



REVENUE RESERVE FUND CALCULATIONS

FOR THE YEAR ENDED
JUNE 30, 2025

Auditor of Public Accounts
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Commonwealth of Virginia

Auditor of Public Accounts

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P.O. Box 1295
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October 31, 2025

Dear General Assembly Member:

REVENUE RESERVE FUND

This Office is providing a report of the required calculations for the Revenue Reserve Fund pursuant to § 2.2-1831.3 of the Code of Virginia. Appendix A provides historical information concerning the establishment of the Fund and the requirements surrounding it.

The Revenue Reserve Fund in combination with the Revenue Stabilization Fund may not exceed 17.53 percent of the Commonwealth's average annual tax revenues derived from taxes on income and retail sales as certified by the Auditor of Public Accounts for the previous three fiscal years. Chapter 725 of the 2025 Acts of Assembly decreased the percentage from 20 percent to 17.53 percent for fiscal year 2025, resulting in a change in the limit calculated in the prior year report. Therefore, the revised limit for the combined balance at the end of fiscal year 2025 is based on the revenues certified in our prior year report recalculated below using the new limit. See Exhibit 1 for application of the limit.

CALCULATION OF MAXIMUM FUND ALLOWED For Fiscal Year 2025 (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 combined funds allowed (17.53% of average)	4,749,267
June 2025 balance of Revenue Stabilization Fund	<u>2,882,213</u>
Maximum Revenue Reserve Fund allowed June 30, 2025	<u>\$ 1,867,054</u>

The limit for the combined balance at the end of fiscal year 2026, calculated below, is based on the revenues certified in this report and the percentage established by Chapter 725 of the 2025 Acts of Assembly, which decreased the percentage from 17.53 percent to 15 percent. In addition, Chapter 635 of the 2025 Acts of Assembly amended Code of Virginia § 2.2-1831.3 to allow the maximum combined balance to be exceeded if the balance in the Revenue Reserve Fund does not exceed 10 percent of such revenues. See Exhibit 2 for application of the limit.

**CALCULATION OF MAXIMUM FUND ALLOWED
For Fiscal Year 2026
(Dollars in Thousands)**

<u>Years</u>	<u>Tax Revenues</u>
2023	\$ 27,354,844
2024	27,500,967
2025	29,171,695
Average for three years	28,009,169
Maximum combined funds allowed June 30, 2026 (15% of average)	4,201,375
Maximum Revenue Reserve Fund allowed June 30, 2026 (10% of average)	2,800,917

CALCULATION OF DEPOSIT

A deposit to the Revenue Reserve Fund is required in years in which general fund revenues do not result in a mandatory deposit to the Revenue Stabilization Fund. Certified tax revenues for fiscal year 2025 resulted in a **negative** difference between last year's revenue growth and the average revenue growth for the preceding six years; therefore, a mandatory deposit to the Revenue Stabilization Fund is not required in fiscal year 2027. However, based on the calculation on the following page, there is a required future deposit to the Revenue Reserve Fund, as actual general fund revenue was more than the official revenue forecast as included in Chapter 725 of the 2025 Acts of Assembly.

CALCULATION OF REVENUE RESERVE FUND DEPOSIT **(Dollars in Thousands)**

Actual General Fund Revenue as of June 30, 2025*	\$ 31,233,034
Fiscal Year 2025 Official General Fund Revenue Estimate	<u>30,661,036</u>
Difference between actual General Fund Revenue and Official General Fund Revenue Estimate	571,998
Required Transfer to Virginia Military Survivors and Dependents Education Program**	(20,000)
Required Statutory Deposit to Virginia Water Quality Improvement Fund***	<u>(55,200)</u>
Maximum Available for Deposit	<u>\$ 496,798</u>
1% General Fund Revenue Threshold	\$ 312,330
Required Future Deposit (lesser of 1% General Fund Revenue Threshold or Maximum Available for Deposit)	\$ 312,330

*Actual General Fund Revenue obtained from the Commonwealth of Virginia Summary Report on General Fund Revenue Collections for the fiscal years 2024 and 2025.

**Commitments to the Virginia Military Survivors and Dependents Education Program pursuant to Item 470 N.1 of Chapter 725 of the 2025 Acts of Assembly.

