

Department of Planning and Budget 2014 Fiscal Impact Statement

1. Bill Number: HB152

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

2. Patron: Minchew

3. Committee: Appropriations

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

5. Summary: Provides a housing allowance for full-time, sworn State Police officers, based upon pay grade and geographical location, from funds that are appropriated for such purpose. The rates of the variable allowance shall be based on suggested rates developed and annually updated by the Department of Human Resource Management. The allowance would not be considered taxable income for state income tax purposes.

6. Budget Amendment Necessary: Yes. Item 413.

7. Fiscal Impact Estimates: Preliminary; See Item 8 below.

8. Fiscal Implications: According to the Department of State Police, the proposal will have a fiscal impact to the Department. Similar bills were introduced in the 2008 Session (HB846 and SB682) and in the 2013 Session (HB929 and HB2278). Using the same costs that were reported by the Department, the potential fiscal impact of this proposal could be as high as \$25 million per year if a system similar to the military is developed and implemented. It should be noted that this is a conservative estimate because the Department has since added additional full-time sworn officers. As it was noted in 2008 and 2013, if only 25 percent of the 2008 military rate is used, approximately \$6.15 million per year would be required.

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.

According to the Department of Human Resources (DHRM), this proposal would result in additional costs to DHRM of approximately \$15,000 annually, since it would require DHRM to employ a seasonal wage employee - an Economic Analyst - in order to support the development of a variable housing allowance based on State Trooper pay bands. The cost estimate is based on the market rate for an experienced analyst with expertise in research, including forecasting, data collection, and statistical analysis.

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: None.

Date: 1/21/2014-HB152.DOC (LAJ)