increase from September 2023's estimate.

The EIA puts retail diesel prices at \$4.29/gal this year, down 2 cents from the prior estimate, and expects the fuel to remain at \$4.29/gal in 2024, a 22-cent increase from September's estimate.

Vehicle Miles Traveled (VMT)

The vehicle miles traveled (VMT) forecast—which directly affects motor gasoline consumption—has been reduced following the release of new population estimates from the U.S. Census Bureau. The revision increased the share of the U.S. population over 65, which reduced the forecast for VMT and gasoline consumption because it decreased our estimate of the working-age population commuters. The share of the U.S. population

that will be over 65 is 18.2 percent in 2024, up from the forecast of 18.0 percent. This seemingly small increase adds 0.7 million individuals to the population of adults over 65. Although the total population remained unchanged, the U.S. Census Bureau revised the population under the age of 15 down by 0.5 million and the working-age population down by 0.2 million people. We define the working-age population as ages 15–64 because this group accounts for the bulk of the workforce and regular commuting.

Total VMT by all vehicle types is projected to grow at an average rate of 0.7 percent annually through 2039. Over the 30-year forecast period, the average annual growth rate is projected to be 0.6 percent, as VMT growth is anticipated to slow gradually during the latter half of the forecast period. This outlook represents a move towards more moderate growth rates and convergence with population growth compared to the higher growth experienced between 1989 and 2019, when total VMT grew at an average rate of 2.0 percent annually.

Vehicle Sales

New car sales fell by 3.4 percent and used car sales declined by a similar amount, falling by 3.9 percent in Fiscal Year 2023. Table 4.3 on the following page shows the official and November 2022 forecasts for new and used vehicles. The discussion of the vehicle sales outlook is divided into two sections: new taxable titles and used taxable titles.

New Taxable Titles: In Fiscal Year 2023, 331,900 new vehicles were titled in Virginia, a decline of over 11,900 units from Fiscal Year 2022. However, new car prices increased by 6.9 percent, after shooting up 15.8 percent in Fiscal Year 2022. Since Fiscal Year 2019, the average price of a new car has increased from \$34,000 to over \$42,700.

Although progress is being made this year compared with 2022, new-vehicle sales are still well below the pre-pandemic level considered to be the market equilibrium. This is not surprising. Despite an increase in inventories, not seasonally adjusted average transaction prices remain elevated and have declined by only 3 percent from their peak in December. This suggests that higher vehicle prices are playing a key role in pushing some prospective customers to postpone purchasing a new vehicle. However, pent-up demand for new vehicles is such that new vehicle sales are unlikely to measurably decline from their current levels in the near term.

On the production end, the situation is improving but there are risks on the horizon. In August, light truck and auto assemblies pulled back slightly on a year-ago basis. Still, the U.S. average light truck and auto vehicle assembly this year is largely in line with the 2019 average. In addition, in July, U.S. light truck and vehicle assembly was the highest in three years, indicating the rapid progress carmakers are making in increasing production. Higher production is having an impact on inventories as well. In August, seasonally adjusted vehicle inventories rose to their highest level since June 2021 and grew by 81 percent from the prior year. In addition, seasonally adjusted inventories have trended up every month this year. As a result, vehicles are also spending more time on dealership

lots and the number of days a new vehicle is expected to be in the dealership's possession is rising but remains considerably below the pre-pandemic average.

Because of the progress made on inventories, U.S. carmakers have also been able to withstand the initial affects from the United Auto Workers (UAW) strike. Third-quarter vehicle sales by General Motors were up 21 percent but declined for Stellantis by 1.3 percent. General Motors sales in the third quarter were also helped by higher sales of its Chevrolet Trax and Buick Envista models, both of which are produced in South Korea. Ford's quarterly sales also rose 7.7 percent from the prior year. Days of inventory for most brands sold by the three U.S. carmakers were higher than the national average at the end of August. This indicates that the UAW strike has not had a material impact on the Big Three as of yet and this is largely attributable to the above-average inventory. In addition, the third-quarter sales decline for Stellantis also cannot be attributed to a lack of supply given that inventory levels for several of its car brands were nearly twice as high as the U.S. average at the end of August.

Inventory levels have not been harmed by the strike, but consumer perception matters as well. If consumers perceive that the strike at the Big Three has crippled their inventory levels, thereby making their vehicles even more expensive, they are likely to seek out the vehicles of foreign competitors instead. This is what appears to be happening—and since the striking parties are all light truck and/or SUV makers, it is important to dig a little deeper into monthly sales for this vehicle segment. In September, sales of foreign light trucks rose by 8 percent from August and 32 percent from the prior year. In contrast, sales of domestic light trucks were largely flat from August and year-over-year sales slowed to 11 percent. This suggests that consumer perception may already be moving them toward purchasing foreign trucks.

The United Auto Workers union on Monday announced a tentative contract agreement with General Motors, the last of the three U.S. automakers to settle a costly strike that lasted nearly seven weeks. The proposed agreement, similar to deals struck in recent days with Ford and Stellantis, would provide big gains in wages and benefits plus increased job security. The tentative agreements still need to be ratified by UAW members at their respective companies, including 57,000 at Ford, 43,000 at Stellantis and 46,000 at GM. Ratification is likely, but not guaranteed. Carmakers should be able to make up lost production before the end of the year, but only if suppliers that were forced to lay off workers during the strike can get their own workforces back quickly to restart operations.

Given the progress made, U.S. new light-vehicle sales will end 2023 on a high note. Rising vehicle production will continue to satiate pent-up consumer demand for new vehicles in the near term. However, higher interest rates will ensure that new-vehicle sales remain below their long-term equilibrium until 2025 at the earliest. The baseline also assumes a relatively healthy labor market, which will keep up consumer demand for new vehicles. Steadily rising inventory levels will narrow the gap between vehicle demand and supply, thereby slowing growth in average transaction prices.

Used Taxable Titles: 1,096,200 used cars were sold in Virginia in Fiscal Year 2023, about 3.9 percent down from Fiscal Year 2022. Prices were relatively flat, increasing by only 1.8 percent in Fiscal Year 2023. In Fiscal Year 2022, used car prices rose by 19.3 percent. The average price of a used car purchased in Virginia has increased by over 46 percent from pre-pandemic prices.

When it comes to used car prices, supply and demand drive the market. In 2023 and 2024, it's the reduced supply of used cars that ensures prices will remain elevated. As calendar year 2023 comes to a close, it looks like used car prices will end the year about where they began 12 months ago.

The roots of the used car shortage can be traced back to the supply chain problems of 2021-2022. The production of new cars slowed, and sales dropped meaningfully. Fewer cars sold in 2021-2022 resulted in fewer trade-ins and subsequently, a tightened supply of used vehicles. With approximately 15 million new cars that were initially scheduled for production globally never seeing the light of day, the ripple effect has led to a sustained shortage of used cars. The scarcity of pre-owned vehicles is likely to extend through this decade.

The connection between today's new car market and the shortage of used cars are expected to continue in 2024. Manufacturers aren't motivated to produce vehicles under \$30,000 since they need high profit margins to support their EV initiatives. Production will continue to focus on high-margin vehicles, not affordable models, leading more buyers to turn to the used car market for prices they can afford, no matter how inflated used car values may be.

Table 4.3
Virginia Vehicle Market, History and Forecast, Fiscal Years 2023 - 2026
(Percent Growth)

| | <u>2023</u> | <u>2024</u> | <u>2025</u> | <u>2026</u> |
|--------------------------|-------------|-------------|-------------|-------------|
| New Taxable Titles | | | | |
| Official (November 2022) | (3.4) | (2.2) | 9.7 | 3.9 |
| Mild Recession | | (2.4) | 5.4 | 6.4 |
| Severe Recession | | (3.5) | (8.6) | 14.3 |
| Used Taxable Titles | | | | |
| Official (November 2022) | (3.9) | (6.9) | 17.2 | 1.2 |
| Mild Recession | | 0.4 | 6.3 | (0.3) |
| Severe Recession | | (4.5) | (7.9) | 11.6 |

November 2023 Standard Commonwealth Transportation Fund Forecast

Table 4.4 on the following pages presents a comparison of the November 2023 mild recession forecast to the official revenue forecast.

The November 2023 mild recession forecast shows an increase of \$66.3 million in Fiscal Year 2024 and declines of \$97.8 million and \$80.4 million in fiscal years 2025 and 2026, respectively.

Table 4.4
The Official and November Standard Commonwealth Transportation Fund Forecast for Fiscal Year 2024
(Dollars in Millions)

November 1, 2023

| | Fiscal Year 2023 | | Fiscal Year 2024 | | | | |
|---|-------------------|--------------|-------------------|-------------------|----------------|------------------------------|--------------|
| | Forecast | % Growth | Official Forecast | November Forecast | Change | % Growth over FY 23 Official | November |
| Commonwealth Transportation Fund | | | | | | | |
| Motor Fuels Tax | \$ 1,382.8 | 13.8 % | \$ 1,499.5 | \$ 1,450.8 | \$ (48.7) | 8.4 % | 4.9 % |
| Road Tax | 87.6 | 23.0 | 71.2 | 85.4 | 14.2 | (18.7) | (2.5) |
| Aviation Fuels Tax | 2.0 | 33.3 | 2.0 | 2.0 | 0.0 | 0.0 | 0.0 |
| Motor Vehicle Sales and Use Tax | 1,208.6 | 0.7 | 1,078.2 | 1,178.9 | 100.7 | (10.8) | (2.5) |
| Motor Vehicle Rental Tax(1) | 53.8 | 10.2 | 51.9 | 55.5 | 3.6 | (3.5) | 3.2 |
| Motor Vehicle License Fees | 196.6 | (14.9) | 218.4 | 225.6 | 7.2 | 11.1 | 14.8 |
| Highway User Fee | 58.4 | 8.6 | 64.4 | 61.8 | (2.6) | 10.3 | 5.8 |
| International Registration Plan | 115.1 | (3.0) | 118.2 | 114.1 | (4.1) | 2.7 | (0.9) |
| Retail Sales and Use Tax | 1,416.7 | 3.5 | 1,388.2 | 1,372.1 | (16.1) | (2.0) | (3.1) |
| Recordation Tax (3 cents) | 52.6 | (35.5) | 52.4 | 52.5 | 0.1 | (0.4) | (0.2) |
| Insurance Premiums Tax (1/3) | 202.5 | 12.1 | 217.8 | 217.8 | 0.0 | 7.6 | 7.6 |
| Interest Earnings | 21.2 | 1,147.1 | 3.2 | 14.2 | 11.0 | (84.9) | (33.0) |
| Miscellaneous | 19.8 | (7.0) | 17.6 | 18.6 | 1.0 | (11.1) | (6.1) |
| Total State Taxes and Fees | \$ 4,817.7 | 4.9 % | \$ 4,783.0 | \$ 4,849.3 | \$ 66.3 | (0.7) % | 0.7 % |

The Official forecast is based on the October 2022 IHS Markit Standard outlook and the corresponding Virginia state forecast developed by the Department of Taxation adjusted for actions of the 2023 session of the General Assembly.

The November forecast is based on the October Moody's Analytics October 2023 mild recession forecast adapted based on recommendations of the Joint Advisory Board of Economists.

(1) Consistent with pages 4 and 5 of the monthly 10-page revenue report, includes distributions to Fund 04000 Commonwealth Transportation Fund and Fund 09830 WMATA Capital Fund.

Table 4.4
The Official and November Standard Commonwealth Transportation Fund Forecast for Fiscal Year 2025
(Dollars in Millions)

November 1, 2023

| | Fiscal Year 2025 | | | | | |
|---|----------------------|----------------------|------------------|---------------------|--------------|--|
| | Official Forecast | November Forecast | Change | % Growth over FY 24 | | |
| | | | | Official | November | |
| Commonwealth Transportation Fund | | | | | | |
| Motor Fuels Tax | \$ 1,561.2 | \$ 1,504.3 | \$ (56.9) | 4.1 % | 3.7 % | |
| Road Tax | 72.0 | 85.1 | 13.1 | 1.1 | (0.4) | |
| Aviation Fuels Tax | 2.0 | 2.0 | 0.0 | 0.0 | 0.0 | |
| Motor Vehicle Sales and Use Tax | 1,218.2 | 1,193.5 | (24.7) | 13.0 | 1.2 | |
| Motor Vehicle Rental Tax(1) | 51.3 | 54.9 | 3.6 | (1.2) | (1.1) | |
| Motor Vehicle License Fees | 219.5 | 219.5 | 0.0 | 0.5 | (2.7) | |
| Highway User Fee | 66.3 | 65.4 | (0.9) | 3.0 | 5.8 | |
| International Registration Plan | 119.6 | 119.6 | 0.0 | 1.2 | 4.8 | |
| Retail Sales and Use Tax | 1,435.4 | 1,392.2 | (43.2) | 3.4 | 1.5 | |
| Recordation Tax (3 cents) | 54.5 | 55.9 | 1.4 | 4.0 | 6.5 | |
| Insurance Premiums Tax (1/3) | 223.5 | 221.3 | (2.2) | 2.6 | 1.6 | |
| Interest Earnings | 3.2 | 14.2 | 11.0 | 0.0 | 0.0 | |
| Miscellaneous | 17.6 | 18.6 | 1.0 | 0.0 | 0.0 | |
| Total State Taxes and Fees | \$ 5,044.3 | \$ 4,946.5 | \$ (97.8) | 5.5 % | 2.0 % | |

The Official forecast is based on the October 2022 IHS Markit Standard outlook and the corresponding Virginia state forecast developed by the Department of Taxation adjusted for actions of the 2023 session of the General Assembly.
The November forecast is based on the October Moody's Analytics October 2023 mild recession forecast adapted based on recommendations of the Joint Advisory Board of Economists.
(1) Consistent with pages 4 and 5 of the monthly 10-page revenue report, includes distributions to Fund 04000 Commonwealth Transportation Fund and Fund 09830 WMATA Capital Fund.

Table 4.4
The Official and November Standard Commonwealth Transportation Fund Forecast for Fiscal Year 2026
(Dollars in Millions)

November 1, 2023

| | Fiscal Year 2026 | | | % Growth over FY 25 | |
|---|--------------------------|--------------------------|-------------------------|---------------------|---------------------|
| | Official Forecast | November Forecast | Change | Official | November |
| Commonwealth Transportation Fund | | | | | |
| Motor Fuels Tax | \$ 1,611.7 | \$ 1,554.6 | \$ (57.1) | 3.2 % | 3.3 % |
| Road Tax | 72.7 | 82.9 | 10.2 | 1.0 | (2.6) |
| Aviation Fuels Tax | 2.0 | 2.0 | 0.0 | 0.0 | 0.0 |
| Motor Vehicle Sales and Use Tax | 1,249.6 | 1,220.6 | (29.0) | 2.6 | 2.3 |
| Motor Vehicle Rental Tax(1) | 51.3 | 55.7 | 4.4 | 0.0 | 1.5 |
| Motor Vehicle License Fees | 221.4 | 221.9 | 0.5 | 0.9 | 1.1 |
| Highway User Fee | 68.3 | 67.9 | (0.4) | 3.0 | 3.8 |
| International Registration Plan | 120.0 | 120.0 | 0.0 | 0.3 | 0.3 |
| Retail Sales and Use Tax | 1,472.7 | 1,467.4 | (5.3) | 2.6 | 5.4 |
| Recordation Tax (3 cents) | 56.7 | 56.0 | (0.7) | 4.0 | 0.2 |
| Insurance Premiums Tax (1/3) | 235.2 | 220.2 | (15.0) | 5.2 | (0.5) |
| Interest Earnings | 3.2 | 14.2 | 11.0 | 0.0 | 0.0 |
| Miscellaneous | <u>17.6</u> | <u>18.6</u> | <u>1.0</u> | <u>0.0</u> | <u>0.0</u> |
| Total State Taxes and Fees | \$ <u>5,182.4</u> | \$ <u>5,102.0</u> | \$ <u>(80.4)</u> | <u>2.7</u> % | <u>3.1</u> % |

The Official forecast is based on the October 2022 IHS Markit Standard outlook and the corresponding Virginia state forecast developed by the Department of Taxation adjusted for actions of the 2023 session of the General Assembly.

The November forecast is based on the October Moody's Analytics October 2023 mild recession forecast adapted based on recommendations of the Joint Advisory Board of Economists.

(1) Consistent with pages 4 and 5 of the monthly 10-page revenue report, includes distributions to Fund 04000 Commonwealth Transportation Fund and Fund 09830 WMATA Capital Fund.

Alternative Forecast

Table 4.5 on the following pages compares the November 2023 alternative and official Commonwealth Transportation Fund forecasts. Under the alternative forecast, total transportation fund revenues are \$9.4 million higher in fiscal year 2022 and \$387.6 million and 251.8 million lower in fiscal years 2025 and 2026, respectively.

This forecast is based on the Moody's Analytics October 2023 severe recession forecast and the corresponding Virginia state forecast.

Table 4.5
The Official and November Alternative Commonwealth Transportation Fund Forecast for Fiscal Year 2024
(Dollars in Millions)

November 1, 2023

| | Fiscal Year 2023 | | Fiscal Year 2024 | | | | |
|---|-------------------|--------------|-------------------|-------------------|---------------|---------------------|----------------|
| | Forecast | % Growth | Official Forecast | November Forecast | Change | % Growth over FY 23 | |
| | | | | | | Official | November |
| Commonwealth Transportation Fund | | | | | | | |
| Motor Fuels Tax | \$ 1,382.8 | 13.8 % | \$ 1,499.5 | \$ 1,442.9 | \$ (56.6) | 8.4 % | 4.3 % |
| Road Tax | 87.6 | 23.0 | 71.2 | 85.4 | 14.2 | (18.7) | (2.5) |
| Aviation Fuels Tax | 2.0 | 33.3 | 2.0 | 2.0 | 0.0 | 0.0 | 0.0 |
| Motor Vehicle Sales and Use Tax | 1,208.6 | 0.7 | 1,078.2 | 1,149.5 | 71.3 | (10.8) | (4.9) |
| Motor Vehicle Rental Tax(1) | 53.8 | 10.2 | 51.9 | 55.5 | 3.6 | (3.5) | 3.2 |
| Motor Vehicle License Fees | 196.6 | (14.9) | 218.4 | 225.6 | 7.2 | 11.1 | 14.8 |
| Highway User Fee | 58.4 | 8.6 | 64.4 | 61.8 | (2.6) | 10.3 | 5.8 |
| International Registration Plan | 115.1 | (3.0) | 118.2 | 109.5 | (8.7) | 2.7 | (4.9) |
| Retail Sales and Use Tax | 1,416.7 | 3.5 | 1,388.2 | 1,364.6 | (23.6) | (2.0) | (3.7) |
| Recordation Tax (3 cents) | 52.6 | (35.5) | 52.4 | 45.0 | (7.4) | (0.4) | (14.4) |
| Insurance Premiums Tax (1/3) | 202.5 | 12.1 | 217.8 | 217.8 | 0.0 | 7.6 | 7.6 |
| Interest Earnings | 21.2 | 1,147.1 | 3.2 | 14.2 | 11.0 | (84.9) | (33.0) |
| Miscellaneous | 19.8 | (7.0) | 17.6 | 18.6 | 1.0 | (11.1) | (6.1) |
| Total State Taxes and Fees | \$ 4,817.7 | 4.9 % | \$ 4,783.0 | \$ 4,792.4 | \$ 9.4 | (0.7) % | (0.5) % |

The Official forecast is based on the October 2022 IHS Markit Standard outlook and the corresponding Virginia state forecast developed by the Department of Taxation adjusted for actions of the 2023 session of the General Assembly.

The November forecast is based on the October Moody's Analytics October 2023 severe recession forecast.

(1) Consistent with pages 4 and 5 of the monthly 10-page revenue report, includes distributions to Fund 04000 Commonwealth Transportation Fund and Fund 09830 WMATA Capital Fund.

Table 4.5
The Official and November Standard Commonwealth Transportation Fund Forecast for Fiscal Year 2025
(Dollars in Millions)

November 1, 2023

| | Fiscal Year 2025 | | | | |
|---|----------------------|----------------------|-------------------|---------------------|----------------|
| | Official Forecast | November Forecast | Change | % Growth over FY 24 | |
| | Official | November | | Official | November |
| Commonwealth Transportation Fund | | | | | |
| Motor Fuels Tax | \$ 1,561.2 | \$ 1,482.8 | \$ (78.4) | 4.1 % | 2.8 % |
| Road Tax | 72.0 | 81.2 | 9.2 | 1.1 | (4.9) |
| Aviation Fuels Tax | 2.0 | 2.0 | 0.0 | 0.0 | 0.0 |
| Motor Vehicle Sales and Use Tax | 1,218.2 | 1,012.0 | (206.2) | 13.0 | (12.0) |
| Motor Vehicle Rental Tax(1) | 51.3 | 54.9 | 3.6 | (1.2) | (1.1) |
| Motor Vehicle License Fees | 219.5 | 219.5 | 0.0 | 0.5 | (2.7) |
| Highway User Fee | 66.3 | 65.4 | (0.9) | 3.0 | 5.8 |
| International Registration Plan | 119.6 | 104.8 | (14.8) | 1.2 | (4.3) |
| Retail Sales and Use Tax | 1,435.4 | 1,340.1 | (95.3) | 3.4 | (1.8) |
| Recordation Tax (3 cents) | 54.5 | 40.0 | (14.5) | 4.0 | (11.1) |
| Insurance Premiums Tax (1/3) | 223.5 | 221.3 | (2.2) | 2.6 | 1.6 |
| Interest Earnings | 3.2 | 14.2 | 11.0 | 0.0 | 0.0 |
| Miscellaneous | 17.6 | 18.6 | 1.0 | 0.0 | 0.0 |
| Total State Taxes and Fees | \$ 5,044.3 | \$ 4,656.8 | \$ (387.5) | 5.5 % | (2.8) % |

The Official forecast is based on the October 2022 IHS Markit Standard outlook and the corresponding Virginia state forecast developed by the Department of Taxation adjusted for actions of the 2023 session of the General Assembly. The November forecast is based on the October Moody's Analytics October 2023 severe recession forecast.

(1) Consistent with pages 4 and 5 of the monthly 10-page revenue report, includes distributions to Fund 04000 Commonwealth Transportation Fund and Fund 09830 WMATA Capital Fund.

Table 4.5
The Official and November Standard Commonwealth Transportation Fund Forecast for Fiscal Year 2026
(Dollars in Millions)

November 1, 2023

| | Fiscal Year 2026 | | | | |
|---|--------------------------|--------------------------|--------------------------|---------------------|---------------------|
| | Official Forecast | November Forecast | Change | % Growth over FY 25 | |
| | | | | Official | November |
| Commonwealth Transportation Fund | | | | | |
| Motor Fuels Tax | \$ 1,611.7 | \$ 1,522.5 | \$ (89.2) | 3.2 % | 2.7 % |
| Road Tax | 72.7 | 81.0 | 8.3 | 1.0 | (0.2) |
| Aviation Fuels Tax | 2.0 | 2.0 | 0.0 | 0.0 | 0.0 |
| Motor Vehicle Sales and Use Tax | 1,249.6 | 1,132.8 | (116.8) | 2.6 | 11.9 |
| Motor Vehicle Rental Tax(1) | 51.3 | 55.7 | 4.4 | 0.0 | 1.5 |
| Motor Vehicle License Fees | 221.4 | 221.9 | 0.5 | 0.9 | 1.1 |
| Highway User Fee | 68.3 | 67.9 | (0.4) | 3.0 | 3.8 |
| International Registration Plan | 120.0 | 116.0 | (4.0) | 0.3 | 10.7 |
| Retail Sales and Use Tax | 1,472.7 | 1,425.8 | (46.9) | 2.6 | 6.4 |
| Recordation Tax (3 cents) | 56.7 | 52.0 | (4.7) | 4.0 | 30.0 |
| Insurance Premiums Tax (1/3) | 235.2 | 220.2 | (15.0) | 5.2 | (0.5) |
| Interest Earnings | 3.2 | 14.2 | 11.0 | 0.0 | 0.0 |
| Miscellaneous | <u>17.6</u> | <u>18.6</u> | <u>1.0</u> | <u>0.0</u> | <u>0.0</u> |
| Total State Taxes and Fees | \$ <u>5,182.4</u> | \$ <u>4,930.6</u> | \$ <u>(251.8)</u> | <u>2.7 %</u> | <u>5.9 %</u> |

The Official forecast is based on the October 2022 IHS Markit Standard outlook and the corresponding Virginia state forecast developed by the Department of Taxation adjusted for actions of the 2023 session of the General Assembly.

The November forecast is based on the October Moody's Analytics October 2023 severe recession forecast.

(1) Consistent with pages 4 and 5 of the monthly 10-page revenue report, includes distributions to Fund 04000 Commonwealth Transportation Fund and Fund 09830 WMATA Capital Fund.

ABC Revenues and Profits - Fiscal Year 2023

In Fiscal Year 2023, the Virginia Alcoholic Beverage and Control Authority (ABC) total revenue, excluding state tax receipts, was \$1,230.4 million. Net sales of alcoholic beverages in the retail stores accounted for 97.3 percent of the revenue. The remaining 2.7 percent of revenue was generated largely through the Authority’s regulatory and licensing activities. Table 4.6 shows ABC’s revenues, costs, and profits for fiscal years 2020 through 2023. Along with the net ABC profits, Table 4.6 also shows transfers required by the Acts of the Assembly and net profits for distribution transferred to the General Fund.

Table 4.6
Alcoholic Beverage Control Authority Components
of the Enterprise Fund - Revenues, Expenses, and Disbursements
Fiscal Years 2020-2023 (\$ millions)****

| | <u>2020</u> | <u>2021</u> | <u>2022****</u> | <u>2023</u> |
|---|-------------|-------------|-----------------|-------------|
| Total Revenue* | \$ 1,001.4 | \$ 1,135.0 | \$ 1,173.1 | \$ 1,230.4 |
| Cost of Goods & Total Operating Expenses** | 789.8 | 906.0 | 931.5 | 1,002.3 |
| Net ABC Profit** | 212.0 | 233.0 | 253.0 | 223.8 |
| Transfer to the General Fund: | | | | |
| Reimbursement for Appropriations as provided by the Acts of the Assembly | 69.4 | 69.4 | 69.4 | 69.4 |
| Net Profits for Distribution | \$ 142.7 | \$ 179.0 | \$ 175.3 | \$ 163.6 |

*These revenue figures exclude receipts collected under the state tax on alcoholic beverages and the general sales tax.

** Does not include DHRM year-end only post-employment benefit adjustments due to the advanced timing of the GACRE submission.

*** VABC Annual Report is the principal source of data for this report.

**** Revenue and Profit includes the \$15.1M gain on the sale of the Hermitage Road facility.

ABC Revenues and Profit Forecast for Fiscal Years 2024 through 2026

Comparisons of ABC’s performance in Fiscal Year 2022, estimated performance for Fiscal Year 2023, and actual performance in Fiscal Year 2023, are included in Table 4.7 on the following page. Fiscal Year 2023 actual compared to 2023 forecast shows an increase in sales, an increase in net ABC profits for distribution, and an increase in state tax revenue. Table 4.8 on the following page contains Fiscal Year 2023 results for store sales, profits for distribution and state tax revenues along with the 2024 through 2026 forecasts. Profit forecasts in Table 4.8 are net of the \$69.4 million in transfers mandated by the Appropriation Act.

Table 4.7
A Comparison of FY 2022 Results
to FY 2023 Estimated and Actual Results
(\$ millions)

| | <u>FY 2022</u> <u>Actual***</u> | <u>FY 2023</u> <u>Estimate</u> | <u>FY 2023</u> <u>Actual</u> | <u>Variance</u> | |
|--|------------------------------------|-----------------------------------|---------------------------------|-----------------|----------------|
| | | | | <u>Amount</u> | <u>Percent</u> |
| Total Store Sales* | 1,376.6 | 1,421.0 | 1,443.9 | 22.9 | 1.6% |
| Net ABC Profit for Distribution | 175.3 | 131.4 | 163.6 | 32.2 | 24.5% |
| State Tax Revenue** | 260.8 | 270.4 | 270.9 | 0.5 | 0.2% |

*These figures include state tax on alcoholic beverages and exclude the general sales tax collected at ABC stores.

