Department of Planning and Budget
2001 Fiscal Impact Statement

1. **Bill Number** HB2695

   House of Origin ☒ Introduced ☐ Substitute ☐ Engrossed

   Second House ☐ In Committee ☐ Substitute ☐ Enrolled

2. **Patron** Marshall

3. **Committee**

4. **Title** Budget bills; restrictions; Virginia Investment Act of 2001

5. Summary/Purpose:
   Limits the rateof growth of state expenditures in the Governor's budget bill, and, except under certain conditions, in budget bills reported by any committee of the House of Delegates or the Senate, to the total of annual percentage changes in population and cost of living, but in no event greater than the three-year average of percentage change in per capita personal income. In addition, surplus revenues shall be deposited into the Virginia Investment Account, which is established. Money in the Account shall be appropriated only for capital transportation projects, conservation and recreation projects, public school construction, higher education capital projects, tax relief, environmental quality programs, research and development projects relating to economic development, and reducing bonded indebtedness.

6. No Fiscal Impact
   But see No. 8.

7. Budget amendment necessary:
   No.

8. Fiscal implications:
   If enacted, this bill would apply to the 2002 Budget Bill introduced in January 2002 for the 2002-04 biennium.

   The bill limits the growth in spending in the Governor's proposed budget, and to the bill as reported by committees of the House and Senate, but it is unclear as to how exactly that limitation will be calculated. For example, the limit does not apply to certain types of expenditures but the excluded types named in the bill do not follow the standard state classification for expenditures. A case in point is student tuition and fees. It is not clear whether student tuition and fees is to be included under "user fees" in the bill or not.

Another issue is the timeliness of data. The bill requires personal income as reported by the U.S. Department of Commerce and population as reported by the U.S. Bureau of the Census. The cited sources report on a historical basis, and the information may lag for a significant period of time. The sources do not make projections for the future, thus it is problematic as to how such historical data would be used in budget development.

There are many items in the budget that have no relationship to either population or inflation. Among them are medicaid, car tax relief, HB 599 payments, debt service payments, and deposits to the Revenue Stabilization Fund. Changes in these items are more related to policy adjustments such as changes in the federal budget and revenue collections. The percentage limitations specified in the bill thus would have to be applied, on a disproportionate basis, to other items or programs which vary according to population or inflation.

The bill would reduce the unreserved balance of general fund revenues available for appropriation.

The bill would reduce general fund interest since it would move balances from the general fund to the Virginia Investment Account.

The bill prohibits a reduction in the proportion of "state revenue" distributed to localities below the level in effect on July 1, 2000.

9. Specific agency or political subdivisions affected:
   Department of Planning and Budget, Auditor of Public Accounts, State Comptroller

10. Technical amendment necessary:
    The word "revenues" as used on Page 1, line 49, of the bill should be defined. Expenditures as defined in the bill could include nongeneral fund amounts, such as the Commonwealth Transportation Fund and various special funds.

11. Other comments:
    The effect of the bill would be to remove unappropriated general fund balances as a source of funds for appropriation by transferring such balances to the Virginia Investment Account.

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Document: 01 Bills FIS/HB 2695

cc: Secretary of Finance