***A statutory deposit is required based on fiscal year 2025 calculations.

Fiscal Year 2025 Activity

In accordance with Item 252.1 of Chapter 725, of the 2025 Acts of Assembly, there was a deposit of \$294,482,240 to the Revenue Reserve Fund during fiscal year 2025. In accordance with Item 3-1.01 J.3 of Chapter 725 of the 2025 Acts of Assembly, \$332,312,066 was voluntarily withdrawn from the Revenue Reserve Fund and transferred to the General Fund. The remaining combined balance of the Revenue Stabilization Fund and the Revenue Reserve Fund exceeded the maximum fund allowed. Therefore, the Comptroller transferred \$100,476,171 from the Revenue Reserve Fund to the General Fund in accordance with Item 3-1.01 J.2 of Chapter 725 of the 2025 Acts of Assembly prior to year end to reduce the balance to the maximum fund allowed. Exhibit 1 provides the funding progress of the Fund through June 30, 2025. Exhibit 3 provides historical information of the deposits and withdrawals of the Revenue Reserve Fund through June 30, 2025.

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

Staci A. Henshaw
AUDITOR OF PUBLIC ACCOUNTS

DBC:clj

Exhibit 1

SCHEDULE OF FUNDING PROGRESS (Dollars in Thousands)

Balance as of June 30, 2024	\$ 1,926,068
Interest earned during fiscal year 2025	79,292
June 2025 withdrawal (voluntary)	(332,312)
June 2025 deposit	<u>294,482</u>
Balance prior to transfers	1,967,530
 Maximum fund allowed for fiscal year 2025	 <u>1,867,054</u>
 Amount in excess of maximum fund allowed transferred to the General Fund	 <u>(\$ 100,476)</u>
 Balance as of June 30, 2025	 \$ 1,867,054
 Percentage of maximum fund allowed	 100.00%

Exhibit 2

PROJECTED FUND BALANCE COMPARED TO MAXIMUM FUND ALLOWED (Dollars in Thousands)

We performed our calculations using the maximum combined funds allowed and the maximum Revenue Reserve Fund allowed for fiscal year 2026. The calculation below shows the impact of not depositing versus depositing the required future deposit in fiscal year 2026.

Fund balance as of June 30, 2025

Revenue Stabilization Fund	\$ 2,882,213
Revenue Reserve Fund	<u>1,867,054</u>
Combined fund balance as of June 30, 2025	4,749,267

Less: Planned withdrawal(s) during fiscal year 2026

Revenue Stabilization Fund	-
Revenue Reserve Fund (voluntary)*	<u>(675,685)</u>
Projected combined fund balance as of June 30, 2026**	4,073,582

Maximum combined funds allowed for fiscal year 2026***	<u>4,201,375</u>
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Remaining maximum combined funds allowed for fiscal year 2026	<u>\$ 127,793</u>
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Maximum combined fund exceeded?	No
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If Required Future Deposit is made in fiscal year 2026:

Projected combined fund balance as of June 30, 2026	\$ 4,073,582
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Plus: Required future deposit during fiscal year 2026

Revenue Stabilization Fund	-
Revenue Reserve Fund	<u>312,330</u>
Projected combined fund balance as of June 30, 2026**	4,385,912

Maximum combined funds allowed for fiscal year 2026***	<u>4,201,375</u>
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Excess maximum combined funds allowed for fiscal year 2026	<u>\$ (184,537)</u>
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Maximum combined fund exceeded?	Yes
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Maximum fund allowed for Revenue Reserve Fund****	\$ 2,800,917
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Revenue Reserve fund balance as of June 30, 2026	<u>1,503,699</u>
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Remaining maximum fund allowed as of June 30, 2026	<u>\$ 1,297,218</u>
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Maximum fund allowed exceeded?	No
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*Item 3-1.01 J.3 of Chapter 725 of the 2025 Acts of Assembly, indicates a planned voluntary withdrawal in fiscal year 2026.

**Projected combined fund balance does not include projected interest earnings.

***Fiscal year 2026 maximum fund allowed is calculated within the chart found on page 2 of this report. The fiscal year 2026 maximum limit is lower than the fiscal year 2025 limit due to a reduction in the percentage used (15 percent), as opposed to the fiscal year 2025 limit, which was calculated using 17.53 percent. The percentages are set out in Chapter 725 of the 2025 Acts of Assembly.

