

Resources

The proposed amendments to the 2014-16 budget (HB 1400/SB 800) include \$91.9 million in general fund resources above those assumed in Chapter 3 of the 2014 Acts of Assembly, Special Session I. These resources include: (1) a net balance reduction of \$157.4 million; (2) a \$195.0 million increase in the general fund revenue forecast, including proposed tax policy actions; and (3) transfer additions of \$54.4 million. These changes total \$91.9 million and, when combined with the \$2.9 million unappropriated balance contained in Chapter 3, provide \$94.8 million in resources available for appropriation.

Additional General Fund Resources Available for Appropriation (\$ in millions)			
	<u>Chapter 3</u>	<u>Revised</u>	<u>Difference</u>
Unrestricted Balance (June 30, 2014)	\$ 40.8	\$ 405.8	\$ 365.0
Balance Adjustments	304.5	(217.9)	<u>(522.4)</u>
Net Balance Addition			(\$157.4)
Revenue Estimate*	\$34,191.7	\$34,386.7	\$ 195.0
Revenue Stabilization Fund	705.0	705.0	0.0
Transfers	1,143.2	1,197.6	<u>54.4</u>
Additional GF Resources			\$ 91.9
Unappropriated Balance (Ch. 3)			<u>\$ 2.9</u>
HB 1400 /SB 800 Resources			\$ 94.8
<i>*Including proposed tax policy adjustments.</i>			

Net Balance

A series of technical balance adjustments are required to align the Chapter 3 balance with the FY 2014 year-end Comptroller's report and to reflect agency savings plan actions and FY 2014 discretionary balances that are reverted in HB 1400/SB 800, as opposed to amounts estimated in Chapter 3 prior to the savings plans being finalized. (See table at end of section).

Changes in Revenue

The economic revenue growth in HB 1400/SB 800 remains essentially unchanged from the Interim Revenue Forecast contained in Chapter 3, with projected growth of 2.7 percent in FY 2015 and 2.9 percent in FY 2016.

However, a series of technical adjustments increase projected revenues by \$80.7 million including \$22.5 million from savings identified in agency reduction plans. In addition, the following tax policy proposals add \$114.3 million to the revenue estimate over the two years. Both budget language and legislation will be proposed for all tax policy changes except the accelerated sales tax, which will continue to be addressed through budget language.

- 1) Coalfield Employment Enhancement Tax Credit – Limits the credit amount that can be claimed on each annual tax return to \$500,000 and provides a five-year carryover for unused credits (savings of \$14.7 million in FY 2016);
- 2) Virginia Coal Employment and Production Incentive Tax Credit – Lowers the credit from \$3.00 per ton of coal to \$2.00 and limits the credit amount that can be claimed on each annual tax return to \$500,000; extends the period for claiming unused credits from 10 years to 12 years for credits already earned, and prospectively establishes a five-year carryover for unused credits (savings of \$5.2 million in FY 2016);
- 3) Deduction for Long-Term Care Insurance Premiums – Reduces the amount of the income tax deduction from 100 percent of annual premium payments to 50 percent (savings of \$9.4 million in FY 2016);
- 4) Land Preservation Tax Credit – Limits the credit amount that can be claimed on each annual tax return to \$20,000 for a single filer and \$40,000 for joint filers and extends the period for claiming unused credits from 10 years to 13 years (savings of \$22.4 million in FY 2016);
- 5) Conducts the three existing sales tax holidays (school items, energy-efficient products and hurricane preparedness products) on the same three days in August of each year (savings of \$1.6 million in FY 2015 and \$1.0 million in FY 2016);
- 6) Requires that the sales tax and local transient occupancy tax paid on hotel and motel accommodations be remitted on the basis of the retail sales price to the customer, as opposed to the discounted wholesale price paid by accommodation intermediaries (\$1.7 million in FY 2016);
- 7) Repeals income tax subtraction from gain on sale of land devoted to open-space (savings of \$0.5 million in FY 2016);
- 8) Reduces the threshold for remittance of the June accelerated sales tax from taxable sales of \$26.0 million to taxable sales of \$2.5 million (\$39.2 million in FY 2015 and \$18.6 million in FY 2016).

