

Department of Planning and Budget 2024 Session Fiscal Impact Statement

1. Bill Number: SB699

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

2. Patron: Lucas

3. Committee: Finance and Appropriations

4. Title: Revenue reserves and budgetary amendments.

5. Summary: Increases the maximum combined amount in the Revenue Stabilization Fund and the Revenue Reserve Fund 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 provides that if the Governor in the Budget Bill recommends a transfer of funds in the Revenue Reserve Fund in excess of such limitation, then the corresponding purpose and proposed use of such transferred funds shall be included within the corresponding budget items.

6. Budget Amendment Necessary: Yes, Item 0 (General Fund Transfers). Additional budget amendments will also be required to address the loss of general fund transfer resources resulting from this legislation.

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

7b. Revenue Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2024	\$0	-
2025	(\$712,218,048)	General
2026	(\$92,826,274)	General
2027	(\$58,309,033)	General
2028	(\$68,709,164)	General

8. Fiscal Implications: Under existing provisions within §§ 2.2-1829 and 2.2-1831.3, Code of Virginia, the combined balance of the Revenue Stabilization Fund (RSF) and the Revenue Reserve Fund (RRF) is not to exceed 15 percent of the Commonwealth's average annual tax revenues derived from taxes on income and retail sales as certified by the Auditor of Public Accounts for the three fiscal years immediately preceding. If the combined balance does exceed that limit, the excess amount is to be deposited into the general fund. Under the provisions of this bill, the combined balance limit would be raised to 20 percent.

Item 267 of Chapter 1, 2023 Acts of Assembly, Special Session I (the current Appropriation Act) includes a provision that temporarily raised the combined balance limit from 15 percent to 20 percent, through June 30, 2024. SB30, as introduced, removes this provision and as such, the combined balance limit would revert to the Code-imposed 15 percent limit.

With the current balances in both funds, and the current planned deposits to occur in fiscal year 2024, the combined balance of the two funds is projected to be in excess of the 15 percent limit during fiscal year 2025 and the State Comptroller would be required to remove the cash balance in excess of the 15 percent limit.

SB30 assumes that approximately \$712.8 million in fiscal year 2025 and an additional \$92.8 million in fiscal year 2026 would need to be removed from the RRF in order to satisfy the 15 percent combined limit. SB30 assumes that those amounts are transferred to the general fund, where they are then available for appropriation. Under the provisions of this legislation, a transfer would not occur because the combined balance of the funds does not yet exceed 20 percent.

If enacted, this legislation would result in the removal of approximately \$805.6 million of biennial general fund resources currently assumed in SB30. Additional budget amendments would be required to align resources and expenditures in the budget bill.

The amounts estimated here are based on recent actual revenue collections and the revenue forecast included in the budget bill. Any actual withdrawals from the RSF or RRF due to the combined balance limit would be based on the actual cash balances of the two funds and the calculations completed by the Auditor of Public Accounts.

The bill also directs that if the Governor includes a recommendation in the Budget Bill to transfer amounts in the RRF that are in excess of the combined balance limit, he is to also include a recommendation explaining the corresponding purpose and proposed use of any amounts so transferred. This provision does not generate a fiscal impact.

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

10. Technical Amendment Necessary: No.

11. Other Comments: None.

Date: January 23, 2024
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