

Governor announces plans for \$403 million state surplus

As has been reported in the press, [Governor McDonnell](#) announced to the Aug. 19 meeting of Senate Finance, House Appropriations and House Finance Committees that the Commonwealth ended the 2010 Fiscal Year with a surplus of \$403.2 million.

The surplus came from collecting \$228 million more in revenues than expected and expending \$175 million less than budgeted. The governor noted, however, that most of the funds already obligated in statute or in the budget to meet various needs.

The \$228.5 million in additional general fund revenues above forecast and transfers came from \$169 million in individual non-withholding payments and corporate income tax payments. In addition, withholding and sales tax collections, which are directly tied to economic activity in the Commonwealth, exceeded the forecast by \$62 million. This latter revenue growth occurred in the last four months of the year, beginning in March.

Governor McDonnell emphasized that the surplus did not come from the accelerated sales tax, which was already built into the revenue forecast in the budget, or was not tied to the deferral of payments to VRS which were part of the FY 2011/2012 budget.

As previously announced, a portion of the surplus will be allocated to the one-time 3% bonus to state employees, the Water Quality Improvement Fund, and commitments required by House Bill 3202 from the 2007 Session.

In a follow-on presentation, Secretary of Finance Ric Brown pointed out that all of the surplus dollars were either dedicated or reserved. An explanation of how those funds are committed can be found on [Page 12](#) of the document distributed to the joint money committee members.

Other announcements today include:

- Commonwealth Transportation Fund revenues exceeded the official forecast by \$64.4 million in FY 2010, attributable to growth in motor vehicle sales tax collections.
- If possible, the governor is committed to accelerating state repayments to VRS above the \$74 million per year contained in the Appropriations Act.
- As earlier reported by VACo, portion of the revenue surplus in 2010 was due to increased sales tax collections that supports public education so that school divisions received in June \$18.7 million in excess of the amounts originally designated for them.

VACo staff will continue to review the information furnished by the administration and provide additional analysis as appropriate.

VACo Contacts

[Dean Lynch](#) 804/343-2511 or [Mike Edwards](#) 804/343-2503