



REVENUE STABILIZATION FUND CALCULATIONS

FOR THE YEAR ENDED
JUNE 30, 2024

Auditor of Public Accounts

Staci A. Henshaw, CPA

www.apa.virginia.gov

(804) 225-3350





Commonwealth of Virginia

Auditor of Public Accounts

Staci A. Henshaw, CPA
Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

October 31, 2024

Dear General Assembly Member:

REVENUE STABILIZATION FUND

This Office is providing a report of the required calculations for the Revenue Stabilization Fund. Appendix A provides historical information concerning the establishment of the Fund and the requirements surrounding it.

CALCULATION OF MAXIMUM FUND ALLOWED (Dollars in Thousands)

<u>Years</u>	<u>Tax Revenues</u>
2022	\$26,420,869
2023	27,354,844
2024	27,500,967
Average for three years	\$27,092,227
Maximum fund allowed (15% of average)	\$ 4,063,834

CALCULATION OF CONSTITUTIONAL DEPOSIT

As of June 30, 2024, certified tax revenues increased by 0.53 percent between fiscal years 2023 and 2024, and the average revenue growth for the preceding six years was 7.71 percent. Under the provisions of the Revenue Stabilization Fund, the difference between last year's revenue growth and the average growth is **negative** 7.18 percent. Since the difference between last year's revenue increase and the average growth is negative, there is no requirement to make a deposit to the fund based on fiscal year 2024 tax collections. Exhibit 1 provides certified tax revenue amounts used in the calculation.

Fiscal Year 2024 Activity

In June 2024, in accordance with Item 267 D.3 of Chapter 1, of the 2023 Acts of Assembly, Special Session I, a deposit of \$904,652,425 was made to the Revenue Stabilization Fund. The required deposit

was based on actual collections during fiscal year 2022. There were no withdrawals from the Fund during the year. Exhibit 2 provides the funding progress of the Fund through June 30, 2024.

CALCULATION OF STATUTORY DEPOSIT

Section 2.2-1829 of the Code of Virginia, as discussed in Appendix A, requires the Governor to include an additional deposit to the Revenue Stabilization Fund in his budget recommendations, if certain conditions occur. As shown in Exhibit 3, the growth of certified tax revenues does not meet any of the required conditions. Therefore, the Governor does not need to include an additional deposit in his budget recommendations.

PROJECTED ACTIVITY AND BALANCES

To provide information to the General Assembly on the impact of future revenue changes, we have performed pro forma calculations on the projected deposit to the Revenue Stabilization Fund using forecasted revenue for fiscal year 2025 as shown in Exhibit 4. Based on the forecasted revenues for fiscal year 2025, there is no projected mandatory deposit for fiscal year 2027. Under certain circumstances, there are statutory requirements for additional deposits; however, none of these conditions occur using the forecasted revenue for fiscal year 2025.

Article X, Section 8 of the Virginia Constitution, as discussed in Appendix A, establishes the requirements for making a withdrawal from the Revenue Stabilization Fund. Pursuant to Item 252 of Chapter 2, of the 2024 Acts of Assembly, Special Session I, there is no planned withdrawal from the Fund for the fiscal year ending June 30, 2025.

HISTORICAL INFORMATION

Exhibits 5 and 6 provide historical information on the Revenue Stabilization Fund, including a graphical illustration of fund balance by fiscal year and a schedule of deposits and withdrawals.

Should you have any questions concerning this information, please contact me.

Staci A. Henshaw
AUDITOR OF PUBLIC ACCOUNTS

Enclosures

DBC:clj

Exhibit 1

CALCULATIONS USED FOR THE REVENUE STABILIZATION FUND (Dollars in Thousands)

Years	Individual and Fiduciary Income Taxes	Corporate Income Tax	State Sales and Use Taxes	Totals	Percentage Change	Six Year Average
2018	14,105,937	861,897	3,827,078	18,794,912	6.79%	3.99%
2019	14,801,986	943,391	3,972,960	19,718,337	4.91%	4.13%
2020	15,351,603	1,011,650	4,112,861	20,476,114	3.84%	4.08%
2021	17,304,476	1,515,692	4,624,545	23,444,713	14.50%	4.88%
2022*	19,361,619	1,978,697	5,080,554	26,420,869	12.69%	5.85%
2023*	20,032,168	2,031,121	5,291,556	27,354,845	3.53%	7.74%
2024	20,310,406	1,907,065	5,283,496	27,500,967	0.53%	7.71%