****The combined maximum may be exceeded if the balance of the Revenue Reserve Fund does not exceed ten percent of the certified tax revenue collected in the three preceding fiscal years.

Exhibit 3

SCHEDULE OF DEPOSITS AND WITHDRAWALS (Dollars in Thousands)

<u>Date</u>	<u>Amount of Deposit</u>	<u>Amount of Withdrawal</u>	<u>Amount of Excess Transferred to General Fund</u>
June 2018	\$ 156,395	\$ -	\$ -
June 2019	342,728	-	-
June 2020	-	-	-
June 2021	339,028	-	-
June 2022	650,000	-	-
June 2022	498,700	-	-
June 2023	-	-	-
June 2024	289,585	498,700	-
June 2025	294,482	332,312	100,476

APPENDIX A

ESTABLISHMENT AND REQUIREMENTS OF THE FUND

Code of Virginia § 2.2-1831.2 establishes the special non-reverting fund known as the Revenue Reserve Fund. All funds received on its behalf shall be paid into the state treasury and credited to the Fund. Interest earned on moneys in the Fund will remain in the Fund. At the end of each fiscal year, the Fund does not revert to the general fund. The Governor and General Assembly can use the Fund to offset certain anticipated shortfalls in revenues when appropriations based on previous forecasts exceed expected revenues in subsequent forecasts.

The General Assembly established the Fund during the 2018 session. Pursuant to Code of Virginia § 2.2-1831.3, on November 1 of each year, the Auditor of Public Accounts is required to report on the amount that can be paid into the Fund and the amount by which the amount in the Fund is less than the maximum amount permitted.

Deposits to the Fund

Pursuant to Code of Virginia § 2.2-1831.3, in fiscal years in which general fund revenues do not result in a mandatory deposit to the Revenue Stabilization Fund as required by Article X, Section 8 of the Constitution of Virginia, the Comptroller, at the end of the fiscal year, will commit within his annual report, the amount of general fund revenue in excess of the official forecast for that prior fiscal year, less any deposit to the Virginia Water Quality Improvement Fund pursuant to subsection A of Code of Virginia § 10.1-2128, for deposit into the Revenue Reserve Fund. The amount committed for deposit into the Revenue Reserve Fund shall not exceed one percent of the total general fund revenues for the prior fiscal year. Subsequently, the Governor will recommend appropriations from the general fund or amend current general fund appropriations to include an amount for deposit into the Revenue Reserve Fund at least equal to the amounts committed by the Comptroller and confirmed by the Auditor of Public Accounts.

Maximum Fund Allowed

Code of Virginia § 2.2-1831.3 requires the combined amount in the Revenue Reserve Fund and the Revenue Stabilization Fund to not exceed 15 percent of the Commonwealth's average annual tax revenues derived from taxes on income and retail sales as certified by the Auditor of Public Accounts for the previous three fiscal years. Item § 3-1.01 J.3 of Chapter 725, of the 2025 Acts of Assembly, decreases the maximum fund allowed for the combined amount in the Revenue Reserve Fund and the Revenue Stabilization Fund to 17.53 percent from 20 percent as set out in Item 267 C.1. of Chapter 769 of the 2023 Acts of Assembly.

For fiscal year 2026, Chapter 725 of the 2025 Acts of Assembly decreased the maximum percentage from 17.53 percent to 15 percent, which brings the amount in agreement with Code of Virginia § 2.2-1831.3. In addition, Chapter 635 of the 2025 Acts of Assembly amended Code of Virginia

§ 2.2-1831.3 to allow the maximum combined balance to be exceeded if the balance in the Revenue Reserve Fund does not exceed ten percent of the certified tax revenue collected in the three preceding fiscal years.

Withdrawals from the Fund

Code of Virginia § 2.2-1831.4 describes the circumstances under which withdrawals from the Revenue Reserve Fund may occur. In the event that a revised general fund forecast presented to the General Assembly reflects a decline when compared with total general fund revenues appropriated, and the decrease is two percent or less of general fund resources collected in the most recently ended fiscal year, the General Assembly may appropriate an amount for transfer from the Fund, not to exceed 50 percent of the amount in the Fund, to the general fund to stabilize the revenues of the Commonwealth. Additionally, when the General Assembly is not in session, after review of the May general fund revenue collections, the Governor may withdraw amounts appropriated to the Fund when actions to curtail spending are insufficient to avoid a cash deficit.