

Overview of Rainy Day Fund and Revenue Reserve Fund

Subcommittee on General Government

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Mandatory Deposits to the Revenue Stabilization Fund (“Rainy Day Fund”)

Constitution Requires Deposit:

- Required if the combined growth in individual and corporate income taxes and sales taxes exceeds the prior six-year average combined growth rate.
- The amount of the deposit is equal to one-half of the growth above the six-year average.
- The amount of the deposit certified by the Auditor of Public Accounts is restricted on the balance sheet at the close of the fiscal year.
- The actual deposit to the Fund occurs in the second fiscal year following the surplus.

**Article X, Section 8, Constitution of Virginia.*

Mandatory Deposits to the Revenue Stabilization Fund (“Rainy Day Fund”)

Statutory Requirement:

- An additional deposit may occur if the combined growth in individual and corporate income taxes and sales taxes is at least 8 percent AND at least 1.5 times the prior six-year average growth rate.
- The Governor must include an additional deposit in his budget recommendations that is at least equal to one-quarter of the growth above the six-year average (one-half the Constitutionally required deposit), but ONLY if the revised general fund revenue forecast for the fiscal year in which the deposit is to be made is at least 5 percent.
- The General Assembly considers this recommended appropriation alongside all others.

**§ 2.2-1829, Code of Virginia.*

Limitations

- The growth in income taxes and sales and use taxes that is the result of either an increase in income or sales tax rates or the repeal of exemptions therefrom, may be excluded from the calculation.
- The exclusion applies for up to six years from the effective date of the change.

**§ 2.2-1829, Code of Virginia.*

Withdrawals from the Revenue Stabilization Fund (“Rainy Day Fund”)

- A withdrawal is allowed when a revised revenue forecast shows a shortfall of more than 2 percent of the previous year’s actual collections for individual and corporate income tax and sales tax.
- The maximum amount of the withdrawal is the lesser of:
 - Half of the budget shortfall (difference between the revised GF revenue forecast and GF revenues appropriated in the enacted budget); or
 - Half of the Fund’s balance.

**Article X, Section 8, Constitution of Virginia.*

Deposits to the Statutory Revenue Reserve Fund (Enacted in 2018 Session)

- Whenever a general fund surplus exists, but the surplus DOES NOT trigger a mandatory deposit to the Rainy Day Fund, the Comptroller must commit in his year-end report, the surplus for deposit to the Fund.
- The amount of the commitment is equal to the lesser of:
 - The amount of general fund revenues in excess of the official forecast, less any deposit to the Water Quality Improvement Fund; or
 - One percent of general fund revenues collected during the year in question.
- The Governor, in his budget recommendations, must include a deposit to the Revenue Reserve Fund that is AT LEAST equal to the committed amount.
- The General Assembly considers this recommended appropriation alongside all others.

