

PROPOSED CONSTITUTIONAL AMENDMENT  
To Be Voted on at the November 2, 2010, Election

Article X, Taxation and Finance  
Section 8, Limit of tax or revenue; Revenue Stabilization Fund.

***BALLOT QUESTION***

Question: Shall Section 8 of Article X of the Constitution of Virginia be amended to increase the permissible size of the Revenue Stabilization Fund (also known as the "rainy day fund") from 10 percent to 15 percent of the Commonwealth's average annual tax revenues derived from income and retail sales taxes for the preceding three fiscal years?

***EXPLANATION***

**Present Law**

The Revenue Stabilization Fund (also known as the "rainy day fund") is used to offset shortfalls in anticipated revenues in any given year, and thus is designed to provide a cushion in the event of an economic downturn. The Constitution currently limits the Fund to 10 percent of the Commonwealth's average annual tax revenues from income and sales taxes for the preceding three fiscal years.

**Proposed Amendment**

The proposed constitutional amendment increases the maximum size of the Fund from 10 percent to 15 percent of the Commonwealth's average annual tax revenues from income and sales taxes for the preceding three fiscal years.

***FULL TEXT OF AMENDMENT*** [Proposed new language is underlined. Existing language that is deleted is shown as stricken (~~stricken~~).]

Amend Section 8 of Article X of the Constitution of Virginia as follows:

ARTICLE X  
TAXATION AND FINANCE

| Section 8. Limit of tax or revenue; Revenue Stabilization Fund.

No other or greater amount of tax or revenues shall, at any time, be levied than may be required for the necessary expenses of the government, or to pay the indebtedness of the Commonwealth.

| The General Assembly shall establish the Revenue Stabilization Fund. The Fund shall consist of an amount not to exceed ~~ten~~ fifteen 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 three fiscal years immediately preceding. The Auditor of Public Accounts shall compute the ~~ten~~ fifteen percent limitation of such fund annually and report to the General Assembly not later than the first day of December. "Certified tax revenues" means the Commonwealth's annual tax revenues derived from taxes on income and retail sales as certified by the Auditor of Public Accounts.

The General Assembly shall make deposits to the Fund to equal at least fifty percent of the product of the certified tax revenues collected in the most recently ended fiscal year times 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. However, growth in certified tax revenues, which is the result of either increases in tax rates on income or retail sales or the repeal of exemptions therefrom, may be excluded, in whole or in part, from the computation immediately preceding for a period of time not to exceed six calendar years from the calendar year in which such tax rate increase or exemption repeal was effective. Additional appropriations may be made at any time so long as the ~~ten~~ fifteen percent limitation established herein is not exceeded. All interest earned on the Fund shall be part thereof; however, if the Fund's balance exceeds the limitation, the amount in excess of the limitation shall be paid into the general fund after appropriation by the General Assembly.

The General Assembly may appropriate an amount for transfer from the Fund to compensate for no more than one-half of the difference between the total general fund revenues appropriated and a revised general fund revenue forecast presented to the General Assembly prior to or during a subsequent regular or special legislative session. However, no transfer shall be made unless the general fund revenues appropriated exceed such revised general fund revenue forecast by more than two percent of certified tax revenues collected in the most recently ended fiscal year. Furthermore, no appropriation or transfer from such fund in any fiscal year shall exceed more than one-half of the balance of the Revenue Stabilization Fund. The General Assembly may enact such laws as may be necessary and appropriate to implement the Fund.

**Explanation word count: 104**