

## Department of Planning and Budget 2024 Session Fiscal Impact Statement

**1. Bill Number:** SB699

<b>House of Origin</b>	<input type="checkbox"/> Introduced	<input type="checkbox"/> Substitute	<input type="checkbox"/> Engrossed
<b>Second House</b>	<input type="checkbox"/> In Committee	<input checked="" type="checkbox"/> Substitute	<input type="checkbox"/> Enrolled

**2. Patron:** Lucas

**3. Committee:** Appropriations

**4. Title:** Revenue reserves and budgetary amendments.

**5. Summary:** Directs that if the Revenue Stabilization Fund and Revenue Reserve Fund are in excess of the statutory 15 percent combined balance limit, the State Comptroller shall transfer such excess amounts to the general fund and present such amounts as an assigned fund balance for nonrecurring expenditures on the Comptroller's preliminary annual report. If such a transfer is required, but the Revenue Stabilization Fund is not in excess of its Constitutional 15 percent balance limit, the amounts required to be transferred to the general fund shall first come from the Revenue Reserve Fund. 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:** No.

**7. Fiscal Impact Estimates:** Preliminary. See Item 8. This bill would not have a direct impact on state revenues or expenditures because HB/SB30, as introduced, assumed amounts in excess of the 15 percent combined limit would be transferred to the general fund.

**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.

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. With this temporary limit increase and recent required deposits to both the RSF and the RRF, the combined balance of the two funds is projected to reach \$4.690 billion by the end of FY2025, prior to any transfers required under current or proposed law. This total is comprised of a RSF balance of \$2.776 billion and a RRF balance of \$1.913 billion.

Based on actual and projected general fund revenue forecasts, the 15 percent combined limit would equal \$3.978 billion at the end of FY2025. This limit is also equal to the Constitutional RSF limit. Since the RSF balance is not equal to \$3.978 billion, the Comptroller would first have to transfer funds from the RRF to the general fund. In order to get below the combined balance limit, a total of \$0.712 billion would need to be transferred from the RRF to the general fund, leaving a balance in the RRF of approximately \$1.201 billion.

The RSF and RRF both earn interest, which they retain so long as the funds are not at their respective limits. Since the RSF and RRF would be at their combined balance limit, any interest earnings in the RRF would revert to the general fund at year end based on current law.

HB/SB30, as introduced, assumed that amounts in excess of the 15 percent combined balance limit would be transferred to the general fund from the RRF. The budget bill assumed transfers of \$0.712 billion in FY2025 and an additional \$0.092 billion in FY2026. These amounts are equivalent to the transfers to the general fund that would occur under the provisions of this bill and therefore an adjustment to the general fund resource forecast is not required.

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:** Senate budget amendment 3-1.01 #4s would set the combined balance limit for the RSF and RRF at 16.5 percent in FY2025 and 15.5 percent in FY2026 and adjusts the estimated transfers from the RRF according to these limits.