

November 22, 2002

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 decreased by 4.38 percent between fiscal years 2001 and 2002, and the average revenue growth for the preceding six years was 8.5 percent. Under provisions of the Revenue Stabilization Fund, the comparison of last year's revenue growth and the average growth is a *negative* 12.88 percent. Therefore, the General Assembly does not need to make a deposit to the fund during the fiscal year ended June 30, 2004.

### **WITHDRAWAL OF FUNDS**

In April 2002, in accordance with Item 270 B. of the Appropriation Act, Chapter 814 of the Virginia Acts of Assembly, \$467,730,875 was withdrawn from the Revenue Stabilization Fund. Section 2.2-1830 of the Code of Virginia allows for a further withdrawal from the Revenue Stabilization Fund if the revised official general fund revenue forecast for fiscal year 2003 reflects a decline when compared to general fund revenues appropriated for fiscal year 2003, and the decrease is more than 2 percent of certified tax revenues collected in fiscal year 2002.

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Should the Governor and General Assembly decide that the provision of Section 2.2-1830 of the Code of Virginia has been met, a further withdrawal of the lesser of \$236,187,874 or half the shortfall could occur in fiscal year 2003.

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

AUDITOR OF PUBLIC ACCOUNTS

WJK:aom  
Enclosure

**CALCULATIONS FOR THE REVENUE STABILIZATIONS FUND  
(IN THOUSANDS)**

Years	Tax Revenue Required for Computation				Average Annual Percentage Change	Preceding Six Year Annual Average
	Individual and Fiduciary Income Taxes	Corporate Income Tax	State Sales and Use Taxes	Totals		
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%
2002	6,710,857	290,215	2,429,845	9,430,917	(4.38)%	8.50%

**REQUIRED COMPUTATION OF MAXIMUM ALLOWED REVENUE  
STABILIZATION FUND**

<u>Years</u>	<u>Amounts (In Thousands)</u>
2000	\$9,597,029
2001	9,863,119
2002	9,430,917
Average for Three Years	\$9,630,355
Maximum Fund Allowed (10% of Average)	\$ 963,035

**SCHEDULE OF FUNDING PROGRESS**

	<u>Amounts (In Thousands)</u>
Total deposits to date	\$813,243
Interest earned through June 30, 2002	126,864
Total withdrawals to date	<u>(467,731)</u>
Total in Fund at June 30, 2002	<u>\$472,376</u>
Percentage of Maximum Fund	49%
Total available for withdrawal in fiscal year 2003:	<u>\$236,188</u>