Commonwealth of Virginia

Auditor of Public Accounts
P.O. Box 1295
Richmond, Virginia 23218

Walter J. Kucharski, Auditor

November 27, 2001

Dear General Assembly Member:

REVENUE STABILIZATION FUND

This Office is providing a report of the required calculations for the Revenue Stabilization Fund.

BACKGROUND

Article X, Section 8 of the Virginia Constitution and the enabling legislation, requires this Office to report to the General Assembly by December 1, 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 attached exhibit provides the certified tax revenues for the past seven years, the percentage of revenue growth for each year, and the average percentage of revenue growth for the preceding six years. The exhibit shows the calculation for the maximum size of the Revenue Stabilization Fund and the funding progress to date.

CALCULATION OF MANDATORY DEPOSIT REQUIREMENTS

Certified tax revenues grew by 2.77 percent between fiscal years 2000 and 2001, and the average revenue growth for the preceding six years was 9.21 percent. Under provisions of the Revenue Stabilization Fund, the comparison of last year's revenue growth and the average growth is a *negative* 6.44 percent. Therefore, the General Assembly does not need to make a deposit to the fund during the fiscal year ended June 30, 2003.

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

AUDITOR OF PUBLIC ACCOUNTS

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Enclosure

CALCULATIONS FOR THE REVENUE STABILIZATIONS FUND (IN THOUSANDS)

	Tax Revenue Required for Computation					
Years	Individual and Fiduciary Income Taxes	Corporate Income Tax	State Sales and Use Taxes	Totals	Average Annual Percentage Increase	Preceding Six Year Annual Average
1995	4,027,337	376,356	1,657,699	6,061,392	7.03%	4.83%
1996	4,301,349	402,337	1,721,964	6,425,650	6.01%	4.19%
1997	4,728,088	432,298	1,826,761	6,987,147	8.74%	5.19%
1998	5,405,850	450,780	1,919,216	7,775,846	11.29%	6.29%
1999	6,087,888	420,421	2,065,265	8,573,574	10.26%	7.85%
2000	6,829,587	565,909	2,201,533	9,597,029	11.94%	8.04%
2001	7,226,407	363,757	2,272,954	9,863,118	2.77%	9.21%

REQUIRED COMPUTATION OF MAXIMUM ALLOWED REVENUE STABILIZATION FUND

Years	Amounts (In Thousands)
1999	$8,573,574
2000	9,597,029
2001	9,863,119
Average for Three Years	$9,344,574
Maximum Fund Allowed (10% of Average)	$ 934,457

SCHEDULE OF FUNDING PROGRESS

	Amounts (In Thousands)
Total deposits to date	$626,151
Interest earned through June 30, 2001	89,472
Total in Fund at June 30, 2001	$715,623
Percentage of Maximum Fund	77%
Required future deposits:	
On or before June 30, 2002	187,091
Total committed to date	$902,714