

## Department of Planning and Budget 2023 Fiscal Impact Statement

**1. Bill Number:** HB1841

**House of Origin**    ☐ Introduced    ☐ Substitute    ☒ Engrossed

**Second House**    ☐ In Committee    ☐ Substitute    ☐ Enrolled

**2. Patron:** Knight

**3. Committee:** Appropriations

**4. Title:** Revenue Stabilization Fund and Revenue Reserve Fund; required deposits.

**5. Summary:** Eliminates the requirement that certain revenues be deposited in the Revenue Stabilization Fund that are in excess of the deposits required by the Constitution of Virginia. Adds a new requirement that additional deposits be made to the Revenue Reserve Fund if general fund revenues exceed certain amounts in a fiscal year.

**6. Budget Amendment Necessary:** A budget amendment would be required in the future to appropriate any deposits to the RRF as required by this legislation.

**7. Fiscal Impact Estimates:** Preliminary, see Item 8.

**8. Fiscal Implications:** The bill eliminates the requirement for a statutory deposit to the Revenue Stabilization Fund (RSF). Statutory deposits are currently required when three conditions are met: i) annual growth in certified tax revenues meets or exceeds eight percent in the most recently ended fiscal year; ii) current year growth exceeds 1.5 times the average revenue growth for the preceding six years; and iii) estimated general fund revenues for the fiscal year in which the deposit is to be made increase by five percent or more over the immediately preceding fiscal year. Since becoming a requirement in 2003, statutory deposits have been made only twice – once in fiscal year 2005 and once in fiscal year 2007. Removing this requirement does not impact any Constitutionally required mandatory RSF deposit.

The bill replaces the RSF statutory deposit with a statutory deposit to the Revenue Reserve Fund (RRF), with two similar criteria triggering the deposit: i) annual growth in certified tax revenues meets or exceeds eight percent in the most recently ended fiscal year and ii) current year growth exceeds 1.5 times the average revenue growth for the preceding six years. If the conditions are met, the resulting deposit is calculated based on the same formula currently used to calculate the RSF statutory deposit. The formula is equal to 25 percent of the product of the certified tax revenues collected in the most recently ended fiscal year multiplied by the difference between the annual percentage increase in the certified tax revenues collected for the most recently ended fiscal year and the average annual percentage increase in the

certified tax revenues collected in the six fiscal years immediately preceding the most recently ended fiscal year.

To demonstrate how such provisions would have impacted deposits in the past, Table 1 documents what deposits would have been made to the RRF if this bill's provisions had been in effect since the RRF's inception on July 1, 2019.

**TABLE 1 – Scenario of RRF deposits that would have been required under HB1841**  
(Dollars in Millions)

<b>Fiscal year</b>	<b>Total Certified Tax Revenues</b>	<b>Annual Percentage Increase (1)</b>	<b>Six Year Average (2)</b>	<b>Ratio of (1)/(2) [1.5 or more trigger criteria]</b>	<b>Deposit Required under HB1841</b>
2019	\$19,718.3	4.91%	4.13%	1.19	<b>\$0.0</b>
2020	\$20,476.1	3.84%	4.08%	0.94	<b>\$0.0</b>
2021	\$23,444.7	14.50%	4.88%	2.97	<b>\$563.9</b>
2022	\$26,420.9	12.69%	5.85%	2.17	<b>\$452.3</b>

Under the provisions of this bill, deposits of \$563.9 million and \$452.3 million would have been required to be made into the RRF based on certified revenues collected in fiscal years 2021 and 2022. It is assumed the deposit would have occurred in the following fiscal year, which under this example would have been fiscal years 2022 and 2023, respectively. For reference, a voluntary deposit of \$650.0 million was made to the RRF in fiscal year 2022. The current Appropriation Act does not include a voluntary or required deposit to the RRF in fiscal year 2023.

The bill does not change the existing RRF deposit requirement in Code but adds a new deposit requirement. Under existing RRF deposit requirements, RRF deposits are only required when there is not a mandatory deposit to the RSF. Under the provisions of this bill, this new deposit would be required in any year in which the criteria are met, regardless of whether there is a mandatory deposit to the RSF.

**9. Specific Agency or Political Subdivisions Affected:** Auditor of Public Accounts, Department of Accounts

**10. Technical Amendment Necessary:** No.

**11. Other Comments:** Paragraph C, Item 267 of the budget bill (HB1400/SB800) raises the combined balance threshold from 15 percent to 20 percent. The engrossed version of this bill maintains the existing statutory provision that the combined balance of the two funds shall not exceed 15 percent.