**§ 2.2-1831.3, Code of Virginia.*

Withdrawals from the Revenue Reserve Fund

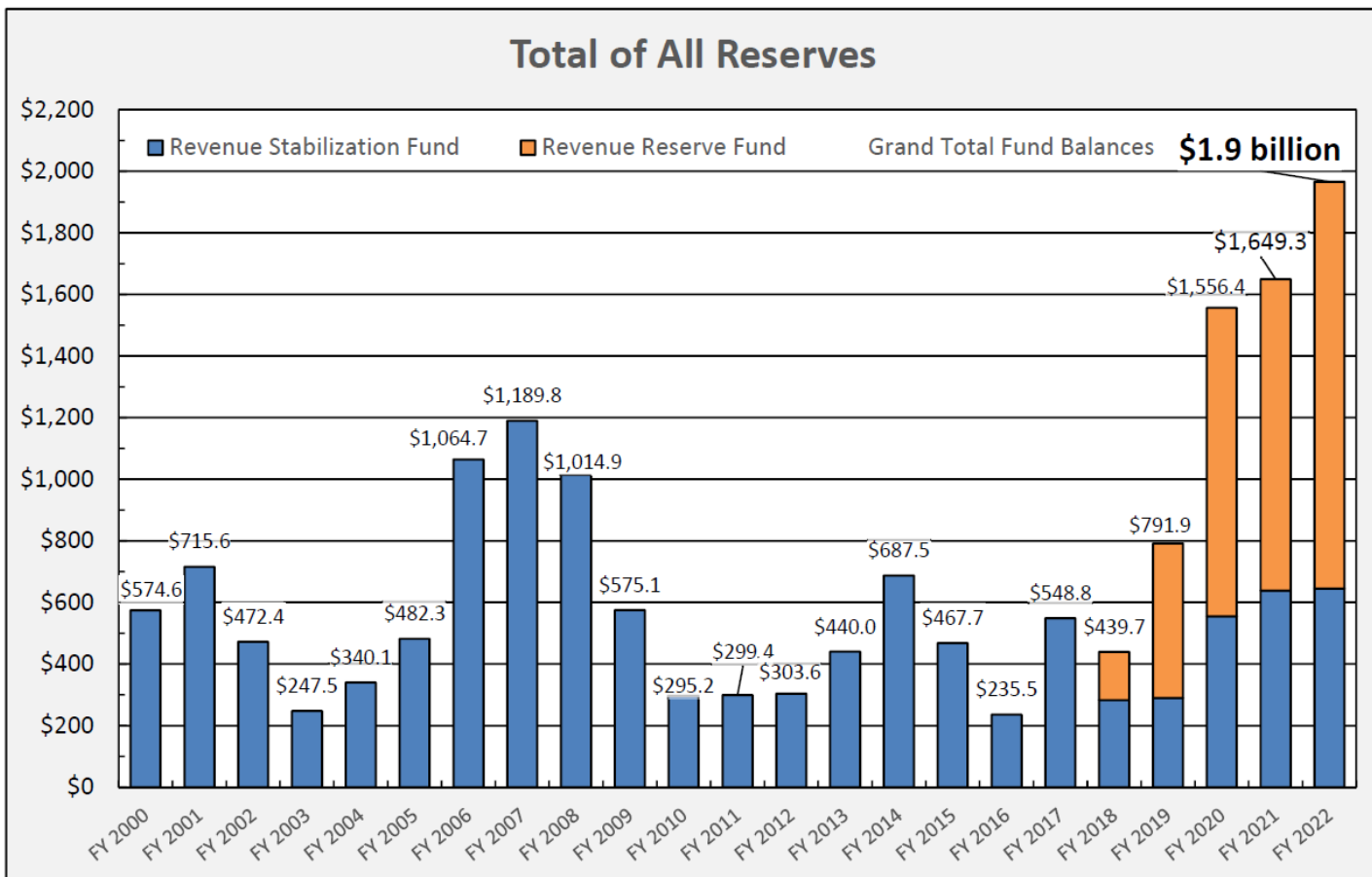
- The General Assembly may appropriate a transfer from the Fund when a revised revenue forecast shows a shortfall that is 2 percent or less of the previous year's total general fund resources collected.
 - The maximum amount of the withdrawal is half of the Fund's balance.
 - The withdrawal is meant to stabilize revenues when a withdrawal from the Rainy Day Fund cannot occur.
- When the General Assembly is not in session, after review of the May general fund revenue collections and certification to the General Assembly that actions to curtail spending will not be sufficient to avoid a cash deficit, the Governor may withdraw amounts appropriated to the Fund to avoid such cash deficit.

**§ 2.2-1831.4, Code of Virginia.*

Maximum Fund Balance

- The total combined balance of the Rainy Day Fund and Revenue Reserve Fund balance may not exceed 15 percent of the prior three-year average annual tax revenues from individual and corporate income taxes and sales taxes.
- As of June 30, 2019, the maximum combined fund balance is \$2.81 billion.

**§ 2.2-1829, Code of Virginia.*



The Governor's budget includes \$17.5 million in FY2022 as a reserve for a potential mandatory deposit to the Revenue Stabilization Fund in FY2023.

Source: Secretary of Finance (December 17, 2019).