When both proposed tax policy changes and technical adjustments are included, the projected growth rates are 3.1 percent in each year of the biennium.

Change in GF Taxes by Source (\$ in millions)				
	Estimated FY 2015	Annual Growth	Estimated FY 2016	Annual Growth
Net Individual	\$ 8.8	3.5%	\$72.8	3.4%
Corporate	7.0	0.1%	23.4	1.8%
Sales	45.3	4.3%	26.5	2.9%
Insurance	(9.9)	4.4%	(3.4)	(2.3)%
Recordation	3.8	2.4%	3.8	0.0%
All Other	<u>(2.0)</u>	<u>(4.2)%</u>	<u>18.9</u>	<u>6.1%</u>
Total Revenues	\$53.0	3.1%	\$142.0	3.1%

Changes in Transfers

Net transfer adjustments total \$54.4 million in HB 1400/SB 800. This includes agency savings of \$61.7 million offset by forecast and other technical reductions of \$7.3 million. Agency savings include \$4.5 million of the roughly \$16.0 million to be generated from ABC revenue-enhancing initiatives, an increase in the Land Preservation Tax Credit Transfer Fee from two percent to 3 percent, with the additional 1 percent going to the general fund, and the transfer of numerous nongeneral fund cash balances to the general fund, as outlined in the following table.

General Fund Resource Changes Above Chapter 3 (\$ in millions)	
	<u>2014-16</u>
Unreserved Balance:	
Unreserved Fund Balance, Comptroller's August Report	\$405.8
Balance Reflected in Chapter 3	<u>40.8</u>
Adjustment Needed to Restate Unreserved Balance	\$365.0
Adjustments to the Unreserved Balance:	
Rainy Day Fund Reserve (FY 2015, Chapter 3)	243.2
Federal Reimbursement-SCC Health Exchange Plan Mgt.	2.4
Ethics Commission Veto, 2014 Session	0.5

General Fund Resource Changes Above Chapter 3
(\$ in millions)

Chesterfield-Petersburg Agreement Veto, 2014 Session	0.6
FACT Fund Balance Veto, 2014 Session	(4.4)
Re-appropriate 2014 Mandatory Balances	(170.9)
Re-appropriate 2014 Unexpended Capital Outlay Balance	(21.7)
Remove Credit for Capitol Treasury Loan Swap	(13.2)
FACT Fund Re-appropriation	(6.0)
Natural Disaster Reserve (sum sufficient)	(33.3)
Virginia Health Care Fund (NGF)	(74.2)
Local Communications Sales & Use Tax (NGF)	(38.9)
Central Capital Planning Fund (NGF)	(11.0)
Virginia Water Quality Improvement Fund (NGF)	(54.2)
Other NGFs	(109.4)
Transportation Share of Accelerated Sales Tax	(23.3)
Federal Share of Various GF Refunds	(6.6)
Replace Chapter 3, Item 471.40 Misc. Balances	(151.8)
Discretionary Re-appropriation (less FACT Fund above)	(77.3)
Discretionary Re-appropriations Reverted to GF	41.4
Replace Anticipated Reversions with Actual	(14.0)
GF Balances from Savings Plans	9.4
Increase FY 2015 GOF Appropriation	(7.8)
Authorized Deficit – Ebola Plan	(2.0)
Net Balance Adjustments	(\$522.4)
<u>Revenue Amendments:</u>	
December Tax Re-forecast	\$34.5
Correct Omission of ABC Excise Tax base Increase	13.0
Re-estimate of Education Improvement Tax Credits	10.0
Miscellaneous Technical	0.7
<u>Agency Savings Plans:</u>	
Sell Pulaski Correctional Center, Botetourt Correctional Center and White Post Detention/Diversion Center	20.0
Sell SW Virginia and Northern Neck Farmers' Markets	0.5
Sell Warrenton VDACS office & Spotsylvania Forestry prop.	0.4
Establish \$750 Licensing/\$500 Renewal Fee for Community Based Behavioral Health and Develop. Services Providers	1.3
Other Actions	0.3
<u>Tax Policy Proposals:</u>	
Limit Coal Employment/Production Tax Credit	5.2
Limit Coalfield Employment Tax Credit	14.7

