



REVENUE RESERVE FUND CALCULATIONS

FOR THE YEAR ENDED
JUNE 30, 2024

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, 2024

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.

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 combined funds allowed (20% of average)	5,418,445
June 2024 balance of Revenue Stabilization Fund	<u>2,767,048</u>
Maximum Revenue Reserve Fund allowed	2,651,397
June 2024 balance of Revenue Reserve Fund	<u>1,926,068</u>
Maximum fund allowed less current Revenue Reserve Fund balance	<u>\$ 725,329</u>

The Revenue Reserve Fund in combination with the Revenue Stabilization Fund may not exceed 20 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. As shown above, the balance of the Revenue Reserve Fund as of June 30, 2024, does not exceed the maximum fund allowed.

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 2024 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 2026. However, 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 2 of the 2024 Acts of Assembly, Special Session I.

CALCULATION OF REVENUE RESERVE FUND DEPOSIT (Dollars in Thousands)

Actual General Fund Revenue as of June 30, 2024*	\$ 29,448,224
Fiscal Year 2024 Official General Fund Revenue Estimate	<u>28,279,500</u>
Difference between actual General Fund Revenue and Official General Fund Revenue Estimate	1,168,724
Required Transfer to I-81 Corridor Improvement Program**	(175,000)
Required Transfer to Water Quality Improvement Fund for matching grants for Chesapeake Bay nutrient reductions wastewater projects**	(400,000)
Required Statutory Deposit to Virginia Water Quality Improvement Fund***	<u>(59,372)</u>
Maximum Available for Deposit	<u>\$ 534,352</u>
1% General Fund Revenue Threshold****	\$ 294,482
Required Future Deposit (lessor of 1% General Fund Revenue Threshold or Maximum Available for Deposit)****	\$ 294,482

*Actual General Fund Revenue obtained from the Commonwealth of Virginia Summary Report on General Fund Revenue Collections for the fiscal years 2023 and 2024.

**Commitments to the I-81 Corridor Improvement Program and Water Quality Improvement Fund Matching Grants pursuant to Item 470 of Chapter 2 of the 2024 Acts of Assembly, Special Session 1.

***A statutory deposit is required based on fiscal year 2024 calculations.

****The required future deposit differs from the deposit reported in the Commonwealth's General Fund Preliminary Annual Report for the Fiscal Year Ended June 30, 2024, by \$5.8 million due to a difference in interpretation of Item 470 of Chapter 2 of the 2024 Acts of Assembly, Special Session 1, as to whether the amounts transferred to the I-81 Corridor Improvement Program and Water Quality Improvement Fund matching grants should be included or excluded from total General Fund Revenue when calculating the 1% threshold. Our calculation did not exclude the transfers from total General Fund Revenue.

Fiscal Year 2024 Activity

In accordance with Item 267.1 of Chapter 1, of the 2023 Acts of Assembly, Special Session I, there was a deposit of \$289,585,440 to the Revenue Reserve Fund during fiscal year 2024. In accordance with Item 267 D.2 of Chapter 1, of the 2023 Acts of Assembly, Special Session I, \$498,700,000 was transferred from the Revenue Reserve Fund to the Revenue Stabilization Fund. This amount was provided in Chapter 1, of the 2022 Acts of Assembly, Special Session I, as an advanced reservation for the mandatory deposit to the Revenue Stabilization Fund required in fiscal year 2024. Exhibit 1 provides the funding progress of the Fund through June 30, 2024. Exhibit 3 provides historical information of the deposits and withdrawals of the Revenue Reserve Fund through June 30, 2024.

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

Staci A. Henshaw
AUDITOR OF PUBLIC ACCOUNTS

Enclosures

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Exhibit 1

SCHEDULE OF FUNDING PROGRESS (Dollars in Thousands)

Balance as of June 30, 2023	\$ 2,044,472
Interest earned during fiscal year 2024	90,711
June 2024 withdrawal	(498,700)
June 2024 deposit	<u>289,585</u>
Balance as of June 30, 2024	<u>\$ 1,926,068</u>
Percentage of maximum fund allowed	72.64%
Required future deposit*	<u>294,482</u>
Total fund including required future deposit	<u>\$ 2,220,550</u>

*A future deposit is required based on fiscal year 2024 calculations.

Exhibit 2

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

We performed our calculations using the maximum combined funds allowed as of June 30, 2024. There will be a new maximum combined funds allowed calculation in future years based on future certified tax revenues.

Maximum combined funds allowed as of June 30, 2024	\$ 5,418,445
Less: Balance as of June 30, 2024	
Revenue Stabilization Fund	2,767,048
Revenue Reserve Fund	<u>1,926,068</u>
Remaining maximum combined funds allowed as of July 1, 2024	725,329
Plus: Planned withdrawal(s) during fiscal year 2025	
Revenue Stabilization Fund	-
Revenue Reserve Fund (voluntary)*	129,359
Less: Planned deposit(s) during fiscal year 2025**	
Revenue Stabilization Fund	-
Revenue Reserve Fund	<u>294,482</u>
Remaining maximum combined funds allowed as of July 1, 2025	560,206
Plus: Planned withdrawal(s) during fiscal year 2026	
Revenue Stabilization Fund	-
Revenue Reserve Fund (voluntary)*	675,685
Less: Planned deposit(s) during fiscal year 2026**	
Revenue Stabilization Fund	-
Revenue Reserve Fund	<u>-</u>
Difference between the combined fund balance and maximum fund balance allowed as of June 30, 2026***	<u>\$ 1,235,891</u>
Percentage of maximum combined fund balance allowed	77.19%

*Item 3-1.01 J.3 of Chapter 2 of the 2024 Acts of Assembly, Special Session I, indicates planned voluntary withdrawals in fiscal years 2025 and 2026.

**Planned deposits do 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 2026 using 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>
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

Exhibit 4

SCHEDULE OF COMBINED FUND BALANCES (Dollars in Thousands)

<u>Fiscal Year End</u>	<u>Revenue Stabilization</u>	<u>Revenue Reserve</u>	<u>Total</u>	<u>Combined Fund Balance Limit</u>
June 30, 2018	\$ 283,275	\$ 156,439	\$ 439,714	\$ -
June 30, 2019	289,302	502,590	791,892	2,805,705
June 30, 2020	558,432	513,245	1,071,677	2,949,468
June 30, 2021	639,612	855,790	1,495,402	3,181,958
June 30, 2022	640,923	2,006,270	2,647,193	4,689,446
June 30, 2023	1,782,005	2,044,472	3,826,477	5,148,028
June 30, 2024	2,767,048	1,926,068	4,693,116	5,418,445

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 267 C.1. of Chapter 1, of the 2023 Acts of Assembly, Special Session I, increases the maximum fund allowed for the combined amount in the Revenue Reserve Fund and the Revenue Stabilization Fund to 20 percent.

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.