**State Tax Revenue does not include \$9.1m wine liter tax transferred to DBHDS.

*** Revenue and Profit includes the \$15.1M gain on the sale of the Hermitage Road facility.

Table 4.8
Forecast of ABC Store Sales, ABC State Tax on Alcohol,
and Net Profits for Distribution, (\$ millions)

| | <u>Actual</u> | <u>Forecast</u> | | |
|---|---------------|-----------------|-------------|-------------|
| | <u>2023</u> | <u>2024</u> | <u>2025</u> | <u>2026</u> |
| Total ABC Store Sales: (1) | 1,443.9 | 1,517.4 | 1,593.3 | 1,673.0 |
| Excess (Shortage) FY 2022 /2023 Q4 profits (7) | 12.4 | (0.8) | | |
| Adjusted Net Profits for Distribution: (2) (3) (5) (6) | 151.2 | 174.9 | 206.2 | 231.0 |
| Total Adjusted Net Profits for Distribution | 163.6 | 174.1 | 206.2 | 231.0 |
| ABC State Tax Revenues:(1) | | | | |
| Spirits | 238.8 | 251.3 | 263.8 | 277.1 |
| Wine (4) | 32.1 | 32.7 | 33.4 | 34.1 |
| Total Tax Revenue: | 270.9 | 284.0 | 297.2 | 311.2 |

(1) Excludes the general sales tax.

(2) Does not include appropriation transfers mandated by Virginia Acts of Assembly.

(3) ABC develops forecasts on an accrual basis. The transfer of profits occurs on a cash basis. Variances often occur at year end when ABC has to transfer profit on June 30th.

(4) Wine figure excludes statutory transfers.

(5) Forecasted increase in FY 2024 Adjusted Net Profit is driven by increased sales, lower skilled services costs due to a reduction in IT projects, lower Media spend, reduction in store wages hours, reduction in vacant FTE positions, partially offset by increases in personal services costs including the Commonwealth mandated pay increases, full year impact of minimum wage increase to \$15/Hr to maintain competitive with similarly

(6) Forecasted increase in FY 2025 Adjusted Net Profit is driven by increased sales, savings in personnel costs through reduction in vacant FTE positions and attrition, cost savings efforts to offset general cost

(7) Reflects the accrual-based transfer of the excess FY 2022 and FY 2023 Q4 profits deposited into the general fund in Q1 of FY 2023 and FY 2024, respectively.

Risks to the Forecast

ABC's profit forecast is a factor of two elements: sales performance and trends in expenses. In both cases, forecasts beyond Fiscal Year 2024 are more prone to forecast error given the uncertainty with the economy and impacts on customer behavior and ABC's cost structure.

In Fiscal Year 2024, ABC expects sales to grow in the retail segment at 5.1 percent due to volume growth of 2 percent, pricing impacts of 1.5 percent and premiumization of 1.5 percent. Similar growth is anticipated in fiscal years 2025 through 2026. Like other industries, the spirits industry is still challenged with the lingering effects that supply shortages and disruptions could have on the availability of products. Unfavorable impacts could rise from competition for consumers that can choose beer and wine as an alternative to spirits. Challenges continue to exist for suppliers in the production, bottling, and transportation of spirits. Additional uncertainties exist around the legalization of cannabis and its potential offsetting impact to spirit sales. Continued price increases in these areas may result in shifts away from premium products to value products, which have a lower profit margin. Additionally, premiumization was a major driver of profit growth in previous years and a loss of this trend will further challenge performance.

On the expense side, ABC is faced with the 5 percent salary and benefit costs, automatic rent escalation, freight increases due to higher fuel costs and volume, telecommunication and technology costs and growth in credit card discount fees that are all very difficult to influence in the short run. One of the challenges that ABC faces is the change in marketplace demand for workers and the increased wages and personnel costs associated with the demand for employees. The Fiscal Year 2024 forecast represents the 5 percent pay increase for employees of the Commonwealth. Maintaining strong wage structures amid an increasingly competitive landscape is a priority to both retain and hire the talent to grow the Authority's revenues. Personnel cost escalation in fiscal years 2025 through 2026 forecast will be tempered at a lower rate reflecting a leveling off in the upward trend.

Personnel costs account for 56 percent of ABC non-merchandise expenditures, 18 percent are for continuous charges such as rent, GASB 87 lease amortization and utilities, 18 percent are for contractual services such as credit card fees, shipping product to stores and telecommunications, and 8 percent are for miscellaneous expenses such as supplies and materials, equipment, and depreciation. In fiscal years 2024 through 2026, increases in expenditures are expected due to the need to make significant ongoing infrastructure improvements to improve our information technology infrastructure. Currently, several of ABC's systems are dated and have reached their end-of-life, needing to be upgraded to maintain viability and to keep up with ABC's growing needs. Changes in salary and benefit cost rates, impacts of recession, continuing inflation, and mandated Appropriations Act transfers, can also significantly impact the accuracy of ABC's expense forecasts.

Distribution of ABC Profits and ABC State Tax Revenues

During Fiscal Year 2023, ABC contributed \$220.6 million (accrual basis) of net profits to the Commonwealth, and collected \$320.1 million of taxes on store sales, wine, and beer and an additional \$69.0 million of general sales tax totaling \$609.7 million.

Net ABC profits are generally earmarked for deposit in the General Fund; certain appropriations have been made by the General Assembly to recover alcohol-related program costs. The transfers for these programs and others were \$69.4 million in Fiscal Year 2023. These appropriations are charged against net ABC profits before being transferred to the General Fund. The remaining ABC profits are transferred into the General Fund as ABC profits. ABC expects to meet transfer requirements in Fiscal Year 2024 given the projected increase in gross sales. However, risks include the impact of recession, continuing inflation, and supply chain impacts on inventory.

In any given time period, amounts transferred to the General Fund will not correspond to net ABC profit earned, due to a 50-day interval before the profits are transferred to the Fund. This issue is exacerbated at year-end when ABC must estimate fourth quarter profits and make the transfer in advance of year-end closing.

Table 4.9
Virginia Alcoholic Beverage Control Authority
Forecast (FY2024-FY2029) (1)
As of 8/22/2023
(in millions)

| | Actual | Forecast | | | | | |
|--|----------------|-----------------|--------------------|----------------|----------------|----------------|----------------|
| | FY2023 | FY2024 | FY2025 | FY2026 | FY2027 | FY2028 | FY2029 |
| Revenue Sources: | | | <i>Growth Rate</i> | | | | |
| Alcoholic Beverages (Store Sales) | 1,443.9 | 1,517.4 | 5.09% | 5.00% | 5.00% | 5.00% | 5.00% |
| Less: State Taxes on Spirits & Wine | 238.8 | 251.3 | | 263.8 | 277.1 | 290.9 | 307.1 |
| Net Store Sales | 1,205.1 | 1,266.1 | | 1,329.5 | 1,395.9 | 1,465.7 | 1,537.3 |
| Other Revenue | 28.5 | 25.0 | | 25.2 | 25.5 | 25.7 | 26.0 |
| Total ABC Revenue | 1,233.6 | 1,291.1 | | 1,354.7 | 1,421.4 | 1,491.4 | 1,563.3 |
| Cost of Goods Sold: | 693.3 | 728.3 | | 764.8 | 803.0 | 843.2 | 885.3 |
| Operating Costs: | 319.7 | 318.5 | | 313.4 | 316.7 | 320.5 | 326.1 |
| Infrastructure Projects (2): | | | | 0.9 | 1.3 | 2.0 | 5.4 |
| ABC Net Profit | 220.6 | 244.3 | | 275.6 | 300.4 | 325.7 | 346.5 |
| Profit Carryover from Prior Fiscal Year (1) | | (0.8) | | | | | |
| GACRE Submission | | 243.5 | 275.6 | 300.4 | 325.7 | 346.5 | 374.0 |
| Mandated Appropriation Transfers | | (69.4) | (69.4) | (69.4) | (69.4) | (69.4) | (69.4) |
| GACRE Net Profits for Distribution | | 174.1 | 206.2 | 231.0 | 256.3 | 277.1 | 304.6 |
| ABC Net Profit as a % of Net Revenue | | 18.92% | 20.34% | 21.13% | 21.84% | 22.16% | 22.80% |

Notes:

1. Forecast developed on accrual basis. The profit transfer occurs on a cash basis. Variances often occur at year end when ABC has to transfer estimated profits prior to June 30th.

2. Infrastructure projects are ongoing and the depreciation/amortization impact with an increased impact beginning in FY25. These projects include the Inventory Management System FY25, Order Management FY26, Human Capital Management Project FY28 and other internal projects. All live projects as well as projects that will be going live in FY24 were included in the FY24 base budget.

VIRGINIA LOTTERY

Each fiscal year, Virginia Lottery makes periodic transfers of net income (revenues from sales plus other income, minus expenses) to the Lottery Proceeds Fund, in accordance with the schedule included in the Appropriations Act. Expenses are comprised of prizes to players, commissions to retailers, ticket printing and distribution, contractual fees for gaming system operations, and administrative operating costs. The primary drivers of the net income transferred are sales of lottery products and prizes paid to players.

Actual Results - Fiscal Year 2023

The Virginia Lottery transferred \$784.7 million to the Lottery Proceeds Fund during Fiscal Year 2023. The Lottery also transferred \$8.0 million for debt set-off to the Department of Taxation and \$12.6 million from unclaimed prizes to the Literary Fund.

Sales for Fiscal Year 2023 were \$4.6 billion, an increase of \$859 million (+22.9 percent) from Fiscal Year 2022. Net income was \$867.4 million, \$87.8 million (+11.3 percent) more than Fiscal Year 2022.

Total transfers to the Lottery Proceeds Fund during Fiscal Year 2023 were as follows: \$3.5 million in residual profits from Fiscal Year 2022, and \$781.2 million in estimated profits from Fiscal Year 2023. The \$86.2 million of residual Fiscal Year 2023 profits, transferred in August 2023 after the 2023 fiscal year results were certified by the Auditor of Public Accounts, will be included in the total Fiscal Year 2024 transfers.

Forecast Overview - Fiscal Years 2024 through 2026

The Virginia Lottery developed its sales and revenue forecasts based upon a variety of baseline assumptions, including:

- Continued traditional lottery gaming competition from neighboring jurisdictions, as well as the competition from sports betting and casino-style gaming in Virginia and neighboring jurisdictions;
- No legislatively-mandated change in the overall compensation rate paid to retailers offering Lottery products, or other constraints on Lottery expenses including prizes;
- No additional legislatively mandated limitation on the administrative spending for the Lottery, other than the current statutory 10 percent spending cap in place since the Lottery's inception; and
- No new constraints on the Lottery's sales and marketing efforts, including the ability to advertise products, establish prizes paid to players, and offer licensed property and other lottery games of chance that appeal to consumers.

For Fiscal Year 2024, the Lottery is projecting sales of \$5.298 billion and net income (turnover to the Lottery Proceeds Fund) of \$858.5 million. Prize expense is estimated to be \$4.1 billion, or 76.8 percent of sales; retailer compensation is forecast to be

\$138.3 million, or 5.8 percent of retail sales. This forecast takes into account current trends, the expansion of the competitive gaming environment, simulation models for jackpot progressions and sales, and statistically expected prize expense rates. The total estimated \$858.5 million net income, plus the residual \$86.2 million of Fiscal Year 2023 profits that has been transferred during Fiscal Year 2024, brings the total expected transfers to the Lottery Proceeds Fund for Fiscal Year 2024 to \$944.7 million. This is an increase of \$93.8 million from the figure in Chapter 1 for Fiscal Year 2025.

For Fiscal Year 2025, the Lottery expects that sales will sustain the growth anticipated in the current year, creating revenue for the Lottery Proceeds Fund of \$852.9 million in Fiscal Year 2025. The Lottery recommends holding this estimate steady for Fiscal Year 2026.

For the 2024-2026 biennium, the expected transfers to the Lottery Proceeds Fund total \$1.706 billion.

Sales Projections for Fiscal Years 2024 through 2026

For each fiscal year forecast, the Lottery total forecast is the sum of sales forecasts developed by the Lottery for each of its products. The methodology for each estimate is dependent upon the nature of the product. The data used in our models include such factors as: experiences of other U.S. and Canadian lotteries, variability of prize percentage, economic variables such as predicted interest rates, seasonal factors, promotions, and product life cycles.

Traditional Games

Traditional-style lottery products include those available at approximately 5,300 retail sales partners across Virginia. These products include scratch-off tickets, draw-game tickets where players select numbers that may match future draw results for chances to win prizes, instant-win games printed at lottery terminals, and limited-offerings including raffle style games. Games include national and regional multi-state game offerings as well as Virginia-only style games.

iLottery Products

Beginning July 1, 2020, registered adult players within the geographic boundaries of Virginia may purchase Instant games online, for chances to win prizes. In addition to the online-only category of Instant games, several other traditional-style games are also available for purchase, including single- or multiple future drawings to games including Powerball and Mega Millions.

Net Income for Fiscal Years 2024 through 2026

The Lottery is forecasting net income of \$858.5 million for Fiscal Year 2024, and \$852.9 million for Fiscal Year 2025. The Lottery's largest expense, prizes to players, is expected

to increase over this period as sales increase and players buy more products designed with a higher portion of sales returned back in the form of prizes. Retailers should continue to earn commissions and incentives equal to about 6 percent of retail sales. Operating expenses are projected to remain low in proportion to sales, less than 5 percent of total sales – about half of the 10 percent statutory maximum.

For the 2024-2026 biennium, net income is projected at about \$853 million each year.

Table 4.10
Forecast of Lottery Sales and Transfers to the Lottery Proceeds Fund
(\$ millions)

| | Fiscal Years | | |
|-------------------------|--------------|--------------|--------------|
| | 2024 | 2025 | 2026 |
| Sales | 5,298.0 | 5,744.1 | 6,088.8 |
| - Prize Expense | 4,066.7 | 4,498.9 | 4,825.1 |
| - Retailer Compensation | 138.3 | 132.8 | 132.8 |
| - Operating Expenses | 238.7 | 262.5 | 281.0 |
| + Other Income | 4.2 | 3.0 | 3.0 |
| Net Income | 858.5 | 852.9 | 852.9 |
| Other Transfers | 86.2 | - | - |
| Total Available | 944.7 | 852.9 | 852.9 |

Risks to the Forecast

There are a number of ongoing risks associated with the Virginia Lottery's forecast that could significantly affect the Lottery's transfer to the Lottery Proceeds Fund. The first is luck. Since the basis of many of the Lottery's products is a random drawing, in the relatively short period of one year, a wide range of outcomes can occur. If the Lottery experiences unusually high payouts in its daily games in any given year, sales may be higher than projected, but profits lower simply due to players winning more money. Luck is also a primary driver of sales for Mega Millions and Powerball. If jackpots are won with more frequency than expected, then sales will be lower than expected due to smaller jackpots. A long period without a jackpot win can generate much higher sales due to the growth of the jackpot, exceeding \$1 billion. This type of sales activity is never anticipated as part of a forecast of expected results, and can have longer-term negative impacts on game sales.

A second risk is competition from other gaming opportunities available to consumers. Mobile sports wagering became available in Virginia starting in January 2021. Four Virginia localities approved local referenda to establish land-based casino gaming. There are currently three casinos operating in Virginia, all of which opened during Fiscal Year

2023. There is also pending litigation related to the operation of skill games in Virginia, which have significant presence at retail locations where lottery tickets are sold.

Other risks include public health emergencies and the potential for additional retail and consumer purchase disruption, the overall economic impacts from changes in employment, inflation and consumer disposable income, as well as potential legislative action related to gaming in Virginia.

The current estimates of sales and profits also presume that the Lottery's appropriation authority is sufficient to support its operations for activities including investments in technology, sales equipment necessary to sustain and expand the Lottery retailer network, advertising, and contractual commitments to vendor partners that are primarily based on percentage of sales agreements. Estimates also do not anticipate any change in the distribution of lottery profits, or any change in the prize allocations or prize types available to players.

LAND-BASED CASINO TAX REVENUES

The 2020 General Assembly passed legislation making mobile sports betting and land-based casino gaming legal in Virginia. Licensed operators began offering mobile sports betting in January 2021, and the first land-based casino opened to the public in July 2022.

Casino Gaming Taxes

The first land-based casino operations began in Virginia with the opening of Hard Rock Bristol in July 2022. Later that same fiscal year, Rivers Portsmouth began operations in January 2023, and Caesars Virginia began operations in Danville in May 2023. Total tax collections from casino gaming were nearly \$46 million in Fiscal Year 2023. Distribution of casino gaming taxes is set out in the Code of Virginia: \$30.2 million available for the School Construction Fund; host localities (\$15.3 million); the Family & Children's Trust Fund (\$0.1 million); and the Problem Gambling Treatment and Support Fund (\$0.4M).

Forecast Overview – Fiscal Years 2024 through 2026

For Fiscal Year 2024, taxes from regulated casino gaming are estimated based on the early casino wagering and tax activity in the first year of operation. There are no estimates for any casino that is not yet operational. Table 4.11 on the following page estimates revenue for casinos currently in operation.

Table 4.11
Projection of Casino Gaming Taxes
(\$ millions)

| | Fiscal Year | | |
|--|--------------------|--------------|--------------|
| | 2024 | 2025 | 2026 |
| School Construction Fund | 78.0 | 83.0 | 83.0 |
| Host Locality | 39.0 | 40.5 | 40.5 |
| Family & Children's Trust Fund | 0.2 | 0.3 | 0.3 |
| Problem Gambling Treatment and Support Fund | 0.9 | 1.0 | 1.0 |
| Total Casino Taxes | 118.1 | 124.8 | 124.8 |

Risks and Considerations

Casino gaming is an emerging industry in Virginia. Tax estimates are based on very recent activity at each casino location, and the statutory tax requirements. A number of environmental factors could impact this activity and the associated tax collections, including:

- The general overall economic health, in particular in the travel and hospitality industry;
- The timing of the permanent facility opening in HR Bristol, which is expected to be July 2024;
- The overall security and integrity of casino operations; and
- Potential increased competition from neighboring states, and from other in-state gaming opportunities.

APPENDIX A

ECONOMIC DATA

TABLE A.1 - QUARTERLY NATIONAL AND VIRGINIA ECONOMIC VARIABLES

| | History | | | | | | | | | | | |
|---|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| | 2020.3 | 2020.4 | 2021.1 | 2021.2 | 2021.3 | 2021.4 | 2022.1 | 2022.2 | 2022.3 | 2022.4 | 2023.1 | 2023.2 |
| Real Gross Domestic Product, Billions \$, SAAR | 20,511.8 | 20,724.1 | 20,990.5 | 21,309.5 | 21,483.1 | 21,847.6 | 21,738.9 | 21,708.2 | 21,851.1 | 21,990.0 | 22,112.3 | 22,225.4 |
| Annualized % Change | 34.8 | 4.2 | 5.2 | 6.2 | 3.3 | 7.0 | (2.0) | (0.6) | 2.7 | 2.6 | 2.2 | 2.1 |
| % Change from Prior Year's Quarter | (1.5) | (1.1) | 1.6 | 12.0 | 4.7 | 5.4 | 3.6 | 1.9 | 1.7 | 0.7 | 1.7 | 2.4 |
| Real Consumer Spending, Billions \$, SAAR | 13,793.9 | 13,982.9 | 14,282.6 | 14,745.6 | 14,848.8 | 14,995.6 | 14,995.2 | 15,069.2 | 15,127.4 | 15,171.4 | 15,312.9 | 15,343.6 |
| Annualized % Change | 40.5 | 5.6 | 8.9 | 13.6 | 2.8 | 4.0 | (0.0) | 2.0 | 1.6 | 1.2 | 3.8 | 0.8 |
| % Change from Prior Year's Quarter | (1.5) | (0.8) | 3.0 | 16.4 | 7.6 | 7.2 | 5.0 | 2.2 | 1.9 | 1.2 | 2.1 | 1.8 |
| U.S. Personal Income, Billions \$, SAAR | 19,843.5 | 19,714.7 | 22,162.2 | 21,046.1 | 21,138.3 | 21,284.0 | 21,410.5 | 21,659.7 | 22,018.8 | 22,274.1 | 22,643.9 | 22,883.4 |
| Annualized % Change | (6.6) | (2.6) | 59.7 | (18.7) | 1.8 | 2.8 | 2.4 | 4.7 | 6.8 | 4.7 | 6.8 | 4.3 |
| % Change from Prior Year's Quarter | 7.8 | 6.1 | 18.0 | 4.3 | 6.5 | 8.0 | (3.4) | 2.9 | 4.2 | 4.7 | 5.8 | 5.6 |
| Virginia Personal Income, Millions \$, SAAR | 532,014.8 | 535,203.1 | 596,422.9 | 567,556.0 | 571,628.6 | 578,951.5 | 584,443.2 | 592,251.2 | 606,084.0 | 613,389.4 | 622,101.4 | 628,995.6 |
| Annualized % Change | (8.2) | 2.4 | 54.2 | (18.0) | 2.9 | 5.2 | 3.8 | 5.5 | 9.7 | 4.9 | 5.8 | 4.5 |
| % Change from Prior Year's Quarter | 5.5 | 5.4 | 16.3 | 4.4 | 7.4 | 8.2 | (2.0) | 4.4 | 6.0 | 5.9 | 6.4 | 6.2 |
| U.S. Existing Home Sales: Single-Family, Millions #, SAAR | 5.5 | 5.8 | 5.5 | 5.2 | 5.4 | 5.5 | 5.3 | 4.8 | 4.3 | 3.8 | 3.9 | 3.8 |
| Annualized % Change | 228.4 | 25.5 | (17.9) | (18.6) | 10.0 | 12.7 | (15.0) | (34.5) | (36.7) | (40.1) | 15.8 | (8.3) |
| % Change from Prior Year's Quarter | 13.8 | 5.8 | (4.8) | (5.0) | 2.4 | 3.0 | (4.0) | (10.0) | (10.8) | (12.0) | 3.7 | (2.1) |
| Virginia Existing Home Sales: Single-Family, Thousands #, SAAR | 126.9 | 138.2 | 134.1 | 127.1 | 134.1 | 141.3 | 132.0 | 116.7 | 100.8 | 87.8 | 94.2 | 92.8 |
| Annualized % Change | 145.4 | 40.9 | (11.5) | (19.3) | 24.1 | 23.2 | (24.0) | (38.9) | (44.3) | (42.5) | 32.9 | (5.9) |
| % Change from Prior Year's Quarter | 11.3 | 23.0 | 16.2 | 25.4 | 5.7 | 2.2 | (1.6) | (8.2) | (24.9) | (37.9) | (28.6) | (20.5) |
| Virginia Wages and Salaries, Millions \$, SAAR | 267,405.1 | 277,670.8 | 277,637.3 | 284,639.7 | 289,996.7 | 297,882.3 | 300,561.8 | 304,972.4 | 314,789.4 | 317,150.0 | 322,125.8 | 327,294.2 |
| Annualized % Change | 14.1 | 16.3 | (0.0) | 10.5 | 7.7 | 11.3 | 3.6 | 6.0 | 13.5 | 3.0 | 6.4 | 6.6 |
| % Change from Prior Year's Quarter | 1.5 | 4.2 | 2.4 | 10.0 | 8.4 | 7.3 | 8.3 | 7.1 | 8.5 | 6.5 | 7.2 | 7.3 |
| Virginia Total Population, Thousands #, NSA | 8,641.8 | 8,646.8 | 8,651.8 | 8,657.4 | 8,663.9 | 8,671.0 | 8,677.7 | 8,683.6 | 8,695.3 | 8,707.5 | 8,719.5 | 8,731.1 |
| Annualized % Change | 0.2 | 0.2 | 0.2 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.5 | 0.6 | 0.6 | 0.5 |
| % Change from Prior Year's Quarter | 0.3 | 0.3 | 0.2 | 0.2 | 0.3 | 0.3 | 0.3 | 0.3 | 0.4 | 0.4 | 0.5 | 0.5 |

SAAR: Seasonally Adjusted Annual Rates

SA: Seasonally Adjusted

TABLE A.1 - QUARTERLY NATIONAL AND VIRGINIA ECONOMIC VARIABLES

| | History | | | | | | | | | | | |
|--|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| | 2020.3 | 2020.4 | 2021.1 | 2021.2 | 2021.3 | 2021.4 | 2022.1 | 2022.2 | 2022.3 | 2022.4 | 2023.1 | 2023.2 |
| Total U.S. Employment, Millions, SA | 140.5 | 142.6 | 143.6 | 145.2 | 147.2 | 149.2 | 150.8 | 152.0 | 153.3 | 154.3 | 155.2 | 155.9 |
| Annualized % Change | 22.1 | 5.9 | 3.0 | 4.4 | 5.7 | 5.5 | 4.6 | 3.2 | 3.4 | 2.5 | 2.5 | 1.7 |
| % Change from Prior Year's Quarter | (7.0) | (6.0) | (5.4) | 8.6 | 4.7 | 4.6 | 5.0 | 4.7 | 4.2 | 3.4 | 2.9 | 2.5 |
| Virginia Total Nonag. Employment, Thousands, SA | 3,813.5 | 3,878.2 | 3,904.9 | 3,927.8 | 3,966.6 | 3,999.9 | 4,028.8 | 4,053.5 | 4,093.5 | 4,108.8 | 4,132.6 | 4,143.1 |
| Annualized % Change | 18.7 | 7.0 | 2.8 | 2.4 | 4.0 | 3.4 | 2.9 | 2.5 | 4.0 | 1.5 | 2.3 | 1.0 |
| % Change from Prior Year's Quarter | (6.1) | (4.9) | (4.4) | 7.5 | 4.0 | 3.1 | 3.2 | 3.2 | 3.2 | 2.7 | 2.6 | 2.2 |
| U.S. Civilian Labor Force Millions, SA | 160.3 | 160.8 | 160.2 | 160.9 | 161.5 | 162.2 | 163.9 | 164.1 | 164.4 | 164.7 | 166.3 | 166.8 |
| Annualized % Change | 5.8 | 1.1 | (1.4) | 1.8 | 1.4 | 1.6 | 4.5 | 0.4 | 0.9 | 0.7 | 3.8 | 1.3 |
| % Change from Prior Year's Quarter | (2.1) | (2.3) | (2.2) | 1.8 | 0.7 | 0.8 | 2.3 | 1.9 | 1.8 | 1.6 | 1.4 | 1.7 |
| Virginia Civilian Labor Force Thousands, SA | 4,320.3 | 4,311.8 | 4,313.8 | 4,330.6 | 4,328.2 | 4,351.9 | 4,407.2 | 4,427.7 | 4,435.9 | 4,464.5 | 4,507.3 | 4,571.1 |
| Annualized % Change | 1.5 | (0.8) | 0.2 | 1.6 | (0.2) | 2.2 | 5.2 | 1.9 | 0.7 | 2.6 | 3.9 | 5.8 |
| % Change from Prior Year's Quarter | (2.1) | (2.8) | (2.7) | 0.6 | 0.2 | 0.9 | 2.2 | 2.2 | 2.5 | 2.6 | 2.3 | 3.2 |
| CPI, All Urban, 1982-1984=1.0, SA | 259.2 | 261.0 | 263.7 | 268.6 | 272.9 | 278.7 | 284.9 | 291.5 | 295.5 | 298.5 | 301.3 | 303.4 |
| Annualized % Change | 4.6 | 2.8 | 4.2 | 7.5 | 6.6 | 8.8 | 9.2 | 9.7 | 5.5 | 4.2 | 3.8 | 2.7 |
| % Change from Prior Year's Quarter | 1.2 | 1.2 | 1.9 | 4.8 | 5.3 | 6.8 | 8.0 | 8.6 | 8.3 | 7.1 | 5.8 | 4.1 |
| Before-Tax Corporate Profits, Billions \$, SAAR | 2,873.9 | 2,713.6 | 3,023.7 | 3,343.0 | 3,313.3 | 3,316.5 | 3,439.0 | 3,696.2 | 3,558.2 | 3,398.4 | 3,457.6 | 3,473.1 |
| Annualized % Change | 241.8 | (20.5) | 54.1 | 49.4 | (3.5) | 0.4 | 15.6 | 33.4 | (14.1) | (16.8) | 7.1 | 1.8 |
| % Change from Prior Year's Quarter | 20.5 | 11.3 | 32.7 | 58.2 | 15.3 | 22.2 | 13.7 | 10.6 | 7.4 | 2.5 | 0.5 | (6.0) |
| S&P 500 Stock Market Index, Level | 3,321.6 | 3,554.3 | 3,862.6 | 4,182.5 | 4,421.2 | 4,601.0 | 4,467.0 | 4,110.2 | 3,973.6 | 3,852.0 | 4,003.0 | 4,204.3 |
| Annualized % Change | 65.5 | 31.1 | 39.5 | 37.5 | 24.9 | 17.3 | (11.1) | (28.3) | (12.6) | (11.7) | 16.6 | 21.7 |
| % Change from Prior Year's Quarter | 12.3 | 15.2 | 25.8 | 42.8 | 33.1 | 29.4 | 15.6 | (1.7) | (10.1) | (16.3) | (10.4) | 2.3 |

