



## Report on Revenues

(Senate Bill 700, As Introduced)

Senate Finance Committee  
Virginia General Assembly

February 2, 2003

## Proposed Resource Adjustments

### SB 700

February 2, 2003

Proposed resource adjustments to SB 700 reflect fee adjustments contained in Senate bills, the most current information available on revenue collections, and refinement of tax compliance initiatives proposed in the introduced budget.

Specifically, proposed amendments add \$10.2 million in FY 2004, to reflect the fiscal impact of SB's 1129 and 1251. SB 1129 assesses court fees to cover the cost of time that state troopers spend in court for traffic-related cases and the cost of court interpreters. SB 1251 increases the current court fee for those who fail to appear at scheduled court appearances.

On the revenue collection side, there are several instances where increased collections in hand through December are at or above the projected increase for the entire year. In these cases, adjustments are proposed to reflect the actual collection pattern.

In this regard, adjustments are proposed for recordation tax collections to reflect very strong mortgage refinancing activity, utility consumption tax receipts, and normal Medicaid recoveries.

Normal Medicaid recoveries include prior year adjustments to provider cost reports, payments from insurance and other third parties, and recoveries from fraud. Through December, the program had collected \$12.3 million GF against a forecast for the year of \$13.1 million.

In part, the enhanced collections are occurring because of aggressive efforts by the Medicaid Fraud Unit in the Attorney General's office. Last year, the Fraud Unit closed roughly \$12.0 million in cases -- five times the level of activity in any other year. About \$8.0 million of this amount will flow to the general fund over a 2-3 year period. The portion of this amount that has already been deposited contributes to the fact that the annual collection goal for normal Medicaid recoveries has been reached.

Additional deposits for Medicaid recoveries will be made in the second half of the year. A very conservative adjustment of \$4.5 million is proposed in FY 2003 to account for these additional deposits but also to allow for possible "slippage" in other anticipated Medicaid receipts.

In addition, given the success of the Medicaid Fraud Unit, it is recommended that the unit's size be increased to further enhance Medicaid recoveries next year and beyond. The federal government will contribute three quarters of the cost of this expansion.

Most of the other resource adjustments relate to tax compliance initiatives included in the introduced budget.

Specifically, additional revenue is projected from adding 4 tax collectors beyond those included in SB 700, adding 3.5 positions to initiate a compliance program that focuses on partnerships, and assuming a resource contribution from staff who will be added at the Tax Department to make sure all telephone calls from taxpayers are answered.

A proposed adjustment of \$6.3 million in general fund collections from Tax Amnesty reflects the fact that the program is designed to entice delinquent taxpayers to pay their bills. These enticements include waiving half of the interest in addition to the penalty, allowing taxpayers to settle a single tax bill rather than all outstanding bills, and imposing added penalties on balances that are not paid under the Amnesty program. These enticements would result in a collection pattern that is higher than that experienced under normal operations, as was assumed in the original estimate.

RECOMMENDED ADJUSTMENTS	GF FY 2003	GF FY 2004	Total
<b>BEG. UNAPPROPRIATED BALANCE</b>	37,058,869	(30,883,600)	6,175,269
<b>I. ADDITIONS TO BALANCES</b>			
CO Balances to Offset Staff Housing Rev (GOV)	0	1,290,000	1,290,000
<b>Subtotal-Balances</b>	<b>0</b>	<b>1,290,000</b>	<b>1,290,000</b>
<b>II. ADDITIONAL REVENUES</b>			
Investment Firms Litigation (GOV)	8,900,000	0	8,900,000
Correct Double Count of Med. Recovery Adjustment	6,000,000	0	6,000,000
Additional Medicaid Recoveries (Current Activities)	4,520,000	0	4,520,000
Expand AG's Office Medicaid Fraud Unit	0	350,000	350,000
Compliance - Partner Nonfiler Program (Add 3.5 FTE)	0	4,400,000	4,400,000
Adjust Gross Receipts/Consumption Tax Receipts	0	2,500,000	2,500,000
Compliance - 4 Additional Collectors	0	2,000,000	2,000,000
Vendor Registration - Univ. of Tenn. E-Commerce Report	0	1,308,220	1,308,220
AG Office Debt Collection Recoveries (Add 4 NGF Positions)	0	720,000	720,000
Adjust Estimate of Savings from Previous Tax Policy Actions	0	538,575	538,575
Compliance - Rev. Contribution for Staff - Blocked Calls	0	500,000	500,000
Adjust Wills, Suits, Deeds	0	16,200,000	16,200,000
Revert CO Restoration Reserve (GOV)	300,000	0	300,000
Adjust Sale of DOC Staff Housing (GOV)	0	(1,290,000)	(1,290,000)
Remove Sale of DMV Service Centers (GOV)	0	(2,375,360)	(2,375,360)
<b>Subtotal-Revenues</b>	<b>19,720,000</b>	<b>24,851,435</b>	<b>44,571,435</b>
<b>III. LEGISLATION</b>			
Fee to Cover State Troopers' Time in Court (SB 1129)	0	5,300,000	5,300,000
Fee to Cover Costs for Court Interpreters (SB 1129)	0	2,150,000	2,150,000
Fee for Failure to Appear (SB 1251)	0	2,800,000	2,800,000
<b>Subtotal-Legislation</b>	<b>0</b>	<b>10,250,000</b>	<b>10,250,000</b>
<b>IV. TRANSFERS</b>			
Amnesty - Reflect Incentives in Collection Performance	0	6,340,700	6,340,700
Clerks' Technology Fund Balance	0	3,500,000	3,500,000
Tax Partnership - Final Payout in FY05	0	3,000,000	3,000,000
Tax Partnership - Treasury Loan for Interest Component	0	1,613,488	1,613,488
Increase IDEA Fee by \$1.00	0	1,700,000	1,700,000
ABC Enforcement Reduction	0	400,000	400,000
Transfer from Marine Habitat Improvement Fund	0	881,600	881,600
Allocate Portion of New Compliance Costs to NGF Sources	0	538,200	538,200
Allocate Portion of Amnesty Cost to NGF Sources	0	537,600	537,600
Modify Motor Vehicle Dealer Board Restore NGF Reduction	(100,000)	0	(100,000)
Modify Transfer for Housing/Com Dev (GOV)	(168,656)	0	(168,656)
Modify DMV Truck Weigh Station - Middletown Weigh Station	(119,000)	(250,000)	(369,000)
NGF: DGS Restore M&O Internal Service Fund	0	(556,329)	(556,329)
Restore NGF for Litter Grants	(1,272,750)	0	(1,272,750)
Allow DMV to Reopen Closed Offices	0	(4,500,000)	(4,500,000)
<b>Subtotal-Transfers</b>	<b>(1,660,406)</b>	<b>13,205,259</b>	<b>11,544,853</b>
<b>COMMITTEE TOTAL</b>	<b>55,118,463</b>	<b>18,713,094</b>	<b>73,831,557</b>

