



AUDITOR OF PUBLIC ACCOUNTS

Commonwealth of Virginia

REVENUE RESERVE FUND CALCULATIONS

For the Year Ended

June 30, 2026

Staci A. Henshaw, CPA
Auditor of Public Accounts

(804) 225-3350
www.apa.virginia.gov

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P.O. Box 1295
Richmond, Virginia 23218

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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 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. Code of Virginia § 2.2-1831.3 states the 15 percent maximum may be exceeded if the balance of the Revenue Reserve Fund does not exceed ten percent of the preceding three-year average of tax revenue, however, § 2.2-1829 restricts this exception to a total combined funds limit of 20 percent of the preceding three-year average of tax revenue. The maximum fund allowed for the Revenue Reserve Fund for fiscal year 2026 is calculated below. See Exhibit 1 for application of the limit.

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

Years	Tax Revenues
2023	$ 27,354,844
2024	27,500,967
2025	29,171,695
Average for three years	$ 28,009,169
15% Maximum combined funds allowed (Code of Virginia § 2.2-1831.3)	4,201,375
Exception to 15%: 10% Maximum Revenue Reserve Fund allowed (Code of Virginia § 2.2-1831.3)	2,800,917
20% Maximum combined funds allowed (Code of Virginia § 2.2-1829)	5,601,834

The maximum fund allowed for the combined balance at the end of fiscal year 2027 is calculated below. See Exhibit 2 for application of the limit.

CALCULATION OF MAXIMUM FUND ALLOWED
For Fiscal Year 2027
(Dollars in Thousands)

Years	Tax Revenues
2024	$ 27,500,967
2025	29,171,695
2026	31,379,324
Average for three years	$ 29,350,662
15% Maximum combined funds allowed (Code of Virginia § 2.2-1831.3)	4,402,599
Exception to 15%: 10% Maximum Revenue Reserve Fund allowed (Code of Virginia § 2.2-1831.3)	2,935,066
20% Maximum combined funds allowed (Code of Virginia § 2.2-1829)	5,870,132

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 2026 resulted in a ***positive*** 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 required in fiscal year 2028. As a result, no deposit to the Revenue Reserve Fund is required based on certified tax revenues for fiscal year 2026.

Fiscal Year 2026 Activity

In accordance with Item 252.1 of Chapter 7, of the 2026 Acts of Assembly, there was a deposit of $312,330,340 to the Revenue Reserve Fund during fiscal year 2026. In accordance with Item 3-1.01 J.3 of Chapter 7 of the 2026 Acts of Assembly, $999,077,930 was voluntarily withdrawn from the Revenue Reserve Fund and transferred to the General Fund. Exhibit 1 provides the funding progress of the Fund through June 30, 2026. Exhibit 3 provides historical information of the deposits and withdrawals of the Revenue Reserve Fund through June 30, 2026.

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, 2025	$ 1,867,054
Interest earned during fiscal year 2026	77,123
June 2026 withdrawal (voluntary)	(999,077)
June 2026 deposit	312,330
Balance as of June 30, 2026	$ 1,257,430
15% Maximum combined funds allowed for fiscal year 2026 (Code of Virginia § 2.2-1831.3)	$ 4,201,375
Balance as of June 30, 2026:	
Revenue Stabilization Fund	$ 3,000,618
Revenue Reserve Fund	1,257,430
Total combined balance	$ 4,258,048
Exceeds 15% combined fund limit?	**Yes**
Maximum Exception Evaluation:*	
10% Maximum Revenue Reserve Fund balance (Code of Virginia § 2.2-1831.3)	$ 2,800,917
Revenue Reserve Fund balance	$ 1,257,430
Exceeds 10% Revenue Reserve fund limit?	**No**
20% Maximum combined funds allowed for fiscal year 2026 (Code of Virginia § 2.2-1829)	$ 5,601,834
Total combined balance	$ 4,258,048
Exceeds 20% combined fund limit?	**No**

*The combined balance of the Revenue Stabilization and Revenue Reserve Funds exceeded the maximum combined balance allowed for 2026, as defined by § 2.2-1831.3 of the Code of Virginia; however, §§ 2.2-1831.3 and 2.2-1829 of the Code of Virginia, respectively, permit the combined balance to exceed the maximum when the balance of the Revenue Reserve Fund does not exceed ten percent and the total combined fund balance does not exceed 20 percent of the preceding three-year average of tax revenue.

Exhibit 2

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

We performed our calculations using the maximum combined funds allowed for fiscal year 2027.

Fund balance as of June 30, 2026	
Revenue Stabilization Fund	$ 3,000,618
Revenue Reserve Fund	1,257,430
Combined fund balance as of June 30, 2026	$ 4,258,048
Less: Planned deposits or withdrawal(s) during fiscal year 2027	
Revenue Stabilization Fund*	-
Revenue Reserve Fund	-
Projected combined fund balance as of June 30, 2027**	$ 4,258,048
15% Maximum combined funds allowed for fiscal year 2027***	4,402,599
Remaining maximum combined funds allowed for fiscal year 2027	$ 144,551
Exceeds 15% combined fund limit?	No

* A fiscal year 2027 deposit is not required based on fiscal year 2025 calculations. However, a fiscal year 2028 deposit is required based on fiscal year 2026 calculations, as discussed on page 2.

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

***There will be a new maximum fund allowed calculation prior to the required deposit to the Revenue Reserve Fund in fiscal year 2028 using the certified tax revenue collected in the three preceding fiscal years.

Exhibit 3

SCHEDULE OF DEPOSITS AND WITHDRAWALS
(Dollars in Thousands)

Date	Amount of Deposit	Amount of Withdrawal	Amount of Excess Transferred to General Fund
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
June 2026	312,330	999,077	-

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. Chapter 635 of the 2025 Acts of Assembly amended Code of Virginia § 2.2-1831.3 and § 2.2-1829 to allow the combined Revenue Stabilization Fund and Revenue Reserve Fund balance to exceed the maximum combined balance if the balance in the Revenue Reserve Fund does not exceed ten percent and the total combined balance does not exceed 20 percent of the preceding three-year average of tax revenue.

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.