SAAR: Seasonally Adjusted Annual Rates

SA: Seasonally Adjusted

TABLE A.2 - QUARTERLY NATIONAL AND VIRGINIA ECONOMIC VARIABLES

| | October Mild Recession Scenario | | | | | | | | | | | |
|---|---------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| | 2023.3 | 2023.4 | 2024.1 | 2024.2 | 2024.3 | 2024.4 | 2025.1 | 2025.2 | 2025.3 | 2025.4 | 2026.1 | 2026.2 |
| Real Gross Domestic Product, Billions \$, SAAR | 22,395.8 | 22,408.0 | 22,422.0 | 22,301.0 | 22,228.0 | 22,192.0 | 22,271.0 | 22,452.0 | 22,666.0 | 22,820.0 | 23,030.0 | 23,241.0 |
| Annualized % Change | 3.1 | 0.2 | 0.3 | (2.1) | (1.3) | (0.6) | 1.4 | 3.3 | 3.9 | 2.7 | 3.7 | 3.7 |
| % Change from Prior Year's Quarter | 2.5 | 1.9 | 1.4 | 0.3 | (0.7) | (1.0) | (0.7) | 0.7 | 2.0 | 2.8 | 3.4 | 3.5 |
| Real Consumer Spending, Billions \$, SAAR | 15,489.2 | 15,480.5 | 15,460.5 | 15,444.3 | 15,501.1 | 15,599.3 | 15,695.0 | 15,791.8 | 15,898.2 | 15,999.7 | 16,093.3 | 16,190.6 |
| Annualized % Change | 3.9 | (0.2) | (0.5) | (0.4) | 1.5 | 2.6 | 2.5 | 2.5 | 2.7 | 2.6 | 2.4 | 2.4 |
| % Change from Prior Year's Quarter | 2.4 | 2.0 | 1.0 | 0.7 | 0.1 | 0.8 | 1.5 | 2.2 | 2.6 | 2.6 | 2.5 | 2.5 |
| U.S. Personal Income, Billions \$, SAAR | 23,119.0 | 23,191.2 | 23,318.5 | 23,478.8 | 23,638.7 | 23,828.1 | 24,046.3 | 24,277.5 | 24,549.4 | 24,846.8 | 25,132.2 | 25,414.9 |
| Annualized % Change | 4.2 | 1.3 | 2.2 | 2.8 | 2.8 | 3.2 | 3.7 | 3.9 | 4.6 | 4.9 | 4.7 | 4.6 |
| % Change from Prior Year's Quarter | 5.0 | 4.1 | 3.0 | 2.6 | 2.2 | 2.7 | 3.1 | 3.4 | 3.9 | 4.3 | 4.5 | 4.7 |
| Virginia Personal Income, Millions \$, SAAR | 635,625.3 | 639,007.4 | 643,275.0 | 648,216.5 | 653,137.1 | 658,733.4 | 665,103.3 | 671,765.2 | 679,455.8 | 687,855.7 | 695,576.1 | 703,185.2 |
| Annualized % Change | 4.3 | 2.1 | 2.7 | 3.1 | 3.1 | 3.5 | 3.9 | 4.1 | 4.7 | 5.0 | 4.6 | 4.4 |
| % Change from Prior Year's Quarter | 4.9 | 4.2 | 3.4 | 3.1 | 2.8 | 3.1 | 3.4 | 3.6 | 4.0 | 4.4 | 4.6 | 4.7 |
| U.S. Existing Home Sales: Single-Family, Millions #, SAAR | 3.6 | 3.5 | 3.5 | 3.4 | 3.5 | 3.6 | 3.7 | 4.1 | 4.3 | 4.6 | 4.7 | 4.5 |
| Annualized % Change | (19.4) | (8.6) | (6.6) | (13.1) | 12.5 | 19.9 | 11.5 | 43.4 | 30.6 | 30.7 | 7.1 | (16.6) |
| % Change from Prior Year's Quarter | (15.5) | (5.9) | (10.8) | (12.1) | (4.4) | 2.3 | 6.9 | 21.2 | 25.8 | 28.5 | 27.2 | 11.1 |
| Virginia Existing Home Sales: Single-Family, Thousands #, SAAR | 89.9 | 89.3 | 88.6 | 86.2 | 89.4 | 93.8 | 96.9 | 106.3 | 114.1 | 122.1 | 124.3 | 118.6 |
| Annualized % Change | (11.9) | (2.9) | (2.8) | (10.5) | 15.8 | 21.2 | 14.0 | 44.6 | 33.0 | 31.0 | 7.5 | (17.2) |
| % Change from Prior Year's Quarter | (10.8) | 1.7 | (6.0) | (7.1) | (0.6) | 5.1 | 9.4 | 23.3 | 27.7 | 30.2 | 28.3 | 11.6 |
| Virginia Wages and Salaries, Millions \$, SAAR | 331,646.6 | 333,998.4 | 335,328.7 | 336,883.1 | 339,641.1 | 343,080.4 | 347,353.8 | 351,834.9 | 356,752.2 | 361,901.2 | 365,720.0 | 369,298.8 |
| Annualized % Change | 5.4 | 2.9 | 1.6 | 1.9 | 3.3 | 4.1 | 5.1 | 5.3 | 5.7 | 5.9 | 4.3 | 4.0 |
| % Change from Prior Year's Quarter | 5.4 | 5.3 | 4.1 | 2.9 | 2.4 | 2.7 | 3.6 | 4.4 | 5.0 | 5.5 | 5.3 | 5.0 |
| Virginia Total Population, Thousands #, NSA | 8,742.4 | 8,753.3 | 8,763.9 | 8,774.1 | 8,784.0 | 8,793.6 | 8,802.9 | 8,811.8 | 8,820.2 | 8,828.2 | 8,835.9 | 8,843.1 |
| Annualized % Change | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 | 0.3 | 0.3 |
| % Change from Prior Year's Quarter | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 |

SAAR: Seasonally Adjusted Annual Rates

SA: Seasonally Adjusted

TABLE A.2 - QUARTERLY NATIONAL AND VIRGINIA ECONOMIC VARIABLES

| | October Mild Recession Scenario | | | | | | | | | | | |
|--|---------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| | 2023.3 | 2023.4 | 2024.1 | 2024.2 | 2024.3 | 2024.4 | 2025.1 | 2025.2 | 2025.3 | 2025.4 | 2026.1 | 2026.2 |
| Total U.S. Employment, Millions, SA | 156.6 | 154.7 | 153.4 | 152.8 | 152.8 | 153.2 | 154.2 | 155.1 | 156.1 | 157.1 | 157.3 | 157.5 |
| Annualized % Change | 1.7 | (4.6) | (3.3) | (1.7) | 0.0 | 1.1 | 2.6 | 2.5 | 2.6 | 2.5 | 0.6 | 0.3 |
| % Change from Prior Year's Quarter | 2.1 | 0.3 | (1.2) | (2.0) | (2.4) | (1.0) | 0.5 | 1.5 | 2.2 | 2.5 | 2.1 | 1.5 |
| Virginia Total Nonag. Employment, Thousands, SA | 4,154.4 | 4,145.0 | 4,110.0 | 4,086.0 | 4,083.0 | 4,100.0 | 4,130.0 | 4,160.0 | 4,190.0 | 4,215.0 | 4,230.0 | 4,243.0 |
| Annualized % Change | 1.1 | (0.9) | (3.3) | (2.3) | (0.3) | 1.7 | 3.0 | 2.9 | 2.9 | 2.4 | 1.4 | 1.2 |
| % Change from Prior Year's Quarter | 1.5 | 0.9 | (0.5) | (1.4) | (1.7) | (1.1) | 0.5 | 1.8 | 2.6 | 2.8 | 2.4 | 2.0 |
| U.S. Civilian Labor Force Millions, SA | 167.6 | 166.8 | 167.1 | 167.2 | 167.4 | 167.7 | 167.9 | 168.0 | 168.2 | 168.5 | 168.7 | 168.9 |
| Annualized % Change | 1.9 | (2.0) | 0.6 | 0.4 | 0.5 | 0.6 | 0.4 | 0.4 | 0.5 | 0.6 | 0.6 | 0.4 |
| % Change from Prior Year's Quarter | 1.9 | 1.3 | 0.5 | 0.2 | (0.1) | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 |
| Virginia Civilian Labor Force Thousands, SA | 4,602.9 | 4,580.3 | 4,588.0 | 4,592.7 | 4,598.0 | 4,604.6 | 4,609.1 | 4,613.6 | 4,618.8 | 4,625.2 | 4,631.9 | 4,636.9 |
| Annualized % Change | 2.8 | (1.9) | 0.7 | 0.4 | 0.5 | 0.6 | 0.4 | 0.4 | 0.5 | 0.6 | 0.6 | 0.4 |
| % Change from Prior Year's Quarter | 3.8 | 2.6 | 1.8 | 0.5 | (0.1) | 0.5 | 0.5 | 0.5 | 0.5 | 0.4 | 0.5 | 0.5 |
| CPI, All Urban, 1982-1984=1.0, SA | 305.7 | 308.1 | 310.1 | 311.5 | 312.7 | 314.2 | 315.9 | 317.6 | 319.4 | 321.0 | 322.7 | 324.3 |
| Annualized % Change | 3.2 | 3.2 | 2.6 | 1.9 | 1.6 | 1.9 | 2.2 | 2.2 | 2.3 | 2.0 | 2.1 | 2.0 |
| % Change from Prior Year's Quarter | 3.5 | 3.2 | 2.9 | 2.7 | 2.3 | 2.0 | 1.9 | 2.0 | 2.1 | 2.2 | 2.2 | 2.1 |
| Before-Tax Corporate Profits, Billions \$, SAAR | 3,488.8 | 3,452.1 | 3,296.6 | 3,160.3 | 3,158.6 | 3,179.3 | 3,189.6 | 3,223.4 | 3,254.1 | 3,286.9 | 3,323.5 | 3,362.1 |
| Annualized % Change | 1.8 | (4.1) | (16.8) | (15.5) | (0.2) | 2.6 | 1.3 | 4.3 | 3.9 | 4.1 | 4.5 | 4.7 |
| % Change from Prior Year's Quarter | (2.0) | 1.6 | (4.7) | (9.0) | (9.5) | (7.9) | (3.2) | 2.0 | 3.0 | 3.4 | 4.2 | 4.3 |
| S&P 500 Stock Market Index, Level | 4,458.2 | 4,308.0 | 3,874.3 | 3,474.4 | 3,547.2 | 3,634.1 | 3,763.6 | 3,903.8 | 4,050.9 | 4,170.3 | 4,339.5 | 4,491.6 |
| Annualized % Change | 26.4 | (12.8) | (34.6) | (35.3) | 8.6 | 10.2 | 15.0 | 15.8 | 16.0 | 12.3 | 17.2 | 14.8 |
| % Change from Prior Year's Quarter | 12.2 | 11.8 | (3.2) | (17.4) | (20.4) | (15.6) | (2.9) | 12.4 | 14.2 | 14.8 | 15.3 | 15.1 |

SAAR: Seasonally Adjusted Annual Rates

SA: Seasonally Adjusted

TABLE A.2 - QUARTERLY NATIONAL AND VIRGINIA ECONOMIC VARIABLES

| | October Severe Recession Forecast | | | | | | | | | | | |
|---|-----------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| | 2023.3 | 2023.4 | 2024.1 | 2024.2 | 2024.3 | 2024.4 | 2025.1 | 2025.2 | 2025.3 | 2025.4 | 2026.1 | 2026.2 |
| Real Gross Domestic Product, Billions \$, SAAR | 22,395.8 | 22,213.7 | 22,011.5 | 21,816.4 | 21,837.3 | 21,872.6 | 21,931.3 | 22,050.9 | 22,173.4 | 22,368.7 | 22,533.7 | 22,718.9 |
| Annualized % Change | 3.1 | (3.2) | (3.6) | (3.5) | 0.4 | 0.6 | 1.1 | 2.2 | 2.2 | 3.6 | 3.0 | 3.3 |
| % Change from Prior Year's Quarter | 2.5 | 1.0 | (0.5) | (1.8) | (2.5) | (1.5) | (0.4) | 1.1 | 1.5 | 2.3 | 2.7 | 3.0 |
| Real Consumer Spending, Billions \$, SAAR | 15,489.2 | 15,347.8 | 15,250.5 | 15,217.6 | 15,256.1 | 15,334.5 | 15,413.4 | 15,503.1 | 15,627.5 | 15,756.8 | 15,877.7 | 15,998.1 |
| Annualized % Change | 3.9 | (3.6) | (2.5) | (0.9) | 1.0 | 2.1 | 2.1 | 2.3 | 3.2 | 3.4 | 3.1 | 3.1 |
| % Change from Prior Year's Quarter | 2.4 | 1.2 | (0.4) | (0.8) | (1.5) | (0.1) | 1.1 | 1.9 | 2.4 | 2.8 | 3.0 | 3.2 |
| U.S. Personal Income, Billions \$, SAAR | 23,119.0 | 23,165.1 | 23,201.2 | 23,173.7 | 23,221.8 | 23,312.9 | 23,429.9 | 23,604.4 | 23,832.3 | 24,095.1 | 24,366.8 | 24,648.5 |
| Annualized % Change | 4.2 | 0.8 | 0.6 | (0.5) | 0.8 | 1.6 | 2.0 | 3.0 | 3.9 | 4.5 | 4.6 | 4.7 |
| % Change from Prior Year's Quarter | 5.0 | 4.0 | 2.5 | 1.3 | 0.4 | 0.6 | 1.0 | 1.9 | 2.6 | 3.4 | 4.0 | 4.4 |
| Virginia Personal Income, Millions \$, SAAR | 635,625.3 | 638,815.2 | 641,017.7 | 641,259.4 | 643,374.6 | 646,612.1 | 650,487.6 | 655,749.1 | 662,297.9 | 669,675.1 | 677,049.8 | 684,601.9 |
| Annualized % Change | 4.3 | 2.0 | 1.4 | 0.2 | 1.3 | 2.0 | 2.4 | 3.3 | 4.1 | 4.5 | 4.5 | 4.5 |
| % Change from Prior Year's Quarter | 4.9 | 4.1 | 3.0 | 1.9 | 1.2 | 1.2 | 1.5 | 2.3 | 2.9 | 3.6 | 4.1 | 4.4 |
| U.S. Existing Home Sales: Single-Family, Millions #, SAAR | 3.6 | 2.8 | 2.6 | 2.5 | 2.6 | 2.7 | 2.9 | 3.2 | 3.5 | 3.8 | 4.0 | 3.9 |
| Annualized % Change | (19.5) | (61.8) | (28.4) | (18.0) | 22.9 | 22.0 | 17.1 | 61.4 | 43.0 | 40.8 | 15.2 | (9.8) |
| % Change from Prior Year's Quarter | (15.4) | (24.4) | (33.0) | (34.8) | (27.6) | (3.2) | 9.5 | 29.8 | 34.8 | 39.7 | 39.1 | 20.3 |
| Virginia Existing Home Sales: Single-Family, Thousands #, SAAR | 89.9 | 71.3 | 66.3 | 63.5 | 67.3 | 71.1 | 74.3 | 84.2 | 92.4 | 100.9 | 104.7 | 102.0 |
| Annualized % Change | (11.9) | (60.4) | (25.6) | (15.7) | 26.5 | 24.6 | 19.0 | 64.6 | 45.0 | 42.5 | 15.8 | (9.9) |
| % Change from Prior Year's Quarter | (10.8) | (18.7) | (29.7) | (31.6) | (25.1) | (0.3) | 12.2 | 32.6 | 37.2 | 41.9 | 40.9 | 21.2 |
| Virginia Wages and Salaries, Millions \$, SAAR | 331,647 | 333,097 | 333,585 | 333,519 | 335,029 | 337,372 | 340,367 | 344,092 | 348,252 | 352,612 | 356,515 | 360,217 |
| Annualized % Change | 5.4 | 1.8 | 0.6 | (0.1) | 1.8 | 2.8 | 3.6 | 4.4 | 4.9 | 5.1 | 4.5 | 4.2 |
| % Change from Prior Year's Quarter | 5.4 | 5.0 | 3.6 | 1.9 | 1.0 | 1.3 | 2.0 | 3.2 | 3.9 | 4.5 | 4.7 | 4.7 |
| Virginia Total Population, Thousands #, NSA | 8,742.4 | 8,753.4 | 8,764.0 | 8,774.3 | 8,784.4 | 8,794.1 | 8,803.5 | 8,812.6 | 8,821.1 | 8,829.3 | 8,836.9 | 8,844.1 |
| Annualized % Change | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 | 0.3 | 0.3 |
| % Change from Prior Year's Quarter | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 |

SAAR: Seasonally Adjusted Annual Rates

SA: Seasonally Adjusted

TABLE A.2 - QUARTERLY NATIONAL AND VIRGINIA ECONOMIC VARIABLES

| | October Severe Recession Forecast | | | | | | | | | | | |
|--|-----------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| | 2023.3 | 2023.4 | 2024.1 | 2024.2 | 2024.3 | 2024.4 | 2025.1 | 2025.2 | 2025.3 | 2025.4 | 2026.1 | 2026.2 |
| Total U.S. Employment, Millions, SA | 156.6 | 153.1 | 151.5 | 150.2 | 149.5 | 149.3 | 149.6 | 150.2 | 151.2 | 152.2 | 153.0 | 153.6 |
| Annualized % Change | 1.7 | (8.7) | (4.1) | (3.3) | (2.0) | (0.5) | 0.9 | 1.6 | 2.8 | 2.7 | 2.0 | 1.6 |
| % Change from Prior Year's Quarter | 2.1 | (0.8) | (2.4) | (3.7) | (4.5) | (2.5) | (1.2) | (0.0) | 1.2 | 2.0 | 2.3 | 2.3 |
| Virginia Total Nonag. Employment, Thousands, SA | 4,154.4 | 4,068.8 | 4,030.9 | 3,999.9 | 3,982.6 | 3,979.9 | 3,990.0 | 4,006.3 | 4,033.5 | 4,060.0 | 4,079.0 | 4,094.4 |
| Annualized % Change | 1.1 | (8.0) | (3.7) | (3.0) | (1.7) | (0.3) | 1.0 | 1.6 | 2.7 | 2.7 | 1.9 | 1.5 |
| % Change from Prior Year's Quarter | 1.5 | (1.0) | (2.5) | (3.5) | (4.1) | (2.2) | (1.0) | 0.2 | 1.3 | 2.0 | 2.2 | 2.2 |
| U.S. Civilian Labor Force Millions, SA | 167.6 | 166.3 | 166.0 | 165.9 | 165.9 | 166.0 | 166.1 | 166.4 | 166.9 | 167.4 | 167.9 | 168.3 |
| Annualized % Change | 1.9 | (3.2) | (0.6) | (0.3) | (0.0) | 0.3 | 0.2 | 0.7 | 1.1 | 1.2 | 1.2 | 1.1 |
| % Change from Prior Year's Quarter | 1.9 | 1.0 | (0.1) | (0.5) | (1.0) | (0.2) | 0.0 | 0.3 | 0.6 | 0.8 | 1.1 | 1.2 |
| Virginia Civilian Labor Force Thousands, SA | 4,602.9 | 4,567.1 | 4,560.8 | 4,557.3 | 4,557.4 | 4,560.4 | 4,562.8 | 4,570.6 | 4,583.1 | 4,596.0 | 4,609.8 | 4,622.8 |
| Annualized % Change | 2.8 | (3.1) | (0.5) | (0.3) | 0.0 | 0.3 | 0.2 | 0.7 | 1.1 | 1.1 | 1.2 | 1.1 |
| % Change from Prior Year's Quarter | 3.8 | 2.3 | 1.2 | (0.3) | (1.0) | (0.1) | 0.0 | 0.3 | 0.6 | 0.8 | 1.0 | 1.1 |
| CPI, All Urban, 1982-1984=1.0, SA | 305.7 | 308.0 | 309.9 | 310.0 | 310.5 | 311.8 | 313.2 | 314.7 | 316.1 | 317.4 | 318.7 | 320.3 |
| Annualized % Change | 3.2 | 3.1 | 2.5 | 0.0 | 0.7 | 1.7 | 1.8 | 2.0 | 1.8 | 1.6 | 1.7 | 2.0 |
| % Change from Prior Year's Quarter | 3.5 | 3.2 | 2.9 | 2.2 | 1.5 | 1.2 | 1.0 | 1.5 | 1.8 | 1.8 | 1.8 | 1.8 |
| Before-Tax Corporate Profits, Billions \$, SAAR | 3,488.8 | 3,070.6 | 2,822.9 | 2,605.5 | 2,600.5 | 2,634.5 | 2,650.6 | 2,715.6 | 2,786.9 | 2,835.5 | 2,889.0 | 2,950.5 |
| Annualized % Change | 1.8 | (40.0) | (28.6) | (27.4) | (0.8) | 5.3 | 2.5 | 10.2 | 10.9 | 7.2 | 7.8 | 8.8 |
| % Change from Prior Year's Quarter | (2.0) | (9.6) | (18.4) | (25.0) | (25.5) | (14.2) | (6.1) | 4.2 | 7.2 | 7.6 | 9.0 | 8.7 |
| S&P 500 Stock Market Index, Level | 4,458.2 | 3,781.7 | 3,161.7 | 2,845.6 | 2,903.2 | 2,957.5 | 3,013.2 | 3,100.0 | 3,226.1 | 3,372.7 | 3,546.1 | 3,740.7 |
| Annualized % Change | 26.4 | (48.2) | (51.1) | (34.4) | 8.3 | 7.7 | 7.8 | 12.0 | 17.3 | 19.5 | 22.2 | 23.8 |
| % Change from Prior Year's Quarter | 12.2 | (1.8) | (21.0) | (32.3) | (34.9) | (21.8) | (4.7) | 8.9 | 11.1 | 14.0 | 17.7 | 20.7 |
| SAAR: Seasonally Adjusted Annual Rates | | | | | | | | | | | | |
| SA: Seasonally Adjusted | | | | | | | | | | | | |

TABLE A.3 - ANNUAL NATIONAL AND VIRGINIA ECONOMIC VARIABLES

| | | History | | | | | | | | | | | |
|--|---------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| | | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
| Real Gross Domestic Product, Billions \$, SAAR | Calendar Year | 17,052 | 17,443 | 17,812 | 18,262 | 18,800 | 19,142 | 19,612 | 20,194 | 20,692 | 20,234 | 21,408 | 21,822 |
| | % Change | 1.6 | 2.3 | 2.1 | 2.5 | 2.9 | 1.8 | 2.5 | 3.0 | 2.5 | (2.2) | 5.8 | 1.9 |
| | Fiscal Year | 16,947.2 | 17,266.4 | 17,582.9 | 18,004.1 | 18,589.0 | 18,953.5 | 19,351.9 | 19,934.4 | 20,395.2 | 20,367.3 | 20,884.0 | 21,694.4 |
| | % Change | 2.5 | 1.9 | 1.8 | 2.4 | 3.2 | 2.0 | 2.1 | 3.0 | 2.3 | (0.1) | 2.5 | 3.9 |
| Real Consumer Spending, Billions \$, SAAR | Calendar Year | 11,528 | 11,686 | 11,890 | 12,226 | 12,639 | 12,949 | 13,291 | 13,655 | 13,928 | 13,577 | 14,718 | 15,091 |
| | % Change | 1.7 | 1.4 | 1.7 | 2.8 | 3.4 | 2.5 | 2.6 | 2.7 | 2.0 | (2.5) | 8.4 | 2.5 |
| | Fiscal Year | 11,461 | 11,606 | 11,773 | 12,025 | 12,455 | 12,795 | 13,110 | 13,491 | 13,761 | 13,657 | 14,201 | 14,977 |
| | % Change | 2.3 | 1.3 | 1.4 | 2.1 | 3.6 | 2.7 | 2.5 | 2.9 | 2.0 | (0.8) | 4.0 | 5.5 |
| U.S. Personal Income, Billions \$, SAAR | Calendar Year | 13,310 | 13,918 | 14,069 | 14,784 | 15,474 | 15,888 | 16,663 | 17,528 | 18,356 | 19,629 | 21,408 | 21,841 |
| | % Change | 6.0 | 4.6 | 1.1 | 5.1 | 4.7 | 2.7 | 4.9 | 5.2 | 4.7 | 6.9 | 9.1 | 2.0 |
| | Fiscal Year | 12,953 | 13,606 | 14,010 | 14,371 | 15,176 | 15,668 | 16,241 | 17,089 | 17,982 | 18,989 | 20,692 | 21,373 |
| | % Change | 5.8 | 5.0 | 3.0 | 2.6 | 5.6 | 3.2 | 3.7 | 5.2 | 5.2 | 5.6 | 9.0 | 3.3 |
| Virginia Personal Income, Millions \$, SAAR | Calendar Year | 385,635 | 402,072 | 398,580 | 414,710 | 433,088 | 444,691 | 462,372 | 479,767 | 501,812 | 530,920 | 578,640 | 599,042 |
| | % Change | 5.7 | 4.3 | (0.9) | 4.0 | 4.4 | 2.7 | 4.0 | 3.8 | 4.6 | 5.8 | 9.0 | 3.5 |
| | Fiscal Year | 375,306 | 394,091 | 401,662 | 404,759 | 424,359 | 438,582 | 453,521 | 470,507 | 491,388 | 517,059 | 557,799 | 581,819 |
| | % Change | 5.6 | 5.0 | 1.9 | 0.8 | 4.8 | 3.4 | 3.4 | 3.7 | 4.4 | 5.2 | 7.9 | 4.3 |
| U.S. Existing Home Sales: Single-Family, Millions #, SAAR | Calendar Year | 3.8 | 4.1 | 4.5 | 4.3 | 4.6 | 4.8 | 4.9 | 4.7 | 4.7 | 5.1 | 5.4 | 4.5 |
| | % Change | 2.4 | 8.8 | 8.5 | (3.1) | 6.6 | 4.3 | 1.7 | (3.4) | 0.2 | 6.5 | 7.2 | (16.4) |
| | Fiscal Year | 3.6 | 3.9 | 4.3 | 4.4 | 4.5 | 4.7 | 4.9 | 4.9 | 4.7 | 4.6 | 5.5 | 5.3 |
| | % Change | (13.0) | 10.8 | 10.1 | 0.1 | 3.7 | 4.9 | 3.5 | (0.7) | (4.0) | (0.9) | 19.2 | (4.7) |
| Virginia Existing Home Sales: Single-Family, Thousands #, SAAR | Calendar Year | 81.1 | 86.3 | 89.9 | 86.1 | 95.7 | 104.7 | 108.6 | 106.0 | 112.0 | 120.5 | 134.2 | 109.3 |
| | % Change | (1.5) | 6.5 | 4.2 | (4.3) | 11.2 | 9.4 | 3.7 | (2.4) | 5.7 | 7.6 | 11.4 | (18.5) |
| | Fiscal Year | 78.7 | 82.5 | 91.2 | 84.6 | 90.8 | 101.4 | 107.5 | 109.3 | 106.2 | 110.8 | 131.6 | 131.0 |
| | % Change | (13.9) | 4.8 | 10.5 | (7.2) | 7.3 | 11.8 | 6.0 | 1.6 | (2.8) | 4.3 | 18.8 | (0.4) |
| Virginia Wages and Salaries, Millions \$, SAAR | Calendar Year | 202,088 | 208,177 | 210,443 | 215,894 | 225,619 | 231,294 | 240,848 | 250,392 | 261,980 | 268,724 | 287,539 | 309,368 |
| | % Change | 2.9 | 3.0 | 1.1 | 2.6 | 4.5 | 2.5 | 4.1 | 4.0 | 4.6 | 2.6 | 7.0 | 7.6 |
| | Fiscal Year | 199,865 | 204,784 | 210,472 | 212,046 | 220,469 | 228,352 | 236,134 | 245,538 | 255,986 | 264,883 | 276,838 | 298,353 |
| | % Change | 3.4 | 2.5 | 2.8 | 0.7 | 4.0 | 3.6 | 3.4 | 4.0 | 4.3 | 3.5 | 4.5 | 7.8 |
| Virginia Total Population, Thousands #, NSA | Calendar Year | 8,096 | 8,171 | 8,245 | 8,318 | 8,389 | 8,454 | 8,514 | 8,565 | 8,606 | 8,636 | 8,657 | 8,684 |
| | % Change | 0.9 | 0.9 | 0.9 | 0.9 | 0.8 | 0.8 | 0.7 | 0.6 | 0.5 | 0.4 | 0.2 | 0.3 |
| | Fiscal Year | 8,024 | 8,096 | 8,171 | 8,245 | 8,318 | 8,389 | 8,454 | 8,514 | 8,565 | 8,606 | 8,636 | 8,657 |
| | % Change | 1.2 | 0.9 | 0.9 | 0.9 | 0.9 | 0.8 | 0.8 | 0.7 | 0.6 | 0.5 | 0.4 | 0.2 |