General Fund Resource Changes Above Chapter 3
(\$ in millions)

Reduce Long Term Care Deduction	9.4
Limit Land Preservation Tax Credit	22.4
Sales Tax Holidays on Same Date in August	2.6
Online Travel Companies Sales Tax on Retail Price	1.7
Repeal Subtraction for Gain on Sale of Land	0.5
Reduce Accelerated Sales Tax Threshold	<u>57.8</u>
Total Revenue Adjustments	\$195.0

Transfers:

Local Real Estate/SOQ Fund (sales tax reforecast)	(6.2)
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Agency Savings Plans:

ABC Profits – Part of Revenue Enhancement Initiative	\$4.5
Reduce Transfers to Game Protection Fund	4.3
Revised Estimate of Uninsured Motorist Fees	1.5
Revised Estimate of ABC Operational Efficiencies	1.3
Increase Land Preservation Transfer Fee by 1 Percent	1.4
DEQ Vehicle Emissions Inspection	1.9
DEQ Underground Storage Fund	2.4
DEQ Waste Tire & Hazardous Waste Mgt. Fund	1.8
VITA Internal Service Fund	4.1
DGS Fleet Management Fund	1.6
DGS eVA Fund	2.8
Health Department Indirect Cost Recoveries	6.0
EMS Fund	5.0
DOC Out-of-State Prisoner Revenue	6.9
State Police FY 2014 Balances	5.2
Small Business & Supplier Diversity Fund	1.0
TAX Department 1-Time NGF Balance	1.8
Miscellaneous Other NGF Balances	8.4
Other Transfer Actions	<u>(1.1)</u>
Total Transfer Adjustments	\$54.4

Nongeneral Fund Fee Increases

In addition to general fund resource actions described above, the following table includes agency savings strategies that increase nongeneral fund fees in order to supplant general funds currently being used for program activities.

Agency	NGF Fee Description	FY 2015	FY 2016
Division of Consolidated Labs	Increase commercial lab certification fees in order to cover program costs.		\$250,000
Division of Consolidated Labs	Charge Lottery for entire cost of lab testing.		\$89,250
Agriculture and Consumer Services	Replace GF support for food establishment inspections through a tiered fee based on square footage, ranging from \$40 to \$375.		\$400,000
Agriculture and Consumer Services	Institute a \$10 per device fee for the weights and measures program to replace GF support.		\$500,000
Roanoke Higher Education Auth.	Impose a \$20 per semester student parking fee.	\$4,100	\$8,400
SW Virginia Higher Education Center	Institute fees to support STEM workshops for middle school students and a regional robotics tournament.		\$5,000
TAX Department	Institute \$12 fee/roll of tobacco stamps.		\$221,568
TAX/DCR	Increase Transfer Fee for Land Preservation Tax Credit from 2% of donation value to 3% and deposit additional 1% into the GF		\$1,350,000
Health Department	Reduce GF costs for the restaurant inspection program by increasing inspection fees from \$40 to \$285.		\$6,878,620
Health Department	Increase fee for external agencies that request copies of pathology reports to cover the cost of a pathologist.		\$200,000
Behavioral Health & Developmental Services	Increase the administration fee from \$13 to \$23 per transaction for background checks.	\$92,056	\$138,024
Behavioral Health & Developmental Services	Institute a \$15 fee for the on-line training system used by CSBs and private providers.	\$58,500	\$117,000
Behavioral Health & Developmental Services	New licensing fee for local service providers	\$352,022	\$947,000
Social Services	Increase fee for child protective services registry checks from \$7 to \$10.		\$225,000
Social Services	Increase fee for national background checks from \$50 to \$60.		\$82,000
Conservation and Recreation	Increases several state park fees to replace existing GF support.		\$870,144
Marine Resources	Increase Saltwater Fishing license fees.		\$550,000
DEQ	Class A Biosolids fee of \$3.75 per ton, with no revenue added in budget.		