

Department of Planning and Budget 2023 Fiscal Impact Statement

1. Bill Number: SB1521

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

2. Patron: Barker

3. Committee: Finance and Appropriations

4. Title: Revenue reserves; deposits.

5. Summary: Increases the maximum combined amount in the Revenue Stabilization Fund (RSF) and the Revenue Reserve Fund (RRF) from 15 percent to 20 percent of the Commonwealth's average annual tax revenues derived from taxes on income and retail sales for the preceding three years. The bill also increases from five percent to eight percent the estimated amount of general fund revenues that exceed the actual general fund revenues for the immediately preceding fiscal year to trigger additional deposits to the Revenue Stabilization Fund that shall be included in the Governor's budget recommendations.

6. Budget Amendment Necessary: No.

7. Fiscal Impact Estimates: Preliminary – see Item 8.

8. Fiscal Implications: Under existing statute, the combined balance of the RSF and RRF cannot exceed 15 percent of the Commonwealth's average annual tax revenues derived from taxes on income and retail sales for the preceding three years. The 2022 Appropriation Act (Chapter 2, 2022 Acts of Assembly, Special Session I) includes a provision in Item 267 that raises this cap to 20 percent through June 30, 2024. The provisions of the bill adjusting this combined cap conform with the language in Chapter 2, which is also included in the budget bill (SB800), and as such, no fiscal impact is expected from these provisions.

The bill also modifies the criteria for when a statutory deposit is required to the RSF. Statutory deposits are currently required when three conditions are met: i) annual growth in certified tax revenues meets or exceeds eight percent in the most recently ended fiscal year; ii) current year growth exceeds 1.5 times the average revenue growth for the preceding six years; and iii) estimated general fund revenues for the fiscal year in which the deposit is to be made increase by five percent or more over the immediately preceding fiscal year. The bill would modify the final criteria by increasing the threshold from five percent to eight percent. Since becoming a requirement in 2003, statutory deposits have been made only twice – once in fiscal year 2005 and once in fiscal year 2007. Modifying this requirement does not impact any Constitutionally required mandatory RSF deposit.

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

10. Technical Amendment Necessary: No.

11. Other Comments: None.

Date: January 25, 2023
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