SAAR: Seasonally Adjusted Annual Rates

SA: Seasonally Adjusted

TABLE A.3 - ANNUAL NATIONAL AND VIRGINIA ECONOMIC VARIABLES

| | | October Severe Recession Forecast | | | | October Mild Recession Scenario | | | |
|--|---------------|-----------------------------------|-----------|-----------|-----------|---------------------------------|-----------|-----------|-----------|
| | | 2023 | 2024 | 2025 | 2026 | 2023 | 2024 | 2025 | 2026 |
| Real Gross Domestic Product, Billions \$, SAAR | Calendar Year | 22,236.8 | 21,884.5 | 22,131.1 | 22,808.6 | 22,285.4 | 22,285.8 | 22,552.3 | 23,361.5 |
| | % Change | 1.9 | (1.6) | 1.1 | 3.1 | 2.1 | 0.0 | 1.2 | 3.6 |
| | Fiscal Year | 22,044.7 | 22,109.3 | 21,923.0 | 22,448.7 | 22,044.7 | 22,381.7 | 22,285.8 | 22,939.3 |
| | % Change | 1.6 | 0.3 | (0.8) | 2.4 | 1.6 | 1.5 | (0.4) | 2.9 |
| Real Consumer Spending, Billions \$, SAAR | Calendar Year | 15,373.3 | 15,264.7 | 15,575.2 | 16,048.8 | 15,406.5 | 15,501.3 | 15,846.2 | 16,235.7 |
| | % Change | 1.9 | (0.7) | 2.0 | 3.0 | 2.1 | 0.6 | 2.2 | 2.5 |
| | Fiscal Year | 15,238.8 | 15,326.3 | 15,376.8 | 15,815.0 | 15,238.8 | 15,468.6 | 15,646.8 | 16,045.4 |
| | % Change | 1.7 | 0.6 | 0.3 | 2.9 | 1.7 | 1.5 | 1.2 | 2.5 |
| U.S. Personal Income, Billions \$, SAAR | Calendar Year | 22,952.8 | 23,227.4 | 23,740.4 | 24,804.7 | 22,959.4 | 23,566.0 | 24,430.0 | 25,576.0 |
| | % Change | 5.1 | 1.2 | 2.2 | 4.5 | 5.1 | 2.6 | 3.7 | 4.7 |
| | Fiscal Year | 22,455.0 | 23,164.7 | 23,392.2 | 24,235.7 | 22,455.0 | 23,276.9 | 23,947.7 | 24,985.8 |
| | % Change | 5.1 | 3.2 | 1.0 | 3.6 | 5.1 | 3.7 | 2.9 | 4.3 |
| Virginia Personal Income, Millions \$, SAAR | Calendar Year | 631,384.4 | 643,065.9 | 659,552.4 | 688,763.5 | 631,432.4 | 650,840.5 | 676,045.0 | 707,453.2 |
| | % Change | 5.4 | 1.9 | 2.6 | 4.4 | 5.4 | 3.1 | 3.9 | 4.6 |
| | Fiscal Year | 617,642.6 | 639,179.4 | 649,055.9 | 673,406.2 | 617,642.6 | 641,531.0 | 662,184.8 | 691,518.2 |
| | % Change | 6.2 | 3.5 | 1.5 | 3.8 | 6.2 | 3.9 | 3.2 | 4.4 |
| U.S. Existing Home Sales: Single-Family, Millions #, SAAR | Calendar Year | 3.5 | 2.6 | 3.4 | 4.0 | 3.7 | 3.5 | 4.2 | 4.5 |
| | % Change | (21.9) | (26.1) | 28.6 | 17.8 | (18.1) | (6.5) | 20.7 | 8.4 |
| | Fiscal Year | 3.9 | 2.9 | 2.9 | 3.8 | 3.9 | 3.5 | 3.7 | 4.6 |
| | % Change | (25.2) | (26.6) | (0.8) | 32.9 | (25.2) | (11.2) | 6.3 | 22.6 |
| Virginia Existing Home Sales: Single-Family, Thousands #, SAAR | Calendar Year | 87.1 | 67.1 | 88.0 | 104.2 | 91.6 | 89.5 | 109.9 | 119.7 |
| | % Change | (20.3) | (23.0) | 31.1 | 18.5 | (16.2) | (2.2) | 22.7 | 8.9 |
| | Fiscal Year | 93.9 | 72.8 | 74.2 | 100.0 | 93.9 | 88.5 | 96.6 | 119.8 |
| | % Change | (28.3) | (22.5) | 2.0 | 34.7 | (28.3) | (5.8) | 9.2 | 24.0 |
| Virginia Wages and Salaries, Millions \$, SAAR | Calendar Year | 328,540.8 | 334,876.1 | 346,330.9 | 362,181.4 | 328,766.3 | 338,733.3 | 354,460.5 | 371,107.9 |
| | % Change | 6.2 | 1.9 | 3.4 | 4.6 | 6.3 | 3.0 | 4.6 | 4.7 |
| | Fiscal Year | 320,339.9 | 332,961.7 | 339,215.0 | 354,399.0 | 320,339.9 | 334,464.2 | 345,477.5 | 363,418.1 |
| | % Change | 7.4 | 3.9 | 1.9 | 4.5 | 7.4 | 4.4 | 3.3 | 5.2 |
| Virginia Total Population, Thousands #, NSA | Calendar Year | 8,731.1 | 8,774.3 | 8,812.6 | 8,844.1 | 8,731.1 | 8,774.1 | 8,811.8 | 8,843.1 |
| | % Change | 0.5 | 0.5 | 0.4 | 0.4 | 0.5 | 0.5 | 0.4 | 0.4 |
| | Fiscal Year | 8,683.6 | 8,731.1 | 8,774.3 | 8,812.6 | 8,683.6 | 8,731.1 | 8,774.1 | 8,811.8 |
| | % Change | 0.3 | 0.5 | 0.5 | 0.4 | 0.3 | 0.5 | 0.5 | 0.4 |

SAAR: Seasonally Adjusted Annual Rates

SA: Seasonally Adjusted

TABLE A.3 - ANNUAL NATIONAL AND VIRGINIA ECONOMIC VARIABLES

| | | History | | | | | | | | | | | |
|--|---------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| | | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
| Total U.S. Employment, Millions, SA | Calendar Year | 131.9 | 134.2 | 136.4 | 138.9 | 141.8 | 144.3 | 146.6 | 148.9 | 150.9 | 142.2 | 146.3 | 152.6 |
| | % Change | 1.2 | 1.7 | 1.6 | 1.9 | 2.1 | 1.8 | 1.6 | 1.6 | 1.3 | (5.8) | 2.9 | 4.3 |
| | Fiscal Year | 131.0 | 133.1 | 135.2 | 137.5 | 140.4 | 143.1 | 145.5 | 147.7 | 149.9 | 147.1 | 143.0 | 149.8 |
| | % Change | 0.6 | 1.6 | 1.6 | 1.7 | 2.1 | 1.9 | 1.7 | 1.5 | 1.5 | (1.9) | (2.8) | 4.8 |
| Virginia Total Nonag. Employment, Thousands, SA | Calendar Year | 3,694.1 | 3,736.7 | 3,763.2 | 3,784.1 | 3,859.4 | 3,915.6 | 3,959.6 | 4,012.5 | 4,059.5 | 3,856.9 | 3,949.8 | 4,071.1 |
| | % Change | 1.3 | 1.2 | 0.7 | 0.6 | 2.0 | 1.5 | 1.1 | 1.3 | 1.2 | (5.0) | 2.4 | 3.1 |
| | Fiscal Year | 3,672.3 | 3,716.3 | 3,754.6 | 3,769.0 | 3,810.9 | 3,897.0 | 3,938.6 | 3,986.5 | 4,035.9 | 3,968.4 | 3,881.1 | 4,012.2 |
| | % Change | 1.1 | 1.2 | 1.0 | 0.4 | 1.1 | 2.3 | 1.1 | 1.2 | 1.2 | (1.7) | (2.2) | 3.4 |
| U.S. Civilian Labor Force Millions, SA | Calendar Year | 153.6 | 155.0 | 155.4 | 155.9 | 157.1 | 159.2 | 160.3 | 162.1 | 163.5 | 160.8 | 161.2 | 164.3 |
| | % Change | (0.2) | 0.9 | 0.3 | 0.3 | 0.8 | 1.3 | 0.7 | 1.1 | 0.9 | (1.7) | 0.3 | 1.9 |
| | Fiscal Year | 153.6 | 154.3 | 155.3 | 155.5 | 156.6 | 158.0 | 159.8 | 161.2 | 162.7 | 162.6 | 160.6 | 162.9 |
| | % Change | (0.2) | 0.4 | 0.7 | 0.1 | 0.7 | 0.9 | 1.1 | 0.9 | 0.9 | (0.1) | (1.2) | 1.5 |
| Virginia Civilian Labor Force Thousands, SA | Calendar Year | 4,207.9 | 4,224.3 | 4,248.4 | 4,270.8 | 4,248.0 | 4,272.3 | 4,352.5 | 4,358.4 | 4,414.1 | 4,342.7 | 4,331.1 | 4,433.9 |
| | % Change | 1.1 | 0.4 | 0.6 | 0.5 | (0.5) | 0.6 | 1.9 | 0.1 | 1.3 | (1.6) | (0.3) | 2.4 |
| | Fiscal Year | 4,183.0 | 4,221.0 | 4,235.4 | 4,265.3 | 4,259.7 | 4,248.7 | 4,316.0 | 4,360.9 | 4,380.9 | 4,396.9 | 4,319.1 | 4,378.8 |
| | % Change | 1.0 | 0.9 | 0.3 | 0.7 | (0.1) | (0.3) | 1.6 | 1.0 | 0.5 | 0.4 | (1.8) | 1.4 |
| CPI, All Urban, 1982-1984=1.0, SA | Calendar Year | 224.9 | 229.6 | 233.0 | 236.7 | 237.0 | 240.0 | 245.1 | 251.1 | 255.7 | 258.9 | 271.0 | 292.6 |
| | % Change | 3.1 | 2.1 | 1.5 | 1.6 | 0.1 | 1.3 | 2.1 | 2.4 | 1.8 | 1.3 | 4.7 | 8.0 |
| | Fiscal Year | 221.1 | 227.6 | 231.4 | 235.0 | 236.7 | 238.2 | 242.7 | 248.1 | 253.3 | 257.3 | 263.1 | 282.0 |
| | % Change | 2.0 | 2.9 | 1.7 | 1.6 | 0.7 | 0.7 | 1.9 | 2.2 | 2.1 | 1.6 | 2.3 | 7.2 |
| Before-Tax Corporate Profits, Billions \$, SAAR | Calendar Year | 1,870.2 | 2,215.4 | 2,220.2 | 2,354.3 | 2,237.5 | 2,240.0 | 2,295.1 | 2,317.6 | 2,375.0 | 2,494.9 | 3,249.1 | 3,523.0 |
| | % Change | (0.5) | 18.5 | 0.2 | 6.0 | (5.0) | 0.1 | 2.5 | 1.0 | 2.5 | 5.0 | 30.2 | 8.4 |
| | Fiscal Year | 1,882.2 | 2,066.8 | 2,195.9 | 2,284.3 | 2,349.2 | 2,191.3 | 2,292.8 | 2,294.9 | 2,328.1 | 2,303.9 | 2,988.6 | 3,441.3 |
| | % Change | 7.9 | 9.8 | 6.2 | 4.0 | 2.8 | (6.7) | 4.6 | 0.1 | 1.4 | (1.0) | 29.7 | 15.1 |
| S&P 500 Stock Market Index, Level | Calendar Year | 1,268.9 | 1,379.6 | 1,642.5 | 1,930.7 | 2,061.2 | 2,092.4 | 2,448.2 | 2,744.7 | 2,912.5 | 3,218.5 | 4,266.8 | 4,100.7 |
| | % Change | 11.4 | 8.7 | 19.1 | 17.5 | 6.8 | 1.5 | 17.0 | 12.1 | 6.1 | 10.5 | 32.6 | (3.9) |
| | Fiscal Year | 1,230.5 | 1,287.9 | 1,486.2 | 1,795.1 | 2,038.4 | 2,025.7 | 2,266.6 | 2,627.1 | 2,787.0 | 3,010.8 | 3,730.3 | 4,399.8 |
| | % Change | 13.4 | 4.7 | 15.4 | 20.8 | 13.6 | (0.6) | 11.9 | 15.9 | 6.1 | 8.0 | 23.9 | 17.9 |

SAAR: Seasonally Adjusted Annual Rates

SA: Seasonally Adjusted

TABLE A.3 - ANNUAL NATIONAL AND VIRGINIA ECONOMIC VARIABLES

| | | October Severe Recession Forecast | | | | October Mild Recession Scenario | | | |
|--|---------------|-----------------------------------|---------|---------|---------|---------------------------------|---------|---------|---------|
| | | 2023 | 2024 | 2025 | 2026 | 2023 | 2024 | 2025 | 2026 |
| Total U.S. Employment, Millions, SA | Calendar Year | 155.2 | 150.1 | 150.8 | 153.9 | 155.6 | 153.0 | 155.6 | 157.5 |
| | % Change | 1.7 | (3.3) | 0.5 | 2.1 | 2.0 | (1.7) | 1.7 | 1.2 |
| | Fiscal Year | 154.7 | 152.8 | 149.6 | 152.5 | 154.7 | 154.4 | 153.8 | 157.0 |
| | % Change | 3.3 | (1.2) | (2.1) | 1.9 | 3.3 | (0.2) | (0.4) | 2.1 |
| Virginia Total Nonag. Employment, Thousands, SA | Calendar Year | 4,124.7 | 3,998.3 | 4,022.4 | 4,102.4 | 4,143.8 | 4,094.8 | 4,173.8 | 4,244.5 |
| | % Change | 1.3 | (3.1) | 0.6 | 2.0 | 1.8 | (1.2) | 1.9 | 1.7 |
| | Fiscal Year | 4,119.5 | 4,063.5 | 3,989.7 | 4,066.7 | 4,119.5 | 4,123.9 | 4,118.3 | 4,219.5 |
| | % Change | 2.7 | (1.4) | (1.8) | 1.9 | 2.7 | 0.1 | (0.1) | 2.5 |
| U.S. Civilian Labor Force Millions, SA | Calendar Year | 166.8 | 166.0 | 166.7 | 168.4 | 166.9 | 167.3 | 168.2 | 169.0 |
| | % Change | 1.5 | (0.5) | 0.4 | 1.0 | 1.6 | 0.3 | 0.5 | 0.5 |
| | Fiscal Year | 165.6 | 166.5 | 166.1 | 167.6 | 165.6 | 167.2 | 167.7 | 168.6 |
| | % Change | 1.6 | 0.5 | (0.2) | 0.9 | 1.6 | 1.0 | 0.3 | 0.5 |
| Virginia Civilian Labor Force Thousands, SA | Calendar Year | 4,562.1 | 4,559.0 | 4,578.1 | 4,624.3 | 4,565.4 | 4,595.8 | 4,616.7 | 4,639.0 |
| | % Change | 2.9 | (0.1) | 0.4 | 1.0 | 3.0 | 0.7 | 0.5 | 0.5 |
| | Fiscal Year | 4,494.7 | 4,572.0 | 4,562.8 | 4,602.9 | 4,494.7 | 4,591.0 | 4,606.3 | 4,628.2 |
| | % Change | 2.6 | 1.7 | (0.2) | 0.9 | 2.6 | 2.1 | 0.3 | 0.5 |
| CPI, All Urban, 1982-1984=1.0, SA | Calendar Year | 304.6 | 310.5 | 315.3 | 321.3 | 304.6 | 312.1 | 318.5 | 325.2 |
| | % Change | 4.1 | 1.9 | 1.5 | 1.9 | 4.1 | 2.5 | 2.0 | 2.1 |
| | Fiscal Year | 299.7 | 308.4 | 312.5 | 318.1 | 299.7 | 308.9 | 315.1 | 321.9 |
| | % Change | 6.3 | 2.9 | 1.3 | 1.8 | 6.3 | 3.1 | 2.0 | 2.1 |
| Before-Tax Corporate Profits, Billions \$, SAAR | Calendar Year | 3,372.5 | 2,665.9 | 2,747.2 | 2,981.3 | 3,467.9 | 3,198.7 | 3,238.5 | 3,390.1 |
| | % Change | (4.3) | (21.0) | 3.1 | 8.5 | (1.6) | (7.8) | 1.2 | 4.7 |
| | Fiscal Year | 3,471.8 | 2,997.0 | 2,650.3 | 2,865.5 | 3,471.8 | 3,349.5 | 3,187.7 | 3,306.6 |
| | % Change | 0.9 | (13.7) | (11.6) | 8.1 | 0.9 | (3.5) | (4.8) | 3.7 |
| S&P 500 Stock Market Index, Level | Calendar Year | 4,111.8 | 2,967.0 | 3,178.0 | 3,835.5 | 4,243.4 | 3,632.5 | 3,972.1 | 4,558.6 |
| | % Change | 0.3 | (27.8) | 7.1 | 20.7 | 3.5 | (14.4) | 9.4 | 14.8 |
| | Fiscal Year | 4,008.2 | 3,561.8 | 2,993.5 | 3,471.4 | 4,008.2 | 4,028.7 | 3,712.1 | 4,263.1 |
| | % Change | (8.9) | (11.1) | (16.0) | 16.0 | (8.9) | 0.5 | (7.9) | 14.8 |

SAAR: Seasonally Adjusted Annual Rates

SA: Seasonally Adjusted

TABLE A.3 - ANNUAL VIRGINIA ECONOMIC VARIABLES

| Virginia | | History | | | | | | | | | | | |
|---|---------------|---------|-------|-------|-------|-------|-------|-------|-------|-------|--------|--------|-------|
| | | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
| Construction Thousands, SA | Calendar Year | 178.5 | 176.7 | 177.0 | 178.3 | 184.7 | 188.2 | 193.5 | 198.4 | 203.4 | 202.9 | 206.7 | 209.9 |
| | % Change | (2.5) | (1.0) | 0.2 | 0.7 | 3.6 | 1.9 | 2.8 | 2.5 | 2.5 | (0.2) | 1.9 | 1.5 |
| | Fiscal Year | 181.4 | 177.4 | 176.9 | 177.1 | 180.7 | 187.0 | 190.8 | 196.0 | 201.1 | 203.4 | 204.8 | 207.5 |
| | % Change | (1.3) | (2.2) | (0.3) | 0.1 | 2.1 | 3.5 | 2.0 | 2.7 | 2.6 | 1.1 | 0.7 | 1.3 |
| Manufacturing Thousands, SA | Calendar Year | 231.1 | 231.6 | 231.1 | 232.2 | 234.1 | 233.2 | 235.0 | 240.5 | 243.6 | 233.9 | 237.3 | 244.6 |
| | % Change | 0.2 | 0.2 | (0.2) | 0.5 | 0.8 | (0.4) | 0.7 | 2.4 | 1.2 | (4.0) | 1.5 | 3.1 |
| | Fiscal Year | 230.2 | 231.7 | 231.4 | 231.5 | 232.8 | 234.1 | 233.9 | 237.1 | 243.3 | 238.4 | 235.2 | 240.7 |
| | % Change | (1.3) | 0.7 | (0.1) | 0.0 | 0.6 | 0.5 | (0.1) | 1.4 | 2.6 | (2.0) | (1.3) | 2.3 |
| Trade, Transportation, and Utilities Thousands, SA | Calendar Year | 628.3 | 633.0 | 634.6 | 640.9 | 652.7 | 660.6 | 661.6 | 661.3 | 658.9 | 636.4 | 654.9 | 665.8 |
| | % Change | 1.2 | 0.7 | 0.3 | 1.0 | 1.8 | 1.2 | 0.2 | (0.1) | (0.4) | (3.4) | 2.9 | 1.7 |
| | Fiscal Year | 625.0 | 630.9 | 633.2 | 637.8 | 644.7 | 659.2 | 661.4 | 661.5 | 660.0 | 644.6 | 647.5 | 660.6 |
| | % Change | 1.1 | 0.9 | 0.4 | 0.7 | 1.1 | 2.2 | 0.3 | 0.0 | (0.2) | (2.3) | 0.5 | 2.0 |
| Financial Activities Thousands, SA | Calendar Year | 182.6 | 188.3 | 192.5 | 193.9 | 197.7 | 200.9 | 205.1 | 208.3 | 212.1 | 209.6 | 211.3 | 215.9 |
| | % Change | 2.0 | 3.1 | 2.2 | 0.7 | 2.0 | 1.6 | 2.0 | 1.6 | 1.8 | (1.2) | 0.8 | 2.2 |
| | Fiscal Year | 180.6 | 185.4 | 190.9 | 193.2 | 195.7 | 199.3 | 202.9 | 206.9 | 210.0 | 211.9 | 209.5 | 213.7 |
| | % Change | 1.5 | 2.6 | 3.0 | 1.2 | 1.3 | 1.8 | 1.8 | 1.9 | 1.5 | 0.9 | (1.1) | 2.0 |
| Professional and Business Services Thousands, SA | Calendar Year | 667.9 | 678.7 | 681.7 | 682.5 | 702.5 | 715.0 | 730.4 | 749.7 | 767.6 | 757.9 | 779.4 | 804.5 |
| | % Change | 2.7 | 1.6 | 0.4 | 0.1 | 2.9 | 1.8 | 2.1 | 2.7 | 2.4 | (1.3) | 2.8 | 3.2 |
| | Fiscal Year | 660.4 | 673.8 | 682.7 | 679.6 | 689.6 | 711.1 | 722.1 | 740.8 | 758.0 | 765.3 | 765.2 | 792.4 |
| | % Change | 3.0 | 2.0 | 1.3 | (0.5) | 1.5 | 3.1 | 1.6 | 2.6 | 2.3 | 1.0 | (0.0) | 3.5 |
| Education and Health Services Thousands, SA | Calendar Year | 469.8 | 480.4 | 491.3 | 497.7 | 513.6 | 526.6 | 535.5 | 546.3 | 553.6 | 527.0 | 537.6 | 555.6 |
| | % Change | 1.4 | 2.3 | 2.3 | 1.3 | 3.2 | 2.5 | 1.7 | 2.0 | 1.3 | (4.8) | 2.0 | 3.3 |
| | Fiscal Year | 467.8 | 473.8 | 487.1 | 494.1 | 503.7 | 522.4 | 530.9 | 540.9 | 550.1 | 541.9 | 529.9 | 544.7 |
| | % Change | 2.2 | 1.3 | 2.8 | 1.4 | 1.9 | 3.7 | 1.6 | 1.9 | 1.7 | (1.5) | (2.2) | 2.8 |
| Leisure and Hospitality Thousands, SA | Calendar Year | 351.2 | 360.8 | 368.1 | 373.3 | 388.1 | 401.4 | 406.5 | 410.9 | 414.9 | 324.5 | 356.1 | 390.9 |
| | % Change | 2.3 | 2.8 | 2.0 | 1.4 | 4.0 | 3.4 | 1.3 | 1.1 | 1.0 | (21.8) | 9.7 | 9.8 |
| | Fiscal Year | 347.4 | 356.1 | 364.8 | 370.8 | 378.3 | 396.7 | 404.8 | 409.0 | 412.8 | 371.3 | 331.5 | 377.6 |
| | % Change | 1.8 | 2.5 | 2.4 | 1.6 | 2.0 | 4.9 | 2.0 | 1.0 | 0.9 | (10.1) | (10.7) | 13.9 |
| Government Thousands, SA | Calendar Year | 713.9 | 714.2 | 713.1 | 711.2 | 712.2 | 715.1 | 717.2 | 723.2 | 732.0 | 711.9 | 708.3 | 716.1 |
| | % Change | 0.9 | 0.0 | (0.1) | (0.3) | 0.1 | 0.4 | 0.3 | 0.8 | 1.2 | (2.7) | (0.5) | 1.1 |
| | Fiscal Year | 709.7 | 715.1 | 714.2 | 710.9 | 711.8 | 713.4 | 716.3 | 719.9 | 726.8 | 728.0 | 704.1 | 711.8 |
| | % Change | 0.4 | 0.8 | (0.1) | (0.5) | 0.1 | 0.2 | 0.4 | 0.5 | 1.0 | 0.2 | (3.3) | 1.1 |

SAAR: Seasonally Adjusted Annual Rates

SA: Seasonally Adjusted

TABLE A.3 - ANNUAL VIRGINIA ECONOMIC VARIABLES

| Virginia | | October Severe Recession Forecast | | | | October Mild Recession Scenario | | | |
|---|---------------|-----------------------------------|-------|-------|-------|---------------------------------|-------|-------|-------|
| | | 2023 | 2024 | 2025 | 2026 | 2023 | 2024 | 2025 | 2026 |
| Construction Thousands, SA | Calendar Year | 211.8 | 196.4 | 194.7 | 201.6 | 212.7 | 203.2 | 207.6 | 210.9 |
| | % Change | 0.9 | (7.3) | (0.8) | 3.5 | 1.3 | (4.4) | 2.1 | 1.6 |
| | Fiscal Year | 212.9 | 204.4 | 193.2 | 198.5 | 212.9 | 207.8 | 204.0 | 210.2 |
| | % Change | 2.6 | (4.0) | (5.5) | 2.8 | 2.6 | (2.4) | (1.8) | 3.1 |
| Manufacturing Thousands, SA | Calendar Year | 244.3 | 235.5 | 236.4 | 240.6 | 245.0 | 240.1 | 244.0 | 245.6 |
| | % Change | (0.1) | (3.6) | 0.4 | 1.8 | 0.2 | (2.0) | 1.6 | 0.7 |
| | Fiscal Year | 245.8 | 239.7 | 234.7 | 238.9 | 245.8 | 242.1 | 241.4 | 245.6 |
| | % Change | 2.1 | (2.5) | (2.1) | 1.8 | 2.1 | (1.5) | (0.3) | 1.7 |
| Trade, Transportation, and Utilities Thousands, SA | Calendar Year | 663.2 | 646.1 | 652.0 | 663.5 | 664.7 | 654.9 | 666.6 | 673.1 |
| | % Change | (0.4) | (2.6) | 0.9 | 1.8 | (0.2) | (1.5) | 1.8 | 1.0 |
| | Fiscal Year | 667.1 | 653.5 | 646.6 | 658.5 | 667.1 | 658.4 | 659.2 | 671.8 |
| | % Change | 1.0 | (2.0) | (1.1) | 1.8 | 1.0 | (1.3) | 0.1 | 1.9 |
| Financial Activities Thousands, SA | Calendar Year | 214.5 | 207.5 | 207.2 | 210.6 | 215.0 | 211.0 | 213.4 | 215.9 |
| | % Change | (0.6) | (3.3) | (0.2) | 1.7 | (0.4) | (1.9) | 1.2 | 1.1 |
| | Fiscal Year | 215.9 | 211.2 | 206.4 | 208.9 | 215.9 | 213.0 | 211.6 | 215.1 |
| | % Change | 1.0 | (2.2) | (2.3) | 1.2 | 1.0 | (1.3) | (0.7) | 1.7 |
| Professional and Business Services Thousands, SA | Calendar Year | 808.4 | 777.9 | 784.8 | 809.5 | 819.4 | 816.1 | 841.1 | 880.2 |
| | % Change | 0.5 | (3.8) | 0.9 | 3.1 | 1.9 | (0.4) | 3.1 | 4.7 |
| | Fiscal Year | 811.8 | 792.5 | 776.1 | 797.6 | 811.8 | 822.6 | 821.7 | 861.8 |
| | % Change | 2.5 | (2.4) | (2.1) | 2.8 | 2.5 | 1.3 | (0.1) | 4.9 |
| Education and Health Services Thousands, SA | Calendar Year | 573.0 | 557.7 | 564.7 | 577.4 | 574.7 | 568.2 | 581.5 | 588.8 |
| | % Change | 3.1 | (2.7) | 1.3 | 2.3 | 3.4 | (1.1) | 2.3 | 1.2 |
| | Fiscal Year | 568.1 | 565.7 | 558.3 | 572.1 | 568.1 | 571.4 | 573.2 | 587.3 |
| | % Change | 4.3 | (0.4) | (1.3) | 2.5 | 4.3 | 0.6 | 0.3 | 2.5 |
| Leisure and Hospitality Thousands, SA | Calendar Year | 405.2 | 390.1 | 392.2 | 400.4 | 406.4 | 398.4 | 405.1 | 410.0 |
| | % Change | 3.7 | (3.7) | 0.5 | 2.1 | 4.0 | (2.0) | 1.7 | 1.2 |
| | Fiscal Year | 402.7 | 397.0 | 389.2 | 396.5 | 402.7 | 401.7 | 400.4 | 408.6 |
| | % Change | 6.7 | (1.4) | (2.0) | 1.9 | 6.7 | (0.3) | (0.3) | 2.0 |
| Government Thousands, SA | Calendar Year | 732.7 | 728.8 | 731.3 | 734.5 | 733.4 | 738.2 | 745.5 | 748.1 |
| | % Change | 2.3 | (0.5) | 0.3 | 0.4 | 2.4 | 0.7 | 1.0 | 0.4 |
| | Fiscal Year | 723.5 | 734.4 | 728.2 | 733.7 | 723.5 | 738.6 | 741.1 | 747.8 |
| | % Change | 1.7 | 1.5 | (0.9) | 0.8 | 1.7 | 2.1 | 0.3 | 0.9 |