*The certified amounts for fiscal year 2022 and 2023 Individual and Fiduciary Income Taxes are reduced or increased, respectively, by estimated refunds for the Individual Income Tax Rebate in the amount of \$1,048,612 (dollars in thousands) pursuant to Item 3-5.24 of Chapter 1 of the 2022 Acts of Assembly, Special Session I.

Exhibit 2

SCHEDULE OF FUNDING PROGRESS (Dollars in Thousands)

	<u>Amounts</u>
Balance as of June 30, 2023	\$ 1,782,005
June 2024 mandatory deposit	904,652
Interest earned during fiscal year 2024	<u>80,391</u>
Balance as of June 30, 2024*	<u>\$ 2,767,048</u>
Percentage of maximum fund allowed	68.09%

*A fiscal year 2025 deposit is not required based on fiscal year 2023 calculations, and a fiscal year 2026 deposit is not required based on fiscal year 2024 calculations.

Exhibit 3

CALCULATIONS FOR STATUTORY DEPOSIT

(As required by Section 2.2-1829 of the Code of Virginia)

	Required	Actual	Condition met?
Condition #1			
Growth of certified tax revenues collected in most recently ended fiscal year	8.00%	0.53%	No
Condition #2			
Current year growth exceeds 1.5 times the average revenue growth for the preceding six years	11.57%	0.53%	No
Condition #3			
Increase of estimated general fund revenues for the fiscal year in which the deposit is to be made over general fund revenues for the immediately preceding fiscal year*	5.00%	(3.00%)	No
Required Statutory Deposit			No Deposit

*Calculated based on the general fund revenue estimate in Chapter 2, of the 2024 Acts of Assembly, Special Session I.

See the Statutory Deposit Section in Appendix A for detailed description for conditions triggering a deposit.

Exhibit 4

PROJECTED DEPOSITS AND BALANCES

Calculations

We performed our calculations using the Review of Fiscal Year 2024 Revenues and the Fiscal Condition of the Commonwealth as of August 14, 2024. See Appendix A for conditions triggering a mandatory or statutory deposit.

Projected Mandatory Deposit: Fiscal Year 2025 (Dollars in Thousands)

Corporate Income Tax	\$ 2,065,500
Individual and Fiduciary Income	19,244,700
State Sales and Use Taxes	<u>5,264,000</u>
Total Projected Certified Tax Revenue	<u>\$26,574,200</u>
Annual Percentage Change	(3.37%)
Preceding Six-Year Annual Average	<u>6.67%</u>
Difference	<u>(10.04%)</u>
Required Mandatory Deposit	No Deposit

Exhibit 4
(continued)

Projected Statutory Deposit: Fiscal Year 2025

	Required	Projected	Condition met?
Condition #1			
Growth of certified tax revenues collected in most recently ended fiscal year	8.00%	(3.37%)	No
Condition #2			
Current year growth exceeds 1.5 times the average revenue growth for the preceding six years	10.00%	(3.37%)	No
Condition #3			
Increase of estimated general fund revenues for the fiscal year in which the deposit is to be made over general fund revenues for the immediately preceding fiscal year*	5.00%	2.20%	No
Required Statutory Deposit			No Deposit

*Calculated based on the fiscal year 2025 general fund revenue estimate in the Review of Fiscal Year 2024 Revenues and the Fiscal Condition of the Commonwealth.

