

## Department of Planning and Budget 2008 Fiscal Impact Statement

**1. Bill Number:** HB846

House of Origin	<u>  X  </u>	Introduced	<u>    </u>	Substitute	<u>    </u>	Engrossed
Second House	<u>    </u>	In Committee	<u>    </u>	Substitute	<u>    </u>	Enrolled

**2. Patron:** Sherwood

**3. Committee:** Militia, Police and Public Safety

**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.

**6. Fiscal Impact Estimates:** INDETERMINATE.

**7. Budget Amendment Necessary:** Yes. Item 420.

**8. Fiscal Implications:** The fiscal impact of the proposed legislation cannot be determined at this time. However, according to the Department of State Police, the cost could be as high as \$21 million per year if a system similar to the military is developed and implemented. If only 25 percent of the 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.

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.

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

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

**11. Other Comments:** Identical to SB682.

**Date:** 1/24/2008 dpb/jgc

**Document:** G:\2008\EFIS\Posted\HB846.DOC