SAAR: Seasonally Adjusted Annual Rates

SA: Seasonally Adjusted

APPENDIX B
GENERAL FUND DATA

TABLE B.1 - QUARTERLY GENERAL FUND REVENUES
(Millions of Dollars)

| | 2009 3 | 2009 4 | 2010 1 | 2010 2 | 2010 3 | 2010 4 | 2011 1 | 2011 2 | 2011 3 | 2011 4 | 2012 1 | 2012 2 | 2012 3 | 2012 4 |
|--------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Withholding | 2,125.0 | 2,328.6 | 2,416.4 | 2,306.1 | 2,219.1 | 2,459.9 | 2,538.5 | 2,417.6 | 2,308.0 | 2,510.9 | 2,640.7 | 2,580.0 | 2,292.0 | 2,606.4 |
| Annual % Change | (2.3) | (2.3) | 4.8 | 1.5 | 4.4 | 5.6 | 5.1 | 4.8 | 4.0 | 2.1 | 4.0 | 6.7 | (0.7) | 3.8 |
| Nonwithholding | 311.3 | 217.8 | 373.0 | 1,004.6 | 292.9 | 204.6 | 435.7 | 1,245.4 | 348.0 | 222.8 | 468.9 | 1,318.3 | 362.4 | 201.3 |
| Annual % Change | (23.4) | (10.5) | (18.7) | (16.4) | (5.9) | (6.0) | 16.8 | 24.0 | 18.8 | 8.9 | 7.6 | 5.9 | 4.1 | (9.6) |
| Gross Individual Income Tax | 2,436.3 | 2,546.4 | 2,789.4 | 3,310.7 | 2,512.0 | 2,664.5 | 2,974.2 | 3,663.0 | 2,655.9 | 2,733.7 | 3,109.6 | 3,898.3 | 2,654.4 | 2,807.7 |
| Annual % Change | (5.6) | (3.1) | 0.9 | (4.7) | 3.1 | 4.6 | 6.6 | 10.6 | 5.7 | 2.6 | 4.6 | 6.4 | (0.1) | 2.7 |
| Individual Refunds | 150.8 | 182.3 | 947.1 | 714.4 | 123.1 | 160.9 | 888.2 | 697.1 | 105.7 | 132.1 | 862.9 | 684.1 | 98.2 | 108.9 |
| Annual % Change | 18.6 | 29.1 | 8.5 | (13.5) | (18.4) | (11.8) | (6.2) | (2.4) | (14.1) | (17.9) | (2.9) | (1.9) | (7.1) | (17.6) |
| Net Individual Income Tax | 2,285.5 | 2,364.1 | 1,842.3 | 2,596.4 | 2,388.9 | 2,503.6 | 2,086.1 | 2,965.8 | 2,550.2 | 2,601.6 | 2,246.7 | 3,214.2 | 2,556.2 | 2,698.9 |
| Annual % Change | (6.9) | (4.9) | (2.6) | (1.9) | 4.5 | 5.9 | 13.2 | 14.2 | 6.8 | 3.9 | 7.7 | 8.4 | 0.2 | 3.7 |
| Sales and Use Tax | 724.7 | 724.0 | 674.5 | 959.4 | 577.9 | 746.3 | 719.7 | 968.5 | 620.4 | 772.0 | 768.1 | 961.0 | 684.7 | 777.1 |
| Annual % Change | (5.9) | (0.7) | (4.8) | 38.0 | (20.3) | 3.1 | 6.7 | 0.9 | 7.3 | 3.5 | 6.7 | (0.8) | 10.4 | 0.7 |
| Corporate Income Tax | 176.3 | 175.6 | 56.8 | 397.8 | 177.6 | 160.5 | 127.8 | 356.4 | 191.3 | 134.4 | 162.4 | 371.8 | 168.8 | 197.9 |
| Annual % Change | (7.9) | 144.4 | (20.2) | 26.8 | 0.7 | (8.6) | 125.1 | (10.4) | 7.7 | (16.3) | 27.1 | 4.3 | (11.8) | 47.2 |
| Wills, Suits, Deeds, Contracts | 80.5 | 74.6 | 60.1 | 75.0 | 75.7 | 77.7 | 63.3 | 74.7 | 78.9 | 79.8 | 73.5 | 89.8 | 90.7 | 92.2 |
| Annual % Change | (10.9) | 12.8 | (12.2) | (16.0) | (5.9) | 4.1 | 5.4 | (0.4) | 4.2 | 2.8 | 16.1 | 20.2 | 14.9 | 15.5 |
| Insurance Premiums | 0.0 | 75.1 | (20.3) | 207.1 | 0.0 | 80.5 | (9.4) | 210.4 | 0.0 | 56.4 | (15.2) | 211.7 | 0.0 | 79.9 |
| Annual % Change | NA | (0.6) | 0.4 | 3.7 | NA | 7.2 | (53.7) | 1.6 | NA | (29.9) | 62.4 | 0.6 | NA | 41.7 |
| Interest Income | 40.3 | 26.4 | 33.3 | (5.7) | 25.7 | 21.6 | 23.8 | 10.0 | 29.5 | 17.0 | 19.9 | 10.8 | 26.9 | 15.1 |
| Annual % Change | (45.9) | 3.9 | 42.8 | (70.0) | (36.2) | (18.0) | (28.5) | (274.5) | 14.5 | (21.5) | (16.2) | 8.0 | (8.9) | (10.9) |
| Alcoholic Beverage Sales | 12.3 | 42.2 | 47.5 | 73.0 | 12.8 | 43.2 | 48.7 | 74.3 | 13.8 | 45.0 | 50.6 | 77.0 | 15.7 | 46.1 |
| Annual % Change | (4.0) | 1.7 | 1.0 | 1.7 | 3.9 | 2.2 | 2.5 | 1.7 | 7.9 | 4.2 | 4.0 | 3.6 | 13.7 | 2.6 |
| All Other Revenues | 87.4 | 71.8 | 97.5 | 164.1 | 89.4 | 81.1 | 105.7 | 151.9 | 89.1 | 77.2 | 107.3 | 140.3 | 76.6 | 88.2 |
| Annual % Change | 1.9 | (30.2) | (5.7) | 14.2 | 2.4 | 12.9 | 8.4 | (7.4) | (0.3) | (4.9) | 1.6 | (7.7) | (14.0) | 14.3 |
| Total General Fund Revenues | 3,407.0 | 3,553.9 | 2,791.6 | 4,467.0 | 3,348.1 | 3,714.5 | 3,165.6 | 4,812.0 | 3,573.2 | 3,783.4 | 3,413.4 | 5,076.6 | 3,619.5 | 3,995.5 |
| Annual % Change | (7.4) | (1.3) | (3.5) | 7.8 | (1.7) | 4.5 | 13.4 | 7.7 | 6.7 | 1.9 | 7.8 | 5.5 | 1.3 | 5.6 |

TABLE B.1 - QUARTERLY GENERAL FUND REVENUES
(Millions of Dollars)

| | 2013 1 | 2013 2 | 2013 3 | 2013 4 | 2014 1 | 2014 2 | 2014 3 | 2014 4 | 2015 1 | 2015 2 | 2015 3 | 2015 4 | 2016 1 | 2016 2 | 2016 3 |
|--------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Withholding | 2,761.1 | 2,591.9 | 2,403.1 | 2,659.9 | 2,803.7 | 2,617.5 | 2,554.4 | 2,820.0 | 2,875.3 | 2,794.7 | 2,666.5 | 2,829.2 | 3,029.1 | 2,781.5 | 2,777.0 |
| Annual % Change | 4.6 | 0.5 | 4.8 | 2.1 | 1.5 | 1.0 | 6.3 | 6.0 | 2.6 | 6.8 | 4.4 | 0.3 | 5.3 | (0.5) | 4.1 |
| Nonwithholding | 575.7 | 1,668.3 | 372.8 | 260.6 | 496.7 | 1,394.8 | 427.7 | 327.6 | 602.1 | 1,684.2 | 472.0 | 316.8 | 652.9 | 1,628.4 | 470.8 |
| Annual % Change | 22.8 | 26.5 | 2.9 | 29.4 | (13.7) | (16.4) | 14.7 | 25.7 | 21.2 | 20.7 | 10.3 | (3.3) | 8.4 | (3.3) | (0.2) |
| Gross Individual Income Tax | 3,336.8 | 4,260.1 | 2,775.9 | 2,920.4 | 3,300.5 | 4,012.4 | 2,982.1 | 3,147.6 | 3,477.4 | 4,478.9 | 3,138.5 | 3,146.1 | 3,682.0 | 4,409.8 | 3,247.8 |
| Annual % Change | 7.3 | 9.3 | 4.6 | 4.0 | (1.1) | (5.8) | 7.4 | 7.8 | 5.4 | 11.6 | 5.2 | (0.0) | 5.9 | (1.5) | 3.5 |
| Individual Refunds | 827.8 | 684.2 | 118.6 | 156.9 | 820.2 | 660.1 | 123.5 | 156.8 | 790.5 | 686.5 | 122.9 | 165.8 | 844.6 | 687.4 | 114.9 |
| Annual % Change | (4.1) | 0.0 | 20.8 | 44.2 | (0.9) | (3.5) | 4.1 | (0.1) | (3.6) | 4.0 | (0.5) | 5.8 | 6.8 | 0.1 | (6.5) |
| Net Individual Income Tax | 2,509.1 | 3,575.9 | 2,657.3 | 2,763.5 | 2,480.3 | 3,352.3 | 2,858.6 | 2,990.8 | 2,686.9 | 3,792.3 | 3,015.6 | 2,980.2 | 2,837.4 | 3,722.4 | 3,132.9 |
| Annual % Change | 11.7 | 11.3 | 4.0 | 2.4 | (1.1) | (6.3) | 7.6 | 8.2 | 8.3 | 13.1 | 5.5 | (0.4) | 5.6 | (1.8) | 3.9 |
| Sales and Use Tax | 787.0 | 971.0 | 653.9 | 766.1 | 721.1 | 925.3 | 684.0 | 778.5 | 764.3 | 1,008.7 | 648.9 | 831.6 | 781.5 | 1,033.9 | 649.9 |
| Annual % Change | 2.5 | 1.0 | (4.5) | (1.4) | (8.4) | (4.7) | 4.6 | 1.6 | 6.0 | 9.0 | (5.1) | 6.8 | 2.2 | 2.5 | 0.2 |
| Corporate Income Tax | 84.5 | 345.6 | 201.5 | 102.2 | 124.0 | 329.8 | 226.6 | 140.2 | 144.6 | 320.6 | 188.0 | 101.7 | 164.3 | 311.0 | 197.5 |
| Annual % Change | (48.0) | (7.0) | 19.4 | (48.4) | 46.8 | (4.6) | 12.4 | 37.2 | 16.6 | (2.8) | (17.0) | (27.5) | 13.6 | (3.0) | 5.1 |
| Wills, Suits, Deeds, Contracts | 91.3 | 103.3 | 93.2 | 76.2 | 60.6 | 80.8 | 87.5 | 80.9 | 76.1 | 101.8 | 96.0 | 90.4 | 78.7 | 104.0 | 109.6 |
| Annual % Change | 24.1 | 15.1 | 2.8 | (17.3) | (33.6) | (21.8) | (6.1) | 6.1 | 25.7 | 26.1 | 9.7 | 11.8 | 3.4 | 2.1 | 14.2 |
| Insurance Premiums | (21.0) | 203.3 | 0.0 | 90.3 | 3.5 | 226.7 | 0.0 | 75.5 | 5.3 | 219.9 | 0.0 | 87.4 | 8.1 | 243.5 | 0.0 |
| Annual % Change | 37.7 | (4.0) | NA | 12.9 | (116.5) | 11.5 | NA | (16.4) | 52.6 | (3.0) | NA | 15.8 | 53.7 | 10.8 | NA |
| Interest Income | 21.8 | 3.7 | 18.3 | 22.8 | 23.4 | 9.6 | 18.0 | 14.5 | 12.7 | 3.6 | 18.2 | 14.6 | 15.7 | 3.5 | 25.0 |
| Annual % Change | 9.2 | (65.4) | (31.7) | 50.5 | 7.3 | 157.4 | (2.0) | (36.6) | (45.9) | (62.4) | 1.5 | 1.4 | 24.2 | (1.9) | 36.8 |
| Alcoholic Beverage Sales | 53.2 | 80.2 | 14.8 | 47.7 | 54.4 | 82.3 | 15.2 | 49.0 | 56.8 | 86.8 | 11.8 | 55.1 | 59.2 | 91.5 | 14.1 |
| Annual % Change | 5.1 | 4.1 | (5.8) | 3.4 | 2.3 | 2.7 | 2.8 | 2.7 | 4.3 | 5.5 | (22.6) | 12.5 | 4.3 | 5.3 | 20.3 |
| All Other Revenues | 101.3 | 159.6 | 83.3 | 79.5 | 105.0 | 161.8 | 82.9 | 88.0 | 104.8 | 160.5 | 87.9 | 90.6 | 97.6 | 169.7 | 82.2 |
| Annual % Change | (5.6) | 13.8 | 8.7 | (9.8) | 3.6 | 1.4 | (0.5) | 10.6 | (0.2) | (0.8) | 6.1 | 3.0 | (6.9) | 5.7 | (6.5) |
| Total General Fund Revenues | 3,627.1 | 5,442.5 | 3,722.3 | 3,948.3 | 3,572.3 | 5,168.5 | 3,972.6 | 4,217.2 | 3,851.4 | 5,694.3 | 4,066.3 | 4,251.8 | 4,042.5 | 5,679.5 | 4,211.3 |
| Annual % Change | 6.3 | 7.2 | 2.8 | (1.2) | (1.5) | (5.0) | 6.7 | 6.8 | 7.8 | 10.2 | 2.4 | 0.8 | 5.0 | (0.3) | 3.6 |

TABLE B.1 - QUARTERLY GENERAL FUND REVENUES
(Millions of Dollars)

| | 2016 4 | 2017 1 | 2017 2 | 2017 3 | 2017 4 | 2018 1 | 2018 2 | 2018 3 | 2018 4 | 2019 1 | 2019 2 | 2019 3 | 2019 4 | 2020 1 | 2020 2 |
|--------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|-----------|---------|---------|---------|---------|
| Withholding | 2,966.4 | 3,231.3 | 2,920.7 | 2,888.1 | 3,026.9 | 3,441.1 | 3,184.5 | 2,920.9 | 3,259.3 | 3,481.2 | 3,326.4 | 3,091.4 | 3,449.9 | 3,580.9 | 3,255.9 |
| Annual % Change | 4.8 | 6.7 | 5.0 | 4.0 | 2.0 | 6.5 | 9.0 | 1.1 | 7.7 | 1.2 | 4.5 | 5.8 | 5.8 | 2.9 | (2.1) |
| Nonwithholding | 329.5 | 683.1 | 1,535.1 | 463.8 | 581.7 | 688.5 | 1,738.9 | 530.3 | 297.9 | 727.0 | 2,421.6 | 617.6 | 359.0 | 801.7 | 2,026.2 |
| Annual % Change | 4.0 | 4.6 | (5.7) | (1.5) | 76.6 | 0.8 | 13.3 | 14.4 | (48.8) | 5.6 | 39.3 | 16.5 | 20.5 | 10.3 | (16.3) |
| Gross Individual Income Tax | 3,295.9 | 3,914.4 | 4,455.8 | 3,351.8 | 3,608.6 | 4,129.5 | 4,923.4 | 3,451.2 | 3,557.2 | 4,208.2 | 5,748.0 | 3,709.0 | 3,808.8 | 4,382.5 | 5,282.1 |
| Annual % Change | 4.8 | 6.3 | 1.0 | 3.2 | 9.5 | 5.5 | 10.5 | 3.0 | (1.4) | 1.9 | 16.7 | 7.5 | 7.1 | 4.1 | (8.1) |
| Individual Refunds | 143.0 | 871.4 | 731.6 | 126.7 | 162.3 | 876.1 | 742.5 | 137.9 | 167.3 | 739.2 | 693.7 | 158.5 | 191.9 | 838.8 | 641.7 |
| Annual % Change | (13.7) | 3.2 | 6.4 | 10.3 | 13.5 | 0.5 | 1.5 | 8.8 | 3.1 | (15.6) | (6.6) | 15.0 | 14.7 | 13.5 | (7.5) |
| Net Individual Income Tax | 3,152.8 | 3,043.0 | 3,724.2 | 3,225.1 | 3,446.3 | 3,253.5 | 4,180.9 | 3,313.3 | 3,389.9 | 3,469.0 | 5,054.2 | 3,550.5 | 3,616.9 | 3,543.7 | 4,640.5 |
| Annual % Change | 5.8 | 7.2 | 0.0 | 2.9 | 9.3 | 6.9 | 12.3 | 2.7 | (1.6) | 6.6 | 20.9 | 7.2 | 6.7 | 2.2 | (8.2) |
| Sales and Use Tax | 827.1 | 820.0 | 1,060.1 | 667.2 | 865.2 | 832.2 | 1,097.2 | 717.2 | 888.1 | 842.4 | 1,132.7 | 773.0 | 962.7 | 918.4 | 1,052.7 |
| Annual % Change | (0.5) | 4.9 | 2.5 | 2.7 | 4.6 | 1.5 | 3.5 | 7.5 | 2.6 | 1.2 | 3.2 | 7.8 | 8.4 | 9.0 | (7.1) |
| Corporate Income Tax | 119.8 | 147.8 | 361.8 | 252.7 | 134.9 | 104.5 | 369.9 | 227.4 | 164.7 | 101.4 | 449.8 | 246.8 | 220.7 | 116.3 | 427.9 |
| Annual % Change | 17.8 | (10.0) | 16.3 | 27.9 | 12.6 | (29.3) | 2.2 | (10.0) | 22.1 | (2.9) | 21.6 | 8.5 | 34.0 | 14.6 | (4.9) |
| Wills, Suits, Deeds, Contracts | 98.5 | 80.4 | 105.9 | 107.1 | 94.2 | 83.1 | 110.5 | 97.4 | 93.5 | 80.6 | 115.0 | 122.1 | 124.2 | 107.7 | 129.6 |
| Annual % Change | 8.9 | 2.1 | 1.8 | (2.3) | (4.4) | 3.4 | 4.3 | (9.1) | (0.8) | (3.0) | 4.1 | 25.4 | 32.9 | 33.6 | 12.7 |
| Insurance Premiums | 90.2 | 7.0 | 243.7 | 0.0 | 94.7 | (11.0) | 254.3 | 0.0 | 93.2 | 18.1 | 270.7 | 0.0 | 94.0 | (12.0) | 278.5 |
| Annual % Change | 3.2 | (14.4) | 0.1 | NA | 4.9 | (257.7) | 4.3 | NA | (1.5) | (264.6) | 6.5 | NA | 0.9 | (166.3) | 2.9 |
| Interest Income | 10.8 | 18.9 | 0.9 | 28.2 | 21.6 | 10.7 | 1.0 | 42.6 | 20.5 | 33.6 | (9.7) | 73.1 | 27.5 | 19.0 | (9.2) |
| Annual % Change | (26.2) | 20.3 | (73.4) | 12.8 | 100.1 | (43.6) | 2.2 | 51.2 | (5.5) | 214.9 | (1,106.0) | 71.7 | 34.5 | (43.5) | (5.0) |
| Alcoholic Beverage Sales | 53.8 | 60.6 | 93.9 | 15.3 | 55.4 | 61.9 | 99.3 | 14.0 | 57.5 | 64.8 | 104.5 | 17.4 | 61.1 | 71.1 | 117.6 |
| Annual % Change | (2.5) | 2.3 | 2.6 | 7.9 | 3.1 | 2.1 | 5.8 | (8.0) | 3.8 | 4.7 | 5.2 | 24.1 | 6.2 | 9.8 | 12.6 |
| All Other Revenues | 87.1 | 105.8 | 169.8 | 86.8 | 70.7 | 105.4 | 162.3 | 90.8 | 88.6 | 106.9 | 174.8 | 87.2 | 96.0 | 102.6 | 160.1 |
| Annual % Change | (3.9) | 8.4 | 0.1 | 5.6 | (18.8) | (0.4) | (4.4) | 4.6 | 25.3 | 1.5 | 7.7 | (3.9) | 8.4 | (4.0) | (8.4) |
| Total General Fund Revenues | 4,440.0 | 4,283.4 | 5,760.3 | 4,382.3 | 4,782.9 | 4,440.2 | 6,275.4 | 4,502.7 | 4,796.0 | 4,716.8 | 7,292.0 | 4,870.1 | 5,203.1 | 4,866.8 | 6,797.8 |
| Annual % Change | 4.4 | 6.0 | 1.4 | 4.1 | 7.7 | 3.7 | 8.9 | 2.7 | 0.3 | 6.2 | 16.2 | 8.2 | 8.5 | 3.2 | (6.8) |

TABLE B.1 - QUARTERLY GENERAL FUND REVENUES
(Millions of Dollars)

| | 2020 3 | 2020 4 | 2021 1 | 2021 2 | 2021 3 | 2021 4 | 2022 1 | 2022 2 | 2022 3 | 2022.1 | 2023.1 | 2023.2 |
|--------------------------------|---------|---------|---------|---------|---------|---------|---------|----------|---------|---------|---------|-----------|
| Withholding | 3,164.2 | 3,567.7 | 3,762.5 | 3,518.5 | 3,470.7 | 3,955.7 | 4,114.9 | 3,798.9 | 3,805.5 | 4,026.9 | 4,221.2 | 3,903.6 |
| Annual % Change | 2.4 | 3.4 | 5.1 | 8.1 | 9.7 | 10.9 | 9.4 | 8.0 | 9.6 | 1.8 | 2.6 | 2.8 |
| Nonwithholding | 982.4 | 357.6 | 903.1 | 2,973.9 | 862.8 | 480.0 | 1,206.2 | 4,261.4 | 928.0 | 981.5 | 1,374.8 | 3,344.9 |
| Annual % Change | 59.1 | (0.4) | 12.7 | 46.8 | (12.2) | 34.3 | 33.6 | 43.3 | 7.6 | 104.5 | 14.0 | (21.5) |
| Gross Individual Income Tax | 4,146.6 | 3,925.3 | 4,665.6 | 6,492.3 | 4,333.5 | 4,435.7 | 5,321.2 | 8,060.3 | 4,733.5 | 5,008.4 | 5,596.0 | 7,248.4 |
| Annual % Change | 11.8 | 3.1 | 6.5 | 22.9 | 4.5 | 13.0 | 14.1 | 24.2 | 9.2 | 12.9 | 5.2 | (10.1) |
| Individual Refunds | 280.7 | 190.8 | 696.6 | 758.1 | 175.2 | 167.3 | 708.0 | 690.1 | 1,049.0 | 329.6 | 1,158.0 | 1,066.3 |
| Annual % Change | 77.1 | (0.6) | (17.0) | 18.1 | (37.6) | (12.3) | 1.6 | (9.0) | 498.8 | 97.0 | 63.6 | 54.5 |
| Net Individual Income Tax | 3,865.9 | 3,734.5 | 3,969.0 | 5,734.3 | 4,158.3 | 4,268.5 | 4,613.2 | 7,370.2 | 3,684.5 | 4,678.8 | 4,438.0 | 6,182.2 |
| Annual % Change | 8.9 | 3.3 | 12.0 | 23.6 | 7.6 | 14.3 | 16.2 | 28.5 | (11.4) | 9.6 | (3.8) | (16.1) |
| Sales and Use Tax | 830.8 | 1,020.5 | 984.7 | 1,330.1 | 969.2 | 1,155.7 | 1,141.4 | 1,291.7 | 1,166.5 | 1,238.0 | 1,140.8 | 1,189.3 |
| Annual % Change | 7.5 | 6.0 | 7.2 | 26.3 | 16.7 | 13.2 | 15.9 | (2.9) | 20.3 | 7.1 | (0.1) | (7.9) |
| Corporate Income Tax | 335.8 | 307.7 | 137.0 | 735.1 | 458.5 | 553.9 | 154.5 | 811.8 | 434.8 | 418.2 | 240.1 | 938.0 |
| Annual % Change | 36.1 | 39.4 | 17.8 | 71.8 | 36.5 | 80.0 | 12.8 | 10.4 | (5.2) | (24.5) | 55.4 | 15.6 |
| Wills, Suits, Deeds, Contracts | 165.8 | 176.2 | 155.4 | 182.2 | 180.8 | 168.5 | 138.6 | 166.2 | 135.5 | 102.3 | 81.3 | 111.5 |
| Annual % Change | 35.9 | 41.9 | 44.3 | 40.6 | 9.0 | (4.4) | (10.8) | (8.8) | (25.1) | (39.3) | (41.3) | (32.9) |
| Insurance Premiums | 0.0 | 102.2 | (25.5) | 286.3 | 0.0 | 119.6 | 6.9 | 300.4 | 0.0 | 117.1 | 28.8 | 305.0 |
| Annual % Change | NA | 8.7 | 112.3 | 2.8 | NA | 17.0 | (127.1) | 4.9 | #DIV/0! | (2.0) | 317.2 | 1.5 |
| Interest Income | 50.0 | 11.7 | 20.8 | 0.9 | 41.5 | 22.6 | 15.0 | (2.5) | 83.8 | 89.9 | 139.6 | 51.8 |
| Annual % Change | (31.5) | (57.6) | 9.3 | (109.3) | (17.1) | 94.3 | (27.7) | (396.2) | 101.9 | 296.8 | 829.2 | (2,150.3) |
| Alcoholic Beverage Sales | 15.8 | 71.0 | 79.1 | 130.3 | 14.3 | 73.8 | 80.5 | 131.6 | 11.1 | 73.8 | 86.3 | 136.2 |
| Annual % Change | (9.6) | 16.2 | 11.2 | 10.8 | (9.3) | 4.0 | 1.8 | 1.0 | (22.1) | 0.0 | 7.1 | 3.5 |
| All Other Revenues | 88.2 | 85.6 | 105.6 | 191.3 | 99.5 | 103.9 | 114.5 | 212.3 | 108.8 | 143.8 | 131.3 | 223.0 |
| Annual % Change | 1.1 | (10.8) | 2.9 | 19.5 | 12.8 | 21.4 | 8.4 | 11.0 | 9.4 | 38.3 | 14.6 | 5.0 |
| Total General Fund Revenues | 5,352.4 | 5,509.4 | 5,426.2 | 8,590.4 | 5,922.2 | 6,466.5 | 6,264.7 | 10,281.6 | 5,624.9 | 6,861.9 | 6,286.1 | 9,137.0 |
| Annual % Change | 9.9 | 5.9 | 11.5 | 26.4 | 10.6 | 17.4 | 15.5 | 19.7 | (5.0) | 6.1 | 0.3 | (11.1) |

