



Revenue  
Parts IV and V

(Amendments to SB 29  
And SB 30 as Introduced)

Senate Finance Committee  
Virginia General Assembly

February 19, 2006

**Major Resource Adjustments Proposed**  
**Senate Bills 29 and 30**  
(\$ in millions)

	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>
<b>Revenue Reforecast - Governor</b>			
Withholding	(53.0)	(53.0)	(53.0)
Nonwithholding	84.0	30.0	
Refunds (Reduces estimate of refunds)	65.0	58.0	58.0
Corporate	129.1	35.0	
Sales Tax	18.0		
Recordation Tax	(49.0)	(36.0)	
Interest on GF Balances	8.0		
Interest on Delinquent Accounts	(5.0)		
Fines & Forfeitures	(20.0)		
<b>SFC Adjustments</b>			
Refunds		10.1	7.7
Corporate		20.6	
Recordation Tax		(35.0)	
Interest on GF Balances (Primarily RDF set-aside)		5.1	5.4
Interest on Delinquent Accounts (timing)		2.5	2.5
Fines & Forfeitures (timing)		10.0	10.0
ABC Taxes	7.5	7.5	7.5
	<u>\$ 184.6</u>	<u>\$ 54.8</u>	<u>\$ 38.1</u>
<b>Other Revenue Changes</b>			
Sale of asset/economic development (Gov)	1.1		
HE research interest earnings-eligible in 2010		7.8	8.8
Accelerated Sales Tax-eliminate June payment	(26.0)		
Racing Commission special allocations		(0.1)	(0.1)
	<u>\$ (24.9)</u>	<u>\$ 7.7</u>	<u>\$ 8.7</u>
<b>Legislation</b>			
SB 69 Tax conformity (balance in SB 30)	(0.2)	(0.2)	(0.3)
SB 70 Subtraction for tobacco quota payment		(1.2)	(0.9)
SB 93 Land Preservation Tax Credit Cap		16.8	20.2

	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>
<b>Legislation (continued)</b>			
SB 365 Coal Tax Credit		(14.5)	(14.5)
SB 287 Credit for Long Term Care Insurance		(5.7)	(6.3)
SB 544 Neighborhood Assistance to \$12 million		(4.0)	(4.0)
SB 571 Sales Tax Holiday		(2.5)	(2.6)
SB 393 Abusive Driver Fees		25.0	25.0
SB 73 Sales Tax Exemption-Veterinary Meds		(0.1)	(0.1)
SB 504 Estate Tax			(52.0)
SB 708 Dedicate Auto Insurance to TTF		(111.3)	(117.6)
	<u>\$ (0.2)</u>	<u>\$ (97.7)</u>	<u>\$ (153.1)</u>
<b>Transfers</b>			
Eliminate transfer of transportation revenue (Gov)		(1.1)	
Sale of ABC Building-Alexandria (Gov)	(7.5)	15.0	
Excess Cash-Charitable Gaming (Gov)		0.6	
Increase transfer to Game Protection Fund (Gov)		(0.1)	(0.1)
ABC Profits Understated	5.5	4.5	4.5
	<u>\$ (2.0)</u>	<u>\$ 18.9</u>	<u>\$ 4.4</u>
<b>Total All Revenue Adjustments</b>	<b>\$ 157.5</b>	<b>\$ (16.3)</b>	<b>\$ (101.9)</b>

	<u>FY 2008</u>
Rainy Day Fund Payment (based on revenue adjustments)	\$ 106.6
<b>SB 30 Unappropriated Balance</b>	<b>\$ 28.0</b>

**Finance**

Department Of Accounts Transfer  
Payments

Language

**Language:**

Page 216, insert after line 3:

"260.1. Revenue Stabilization Fund 73500

\$106,600,000

Fund Sources: General

\$106,600,000."

"1. Out of this appropriation, \$106,600,000 the second year from the general fund shall be paid into the Revenue Stabilization Fund pursuant to § 2.2-1829, Code of Virginia, by the State Comptroller on or before June 30, 2008, based on the certification of the Auditor of Public Accounts of actual tax revenues for FY 2006 and the required deposit, net of the prepayment made in June 2006.

