

# Department of Planning and Budget

## 2008 Fiscal Impact Statement

**1. Bill Number:** SB470

House of Origin      X      Introduced                  Substitute                  Engrossed  
 Second House                 In Committee              Substitute                  Enrolled

**2. Patron:**        Hanger

**3. Committee:** Agriculture, Conservation and Natural Resources

**4. Title:**         **Natural resources funding**

**5. Summary:** The bill provides annual funding for natural resources from (i) 20 percent of the remaining revenues of state recordation taxes that are not currently allocated and (ii) unallocated land preservation tax credits in each calendar year. Of the revenues allocated to natural resources, 17 percent would be used to provide matching grants to local purchase of development rights programs, 16 percent would be distributed to the Virginia Land Conservation Fund, and 67 percent would be distributed to the Agricultural Best Management Practices Cost-Share Program for agricultural best management practices.

**6. Fiscal Impact Estimates:** Preliminary.

**6a. Expenditure Impact:**

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2009	\$88.1 million	nongeneral fund
2010	\$95.2 million	nongeneral fund
2011	\$94.1 million	nongeneral fund
2012	\$93.9 million	nongeneral fund
2013	\$94.1 million	nongeneral fund
2014	\$95.3 million	nongeneral fund

**6b. Revenue Impact:** The bill would divert revenue currently deposited to the general fund to the Virginia Natural Resources Commitment fund for various natural resource programs. The impact on revenue is shown below:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>	<i>Dollars</i>	<i>Fund</i>
2009	(\$88.1 million)	general	\$88.1 million	nongeneral fund
2010	(\$95.2 million)	general	\$95.2 million	nongeneral fund
2011	(\$94.1 million)	general	\$94.1 million	nongeneral fund
2012	(\$93.9 million)	general	\$93.9 million	nongeneral fund
2013	(\$94.1 million)	general	\$94.1 million	nongeneral fund
2014	(\$95.3 million)	general	\$95.3 million	nongeneral fund

7. **Budget Amendment Necessary:** Yes, the general fund revenues on the front page of the Budget Bill (Senate Bill 30) would need to be reduced and the nongeneral fund revenues increased. Also, Item 361 should be increased to include the funding for Agricultural Best Management Practices Cost Share program, Item 362 should be increased to reflect the funding for the Virginia Land Conservation Fund, and Item 94 should be adjusted to show the funding for local purchase of development rights programs.
8. **Fiscal Implications:** The bill requires 20 percent of the unallocated remaining revenues of state recordation taxes to be used to provide funding for the Virginia Natural Resources Commitment Fund. The bill specifies the distribution of the fund among three natural resource program, local purchase of development rights programs (17 percent), the Virginia Land Conservation Fund (16 percent) and the Agricultural Best Management Practices Cost Share program (67 percent).

The bill further specifies that five percent of the funding for agricultural best management practices is provided to the local soil and water conservation districts and that 57 percent of the funding is directed to lands within the Chesapeake Bay watershed and 38 percent to all other lands in the Commonwealth. Of the funding provided to local purchase of development rights programs, 60 percent of the funding is reserved for localities within the Chesapeake Bay watershed and 40 percent for those outside of the watershed.

The estimated deposits to the fund from state recordation taxes and the allocations for each year are listed below:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Purchase of Development Rights</i>	<i>Land Conservation fund</i>	<i>Agricultural Best Management</i>
2009	\$63.1 million	\$10.7 million	\$10.0 million	\$42.4 million
2010	\$70.2 million	\$11.9 million	\$11.2 million	\$47.1 million
2011	\$69.1 million	\$11.7 million	\$11.0 million	\$46.4 million
2012	\$68.9 million	\$11.7 million	\$11.0 million	\$46.2 million
2013	\$69.1 million	\$11.7 million	\$11.0 million	\$46.4 million
2014	\$70.3 million	\$11.9 million	\$11.2 million	\$47.1 million

According to the Department of Taxation, the land preservation tax credit provision of the bill would not change the amount of land preservation tax credits granted to taxpayers. The transfer of an amount equal to the difference between the cap amount and the actual amount of credits issued during the calendar year would reduce the general fund revenues available for other appropriations by approximately \$25 million per year. The additional \$25 million deposit to the Virginia Natural Resources Commitment Fund will increase funding for purchase of development rights programs by \$4.2 million, the Land Conservation Fund by \$4 million and the Agricultural Best Management Practices Cost Share program by \$16.8 million.

The Department of Taxation will continue to issue land preservation tax credits for a calendar year, regardless of when the application is received and completed, even if it is well into the next calendar year, as long as the cap for the previous year has not been met. For example, in 2007 credits totaling \$72.2 million were issued for applications postmarked by December 31, 2007. This would result in a transfer to the Virginia Natural Resources Commitment Fund of

\$27.8 million. However, 2007 applications are expected to be received, and credits issued for several more months. Thus, some procedure would need to be established to periodically adjust the amount of the transfer to the Virginia Natural Resources Commitment Fund for applications processed after December 31 of each year.

The Department of Taxation has not assigned any administrative costs to the bill because the changes required by a single bill such as this may be implemented as part of the annual changes to the tax system and forms. The department considers implementation of this bill as routine, and does not require additional funding. If the aggregate number of routine bills likely to pass the General Assembly is unusually large, then it is possible that the Department of Taxation may require additional resources.

The bill does not provide funding or positions for administration of the Agricultural Best Management Cost Share program by the Department of Conservation and Recreation. The local soil and water conservation districts provide technical support for the program, and the Department of Conservation and Recreation is responsible for the overall management and administration of the funding.

**9. Specific Agency or Political Subdivisions Affected:** Department of Conservation and Recreation, Department of Taxation, Department of Agriculture and Consumer Services, Virginia Land Conservation Foundation, and soil and water conservation districts.

**10. Technical Amendment Necessary:** The Department of Taxation suggest that if the intent of the legislation is to maintain the annual cap for land preservation tax credits, but to discontinue issuances of the credit after December 31 of each calendar year, the following technical amendment is needed:

Page 9, line 506, after “shall” insert “cease issuing tax credits and”.

**11. Other Comments:** None.

**Date:** 1/22/2008 dpb

**Document:** G:\08 FIS\SB470.DOC

cc: Secretary of Natural Resources