TABLE B.2 - ANNUAL GENERAL FUND REVENUES

(Millions of Dollars)

| | | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
|-----------------------------|---------------|---------|---------|---------|----------|----------|----------|----------|----------|----------|
| Withholding | Calendar Year | 6,772.2 | 7,305.3 | 7,733.2 | 8,240.8 | 8,792.5 | 9,185.8 | 9,031.7 | 9,401.4 | 9,775.0 |
| | % Change | 4.0 | 7.9 | 5.9 | 6.6 | 6.7 | 4.5 | (1.7) | 4.1 | 4.0 |
| | Fiscal Year | 6,567.4 | 7,039.3 | 7,513.0 | 8,053.7 | 8,565.5 | 8,933.6 | 9,138.1 | 9,176.2 | 9,635.1 |
| | % Change | 2.3 | 7.2 | 6.7 | 7.2 | 6.4 | 4.3 | 2.3 | 0.4 | 5.0 |
| Nonwithholding | Calendar Year | 1,423.7 | 1,658.4 | 2,151.8 | 2,540.3 | 2,815.0 | 2,856.7 | 2,189.8 | 1,875.2 | 2,251.8 |
| | % Change | (2.2) | 16.5 | 29.7 | 18.1 | 10.8 | 1.5 | (23.3) | (14.4) | 20.1 |
| | Fiscal Year | 1,402.7 | 1,562.8 | 2,073.5 | 2,493.8 | 2,782.0 | 2,861.2 | 2,310.4 | 1,906.8 | 2,178.6 |
| | % Change | (3.9) | 11.4 | 32.7 | 20.3 | 11.6 | 2.8 | (19.2) | (17.5) | 14.3 |
| Gross Individual Income Tax | Calendar Year | 8,195.9 | 8,963.7 | 9,884.9 | 10,781.0 | 11,607.5 | 12,042.5 | 11,221.4 | 11,276.6 | 12,026.8 |
| | % Change | 2.8 | 9.4 | 10.3 | 9.1 | 7.7 | 3.7 | (6.8) | 0.5 | 6.7 |
| | Fiscal Year | 7,970.1 | 8,602.1 | 9,586.6 | 10,547.5 | 11,347.4 | 11,794.7 | 11,448.5 | 11,082.9 | 11,813.7 |
| | % Change | 1.1 | 7.9 | 11.4 | 10.0 | 7.6 | 3.9 | (2.9) | (3.2) | 6.6 |
| Individual Refunds | Calendar Year | 1,167.3 | 1,227.3 | 1,178.3 | 1,389.6 | 1,567.4 | 1,720.8 | 2,032.1 | 1,945.5 | 1,823.1 |
| | % Change | 5.3 | 5.1 | (4.0) | 17.9 | 12.8 | 9.8 | 18.1 | (4.3) | (6.3) |
| | Fiscal Year | 1,194.4 | 1,217.2 | 1,234.2 | 1,282.6 | 1,559.8 | 1,679.9 | 1,967.4 | 1,994.7 | 1,869.3 |
| | % Change | 2.0 | 1.9 | 1.4 | 3.9 | 21.6 | 7.7 | 17.1 | 1.4 | (6.3) |
| Net Individual Income Tax | Calendar Year | 7,028.6 | 7,736.4 | 8,706.7 | 9,391.4 | 10,040.0 | 10,321.7 | 9,189.3 | 9,331.1 | 10,203.8 |
| | % Change | 2.4 | 10.1 | 12.5 | 7.9 | 6.9 | 2.8 | (11.0) | 1.5 | 9.4 |
| | Fiscal Year | 6,775.7 | 7,384.9 | 8,352.4 | 9,264.9 | 9,787.6 | 10,114.8 | 9,481.1 | 9,088.3 | 9,944.4 |
| | % Change | 1.0 | 9.0 | 13.1 | 10.9 | 5.6 | 3.3 | (6.3) | (4.1) | 9.4 |
| Sales and Use Tax | Calendar Year | 2,410.4 | 2,705.1 | 3,002.6 | 3,014.1 | 3,123.8 | 2,990.8 | 2,853.0 | 2,958.0 | 3,080.6 |
| | % Change | 4.4 | 12.2 | 11.0 | 0.4 | 3.6 | (4.3) | (4.6) | 3.7 | 4.1 |
| | Fiscal Year | 2,336.0 | 2,562.3 | 2,946.1 | 2,812.7 | 3,049.1 | 3,075.5 | 2,903.4 | 3,082.5 | 3,012.4 |
| | % Change | (3.9) | 9.7 | 15.0 | (4.5) | 8.4 | 0.9 | (5.6) | 6.2 | (2.3) |
| Corporate Income Tax | Calendar Year | 348.6 | 521.7 | 840.6 | 839.8 | 769.3 | 738.0 | 736.7 | 792.7 | 809.9 |
| | % Change | 8.8 | 49.7 | 61.1 | (0.1) | (8.4) | (4.1) | (0.2) | 7.6 | 2.2 |
| | Fiscal Year | 343.3 | 425.7 | 616.7 | 867.1 | 879.6 | 807.9 | 648.0 | 806.5 | 822.3 |
| | % Change | 18.3 | 24.0 | 44.9 | 40.6 | 1.4 | (8.2) | (19.8) | 24.4 | 2.0 |

TABLE B.2 - ANNUAL GENERAL FUND REVENUES

(Millions of Dollars)

| | | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|-----------------------------|---------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| Withholding | Calendar Year | 10,119.1 | 10,415.9 | 10,795.6 | 11,165.7 | 11,554.0 | 12,066.9 | 12,805.8 | 13,348.9 | 13,568.7 | 14,707.4 | 15,746.2 | |
| | % Change | 3.5 | 2.9 | 3.6 | 3.4 | 3.5 | 4.4 | 6.1 | 4.2 | 1.6 | 8.4 | 7.1 | |
| | Fiscal Year | 10,039.7 | 10,251.3 | 10,484.2 | 11,044.3 | 11,306.3 | 11,895.4 | 12,540.5 | 12,987.8 | 13,378.1 | 14,012.9 | 15,340.3 | 15,957.2 |
| | % Change | 4.2 | 2.1 | 2.3 | 5.3 | 2.4 | 5.2 | 5.4 | 3.6 | 3.0 | 4.7 | 9.5 | 4.0 |
| Nonwithholding | Calendar Year | 2,350.9 | 2,877.3 | 2,646.9 | 3,075.1 | 3,081.5 | 3,263.7 | 3,255.6 | 4,125.2 | 4,167.9 | 5,219.8 | 7,377.1 | |
| | % Change | 4.4 | 22.4 | (8.0) | 16.2 | 0.2 | 5.9 | (0.2) | 26.7 | 1.0 | 25.2 | 41.3 | |
| | Fiscal Year | 2,357.9 | 2,807.7 | 2,524.9 | 3,041.6 | 3,070.1 | 3,018.5 | 3,472.9 | 3,976.8 | 3,804.5 | 5,217.0 | 6,810.5 | 6,629.2 |
| | % Change | 8.2 | 19.1 | (10.1) | 20.5 | 0.9 | (1.7) | 15.1 | 14.5 | (4.3) | 37.1 | 30.5 | (2.7) |
| Gross Individual Income Tax | Calendar Year | 12,470.0 | 13,293.3 | 13,442.5 | 14,240.8 | 14,635.5 | 15,330.6 | 16,061.4 | 17,474.1 | 17,736.6 | 19,927.2 | 23,123.4 | |
| | % Change | 3.7 | 6.6 | 1.1 | 5.9 | 2.8 | 4.7 | 4.8 | 8.8 | 1.5 | 12.4 | 16.0 | |
| | Fiscal Year | 12,397.6 | 13,059.0 | 13,009.2 | 14,086.0 | 14,376.4 | 14,913.9 | 16,013.4 | 16,964.7 | 17,182.5 | 19,229.9 | 22,150.7 | 22,586.4 |
| | % Change | 4.9 | 5.3 | (0.4) | 8.3 | 2.1 | 3.7 | 7.4 | 5.9 | 1.3 | 11.9 | 15.2 | 2.0 |
| Individual Refunds | Calendar Year | 1,754.0 | 1,787.6 | 1,760.5 | 1,765.7 | 1,790.0 | 1,892.1 | 1,923.8 | 1,783.4 | 1,952.0 | 1,797.1 | 2,776.6 | |
| | % Change | (3.8) | 1.9 | (1.5) | 0.3 | 1.4 | 5.7 | 1.7 | (7.3) | 9.5 | (7.9) | 54.5 | |
| | Fiscal Year | 1,784.7 | 1,719.1 | 1,755.8 | 1,757.3 | 1,820.7 | 1,861.0 | 1,907.6 | 1,738.2 | 1,830.9 | 1,926.2 | 1,740.5 | 3,602.8 |
| | % Change | (4.5) | (3.7) | 2.1 | 0.1 | 3.6 | 2.2 | 2.5 | (8.9) | 5.3 | 5.2 | (9.6) | 107.0 |
| Net Individual Income Tax | Calendar Year | 10,716.0 | 11,505.7 | 11,682.0 | 12,475.1 | 12,845.5 | 13,438.5 | 14,137.7 | 15,690.6 | 15,784.6 | 18,130.0 | 20,346.7 | |
| | % Change | 5.0 | 7.4 | 1.5 | 6.8 | 3.0 | 4.6 | 5.2 | 11.0 | 0.6 | 14.9 | 12.2 | |
| | Fiscal Year | 10,612.8 | 11,340.0 | 11,253.3 | 12,328.7 | 12,555.6 | 13,052.9 | 14,105.8 | 15,226.5 | 15,351.6 | 17,303.7 | 20,410.2 | 18,983.6 |
| | % Change | 6.7 | 6.9 | (0.8) | 9.6 | 1.8 | 4.0 | 8.1 | 7.9 | 0.8 | 12.7 | 18.0 | (7.0) |
| Sales and Use Tax | Calendar Year | 3,190.9 | 3,178.0 | 3,108.9 | 3,253.5 | 3,292.3 | 3,412.5 | 3,534.7 | 3,710.8 | 3,822.5 | 4,439.7 | 4,837.6 | |
| | % Change | 3.6 | (0.4) | (2.2) | 4.7 | 1.2 | 3.6 | 3.6 | 5.0 | 3.0 | 16.1 | 9.0 | |
| | Fiscal Year | 3,121.5 | 3,219.8 | 3,066.5 | 3,235.4 | 3,295.9 | 3,357.1 | 3,461.8 | 3,580.4 | 3,706.8 | 4,166.2 | 4,558.1 | 4,734.5 |
| | % Change | 3.6 | 3.1 | (4.8) | 5.5 | 1.9 | 1.9 | 3.1 | 3.4 | 3.5 | 12.4 | 9.4 | 3.9 |
| Corporate Income Tax | Calendar Year | 900.9 | 733.7 | 820.6 | 754.8 | 792.6 | 897.2 | 866.5 | 1,018.7 | 1,187.7 | 1,884.6 | 1,819.3 | |
| | % Change | 11.2 | (18.6) | 11.8 | (8.0) | 5.0 | 13.2 | (3.4) | 17.6 | 16.6 | 58.7 | (3.5) | |
| | Fiscal Year | 859.9 | 796.7 | 757.5 | 831.9 | 764.9 | 827.0 | 861.9 | 943.4 | 1,011.7 | 1,515.7 | 1,978.7 | 2,031.1 |
| | % Change | 4.6 | (7.3) | (4.9) | 9.8 | (8.0) | 8.1 | 4.2 | 9.5 | 7.2 | 49.8 | 30.5 | 2.6 |

TABLE B.2 - ANNUAL GENERAL FUND REVENUES

(Millions of Dollars)

| | | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
|--------------------------------|---------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| Wills, Suits, Deeds, Contracts | Calendar Year | 319.5 | 431.7 | 704.7 | 616.2 | 531.9 | 369.5 | 312.8 | 288.5 | 296.8 |
| | % Change | 29.3 | 35.1 | 63.2 | (12.6) | (13.7) | (30.5) | (15.3) | (7.8) | 2.9 |
| | Fiscal Year | 285.8 | 340.6 | 596.1 | 694.7 | 582.9 | 456.3 | 314.3 | 290.2 | 291.5 |
| | % Change | 33.3 | 19.1 | 75.0 | 16.6 | (16.1) | (21.7) | (31.1) | (7.7) | 0.4 |
| Insurance Premiums | Calendar Year | 339.4 | 365.4 | 372.8 | 366.9 | 398.8 | 309.2 | 254.5 | 267.3 | 257.4 |
| | % Change | 9.9 | 7.7 | 2.0 | (1.6) | 8.7 | (22.5) | (17.7) | 5.0 | (3.7) |
| | Fiscal Year | 333.0 | 351.3 | 373.6 | 373.8 | 384.9 | 396.9 | 255.0 | 261.9 | 281.6 |
| | % Change | 13.8 | 5.5 | 6.3 | 0.1 | 3.0 | 3.1 | (35.7) | 2.7 | 7.5 |
| Interest Income | Calendar Year | 59.5 | 69.7 | 105.4 | 180.2 | 213.1 | 117.6 | 71.0 | 75.0 | 80.2 |
| | % Change | (31.5) | 17.3 | 51.2 | 71.0 | 18.2 | (44.8) | (39.6) | 5.5 | 7.0 |
| | Fiscal Year | 81.7 | 61.4 | 83.9 | 116.5 | 175.9 | 189.3 | 104.2 | 94.3 | 81.1 |
| | % Change | (18.6) | (24.8) | 36.6 | 38.9 | 51.1 | 7.6 | (44.9) | (9.5) | (14.0) |
| Alcoholic Beverage Sales | Calendar Year | 131.5 | 139.6 | 147.0 | 155.2 | 163.1 | 169.8 | 173.4 | 176.5 | 181.8 |
| | % Change | 1.9 | 6.2 | 5.3 | 5.6 | 5.0 | 4.1 | 2.2 | 1.8 | 3.0 |
| | Fiscal Year | 128.7 | 138.0 | 144.5 | 153.0 | 161.8 | 168.9 | 173.2 | 175.1 | 178.9 |
| | % Change | 1.0 | 7.2 | 4.7 | 5.9 | 5.8 | 4.3 | 2.6 | 1.1 | 2.2 |
| All Other Revenues | Calendar Year | 596.8 | 673.1 | 518.9 | 567.4 | 563.1 | 488.5 | 406.3 | 432.1 | 423.9 |
| | % Change | 8.9 | 12.8 | (22.9) | 9.3 | (0.8) | (13.3) | (16.8) | 6.4 | (1.9) |
| | Fiscal Year | 582.9 | 653.6 | 574.1 | 551.6 | 543.9 | 557.4 | 435.7 | 420.7 | 428.1 |
| | % Change | 13.6 | 12.1 | (12.2) | (3.9) | (1.4) | 2.5 | (21.8) | (3.4) | 1.8 |
| Total General Fund Revenues | Calendar Year | 11,234.2 | 12,642.8 | 14,398.7 | 15,131.3 | 15,803.1 | 15,505.0 | 13,997.0 | 14,321.2 | 15,334.3 |
| | % Change | 3.9 | 12.5 | 13.9 | 5.1 | 4.4 | (1.9) | (9.7) | 2.3 | 7.1 |
| | Fiscal Year | 10,867.1 | 11,917.9 | 13,687.3 | 14,834.3 | 15,565.8 | 15,767.0 | 14,315.1 | 14,219.5 | 15,040.2 |
| | % Change | 1.8 | 9.7 | 14.8 | 8.4 | 4.9 | 1.3 | (9.2) | (0.7) | 5.8 |

TABLE B.2 - ANNUAL GENERAL FUND REVENUES

(Millions of Dollars)

| | | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|--------------------------------|---------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| Wills, Suits, Deeds, Contracts | Calendar Year | 346.2 | 364.0 | 309.7 | 364.4 | 390.8 | 387.6 | 384.4 | 441.9 | 579.3 | 686.9 | 542.5 | |
| | % Change | 16.6 | 5.1 | (14.9) | 17.7 | 7.2 | (0.8) | (0.8) | 14.9 | 31.1 | 18.6 | (21.0) | |
| | Fiscal Year | 322.1 | 377.5 | 310.8 | 346.3 | 369.1 | 394.4 | 394.9 | 386.5 | 483.5 | 679.7 | 654.1 | 430.6 |
| | % Change | 10.5 | 17.2 | (17.7) | 11.4 | 6.6 | 6.9 | 0.1 | (2.1) | 25.1 | 40.6 | (3.8) | (34.2) |
| Insurance Premiums | Calendar Year | 276.4 | 272.6 | 305.6 | 312.6 | 341.9 | 345.4 | 336.5 | 382.8 | 368.8 | 380.4 | 424.4 | |
| | % Change | 7.4 | (1.4) | 12.1 | 2.3 | 9.4 | 1.0 | (2.6) | 13.8 | (3.7) | 3.2 | 11.6 | |
| | Fiscal Year | 252.9 | 262.2 | 320.4 | 300.6 | 339.1 | 340.9 | 337.9 | 382.0 | 360.6 | 363.1 | 426.8 | 450.9 |
| | % Change | (10.2) | 3.7 | 22.2 | (6.2) | 12.8 | 0.5 | (0.9) | 13.0 | (5.6) | 0.7 | 17.6 | 5.6 |
| Interest Income | Calendar Year | 72.7 | 66.6 | 65.4 | 49.2 | 55.0 | 69.6 | 74.7 | 124.5 | 71.5 | 85.8 | 186.2 | |
| | % Change | (9.4) | (8.3) | (1.8) | (24.8) | 11.9 | 26.6 | 7.2 | 66.8 | (42.6) | 19.9 | 117.1 | |
| | Fiscal Year | 77.2 | 67.5 | 74.1 | 48.7 | 52.2 | 55.6 | 61.4 | 87.0 | 110.4 | 83.3 | 76.6 | 365.1 |
| | % Change | (4.9) | (12.5) | 9.8 | (34.3) | 7.1 | 6.7 | 10.4 | 41.6 | 26.9 | (24.5) | (8.0) | 376.4 |
| Alcoholic Beverage Sales | Calendar Year | 189.4 | 195.9 | 200.9 | 210.5 | 218.6 | 225.1 | 232.7 | 247.7 | 275.4 | 297.4 | 297.0 | |
| | % Change | 4.2 | 3.4 | 2.6 | 4.8 | 3.8 | 3.0 | 3.4 | 6.5 | 11.2 | 8.0 | (0.1) | |
| | Fiscal Year | 186.4 | 195.2 | 199.2 | 207.8 | 217.6 | 222.4 | 231.8 | 240.8 | 267.2 | 296.1 | 300.2 | 307.4 |
| | % Change | 4.2 | 4.7 | 2.1 | 4.3 | 4.7 | 2.2 | 4.3 | 3.9 | 11.0 | 10.8 | 1.4 | 2.4 |
| All Other Revenues | Calendar Year | 412.4 | 423.7 | 437.7 | 443.8 | 436.6 | 433.2 | 447.1 | 465.0 | 436.5 | 500.4 | 579.3 | |
| | % Change | (2.7) | 2.7 | 3.3 | 1.4 | (1.6) | (0.8) | 3.2 | 4.0 | (6.1) | 14.6 | 15.8 | |
| | Fiscal Year | 413.9 | 425.7 | 429.6 | 436.2 | 445.8 | 444.9 | 425.2 | 461.1 | 446.0 | 470.8 | 530.2 | 606.8 |
| | % Change | (3.3) | 2.9 | 0.9 | 1.5 | 2.2 | (0.2) | (4.4) | 8.4 | (3.3) | 5.6 | 12.6 | 14.4 |
| Total General Fund Revenues | Calendar Year | 16,105.0 | 16,740.2 | 16,930.7 | 17,863.9 | 18,373.3 | 19,209.0 | 20,014.2 | 22,082.0 | 22,526.4 | 26,405.3 | 29,033.1 | |
| | % Change | 5.0 | 3.9 | 1.1 | 5.5 | 2.9 | 4.5 | 4.2 | 10.3 | 2.0 | 17.2 | 10.0 | |
| | Fiscal Year | 15,846.7 | 16,684.6 | 16,411.4 | 17,735.6 | 18,040.1 | 18,695.1 | 19,880.8 | 21,307.5 | 21,737.8 | 24,878.5 | 28,934.9 | 27,909.9 |
| | % Change | 5.4 | 5.3 | (1.6) | 8.1 | 1.7 | 3.6 | 6.3 | 7.2 | 2.0 | 14.4 | 16.3 | (3.5) |

APPENDIX C

MODELS AND METHODOLOGIES

Corporate Income Tax

| | | | | |
|-------------------|--|---------------|---|--------|
| Linear regression | | Number of obs | = | 21 |
| | | F(1, 20) | = | 49.31 |
| | | Prob > F | = | 0.0000 |
| | | R-squared | = | 0.7888 |
| | | Root MSE | = | .10981 |

| | | Robust | | | | |
|-----------------|-------------|-----------|------|-------|----------------------|----------|
| D.ln_rev | Coefficient | std. err. | t | P> t | [95% conf. interval] | |
| ln_MR_corp_prof | | | | | | |
| D1. | .992273 | .1413013 | 7.02 | 0.000 | .6975235 | 1.287022 |

Independent Variable:

D1.ln_MR_corp_prof: First difference of national corporate profits adjusted for inventory and capital consumption

Individual Income Tax - Withholding

| | | | | |
|-------------------|--|---------------|---|--------|
| Linear regression | | Number of obs | = | 83 |
| | | F(5, 77) | = | 57.00 |
| | | Prob > F | = | 0.0000 |
| | | R-squared | = | 0.5934 |
| | | Root MSE | = | .01987 |

| | | Robust | | | | |
|------------------|-------------|-----------|-------|-------|----------------------|-----------|
| S4.ln_rev | Coefficient | std. err. | t | P> t | [95% conf. interval] | |
| era#cS4.ln_wages | | | | | | |
| 0 | .9479002 | .108469 | 8.74 | 0.000 | .7319109 | 1.16389 |
| 1 | 1.234128 | .2363061 | 5.22 | 0.000 | .7635823 | 1.704674 |
| 2 | .9799394 | .185892 | 5.27 | 0.000 | .6097812 | 1.350098 |
| 3 | 1.002398 | .1120928 | 8.94 | 0.000 | .7791927 | 1.225603 |
| deduction | | | | | | |
| S4. | -.0143547 | .0015086 | -9.52 | 0.000 | -.0173588 | -.0113507 |
| _cons | .0051183 | .0056804 | 0.90 | 0.370 | -.0061929 | .0164294 |

Independent Variables:

era: Recessionary period (categorical variable)

cS4.ln_wages: 4 quarter difference in log of Virginia Wages and Salaries

S4.deduction: 4 quarter difference in the standard deduction

Individual Income Tax - Nonwithholding

| Source | SS | df | MS | Number of obs | = | 22 |
|----------|------------|----|------------|---------------|---|--------|
| Model | 3.55639694 | 4 | .889099236 | F(4, 17) | = | 53.58 |
| Residual | .282084612 | 17 | .016593212 | Prob > F | = | 0.0000 |
| | | | | R-squared | = | 0.9265 |
| | | | | Adj R-squared | = | 0.9092 |
| Total | 3.83848156 | 21 | .182784836 | Root MSE | = | .12881 |

| lg_nwth_tot | Coefficient | Std. err. | t | P> t | [95% conf. interval] | |
|-----------------|-------------|-----------|-------|-------|----------------------|----------|
| lg_sp500_s3_l1 | .357114 | .1426702 | 2.50 | 0.023 | .0561062 | .6581219 |
| lg_dir_s3_l1 | .3754301 | .2810056 | 1.34 | 0.199 | -.2174398 | .9683 |
| lg_prprtr_s3_l1 | .9048311 | .3625027 | 2.50 | 0.023 | .1400173 | 1.669645 |
| rec | -.073469 | .0852805 | -0.86 | 0.401 | -.2533951 | .1064571 |
| _cons | -1.096593 | 2.439739 | -0.45 | 0.659 | -6.243993 | 4.050807 |

Independent Variables:

lg_sp500_s3_l1: Prior year's log S&P 500 price

lg_dir_s3_l1: Prior year's log dividend and interest income

lg_prprtr_s3_l1: Prior year's log dividend and interest income

rec: recessionary period (indicator variable)

State Sales and Use Tax

| | | | | |
|-------------------|--|---------------|---|----------|
| Linear regression | | Number of obs | = | 86 |
| | | F(7, 79) | = | 32808.56 |
| | | Prob > F | = | 0.0000 |
| | | R-squared | = | 0.9995 |
| | | Root MSE | = | 2.0e+07 |

| revenue | Coefficient | Robust std. err. | t | P> t | [95% conf. interval] | |
|----------------|-------------|---------------------|--------|-------|----------------------|----------|
| F.wf#c.ts#c.tr | | | | | | |
| 0 | 1.049 | 0.011 | 98.39 | 0.000 | 1.028 | 1.071 |
| 1 | 1.071 | 0.008 | 128.07 | 0.000 | 1.054 | 1.087 |
| c.groc#c.grate | 1.178 | 0.097 | 12.16 | 0.000 | 0.985 | 1.371 |
| quarter | | | | | | |
| 2 | 4.61e+07 | 7.41e+06 | 6.22 | 0.000 | 3.14e+07 | 6.09e+07 |
| 3 | 4.83e+07 | 5.71e+06 | 8.46 | 0.000 | 3.69e+07 | 5.96e+07 |
| 4 | 2.84e+07 | 5.12e+06 | 5.54 | 0.000 | 1.82e+07 | 3.86e+07 |
| era | 4.78e+07 | 5.70e+06 | 8.37 | 0.000 | 3.64e+07 | 5.91e+07 |

Independent Variables:

- wf: Pre or post Wayfair decision on internet shopping (indicator variable)
- ts: Virginia taxable sales consisting of goods less motor vehicles and fuel, plus accommodation and food services
- tr: State sales tax rate on non grocery purchases
- groc: Virginia grocery consumption
- grate: State sales tax rate on groceries
- q: Quarter
- era: Recessionary period (Indicator variable)

Recordation Taxes

| | | | |
|-------------------|---------------|---|---------|
| Linear regression | Number of obs | = | 87 |
| | F(18, 68) | = | 113.99 |
| | Prob > F | = | 0.0000 |
| | R-squared | = | 0.9166 |
| | Root MSE | = | 9.6e+06 |

| | Coefficient | Robust std. err. | t | P> t | [95% conf. interval] | |
|-------------------------|-------------|---------------------|-------|-------|----------------------|-----------|
| revenue | | | | | | |
| SFR | 187.398 | 45.71301 | 4.10 | 0.000 | 96.17908 | 278.6168 |
| q#era#c.purch#c.taxrate | | | | | | |
| 1 0 | 2.853279 | .2450336 | 11.64 | 0.000 | 2.364322 | 3.342236 |
| 1 1 | .2778615 | .4020799 | 0.69 | 0.492 | -.5244765 | 1.0802 |
| 2 0 | 3.649661 | .2078728 | 17.56 | 0.000 | 3.234858 | 4.064465 |
| 2 1 | 1.504321 | .4353007 | 3.46 | 0.001 | .635692 | 2.37295 |
| 3 0 | 3.310666 | .4894615 | 6.76 | 0.000 | 2.333961 | 4.287372 |
| 3 1 | 1.313656 | .4037902 | 3.25 | 0.002 | .5079055 | 2.119407 |
| 4 0 | 2.885453 | .2157176 | 13.38 | 0.000 | 2.454995 | 3.315911 |
| 4 1 | .7186864 | .4293347 | 1.67 | 0.099 | -.1380376 | 1.57541 |
| q#era#c.refi | | | | | | |
| 1 0 | -.0012095 | .000508 | -2.38 | 0.020 | -.0022231 | -.0001959 |
| 1 1 | .0009741 | .0002151 | 4.53 | 0.000 | .0005448 | .0014035 |
| 2 0 | -.0007932 | .0001865 | -4.25 | 0.000 | -.0011653 | -.0004211 |
| 2 1 | .0003259 | .0003993 | 0.82 | 0.417 | -.0004708 | .0011226 |
| 3 0 | -.0002621 | .0003525 | -0.74 | 0.460 | -.0009654 | .0004413 |
| 3 1 | .0008138 | .0003362 | 2.42 | 0.018 | .0001429 | .0014847 |
| 4 0 | -.0002255 | .0002519 | -0.90 | 0.374 | -.0007281 | .0002772 |
| 4 1 | .0009262 | .0002338 | 3.96 | 0.000 | .0004596 | .0013928 |
| FRM | -5316535 | 2438758 | -2.18 | 0.033 | -1.02e+07 | -450068.7 |
| _cons | 2.67e+07 | 1.04e+07 | 2.55 | 0.013 | 5839230 | 4.75e+07 |

Independent Variables:

- SFR: Median single family residence price
- q: Quarter of year (Categorical variable)
- era: Time periods denoting housing bubbles (Categorical variable)
- purch: Mortgage originations from housing purchases
- taxrate: Recordation tax rate associated with time period
- refi: Mortgage refinances
- FRM: 30 year fixed rate mortgage rates

Motor Fuels Tax

Gasoline Consumption (Taxable Gallons)

Model: Ordinary Least Squares Regression

Independent Variables: Virginia Real Personal Income; Virginia Non-Agricultural Employment; Chained Price index-Total personal consumption expenditures, Chained Price index- Consumer Gasoline and other energy goods, Seasonality Factors

Diesel Highway Use (Taxable Gallons)

Model: Ordinary Least Squares

Independent Variables: Virginia Real Personal Income; Virginia Non-Agricultural Employment; Chained Price index- Consumer Gasoline and other energy goods, Seasonality Factors

Motor Vehicle Sales and Use Tax

Total Motor Vehicle Sales (Total Taxable Titles)

Model: Log-log Regression

Independent Variables: Logged year-over-year difference Chained Price index-
Consumer Motor vehicles and parts; Moving Average of Logged
year-over-year difference Virginia Non-Agricultural Employment;
Year-over-year difference Virginia Real Personal Income;
Seasonality Factors

New Vehicle Sales (New Taxable Titles)

Model: Ordinary Least Squares Regression

Independent Variables: New Car Sales in the US;, Seasonality Factors

Used Vehicle Sales (Used Taxable Titles)

Difference between Total Taxable Vehicle Sales and New Taxable Title Sales

ABC Revenue Estimating Methodology

Distilled spirit sales revenues are a function of the price of product and quantity sold. Both are forecasted using separate models with quarterly data from 1981 through the present. The price of distilled spirits is a function of the cost of product and the appropriate state and federal taxes and mark-ups. Sales estimates serve as the basis for the development of pro forma profit and loss statements. Sales performance can be significantly influenced by changes in consumer behavior (primarily during the holiday period) and severe weather that are both impossible to accurately forecast. Expenses are estimated based on anticipated budget requirements during the forecasting period. Variations in anticipated expenses are often the source of forecasting error, particularly in the later years of the forecast.

