

## Department of Planning and Budget

### 2001 Fiscal Impact Statement

**1. Bill Number** SB1384

**House of Origin** ☐ Introduced ☒ Substitute ☐ Engrossed  
**Second House** ☐ In Committee ☐ Substitute ☐ Enrolled

**2. Patron** Couric

**3. Committee** Finance

**4. Title** University of Virginia Medical Center Interest Income

5. **Summary/Purpose:** The proposed legislation amends §23-77.4 of the *Code of Virginia* to require that the University of Virginia Medical Center be credited with the imputed interest on its nongeneral fund cash balances (primarily patient care revenues) on deposit with the State Treasurer. Requiring the Medical Center to deposit declining amounts to the general fund on or before June 30 in each of the next three fiscal years would phase in the new policy.

The substitute bill amends the introduced version to conform to House Bill 2870, as introduced.

**6. Fiscal Impact Estimates are:**

**6b. Revenue Impact:**

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2000-01			
2001-02			
2002-03	(\$2,200,000)		GF

**7. Budget amendment necessary:** No.

8. **Fiscal implications:** Currently, the Commonwealth retains the interest on the Medical Center's nongeneral fund cash balances held on deposit with the State Treasurer. The proposed legislation proposes phasing in a policy to credit 100 percent of the interest earnings on the Medical Center's nongeneral fund balances (primarily from patient revenues) over the next three years, beginning in FY2002. As structured, the bill would have no fiscal impact in the current biennium. However, the proposed legislation would create a general fund loss of approximately \$5.5 million in the 2002-2004 biennium.

The legislation proposes that the Medical Center would receive, on a monthly basis, the imputed interest earned by the investment of its nongeneral fund operating cash balances currently on deposit with the State Treasurer. In addition, to ease the burden of lost revenue to the Commonwealth, the legislation proposes a three year phased approach. The phased approach would require the Medical Center to deposit declining amounts to the general fund on or before June 30 in each of the next three fiscal years. Assuming interest earnings of \$4.4 million in each year, the Medical Center would be required to deposit \$4.4 million in FY2002; \$2.2 million in FY2003; and \$1.1 million in

FY2004 to the general fund of the Commonwealth. By FY2005, the Medical Center would retain all interest earned on its nongeneral fund operating cash balances.

9. Specific agency or political subdivisions affected:

University of Virginia Medical Center  
State Treasury

10. Technical amendment necessary: Yes.

Yearly interest earned on the cash balances of the Commonwealth varies according to the size of the balances and collected yield of the General Account portfolio. The Medical Center could lose interest if the actual income falls short of projections. Additionally, the Commonwealth could lose interest if actual income exceeds projections. In order to avoid this occurrence, the Department of the Treasury suggests the bill be amended as noted below.

Page 3, Line 120: After "June 30, 2002", DELETE "\$2,200,000 on or before June 30, 2003; and \$1,100,000 on or before June 30, 2004." and INSERT "or the amount of interest earned, whichever is less, one half of the interest earned on or before June 30, 2003, and one fourth of the interest earned on or before June 30, 2004."

11. Other comments: House Bill 2870 is a companion to Senate Bill 1384.

**Date:** 01/26/01/aps

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cc: Secretary of Finance  
Secretary of Education

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