

## Department of Planning and Budget

### 2023 Fiscal Impact Statement

**1. Bill Number:** HB1618

**House of Origin**    ☒ Introduced    ☐ Substitute    ☐ Engrossed

**Second House**    ☐ In Committee    ☐ Substitute    ☐ Enrolled

**2. Patron:** McNamara

**3. Committee:** Appropriations

**4. Title:** Revenue Stabilization Fund and Revenue Reserve Fund; required deposits.

**5. Summary:** Requires deposit of any revenues that would be required to be deposited in the Revenue Stabilization Fund or Revenue Reserve Fund to be deposited in the Taxpayer Relief Fund, established by the bill, in certain circumstances. Such deposits shall be made if the balance in the Revenue Stabilization fund exceeds 15 percent of the Commonwealth's average annual tax revenues derived from taxes on income and retail sales or if the combined balance in the Revenue Stabilization Fund and Revenue Reserve Fund exceeds 15 percent of the Commonwealth's average annual tax revenues derived from taxes on income and retail sales.

**6. Budget Amendment Necessary:** Yes – language amendments for Item 267 C. and § 3-1.01, paragraph J.

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

**8. Fiscal Implications:** Article X, Section 8 of the Constitution of Virginia limits the balance of the Revenue Stabilization Fund (RSF) to 15 percent of the Commonwealth's three-year average of annual tax revenues derived from taxes on income and retail sales as certified by the Auditor of Public Accounts. Under the provisions of this bill, if the RSF balance ever exceeded the 15 percent threshold or if the RSF balance would exceed the threshold after a required deposit, then the amount in excess of the limitation would be deposited into the Taxpayer Relief Fund. This provision would be in conflict with the budget bill, which currently directs such excess amounts to be transferred back to the general fund in §3-1.01, paragraph J.

Similarly, § 2.2-1829 and 2.2-1831.3 of the Code of Virginia limits the combined balance of the RSF and the Revenue Reserve Fund (RRF) to 15 percent of the Commonwealth's three-year average of annual tax revenues derived from taxes on income and retail sales as certified by the Auditor of Public Accounts. Current law directs any amounts in excess of the threshold to be deposited into the general fund. This legislation directs that if the combined balance is in excess of the 15 percent threshold, the excess is instead transferred to the Taxpayer Relief Fund. This provision may also be in conflict with the budget bill, because

the combined balance threshold has been increased from 15 to 20 percent as authorized in Item 267 C. of the budget bill.

Table 1 below summarizes the actual and projected RSF and RRF balances, compared to the actual and projected 15 percent Constitutional maximum (RSF only) and the existing 20 percent statutory maximum (RSF and RRF combined). Under these thresholds, there would not be a transfer to the Taxpayer Relief Fund.

**TABLE 1 – Balances and Maximums Under Current Law (Dollars in Millions)**

Status	Fiscal Year End	15% RSF Constitutional Maximum	20% Combined Statutory Maximum*	RSF Balance	RRF Balance	Combined Balance	Difference between Constitutional Maximum and RSF Balance	Difference between Statutory Maximum and Combined Balance
Actual	FY 2021	\$2,949.5	\$2,949.5	\$639.6	\$855.8	\$1,495.4	\$2,309.9	\$1,454.1
Actual	FY 2022	\$3,182.0	\$3,182.0	\$640.9	\$2,006.3	\$2,647.2	\$2,541.0	\$534.8
Projected	FY 2023	\$3,517.1	\$4,689.4	\$1,775.1	\$2,026.3	\$3,801.4	\$1,742.0	\$888.0
Projected	FY 2024	\$3,740.4	\$4,987.2	\$2,697.5	\$1,547.9	\$4,245.4	\$1,042.9	\$741.8

\*Item 267.C.1, Chapter 2, increases the statutory maximum for the RSF and RRF combined from 15% to 20% for fiscal years 2023 and 2024.

Table 2 below summarizes the actual and projected RSF and RRF balances, compared to the actual and projected 15 percent Constitutional maximum (RSF only) and the 15 percent statutory maximum (RSF and RRF combined) proposed in the bill. This table also assumes that any conflicts with existing budgetary provisions are resolved. Under these thresholds, the combined balance of the two funds is projected to exceed the 15 percent threshold, which would result in an estimated transfer to the Taxpayer Relief Fund of \$284.3 million after fiscal year end 2023 and \$220.7 million after fiscal year end 2024. The actual amounts would depend on actual revenue collections and the actual balances at the time of the calculation.

**TABLE 2 – Balances and Maximums Under HB1618 (Dollars in Millions)**

Status	Fiscal Year End	15% RSF Constitutional Maximum	15% Combined Statutory Maximum*	RSF Balance	RRF Balance	Combined Balance	Difference between Constitutional Maximum and RSF Balance	Difference between Statutory Maximum and Combined Balance
Actual	FY 2021	\$2,949.5	\$2,949.5	\$639.6	\$855.8	\$1,495.4	\$2,309.9	\$1,454.1
Actual	FY 2022	\$3,182.0	\$3,182.0	\$640.9	\$2,006.3	\$2,647.2	\$2,541.0	\$534.8
Projected	FY 2023	\$3,517.1	\$3,517.1	\$1,775.1	\$2,026.3	\$3,801.4	\$1,742.0	(\$284.3)
Projected	FY 2024	\$3,740.4	\$3,740.4	\$2,697.5	\$1,263.6	\$3,961.1	\$1,042.9	(\$220.7)

\*Assuming that Item 267.C.1, is amended such that it does not conflict with the provisions of this bill.

**9. Specific Agency or Political Subdivisions Affected:** Auditor of Public Accounts, Department of Accounts

**10. Technical Amendment Necessary:** Yes, line 84: the bill refers to the 15 percent maximum established by Article X, Section 8 of the Constitution of Virginia when discussing the

combined RSF and RRF balance. Article X, Section 8 of the Constitution of Virginia sets a limit only on the RSF balance. A technical amendment is recommended to clarify that the restriction on the combined RSF and RRF balance is instead found in § 2.2-1829 and § 2.2-1831.3.

**11. Other Comments:** None.