Average Price of Distilled Spirits

The average sales price per gallon of distilled spirits sold was calculated for each quarter. This was adjusted to account for changes in mark-up, state taxes, and the Federal Excise Tax on distilled spirits. The resulting base price was forecasted using an ARIMA model that was found to fit the data better than previous regression-based forecasting methods.

Statistical Results:

Mean Squared Error = .04

$R^2 = 98.1\%$

Quantity of Liquor Demanded

Again, a variety of modeling techniques and data were evaluated to forecast the demand for distilled spirits. The Winter's Multiplicative exponential smoothing method provided the best fit for the data.

Statistical Results:

Mean Squared Error = .001

$R^2 = 98.7\%$

APPENDIX D
ABOUT THE GOVERNOR'S ADVISORY
COUNCIL ON REVENUE ESTIMATES

About the Governor's Advisory Council on Revenue Estimates

Va. Code § 2.2-1503 requires the Governor of Virginia, by December 15 each year, to prepare and submit to the members of the General Assembly an estimate of anticipated general fund revenue, an estimate of anticipated transportation fund revenues, and estimates of anticipated revenues for each of the remaining major nongeneral funds, for a prospective period of six years. Code requires that the Governor's revenue estimates be based on (i) forecasts of economic activity in the Commonwealth, (ii) review by an advisory board of economists with respect to economic assumptions and technical econometric methodology, and (iii) review by an advisory council of revenue estimates with respect to economic assumptions and the general economic climate of the Commonwealth.

The Governor's Advisory Council on Revenue Estimates (the Council) is established as an advisory council in the executive branch of state government for reviewing revenue estimates with respect to economic assumptions and the general economic climate of the Commonwealth. The Council is chaired by the Governor and consists of the Speaker and Majority Leader of the House of Delegates; the President pro tempore and Majority Leader of the Senate; the Chairmen of the House Committee on Appropriations, the House Committee on Finance, and the Senate Committee on Finance and Appropriations or their designees; two members of the House of Delegates appointed by the Speaker of the House, two members of the Senate appointed by the Chair of the Senate Committee on Finance and Appropriations; and 15 to 20 nonlegislative citizen members representing the private sector appointed by the Governor.

Meetings of the Council are typically held at least once annually, upon the call of the chairman or whenever a majority of the members so request.

Staff Support

Staff support for the Governor's Advisory Council on Revenue Estimates is provided by the Office of the Secretary of Finance and the Virginia Department of Taxation.

Governor of Virginia



The Honorable Glenn Youngkin Governor of Virginia

Born in Richmond and raised in Virginia Beach, Governor Glenn Youngkin is a homegrown Virginian from humble beginnings. From washing dishes to support his family to being named co-CEO of one of the world's top investment firms, Governor Youngkin knows what it's like to work hard. Governor Youngkin's determination to succeed earned him various awards on the basketball court and a full athletic scholarship to college.

After earning an engineering degree at Rice University and his MBA at Harvard Business School, Governor Youngkin and his wife Suzanne moved to Northern Virginia. For 25 years Governor Youngkin was instrumental in growing the Carlyle Group's stature globally while helping fund the retirements of teachers, police officers, firefighters and other frontline public servants.

And today, Governor Youngkin continues to deliver for all Virginians. As a newcomer to politics, he ran, won, and now shapes policy on commonsense solutions to kitchen table concerns. So far, he's passed the largest education budget in Virginia's history, facilitated waves of economic investments and business expansions to reinvigorate job growth and opportunity and has totally transformed the way government works for its citizens. He signed a comprehensive package of laws delivering for veterans in his first six months as well as enacting historic tax cuts and funding for public safety.

Governor Youngkin has been married for over 29 years to Suzanne S. Youngkin, a devoted leader in non-profits and charitable causes. Together, they are dedicated to their four wonderful children. Their family journey has been and continues to be guided by their faith, walking hand in hand as humble followers of Christ.

Governor's Advisory Council on Revenue Estimates



Nancy Howell Agee
President and Chief Executive Officer
Carilion Clinic

NANCY HOWELL AGEE is President and Chief Executive Officer of Carilion Clinic, a \$2.4B not-for-profit integrated health system headquartered in Roanoke, Virginia, serving more than one million people in Virginia and West Virginia.

Before becoming CEO in 2011, Ms. Agee served as Executive Vice President and Chief Operating Officer. During her tenure as COO, she co-led Carilion's reorganization from a collection of hospitals to a fully integrated, physician-led clinic. The reorganization resulted in a partnership with Virginia Tech to create an allopathic medical school and research institute.

Ms. Agee is a nationally recognized health care leader and past Chair of the American Hospital Association. She was recently named one of *Modern Healthcare's* 50 Most Influential Clinical Executives. *Modern Healthcare* also named her one of 2021's Women Leaders Luminaries that recognizes executives whose careers have been defined by reshaping the industry. She was first named to *Modern Healthcare's* biennial list of Top 25 Women Leaders in 2017 and is perennially among its 100 Most Influential People in Healthcare. She is a former member of The Joint Commission's Board of Commissioners and past Chair of the Virginia Hospital & Healthcare Association and the Virginia Center for Health Innovation.

Ms. Agee was named Virginia Business Person of the year in 2017 by *Virginia Business* and has been on the list of most influential persons in Virginia for the past ten years. She was also named among *Virginia Business Magazine's* Virginia 500 – the 2020 Power List. Ms. Agee serves on several boards including American National Bank & Trust, (NASDAQ:AMNB), RGC Resources, Inc., (NASDAQ:RGCO) and Healthcare Realty: (NYSE:HR). She is a member of The Wall Street Journal Council of CEOs, Virginia Foundation for Independent Colleges, Virginia Business Council, Virginia Business Higher Education Council and on the Governor's Advisory Council on Revenue Estimates. She is a Fellow in the National Association of Corporate Directors. In January 2022, Ms. Agee was selected by newly inaugurated Governor Glenn Youngkin to serve on his Medical Advisory Team.

Ms. Agee has received many awards over her career including the 2022 Virginia Business Magazine's "Women in Leadership" award, the Total Action for Progress (TAP) 2021 Cabell Brand Hope Award, 2020 University of Virginia Maxine Platzer Lynn Women's Center Distinguished Alumna Award, Emory School of Nursing's Nurses Alumni Association Distinguished Nursing Achievement Award, Multiple Sclerosis Silver Hope Award, the Carilion Paladin Award for Quality, and the National Center for Healthcare Leadership's Gail L. Warden Leadership Excellence Award.

Ms. Agee holds degrees with Honors from the University of Virginia (Bachelor of Science in Nursing) and Emory University (Master of Science in Nursing) and attended the Kellogg School of Business, Northwestern University. She's received honorary Doctorate of Humane Letters from Roanoke College, the Jefferson College of Health Sciences and Virginia College of Osteopathic Medicine.

* * *

CARILION CLINIC is a nationally ranked, \$2.4B not-for-profit integrated health system headquartered in Roanoke, Virginia, serving more than 1 million people in Virginia and West Virginia. Carilion Clinic includes seven hospitals ranging from a large, tertiary/quaternary medical center, Level 1 Trauma Center and teaching hospital to a Children's Hospital to mid-sized community hospitals to small rural or critical access hospitals. Carilion also operates complementary business lines, including home health, imaging services, pharmacies, urgent care and free-standing surgical clinics and has a large physician group with more than 1,000 employed physicians.



Neil Amin
Chief Executive Officer
Shamin Hotels

Mr. Amin started his career at Goldman, Sachs & Co., where he advised public and private technology companies on merger and acquisition transactions and capital markets activities. He currently has overall responsibility for over 66 hotels owned and operated by Shamin Hotels, the largest hotel owner and operator in the Commonwealth of Virginia.

Additionally, Mr. Amin oversees the operations of Shamin's Assisted Living and Dementia facilities in Virginia. During his tenure at Shamin Hotels, the company has received numerous awards and recognitions including the Developer of the Year from Intercontinental Hotels Group and the Multi-Brand Developer of the Year, New Build/Adaptive Reuse of the Year, and the Lifetime Achievement Award from Hilton Hotels.

Mr. Amin has also been repeatedly recognized as one of the Fifty Most Influential Virginians by Virginia Business. Mr. Amin graduated summa cum laude from The Wharton Business School at the University of Pennsylvania, completing his B.S. in Economics and MBA. He is passionate about assisting the communities where the associates of Shamin Hotels live and work and currently serves as the past chairman of the board of Richmond Region Tourism and serves on the boards of the Community Foundation, the Virginia Museum of History and Culture, the Virginia Community Development Corporation, Sports Backers, Venture Richmond, the Virginia Council on Economic Education, and is chairman of the Virginia Cannabis Control Authority.

Additionally, Mr. Amin serves on the Treasury Board of the Commonwealth of Virginia and the Governor's Advisory Council on Revenue Estimates at the pleasure of the Governor of Virginia.



Tom Barkin
President and Chief Executive Officer
Federal Reserve Bank of Richmond

Tom Barkin is the President and CEO of the Federal Reserve Bank of Richmond. He has held this position since 2018.

Tom serves on the Fed's chief monetary policy body, the Federal Open Market Committee, and is also responsible for bank supervision and the Federal Reserve's technology organization. He is "on the ground" continually in the Fed's Fifth District, which covers South Carolina, North Carolina, Virginia, D.C., West Virginia and Maryland. His engagement in the region has brought real attention to areas facing economic challenges.

Prior to joining the Richmond Fed, Tom was a senior partner and CFO at McKinsey & Company, a worldwide management consulting firm, where he also oversaw McKinsey's offices in the southern United States.

Tom earned his bachelor's, MBA and law degrees from Harvard University.



William G. Crutchfield, Jr.
Founder and Chief Executive Officer
Crutchfield Corporation

In 1974, with only \$1,000 in capital, Bill Crutchfield founded Crutchfield Corporation in his mother's basement. Since then, Crutchfield Corporation has grown into one of the nation's largest and most respected *specialty* direct retailers. In 2022, *Virginia Business* ranked it as the 18th largest private company in Virginia.

In October 2007, Bill Crutchfield was inducted into the Consumer Electronics Association's Hall of Fame. At the invitation of Samsung, he carried the Beijing 2008 Olympic Torch in Hangzhou, China, in 2008. In 2011, *Virginia Business* listed him as one of Virginia's 25 most notable entrepreneurs over the past 25 years. In 2021, *Virginia Business* named him as one of the 500 most influential Virginians.

Bill Crutchfield has served five Virginia governors of both parties on various commissions, councils and boards including two terms on the University of Virginia's senior board, the Board of Visitors. He has been an executive lecturer at UVA's Darden School of Business for the past 43 years.

During the Vietnam War, Bill Crutchfield served in the United States Air Force as a commander of a Titan II missile crew and as a Strategic Air Command senior instructor. For his distinguished service, he was awarded the Air Force Commendation Medal. Bill Crutchfield separated from the service in 1970 holding the rank of Captain.

Bill Crutchfield's wife, Scheline, is a former banking executive who has served in leadership capacities with several not-for-profit organizations and is currently pursuing her love of oil painting. From a former marriage, Bill Crutchfield has an adult daughter and son.



Chad Eisele
Senior Vice President and Chief Financial Officer
Card Business
Capital One

Chad has been with Capital One since 1999. He worked in a variety of Card Finance leadership positions until 2008. From 2008-2011, Chad led the Corporate Planning team where he was responsible for the consolidated Corporate P&L, Resource Allocation Committee, and Management Accounting and Planning processes and infrastructure.

Currently, Chad is Senior Vice President and Chief Financial Officer for the Card Business at Capital One, which includes the US Branded and Partnership, UK, and Canada card businesses.

Chad served on the March of Dimes Virginia State Board and was Chair of the Central Virginia Board from 2010-2014. He also served on the founding Board of Directors for Full Circle Grief Center from 2010-2012 and the Advisory Board for Virginia Local Initiatives Support Corporation (LISC) from 2017-2020. He is currently on the Board of Directors for Peter Paul and a member of the Central Virginia Market Presidents Network at Capital One.

Chad attended University of Richmond where he received a B.S. in Business Administration and minored in Spanish. He also received his MBA from Duke University. Chad lives in Mechanicsville, Virginia with his wife and three children and enjoys triathlon training, reading, and spending time at 'the river'.



Robey W. Estes, Jr.
President and Chief Executive Officer
Estes Express

Robey W. Estes, Jr. graduated from the College of William & Mary in 1974 with a degree in accounting. After graduation, Mr. Estes began his career at Estes, working in various progressive positions over the years. He began as a salesman in the Richmond area in 1975 and is currently President & CEO of the company.

Mr. Estes is active in the community and trucking industry, serving on various boards – Southern Motor Carriers, American Trucking Association, Needles Eye Ministries, Science Museum of Virginia and National Association of Christian Recovery. He is a former board member of Richmond Goodwill and Virginia State Chamber of Commerce as well as past Chairman for the Board of Deacons of Bon Air Baptist Church.

Mr. Estes is married to Jean Berger Estes. They have two children Carrie, 42, UNC graduate; and Webb, 38, William & Mary graduate. Both are active in the company. He enjoys softball, bridge, spending time with his grandchildren and talking transportation.



Bryan H. Fairbanks
President and Chief Executive Officer
Trex Company

Bryan Fairbanks has served as President and Chief Executive Officer of the Trex Company since April 2020. He previously served as Executive Vice President and Chief Financial Officer of the Trex Company between July 2018 and April 2020, and as Vice President and Chief Financial Officer of the Trex Company between August 2015 and July 2018. Between March 2006 and August 2015, he served as Senior Director, Supply Chain, and between September 2012 and August 2015, he concurrently served as Executive Director, International Business Development, with the Trex Company. He served as Director, Financial Planning and Analysis of the Company between May 2004 and March 2006.

Prior to his Trex experience, he served in numerous senior finance roles with the Ford Motor Company, a manufacturer of cars and trucks, between August 1994 and May 2004.

He received a B.S. degree in accounting from the University of Dayton and a M.B.A. degree from the University of Pittsburgh. In addition to his Trex responsibilities, Bryan serves on the Frederick County, Virginia Economic Development Authority and was recently appointed to the Virginia Governor's Advisory Council on Revenue Estimates.



William I. Foster III
President & Chief Executive Officer
TowneBank

Billy Foster is the President and Chief Executive Officer of TowneBank. In that role, Mr. Foster oversees the growth and profitability of the bank. He joined the Towne family in 2004 as Regional President to lead the Bank's expansion into the Norfolk community. Since that time he has served in several executive roles, including his most recent role as President of the Bank's markets in Central Virginia and North Carolina. Prior to joining Towne, he served as the Eastern Region President of Central Fidelity Bank. Mr. Foster has over 35 years of experience in the banking industry. He attended Old Dominion University, earning a BS in Business Administration with a major in Accounting and also earned an MBA from the College of William and Mary.



B.K. Fulton
Chairman and Chief Executive Officer
Souldify Productions

BK is the chairman of 7 companies and an award-winning filmmaker and author. In 2017 BK founded Souldify Productions – a film, stage and TV investment company designed to promote a more inclusive narrative in media. The company has produced 13 feature films, 15 books and a #1 show on Broadway since its inception. Souldify is the creator of the *Blueprint Script & Media Prize* and owns SoulVision Magazine, SoulVision.TV and Body Snatchers Productions. The company retains ownership interests in MoviePass 2.0 (films, gaming, and B2B), *Iconic Events Releasing* (over 8,000 screens), and [MediaU.com](https://www.mediau.com) (the first online film school with transcripts) among other ventures. BK is also a principal with Ralph Sampson, and Jim Franklin in *Winner's Circle Ventures* – a \$100 million-dollar strategic investment company targeting *all* entrepreneurs, especially women and minorities.

Prior to becoming a full-time author and entrepreneur, BK was Vice President of the Mid-Atlantic Region for Verizon Communications, Inc. and President of Verizon Virginia and West Virginia. He has held senior leadership, media, technology, and policy development posts with the U.S. Department of Commerce, AOL, Time Warner, Verizon, and the National Urban League. BK is considered one of the most influential African Americans in technology. His board service includes: Norfolk State University, Towne Bank, the Library of Virginia Foundation, Media Mentors, The Jamestown-Yorktown Foundation and MediaU.com. He was most recently inducted into the JA Business Hall of Fame (2022).

BK holds a Bachelor's degree from Virginia Tech, a Master of Science degree and Sloan Fellowship from Harvard and the New School, and a Juris Doctorate from New York Law School. He is married to Mrs. Jacquelyn E. Stone, a Harvard Law graduate and prominent Richmond attorney at the McGuireWoods Law firm. Jackie and BK are co-parents to three young men – Joshua, Terrell, and Sam.



Jason Greene
President and CEO
Delta Star, Inc.

Jason Greene began his career at Delta Star, Inc. in 2003 as Controller at Delta Star East located in Lynchburg, Virginia. The following year he assumed the position of Chief Financial Officer with the company and in 2005 was appointed Vice President.

He took a brief stint away from Delta Star in 2010, where he traveled abroad, serving as CFO and COO for a multi-state ministry.

He returned shortly thereafter to lead Delta Star's Field Service Business Division as Director. In 2012, Mr. Greene became General Manager of the Lynchburg manufacturing facility, Delta Star East. In May 2013, he was promoted to Director of Operations, with responsibility over the manufacturing facilities and Field Service Division. In 2014, he became COO which included oversight of all operations, administration, and strategic development.

In 2016, Mr. Greene was promoted to his current position of President and Chief Executive Officer where he is responsible for the creation and implementation of the strategic direction for Delta Star, while ensuring that the organization maintains a constant awareness of the external competitive landscape, customer base, new industry developments and standards.

Mr. Greene graduated from Virginia Tech with a degree in accounting and from Harvard Business School in the Program for Leadership Development. He is a Virginia Certified Public Accountant (CPA).

He currently serves on the Board of Directors for Freedom Word Church in Spout Spring, Virginia; Central Virginia Community College Foundation; Liberty University School of Engineering and as an advisor to Hill City Crash based in Lynchburg, Virginia.

He currently resides in Spout Spring, Virginia with his wife and five children.



Mark Hourigan
Founder and Chief Executive Officer
Hourigan

Mark is the founder and CEO of Hourigan, a fully integrated construction and development company, based in Richmond. In his nearly 40 years of experience in the construction industry, Mark has shepherded some of the Commonwealth's most innovative and skyline-defining projects including Richmond's Dominion Tower, Charlottesville's Apex Plaza, and the Chesapeake Bay Foundation's Brock Environmental Center.

Mark's commitment to building uniquely remarkable relationships and buildings is a culture instilled from the top-down at Hourigan, fostering service and connection to local communities across Virginia.

Mark's lifetime resume of service on numerous nonprofit, industry, and institutional boards including GoVirginia, Virginia Chamber of Commerce, and the Community Foundation of Richmond is earnestly focused on the development of others and the enrichment of the local community.



J.W. (Bill) Kirk, III
Chairman
Associated Asphalt

Mr. Kirk serves as Chairman of Associated Asphalt headquartered in Roanoke, VA. He has more than 50 years of energy and transportation-related experience. After graduating from Hampden-Sydney College, he worked with Shell Oil Company in Philadelphia.

Mr. Kirk then joined Associated Asphalt in 1976 and was named President in 1988 and Chief Executive Officer in 1999. He was appointed Chairman in 2020.

Bill has been very involved with the Asphalt Institute throughout his career, serving as Chairman in 2004 and 2011. He has also been active on several community and civic boards and is a long-time Trustee of Hampden-Sydney. He currently serves on the Board of Commissioners for the Virginia Port Authority.



Dennis Matheis
President & Chief Executive Officer
Sentara Healthcare

Dennis has spent the past 30 years in senior leadership roles within the healthcare industry. He previously served as Executive Vice President of Sentara Healthcare and President of Sentara Health Plans. Prior to joining Sentara, he spent 13 years in leadership roles at Anthem, Inc. He also served in senior leadership roles at Anthem Blue Cross and Blue Shield of Missouri, CIGNA Healthcare and Humana Health Plan, as well as Advocate Health Care in Chicago.

Matheis is on the Executive Committee of the Virginia Association of Health Plans (VAHP). He serves on the Board of Directors of the Virginia Chamber of Commerce – Team Virginia and DarioHealth and serves on the Board of Directors and Executive Committee of America's Health Insurance Plans (AHIP).

Matheis earned his B.S. in Accounting from the University of Kentucky and practiced as a Certified Public Accountant before entering the healthcare industry.



Shane McCullar
CEO and Operating Principal
KW Metro Center

Shane McCullar is a highly accomplished real estate professional with a distinguished career and unwavering commitment to the industry. A graduate of the University of Mississippi (Ole Miss), Shane holds a degree in business with a minor in economics. His passion for the world of finance led him to acquire a Series 7 license, establishing himself as an investment broker, where he provided valuable advice to brokers on portfolio positioning for over six years.

Shane's journey into the world of real estate began on a high note when he was named Rookie of the Year at a multinational firm located in the prestigious Gold Coast area of Chicago, Illinois. His talent and dedication propelled him to the position of Director of Development for a luxury builder in downtown Chicago. However, the true turning point in Shane's career came when he joined Keller Williams Realty International, where he has been a stalwart for over two decades.

In his role as CEO and Operating Principal of KW Metro Center, Shane oversees a formidable team of over 1,000 agents, collectively serving the Alexandria Old Town, Arlington, Midlothian, Tyson, and Vienna, Virginia areas. Under his leadership, KW Metro Center has thrived, achieving revenues of \$2.4 billion. This has solidified KW Metro Center's position as one of the largest real estate companies in the Washington D.C. area, as recognized by the Washington

Business Journal and industry experts at Real Trends. Furthermore, he has ventured into joint ownership in two title companies and delved into the insurance sector.

Shane's dedication extends beyond his professional life. He has actively contributed to the real estate industry's governance by serving as a former member of the Northern Virginia Association of Realtors (NVAR) Board of Directors and the Virginia Association of Realtors (VAR) Board of Directors for over eight years. He has also been a driving force as the past Co-Chairman of RPAC for the Commonwealth of Virginia and has received the distinguished honor of being inducted into the Hall of Fame for the National Association of Realtors.

In addition to his remarkable career, Shane McCullar cherishes a strong and enduring partnership with his wife, Nicole McCullar, who is a Mega Agent in KW Metro Center. Together, they have been married for 25 years and are residents of Alexandria Old Town.

Shane McCullar's journey in the world of real estate is a testament to his exceptional leadership, unparalleled industry expertise, and unwavering commitment to excellence, both professionally and personally. His impact and legacy in the real estate industry are sure to endure for many years to come.



Thomas L. Ransom
President, Virginia Region
Truist Financial

Thomas L. Ransom currently serves as the President of the Virginia Region at Truist Financial where he integrates and brings the full set of Truist Financial solutions to the market. Before this role, Thomas served as the first Head of Sales and Client Experience Strategy for Truist Financial and he is an inaugural member of the banks' Operating Council and the Executive Response Operations team. He is a twenty plus year veteran of Truist and has led high performing banking teams throughout the Mid-Atlantic.

Of note, Thomas led and directed the strategic development, deployment and reinforcement of the enterprise sales and client experience strategy. He led the development of the Truist Performance Awards, the "Truist Difference" and the Truist Integrated Relationship Management strategy.

Mr. Ransom is a passionate client advocate and that showed through his leadership of the Client Experience and Client First Solutions teams. Thomas has led, chaired and been a member of over a dozen high performing boards of directors and currently serves on the national board of INROADS, Grandbridge Real Estate Capital, Truist Leadership Institute, the N.C. Bankers Association D&I Council, Virginia Chamber, Virginia Business Council, Virginia Foundation for Independent Colleges and the Virginia Bankers Association.

Recently, Mr. Ransom was tapped to Chair the Corporate Advisory Council for the U.S. Black Chambers. Mr. Ransom also serves as Chair of Truist Financials' corporate business resource group for Black teammates and allies and he sits on the Diversity, Equity and Inclusion committee. In that role, he works to produce strategies that help the bank retain, advance and recruit diverse associates and clients. Mr. Ransom built the Truist HBCU strategy which is a groundbreaking collaboration effort to help ensure the success of those students and schools. Representing Truist, Mr. Ransom has launched a groundbreaking partnership with the United States Black Chambers, Inc. to address the urgent crisis facing black owned businesses in America. He served on the Professional Advisory Council for the University of Phoenix School of Business and helped develop entrepreneurship curriculum to support increased access to capital for minority owned businesses.

As a Virginia native, Mr. Ransom attended Middlesex High School where he won the Virginia state championship in football. He went on to earn a Bachelor of Arts in Economics at Hampden Sydney College where he was a four-year letterman on the football team. He was also selected to complete a fellowship in Public Policy and International Affairs at Princeton University. He subsequently earned a Masters in Business Administration at the University of Baltimore and a Graduate Degree in Banking from Stonier held at the University of Pennsylvania.



Steven C. Smith
President/Chief Executive Officer
K-VA-T Food Stores, Inc.
d/b/a Food City

Raised in Grundy, VA, Smith earned a bachelor's in business administration from James Madison University. Throughout his 43 years of employment with Food City, he has served in numerous key positions, before assuming his current position of president and chief executive officer.

Headquartered in Abingdon, Virginia, K-VA-T Food Stores, Inc. operates 139 retail supermarkets, trading under the Food City, Super Dollar, and Curt's Ace Hardware banners, including 114 pharmacies, 115 fuel/convenience stores and 4 wine & spirits stores throughout Southeast Kentucky, Southwest Virginia, East Tennessee, North Georgia, and Alabama.

Smith has served on the boards of Wellmont Health Care Systems, Bristol Chamber of Commerce, Weis Supermarkets, GO Virginia, and James Madison University's Board of Visitors. He served as campaign chair for United Way of Southwest Virginia from 2000-2002 and 2006-2007, as well as board chair for Topco Associates, LLC, and FMI – The Food Industry Association. He is a member of National Grocers Association and currently serves on several committees for FMI – The Food Industry Association, as well as the board of directors for Mountain Mission School.



Holly Sullivan
Vice President, World Wide Economic Development
Amazon

Holly Sullivan is the Vice President of World Wide Economic Development at Amazon. She leads a team at Amazon focused on global investment projects. When Amazon decided in 2017 to create a \$5 billion second corporate headquarters with 50,000 jobs, Holly was the person entrusted with leading the team that shaped Amazon's evaluation of the 238 bids received from cities, counties, and states across North America.

She has more than 20 years of experience in economic development, most recently as President and CEO of the Montgomery Business Development Corporation in Maryland. She also formerly led economic development organizations in the Nashville region. Holly received a Bachelor of Arts and a Master of Science in Urban and Regional Planning from the University of Tennessee.

She was recently named one of Washington DC's Most Powerful Real Estate Players in 2020 by the Commercial Observer, Bethesda Magazine "Women Who Influence" in 2021, and Honorable Scout Award in 2021 by the Scouts of America. She serves on the Board of Directors for the Tennessee Chamber of Commerce & Industry, the Middle Tennessee Community Foundation and Advisory Board member for the University of Tennessee Haslam School of Business.