**Finance**

Department Of Accounts

Language

**Language:**

Page 257, following line 49 insert:

"C1. For purposes of determining a transfer from the Revenue Stabilization Fund to the general fund based on anticipated shortfalls in revenues, total general fund revenues appropriated shall be based on the most recent amount appropriated in the Acts of Assembly at the time the General Assembly appropriates such transfer. Anticipated shortfalls in revenues for fiscal years ending June 30, 2003 and June 30, 2004, shall be computed by comparing the revised general fund forecast presented to the General Assembly to total general fund revenues appropriated in Chapter 899 of the 2002 Acts of Assembly.

C2. In accordance with Article 10 § 8, Virginia Constitution, and § 2.2-1830, Code of Virginia, the amount of the transfer in any fiscal year shall not exceed more than one-half of the balance of the Revenue Stabilization Fund or more than one-half of the forecasted shortfall in revenues."

**Explanation:**

(This amendment is technical in nature and clarifies that the term revenues appropriated for purposes of determining a transfer from the Revenue Stabilization Fund refers to the revenues appropriated in the Acts of Assembly in existence at the time the General Assembly appropriates such transfer.)

**Finance**

Department Of Taxation

Language

**Language:**

Page 266, following line 39, insert:

"Provided however, that any enlargement of the scope and cost of any public/private partnership contract authorized by § 58.1-202.2, Code of Virginia, shall be reported to the Chairmen of the Senate Finance and House Appropriations Committees prior to execution of said contract revision."

Page 267, line 11, following the word "Fund.", insert:

"A copy of the spending plan shall be submitted to the Chairmen of the Senate Finance and House Appropriations Committees by August 1 of each year."

**Explanation:**

(This amendment requires that information relative to the public/private partnership be provided to the Chairmen of the Senate Finance and House Appropriations Committees.)

**Finance**

Department Of Taxation

Language

**Language:**

Page 266, line 52, after the word "partners.", insert:

"In order to avoid the payment of interest to the private partner, a treasury loan shall be advanced to the Partnership Fund in the amount of any invoice submitted by the private partner that is deemed payable, if sufficient funds are not available in the Partnership Fund to pay the invoice. Any such treasury loan advanced shall be repaid immediately from the next deposit to the Partnership Fund."

**Explanation:**

(This amendment eliminates the possibility that a high interest rate will be charged on unpaid invoices.)

**Adjustments and Modifications to Tax Collections**

Retaliatory Costs to Other States Tax Credit

Language

**Language:**

Page 573, line 3, following "2003," insert "and the corresponding taxable year,"

Page 573, line 4, strike "the license years beginning on January 1, 2000," an insert "the taxable year 2000,"

Page 573, line 7, strike "2003" and insert "2004, and the corresponding taxable year,"

Page 573, line 7, after the word "percent" strike "to" and insert "for"

**Explanation:**

(This amendment corrects an error in the dates included in Chapter 899 and specifies that 80 percent of the retaliatory cost tax credit for insurance companies first qualifying for the credit as of January 1, 2001, will apply for taxable year 2003 and 60 percent of the tax credit will apply for taxable year 2004.)