

## Department of Planning and Budget 2013 Fiscal Impact Statement

**1. Bill Number:** SB929-E

<b>House of Origin</b>	<input type="checkbox"/> Introduced	<input type="checkbox"/> Substitute	<input checked="" type="checkbox"/> Engrossed
<b>Second House</b>	<input checked="" type="checkbox"/> In Committee	<input type="checkbox"/> Substitute	<input type="checkbox"/> Enrolled

**2. Patron:** Vogel

**3. Committee:** Appropriations

**4. Title:** Department of State Police; variable housing allowance.

**5. Summary:** Mandates the Department of Human Resource Management to develop suggested rates for a variable housing allowance for full-time, sworn State Police officers, based upon pay grade and geographical location. The proposal also authorizes all full-time, sworn officers to receive a housing allowance from funds that are appropriated for such purpose. The allowance would not be considered taxable income for state income tax purposes. The second enactment stipulates that the proposal would not become effective unless an appropriation of general funds effectuating the purpose of the proposal is included in a general fund appropriation act passed by the 2013 Session of the General Assembly.

**6. Budget Amendment Necessary:** No.

**7. Fiscal Impact Estimates:** Indeterminate; See Item 8 below.

**8. Fiscal Implications:** The fiscal impact due to this proposal cannot be determined. This proposal, even if passed, will not be enacted unless the 2013 General Assembly provides an appropriation for this purpose.

However, according to the Department of State Police, a variable housing allowance will have a cost to the department. Using the costs that were reported by the agency in the 2008 session for HB 846 and SB 682 (similar housing allowance proposals), the potential fiscal impact of this proposal could be as high as \$21 million per year if a system similar to the military is developed and implemented. It should be noted that this is a conservative estimate in that the department has additional full-time sworn officers since that cost was calculated. As it was noted in 2008, if only 25 percent of the 2008 military rate is used, approximately \$5.25 million per year would be required.

There are other methodologies that could be considered. For instance, an inverse housing allowance (the troopers with the lowest wages would receive the largest housing allowance) would provide assistance to those that need it the most. Another strategy could be to simply apply a percent to the officers' wage (addresses both the geographic and pay grade requirements). Or, if the proposal was changed to eliminate the need to take into account pay grade, then a simple flat rate could be applied for State Police law enforcement officers in a

particular geographic area (similar to how the state's northern Virginia differential is being provided).

According to the Department of Taxation, a state is prohibited from providing a preferential tax treatment to state employees that is not also available to federal employees. Currently federal employees are not provided a Virginia income tax subtraction for variable housing allowances. The cost to the general fund to also exempt federal employees that receive a housing allowance from state income taxes is not known at this time.

The fiscal impact on the Department of Human Resource Management is not yet known.

**9. Specific Agency or Political Subdivisions Affected:** Department of State Police, Department of Human Resource Management, and Department of Taxation.

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

**11. Other Comments:** Using updated military housing rates and current staffing figures will probably increase the estimated costs of the proposal.

**Date:** January 23, 2013

**Document:** G:\2013\JGC\EFIS\Posted\SB929.DOC