Exhibit 5

**REVENUE STABILIZATION FUND BALANCE
FISCAL YEARS 2010 – 2024
(Dollars in Thousands)**

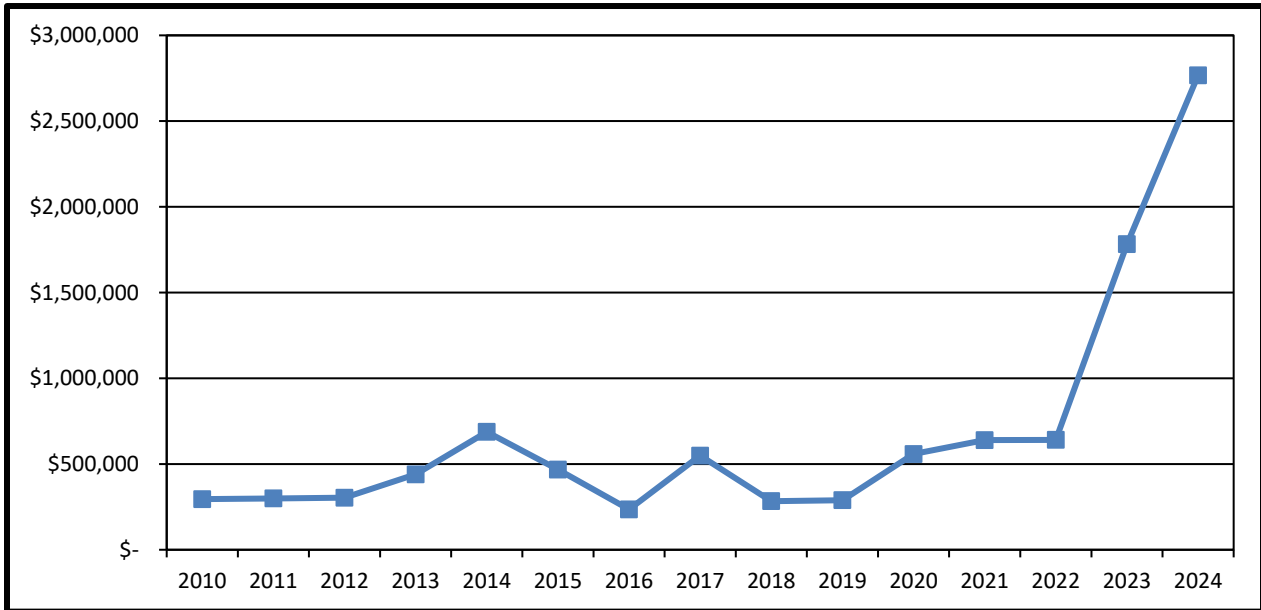


Exhibit 6

SCHEDULE OF DEPOSITS AND WITHDRAWALS

(Dollars in Thousands)

<u>Date</u>	<u>Amount of Deposit</u>	<u>Amount of Withdrawal</u>
June 1995	\$ 79,897	\$ -
June 1996	-	-
June 1997	66,625	-
June 1998	58,314	-
June 1999	123,834	-
June 2000	194,136	-
June 2001	103,346	-
April 2002	187,091	467,731
June 2003	-	247,481
June 2004	87,000	-
June 2005	134,468	-
June 2006	181,936	-
June 2006	402,224	-
June 2007	106,690	-
June 2008	114,845	351,500
June 2009	21,321	490,000
June 2010	-	295,096
June 2011	-	-
June 2012	-	-
June 2013	132,689	-
June 2014	244,645	-
June 2015	243,170	467,717
June 2016	-	235,485
June 2017	605,572	294,653
June 2018	-	272,542
June 2019	-	-
June 2020	262,942	-
June 2021	77,410	-
June 2022	-	-
June 2023	1,127,733	-
June 2024	904,652	-

APPENDIX A

HISTORICAL INFORMATION

Mandatory Deposit

Article X, Section 8 of the Virginia Constitution and the enabling legislation established the Revenue Stabilization Fund, and requires this Office to report to the General Assembly the following:

1. certified tax revenues for the calculation of the Revenue Stabilization Fund;
2. the maximum size allowed of the Revenue Stabilization Fund; and
3. the amount of the mandatory deposit to the fund.

The amount in the Revenue Stabilization Fund is not to exceed 15 percent of the Commonwealth's average annual tax revenues derived from taxes on income and retail sales as certified by our Office for the three fiscal years immediately preceding. The General Assembly is required to make deposits to the Revenue Stabilization Fund to equal at least 50 percent of the total of: certified tax revenues for the most recently ended fiscal year, multiplied by the difference between the annual percentage increase in certified tax revenues collected for the most recently ended fiscal year, and the average annual percentage increase in certified tax revenues collected for the six fiscal years immediately preceding the most recently ended fiscal year.