Warren Thompson
President and Chairman
Thompson Hospitality Corporation

President and Chairman of Thompson Hospitality Corporation, the largest minority owned food service and facilities management company in the U.S. With 6,000 associates and 2019 revenue in excess of \$800 million, Thompson Hospitality operates in 45 states and six foreign countries, providing a wide range of services. Thompson Hospitality was founded in 1992, when Thompson completed a leveraged buyout of 31 Bob's Big Boy restaurants from his previous employer Marriott Corporation. He proceeded to convert the stores to Shoney's restaurants and several other proprietary

restaurant concepts.

Warren also expanded the company's interests into the contract food service arena, and in 1997 created Thompson Hospitality Services, LLC by forging a strategic partnership with Compass Group, the world's largest food service company. Through this alliance, Thompson Hospitality currently serves more than 65 Fortune 100 companies, large universities, and hospitals.

Additionally, Thompson Hospitality has developed a specialty niche in providing food service to many of the Nation's Historically Black Colleges and Universities ("HBCUs"), becoming the largest player in that segment. In addition to contract food service, Thompson Hospitality has continued its retail expansion through the years with the purchase of the Austin Grill restaurant chain (2006) and Big Buns Burgers (2018), as well as the creation of The American Tap Room, brb ("Be Right Burger"), Willie T's Lobster Shack, The Delegate, Maker's Union, and Milk n Honey in 2008, 2011, 2014, 2020, and 2021, respectively. The Company also completed the purchase of the Matchbox Bistro in 2020 and developed The Ridley in Charlottesville in 2021 and Ralph Sampson' American Tap Room in 2022.

Warren has had the honor of serving on the Board of Directors for several major corporations and universities, including the Darden School of Business Foundation Board, University of Virginia's Board of Visitors, Hilb Rogal & Hobbs, Pepsi-Cola's African American Advisory Board and Federal Realty Investment Trust. He currently serves on several Board of Directors to include Compass Group NA, Duke Realty, Performance Food Group, Sizzle (SPAC), and he is a Trustee with his alma mater Hampden-Sydney College. Warren received his Bachelor of Arts degree in Managerial Economics from Hampden-Sydney College and holds an MBA from the University of Virginia's Darden School of Business.



Kathy Warden
Chair, Chief Executive Officer
President

Kathy Warden is chair, chief executive officer and president of Northrop Grumman Corporation. She was elected chairman of the Northrop Grumman Board of Directors in 2019 and has served as CEO and president since

January 1, 2019. She was elected to the company's Board of Directors in 2018. Prior to becoming CEO and president, Warden served as president and chief operating officer, responsible for the operational management of the company's four sectors as well as its enterprise services organization. She also led the integration of Northrop Grumman's Orbital ATK acquisition. Previously, she served as corporate vice president and president of Northrop Grumman's Mission Systems and Information Systems sectors.

Warden has extensive experience in operational leadership and business development in government and commercial markets. Prior to joining Northrop Grumman in 2008, Warden held leadership roles at General Dynamics and the Veridian Corporation, she was a principal in a venture internet firm, and she spent nearly a decade with the General Electric Company working in commercial industries.

Warden earned a bachelor's degree from James Madison University and a master's degree in business administration from George Washington University. She currently serves on the Board of Directors of Merck & Co., Inc. and Catalyst. She serves as vice chair of the Greater Washington Partnership as well as the Aspen Cyber Security Group.

Warden is an active member of both the Aerospace Industries Association and the Business Roundtable. Northrop Grumman is a technology company, focused on global security and human discovery. Our pioneering solutions equip our customers with capabilities they need to connect, advance, and protect the U.S. and its allies. Driven by a shared purpose to solve our customers' toughest problems, our 90,000 employees define possible every day.



Senator George Barker
Co-Chair, Senate Finance and Appropriations Committee

Senator George Lincoln Barker was first elected to the Virginia Senate in 2007. Prior to his election, he had been active in a number of civic and community organizations since first moving to Northern Virginia more than 35 years ago.

Senator Barker has two degrees from Harvard University, receiving undergraduate honors in Economics and Public Health and a master's in Health Policy and Management. For three decades he worked for the Health Systems Agency of Northern Virginia, seeking to contain skyrocketing health care costs, promote quality of care, and ensure access to medical care for Virginia families. He currently consults on health care issues.

As the chair of Fairfax County's Transportation Advisory Commission and vice-chair of the Tysons Task Force, George worked to improve transportation conditions and help re-design Tysons Corner – Fairfax County's "downtown" – into an integrated urban area. He also chaired several other state, county, and regional organizations related to health care, human resources, and transportation.

More locally, the Senator has been a board member of the Occoquan Watershed Coalition since 1997, a member of the Green Breakfast Group since 2004, a member of the Mount Vernon-Lee and South Fairfax Chambers of Commerce, and was president of his homeowners' association from 1991-2007. He was president of the PTA at Robinson Secondary from 1992-94 and at Mt. Vernon High School from 2000-01. He previously hosted "Focus on Franconia" and "Spotlight on Springfield" on Channel 10's Fairfax Public Access Television.

Senator Barker and his wife Jane reside in Clifton. They have two grown children, Erik and Emily, and were foster parents to 13 children. He is a member of Fairfax Presbyterian Church, where he served as youth group leader and member of the governing board.



Todd Gilbert
Speaker of the Virginia House of Delegates

Todd Gilbert is the Speaker of the Virginia House of Delegates. He represents the 15th district in the Virginia House of Delegates; it includes all of Page and Shenandoah Counties and portions of Warren and Rockingham Counties. He was first elected to the House in 2005. In 2018, Delegate Gilbert was elected Republican Leader of the House of Delegates, and in 2022 was elected speaker by his colleagues. Speaker Gilbert has received numerous awards and distinctions during his tenure in the House of Delegates including the Virginia YMCA's "Service to Youth Award" for his annual work with their Model General Assembly in Richmond.

In 2013, he was named the Family Foundation's "Legislator of the Year" for his work in promoting family values and religious freedom in Virginia. The Virginia Association of Commonwealth's Attorneys also awarded Gilbert their inaugural "Champion of Justice Award" for his extensive work in public safety policy. Both the Virginia Association of Chiefs of Police and the Virginia State Police Association have honored Gilbert with their "Legislator of the Year" Award. The American Conservative Union also named him a "Defender of Liberty" for his 100% conservative voting record during the legislative session. Finally, in 2017, Gilbert was named a "Legislator of the Year" by the Virginia Chamber of Commerce for his years of work as a pro-business leader. Prior to his election to the House of Delegates, Speaker Gilbert was a full-time prosecutor. His first job was with the Office of the Commonwealth's Attorney for the City of Lynchburg, where he was a member of the Violent Crime Prosecution Team. In 1999, he was fortunate to be able to return home and work in the Office of the Commonwealth's Attorney for Shenandoah County for six years where he was lead prosecutor in a number of major cases.

After his election to the House, Gilbert worked for several years as a prosecutor in both the Warren County and Frederick County Commonwealth's Attorneys Offices. He has taught the art of trial advocacy to fellow prosecutors at the Commonwealth's Attorneys' annual trial advocacy school. Taking advantage of his experience in Virginia's criminal justice system, Gilbert's primary legislative focus is public safety.

Gilbert is a 1989 graduate of Central High School of Woodstock, where he served as student body president and played three varsity sports. He attended the University of Virginia, where he earned a bachelor's degree in Government in 1993. While at UVA, he was a legislative intern in the Capitol Hill office of then U.S. Representative George Allen. Upon graduation, he attended the Southern Methodist University School of Law, where he earned his law degree in 1996 and also led the student body as president of the Student Bar Association. While at SMU Law, Gilbert won the school's annual mock trial competition and participated on the school's competitive mock trial team. When not in Richmond for the legislative session, Delegate Gilbert now works in a private law practice. He is a member of the First Baptist Church of Woodstock.

Todd is married to the lovely and talented Jennifer Wishon Gilbert, and they have been blessed with two sons. Jennifer is a broadcast journalist for CBN News. Jennifer covers the President and national politics in Washington, D.C. The Gilberts live on a small farm outside of Mount Jackson, Virginia.



Senator Janet D. Howell
Co-Chair, Senate Finance and Appropriations Committee

Janet D. Howell has been a Virginia State Senator since 1992. A community leader prior to running for office, Janet was a PTA president, Reston Community Association President, and Chair of the State Board of Social Services.

Senator Howell is one of Virginia's most influential senators. She is second in seniority in the Senate and the longest serving female Virginia legislator. She was the first woman to serve on the powerful Senate Finance Committee, a committee she now chairs. It is now named the Senate Finance and Appropriations Committee. She also serves on the Education and Health, Privileges and Elections, Local Government and Rules committees.

Senator Howell is credited with major legal reforms. She headed the overhaul of Virginia's family violence laws. She led efforts to protect children from sexual predators. Virginia has genetic information privacy legislation due to her efforts. She spearheaded the mental health law reform in the Senate following the Virginia Tech tragedy. Education, children, and families have always been top priorities. Equal rights for women, including forcing a committee vote on the ERA in 2018, and reproductive choice for women have also always been her priorities.

Senator Howell's work has been widely praised and honored. The American Academy of Pediatrics named her their National Child Advocate of the Year. The Virginia Sheriffs have repeatedly called her Senator of the Year. The League of Conservation Voters has awarded her top ratings since the inception of the award in 2000. Numerous human services organizations, including the Virginia Housing Alliance and the Virginia Interfaith Center, have also given her awards. But Reston, her home, has been where her heart is and she has served her constituents with honor.



Delegate Terry G. Kilgore
Majority Leader, Virginia House of Delegates

Delegate Terry G. Kilgore has been a member of the Virginia House of Delegates, representing the citizens of the 1st legislative district, since he was first elected in 1993. As Delegate, Terry represents Scott and Lee Counties, part of Wise County, and the City of Norton. In 2022, Terry was elected to serve as the House Majority Leader. He also serves as a member of the House Committees on Courts of Justice, Commerce and Energy, and Rules. He is the Vice Chair of the Commerce and Energy Committee.

Terry serves on various boards and organizations in the Commonwealth, including the Tobacco Region Revitalization Commission, the Coal and Energy Commission, and the Southwest Virginia Health Authority. He also serves on the Appalachian Region Interstate Compact Commission, Southwest Virginia Cultural Heritage Foundation, Southwest Virginia Higher Education Center and the Southwest Virginia Public Education Consortium.

Terry and his wife, Debbie, reside in Gate City, Virginia in Scott County. They have two grown children, Kayla and Kyle. They also recently welcomed their first grandchild, Nola. He practices law in Gate City and serves as the Dean of Institutional Advancement at the Appalachian School of Pharmacy in Grundy, VA.



Delegate Barry D. Knight
Chairman, House Appropriation Committee

Delegate Barry D. Knight is a native Virginian who resides in the Pungo area of Virginia Beach with his wife and three sons. At 26 years of age, Barry began his own agribusiness venture by opening a hog farm, which became successful with many expansions and another hog farm built on another 200 acres he purchased.

Delegate Knight served on the Virginia Beach Planning Commission from 2003 to 2009 and was chairman in 2007 & 2008. Delegate Knight was first elected to the Virginia House of Delegates in 2009 and serves on three standing committees: General Laws; Rules; and Appropriations, where he serves as Chairman. In 2018, Delegate Knight was named to the House Select Committee on School Safety and has been a conferee to the state's budget for many years.

Delegate Knight has previously served on both the Virginia State Housing Commission and State Water Commission, and currently serves on the Jamestown-Yorktown Foundation Board of Trustees, Joint Legislative Audit and Review Commission, Joint Commission on Transportation Accountability, Hampton Roads Transportation Accountability Commission, School Readiness Committee, the Major Employment and Investment Commission, the Public Private Partnership Advisory Commission and GO Virginia.

Delegate Knight has been awarded as a “Champion of Free Enterprise” numerous times by the Virginia Chamber of Commerce, had the “Chairman’s Award” created in his honor, and was named it’s Legislator of the Year in 2021.



Senator L. Louise Lucas
President Pro Tempore, Senate of Virginia

The Honorable L. Louise Lucas is a Portsmouth native and a product of the Portsmouth Public School System. She is President / Chief Executive Officer for Lucas Lodge, Lucas Transportation and Southside Direct Care Provider organizations operating in The Lucas Professional Center located in the city of Portsmouth, Virginia.

Senator Lucas began her federal career as an Apprentice Shipfitter at the Norfolk Naval Shipyard (July 1967) and became the first Woman Shipfitter (July 1971), Engineering Draftsman (1975), Naval Architect Technician (1976), Command Federal Women’s Program Manager (1979) and finalizing her federal career as Equal Employment Manager from 1981 to 1985. Senator Lucas began a different career path as Interim Executive Director of The Southeastern Tidewater Opportunity Project (STOP) (1985 – 1986). She was appointed by the STOP Board of Directors as Executive Director in 1986 where she was the first woman to hold the position until 1992. Senator Lucas obtained her Bachelor of Science degree in Vocational-Industrial Education (1971) from Norfolk State University and her Master of Arts Degree in Urban Affairs with a concentration in Human Resources Planning and Administration (1982) also from Norfolk State University. Senator Lucas held the position of Congressional Liaison for Sponsored Programs with Old Dominion University from July 1992 – June 1994 and Assistant Professor with Norfolk State University, Department of Academic Affairs from July 1994 – April 1998 and Special Assistant to the Vice President for University Advancement with Norfolk State University April 1998 to December 1998. Senator Lucas was elected to the Virginia General Assembly in November 1991 and has served on a majority of the Senate’s Standing Committees. Currently, she serves on the following Senate Committees: Courts of Justice, Commerce and Labor, Education and Health (Chair), Finance (Conferee) and various subcommittees.

Following the 2019 election, Senator Lucas was elected as Senate Pro-Tempore Designate making her the first woman and the first African-American to be elected into this position. Senator Lucas also served on the Commission on State Funding for Public School Construction and the Governor's Commission on Information Technology. She remains an active member of the Senate Democratic Caucus, Virginia Legislative Black Caucus and Democratic Party of Virginia, Vice Chair for Community Outreach. Senator Lucas was previously elected in June 1984 to serve the citizens of Portsmouth on the City Council where she was the top vote getter for that election, and the first African American woman to be elected to serve as Councilwoman. She has been involved in social, civic and political activities most of her adult life and has served in elective office for more than 35 years.²²

Senator Lucas has served on various community boards, commissions, civic and service organizations such as: President and Life Member, NAACP; Charter Member, Martin Luther King, Jr. Leadership Steering Committee; Member Norfolk State University Alumni Association; Golden Life Member, Delta Sigma Theta Sorority, Incorporated; and Member, Brighton Light Chapter Number 118 Order of Eastern Star, Prince Hall Affiliation of Virginia. Senator Lucas has received countless awards and honors within her community, the state and nationally.

Senator Lucas is the mother of one son, Jeffery Lee Lucas (deceased 04-05-05) and two daughters, Lisa L. Lucas-Burke and Theresa L. Lucas, who partner with her in various business entities operating in the Lucas Professional Center. She is blessed to have 6 grandchildren and 5 great grandchildren.



Delegate Joseph P. McNamara
Virginia House of Delegates

Joe McNamara represents Virginia's 8th House District, which includes Craig County and Salem City, and parts of Montgomery and Roanoke counties.

He is a small business owner of two ice cream stores: Katie's Ice Cream & Chocolates and The Salem Ice Cream Parlor.

Prior to his election to the House of Delegates, Joe served on the Roanoke County Board of Supervisors over a twenty-year span.

He is the only Certified Public Accountant in the General Assembly. Joe lives in Roanoke County with his wife Cheryl.



**Senator Thomas Norment, Jr.
Minority Leader, Senate of Virginia**

A graduate of James Blair High School in Williamsburg, Tommy attended college at Virginia Military Institute (VMI) before returning to Williamsburg to attend the Marshall-Wythe School of Law at the College of William and Mary.

He is a member of the Colonial Williamsburg Foundation's Board of Trustees and the Jamestown-Yorktown Foundation's Board of Directors. He is on the Hampton Roads Board of Directors of TowneBank and he chairs the Williamsburg Board of TowneBank. Tommy is also a member of the Williamsburg Area Chamber of Commerce and the James City County Ruritan Club. Professionally, Tommy is a defense attorney with Kaufman and Canoles, P.C..

During his 30 years in the Senate of Virginia, Tommy Norment has earned a reputation as one of the Commonwealth's most effective legislators. As a member of the Senate Judiciary, Finance & Appropriations, Rules, and Commerce and Labor Committees, Tommy regularly works on legislation to make our community safer and to ensure that Virginia remains the best state in which to raise a family and do business.



**Roxann Robinson
Chairman, House Finance Committee**

Roxann Robinson was born and raised in the small town of Colliers, WV. In 1978, Roxann graduated from Fairmont State College, earning her BS in Biology with a minor in Chemistry, and in 1983 she earned her Doctor of Optometry degree and BS in Visual Science from the Illinois College of Optometry.

After graduating from Illinois College of Optometry, Roxann moved to Richmond, VA, to begin her optometry career. June of 1984, she purchased her practice, growing the business from two employees to nine with multiple doctors, and has been highly recognized for her profession. Honors include President of the Virginia Optometric Association (VOA) - 1998, VOA's Optometrist of the Year - 2000, former board member of the Virginia Board of Optometry, Illinois College of Optometry's Alumni of the Year - 2007, and labeled Richmond Magazine's Top Doc - 2018.

In 2010, Roxann was elected to the Virginia House of Delegates in a special election. As Delegate, Roxann currently serves as Chairman of the House Finance Committee and is on the Health, Welfare and Institutions, and General Laws committees. She has appointments on the

Central Virginia Transportation Authority, the Commission of Civic Education, and the Joint Commission of Health Care.

Roxann has been recognized by the Virginia Manufacturers Association, the Virginia Chamber of Commerce, the Virginia Coalition of Motorcyclists, the Virginia Nurses Foundation, the Virginia Council of Nurse Practitioners and the National Federation of Independent Business. In 2022, she received the Virginia in Action – Childcare Champion of the Year award.

Today, Roxann resides in North Chesterfield with her husband Michael Lind, and their two cats and toothless dog. She was the Clinical Director of Opening Eyes for Virginia Special Olympics for ten years, serves as President of the James River Rotary, and has been a board member of the Manchester Family YMCA for 20 years. Roxann enjoys spending time with family, traveling, quilting, yoga, hiking, and kayaking in her spare time.



**Senator Richard L. Saslaw
Majority Leader, Senate of Virginia**

Senator Richard L. Saslaw is the longest serving member of the Senate of VA and currently is the Senate Majority Leader. He represents the 35th District, which includes the City of Falls Church, parts of Fairfax County and parts of the City of Alexandria.

Senator Saslaw chairs the Senate Commerce and Labor committee and is a senior-ranking member of the Senate Education and Health, Judiciary, Rules, and Senate Finance and Appropriations committee, serving as the chair of the SFAC Subcommittee on K-

12 Education.

Additionally, Leader Saslaw serves on numerous commissions, including the Governor's Advisory Council on Revenue Estimates, the Committee on District Courts, the Joint Subcommittee on Early Childhood Care and Education, the Commission on Electric Utility Regulation, the Commission on Employee Retirement Security and Pension Reform, the Health Insurance Reform Commission, the Joint Subcommittee on the Future Competitiveness of Virginia: Higher Education, the Virginia Commission on Joint Rules: Intergovernmental Cooperation, the Joint Subcommittee on Local Government Fiscal Stress, the MEI Project Approval Commission, and the Joint Subcommittee to Evaluate Tax Preferences.



**Delegate Mark D. Sickles
House of Representatives**

Mark D. Sickles is a member of the Virginia House of Delegates representing Franconia, Kingstowne, and Huntington.

Office of the Secretary of Finance



The Honorable Stephen E. Cummings Secretary of Finance

Stephen E. Cummings took the oath of office to serve as Secretary of Finance on January 15, 2022. He oversees the four main Finance agencies in the Commonwealth of Virginia: *Department of Accounts*, *Department of Planning and Budget*, *Department of Taxation*; and *Department of the Treasury* – along with the Virginia Resources Authority and Virginia Board of Accountancy.

Mr. Cummings is a leader in the domestic and international financial services industry – most recently serving as President and Chief Executive Officer of Mitsubishi UFJ Financial Group (MUFG) in the Americas, one of the five largest banks in the world and the largest foreign bank operating in the United States. Prior to his role at MUFG, he served as Chairman of UBS's Investment Banking division in the Americas; Global Head of Corporate and Investment Banking at Wachovia Bank; and as Chairman and Chief Executive Officer at Bowles Hollowell Conner & Co.

Mr. Cummings has an MBA from Columbia University Graduate School of Business and a Bachelor of Arts degree from Colby College. He and his wife, Karen, have six children and twelve grandchildren.



Charles Kennington Deputy Secretary of Finance

Charles Kennington serves as Deputy Secretary of Finance in the office of Governor Glenn Youngkin. Charles advises the Governor and Cabinet on a variety of budget matters, including state and local tax issues, and advocates for tax policy proposals on behalf of the Governor. Additionally, Charles oversees development of the Commonwealth's official revenue forecast and is responsible for organizing and facilitating meetings of the Commonwealth's Joint Advisory Board of Economists and the Governor's Advisory Council on Revenue Estimates

Charles has over 14 years of experience with the Commonwealth of Virginia, including six years with the Senate Finance and Appropriations Committee staff. He earned a master's degree in economics from Virginia Commonwealth University in 2009 and holds a bachelor's degree in finance from the University of South Carolina.



Daniel Kowalski
Special Advisor to the Secretary of Finance

Dan Kowalski serves Governor Youngkin as a Special Advisor to the Secretary of Finance and Director of Budgeting, Financial Reporting and Performance Evaluation. In this role, he oversees the preparation of the budget and monitors agency performance relative to budget. Dan also is charged with creating monthly financial management reports to increase transparency and support consistent management routines across the Executive Branch.

Prior to joining the Youngkin Administration in April 2022, Dan owned a bespoke consultancy focused on helping people use the federal Opportunity Zone tax incentive and advised several Opportunity Zone funds. In addition, he served on the Finance Secretariat landing team for the Governor-elect.

Kowalski was Counselor to the Secretary at the US Treasury Department from 2017 until January of 2021. In this role, he advised Secretary Steven Mnuchin regarding Treasury's efforts to drive the Trump Administration's domestic policy agenda. His areas of focus were budget and fiscal policy; health, education, and welfare policy; tax policy; and infrastructure policy.

Significantly, he advised the US Treasury Secretary in the negotiations leading to the Tax Cut and Jobs Act of 2017, which created the Opportunity Zone tax incentive, and served from March 2020 as Acting Assistant Secretary of Legislative Affairs during the negotiation of 6 bills providing pandemic relief. He is a recipient of the Alexander Hamilton Award, the highest Treasury honor for employees whose performance and leadership demonstrate the highest standards of dedication to public service and the Treasury Department.

Prior to Treasury, Kowalski was Deputy Staff Director of the Republican staff of the Senate Budget Committee. He also served as the Director of Budget Review for the Republican staff of the House Budget Committee. In those two positions, Dan helped shepherd several balanced budgets and reconciliation bills through the U.S. Congress. Dan started in Washington in 1995 with the Congressional Budget Office as a Principal Analyst in the unit responsible for preparing CBO's baseline budget projections.

In state government, Dan worked as Director of the Legislative Budget Office for the Missouri General Assembly, and as the senior individual income tax analyst with the Republican staff of the Finance Committee for the New York State Senate. He started his career as a management analyst for the Deputy Commissioner for Audit in the New York City Department of Finance.

Mr. Kowalski earned a Master of Public Policy from Harvard's Kennedy School of Government and Bachelor of Arts from St. John's College in Annapolis, Maryland.



John Markowitz
Deputy Secretary of Finance

John currently serves as Deputy Secretary of Finance for the Commonwealth of Virginia.

A Richmond native, John started his career as a public finance investment banker at Stifel financing infrastructure for municipalities and real estate developers across the US to stimulate economic development and redevelopment. His primary focus was value capture bonds.

After that he went to work for MassDevelopment, the Commonwealth of Massachusetts' development and finance agency, managing infrastructure bond programs for the state's conduit issuer. He then became Treasurer at the Massachusetts Bay Transportation Authority, the oldest and fifth-largest mass transit agency in the country where he managed the Authority's debt portfolio, cash and investments to support an \$8 billion capital investment plan and \$2 billion operating budget. As Treasurer, John also focused on business process improvements, sustainability, innovation, climate resiliency and risk management helping to overhaul the Authority's insurance portfolio.

Most recently John served as Assistant Treasurer at Transurban, North America, raising debt and equity for large-scale transportation infrastructure developments and dynamically priced toll road assets developed under public-private partnerships.

John is a frequent speaker on finance, infrastructure, and transportation. He holds a BA in Political Science from the University of Virginia.

Department of Taxation



Craig Burns
Commissioner
Department of Taxation

Craig M. Burns was appointed Commissioner of the Virginia Department of Taxation in November 2010, after serving as Acting Tax Commissioner since June 2010.

Prior to his appointment as Tax Commissioner, Burns had served as Deputy Secretary of Finance since October 2008.

Other positions he held during his years with the Commonwealth of Virginia include Director of Policy, Planning and Compliance for the Virginia Retirement System; legislative fiscal analyst for the House Appropriations Committee of the Virginia House of Delegates; and a variety of research and analytical positions at the Joint Legislative Audit and Review Commission of the Virginia General Assembly and Department of Medical Assistance Services.

Burns holds a Bachelor of Arts degree in Political Science/Economics from the State University of New York at Cortland, and a Master of Public Administration from the Maxwell School of Citizenship and Public Affairs at Syracuse University. He served on active duty in the Navy and retired from the United States Naval Reserve.



Timothy P. Christian
Principle Economist
Department of Taxation

Timothy P. Christian is a Principal Economist at the Department of Taxation. He earned a B.A. in Economics from the Edinboro University / the University of Costa Rica, and an M.A. in Economics from Virginia Commonwealth University. Mr. Christian began his career as an economist with the City of Richmond's Economic Development office in 1992 and moved to the Department of Taxation's Public Policy section in 1993. He transferred to TAX's Revenue Forecasting section in 1995.



S M Tanvir Ahmed, Ph.D.
Deputy Economist
Department of Taxation

Dr. Ahmed serves as a Deputy Economist at the Virginia Department of Taxation. He earned a Ph.D. in Economics from Clark University, Massachusetts, and holds an MSc in International Economics and Finance from Valparaiso University, Indiana. Prior to joining Virginia Tax, he served as a part-time instructor at Clark University while working on his dissertation.

Peter Elverson
Principle Economist
Department of Taxation

Peter Elverson joined Virginia Tax in the summer of 2023. He has a longstanding interest in data driven public policy and has focused on land economics as well as municipal level tax assessment in his research. He has a master's in economics from Virginia Commonwealth University.

Acknowledgements

This report was prepared by the staff of the Department of Taxation and the Office of the Secretary of Finance based on the advice and feedback of the Governor's Office and the Joint Advisory Board of Economists with significant input from other executive branch state agencies.

Staff would like to acknowledge the assistance of key contributing agencies including: the Alcoholic Beverage Control Authority, Virginia Lottery, Virginia Employment Commission, and the Virginia Department of Transportation.

ABC Revenue Estimating Methodology

Distilled spirit sales revenues are a function of the price of product and quantity sold. Both are forecasted using separate models with quarterly data from 1981 through the present. The price of distilled spirits is a function of the cost of product and the appropriate state and federal taxes and mark-ups. Sales estimates serve as the basis for the development of pro forma profit and loss statements. Sales performance can be significantly influenced by changes in consumer behavior (primarily during the holiday period) and severe weather that are both impossible to accurately forecast. Expenses are estimated based on anticipated budget requirements during the forecasting period. Variations in anticipated expenses are often the source of forecasting error, particularly in the later years of the forecast.

Average Price of Distilled Spirits

The average sales price per gallon of distilled spirits sold was calculated for each quarter. This was adjusted to account for changes in mark-up, state taxes, and the Federal Excise Tax on distilled spirits. The resulting base price was forecasted using an ARIMA model that was found to fit the data better than previous regression-based forecasting methods.

Statistical Results:

Mean Squared Error = .04

$R^2 = 98.1\%$

Quantity of Liquor Demanded

Again, a variety of modeling techniques and data were evaluated to forecast the demand for distilled spirits. The Winter's Multiplicative exponential smoothing method provided the best fit for the data.

Statistical Results:

Mean Squared Error = .001

$R^2 = 98.7\%$