Item 252 of Chapter 2, of the 2024 Acts of Assembly, Special Session I, requires this Office to report to the General Assembly on or before November 1 of each year.

Statutory Deposit

Legislation passed during the 2003 General Assembly Session added a requirement for an additional deposit to the Revenue Stabilization Fund under certain conditions. The provisions of this change were effective July 1, 2003. The conditions are as follows:

1. a growth of the certified tax revenues collected in the most recently ended fiscal year of eight percent or greater than the certified tax revenues collected for the immediately preceding fiscal year;
2. a growth of the certified tax revenues for the most recently ended fiscal year greater than 1.5 times the average percentage increase in the certified tax revenues collected in the six fiscal years immediately preceding the most recently ended fiscal year; and
3. the estimate of general fund revenues prepared in accordance with Section 2.2-1503 of the Code of Virginia for the fiscal year in which the deposit is to be made is at least

five percent greater than the actual general fund revenues for the immediately preceding fiscal year.

If these conditions exist, the Governor must include in his budget recommendations, submitted to the General Assembly in the subsequent session, an amount equal to at least 25 percent of the product of the certified tax revenues collected in the most recently ended fiscal year, multiplied by the difference between the annual percentage increase in the certified tax revenues collected for the most recently ended fiscal year and the average annual increase in the certified tax revenues collected in the six fiscal years immediately preceding the most recently ended fiscal year.

Withdrawals

Per Article X, Section 8 of the Virginia Constitution, the General Assembly may appropriate an amount for transfer from the Fund to compensate for no more than one-half of the difference between the total general fund revenues appropriated and a revised general fund revenue forecast presented to the General Assembly prior to or during a subsequent regular or special legislative session. However, per Article X, Section 8 no transfer shall be made unless the general fund revenues appropriated exceed such revised general fund revenue forecast by more than two percent of certified tax revenues collected in the most recently ended fiscal year. Furthermore, no appropriation or transfer from such fund in any fiscal year shall exceed more than one-half of the balance of the Revenue Stabilization Fund.

Item 267 D.1 – D.4 of Chapter 836 of the 2017 Acts of Assembly contained additional guidelines for determining the amounts to use in the withdrawal calculation. While the guidelines relate to a specific withdrawal, they contain provisions related to withdrawals that are not specified in the Constitution or Code of Virginia. In the absence of new guidance, if withdrawals are necessary in the future, the guidelines would be utilized to ensure consistency in the calculation over time. The guidelines are as follows:

1. For purposes of determining a transfer from the Revenue Stabilization Fund to the general fund as a result of a downward revision in general fund revenues, the term “total general fund revenues appropriated” shall mean the general fund operating and capital appropriations for each year of the biennium contained in the Appropriation Act which is in effect at the time when such downward revision in general fund revenues is made.
2. In accordance with Article 10, § 8, Virginia Constitution, and § 2.2-1830, Code of Virginia, the amount of the transfer shall not exceed the lesser of one-half of the balance of the Revenue Stabilization Fund or one-half of the forecasted shortfall in revenues.
3. The anticipated shortfalls in general fund revenues for fiscal years ending June 30, 2017, and June 30, 2018, shall be computed by comparing the revised forecast for “Total General Fund Resources Available for Appropriation” as shown in § 3 of the first enactment to the total general fund revenues appropriated for each

year of the biennium as contained in the general appropriation act as it became effective on July 1, 2016 (Chapter 780 of the 2016 Acts of Assembly).

4. For purposes of computing the shortfall in revenues, the revised forecast referenced in paragraph 3 above shall consist of the revised forecast of revenues and transfers presented to the Governor's Advisory Council on Revenue Estimates on November 28, 2016, adjusted for any technical revisions pursuant to current law. Any subsequent policy-based adjustments to revenues or transfers that are dependent upon the passage of legislation or other budgetary action that requires approval by the 2017 General Assembly shall not be considered as part of the adjustments to the forecast for purposes of calculating the revenue shortfall in fiscal year 2017 or fiscal year 2018.