2. On or before November 1 of each year, the Auditor of Public Accounts shall report to the General Assembly the certified tax revenues collected in the most recently ended fiscal year. The Auditor shall, at the same time, provide his report on (i) the 10 percent limitation and the amount that could be paid into the Fund and (ii) any amounts necessary for deposit into the Fund in order to satisfy the mandatory deposit requirement of Article X, Section 8 of the Constitution of Virginia, as well as any additional deposit requirement of § 2.2-1829, Code of Virginia."

**Explanation:**

(This amendment provides the second year Revenue Stabilization Fund deposit based on Fiscal Year 2006 estimated revenue collections.)

**Finance**

Department Of Accounts Transfer  
Payments

Language

**Language:**

Page 64, line 42, strike “Virginia.” and insert:

“Virginia; however, any portion of this appropriation in excess of the minimum deposit certified by the Auditor of Public Accounts on October 27, 2005, less any transfer to the general fund pursuant to § 2.2-1829, Code of Virginia, shall be considered to be an advance payment of any required deposit to the Revenue Stabilization Fund attributable to actual tax collections for fiscal year 2006, which required deposit the Auditor of Public Accounts shall determine for the year ending June 30, 2006.”

**Explanation:**

(This amendment clarifies that any portion of the fiscal year 2006 Revenue Stabilization Fund deposit attributable to fiscal year 2005 tax collections in excess of the minimum deposit certified by the Auditor of Public Accounts on October 27, 2005, less any transfer to the general fund, shall be considered to be an advance payment of any required deposit to the Revenue Stabilization Fund attributable to fiscal year 2006 tax collections.)

# **Proposed Changes to Parts IV and V of Senate Bills 29 and 30, as Introduced (February 19, 2006)**

## **Part IV General Provisions, SB 30 as Introduced**

This report includes recommendations with respect to those areas that have not already been covered in the reports of the other subcommittees. Accordingly, there are other amendments to Part 4 contained in other subcommittee reports. Recommendations are as follows:

- Accept proposed new language in Section 4-1.02 regarding the withholding of spending authority in times of revenue shortfalls. This action restores the language as adopted by the 2005 General Assembly.
- Do not accept new language included in Section 4-1.04 concerning the authority of the Governor to reestablish, through administrative action, programs which he has vetoed in order to avoid the legislative intent of conditions attached to the program by the General Assembly.
- Delete language in Section 4-5.03 concerning submission to the Governor of proposed increases in rates to be charged to internal service funds for his approval prior to submission to JLARC.
- Delete proposed new language in Section 4-6.00 concerning nondiscrimination. This language duplicates protections already provided under the federal and state constitutions.

Proposed amendments are attached.

**Appropriations**

Withholding of Spending Authority

Language

**Language:**

Page 485, following line 26, insert:

"a. For purposes of this subsection, withholding of spending authority is defined as any action that impedes or limits the ability to spend the appropriated monies, regardless of the mechanism used to effect such withholding."

Page 485, line 27, strike "a." and insert "b."

Page 485, line 36, strike "b." and insert "c."

Page 486, line 3, strike "c." and insert "d."

Page 486, following line 15, insert:

"4.a) In addition to monthly reports on the status of revenue collections relative to the current fiscal year's estimate, the Governor shall provide a written quarterly assessment of the current economic outlook for the remainder of the fiscal year to the Chairmen of the Senate Finance, House Appropriations, and House Finance Committees."

Page 486, line 16, strike "4." and insert "b)".

Page 486, line 27, after "Committees." strike the rest of the line 27 and all of lines 28 and 29 and insert:

"Subsequent modifications to the approved reduction plan must be submitted to the Chairmen of the House Appropriations and Senate Finance Committees, prior to withholding allotments of appropriations. This reduction plan, with modifications thereto, shall be the sole basis for withholding spending authority due to reduced revenues."

Page 486, strike lines 30 through 55.

Page 487, strike lines 1 through 33 and insert:

"6. In addition to the budget reduction plan approved by the Governor, all budget reduction proposals submitted by state agencies to the Governor or the Governor's staff, including but not limited to the Department of Planning and Budget, the Governor's Cabinet Secretaries, or the Chief of Staff, whether submitted electronically or otherwise, shall be forwarded within five calendar days of submission to the Chairmen of the Senate Finance and House Appropriations Committees.

7. In effecting the reduction of expenditures, the Governor shall not withhold allotments of appropriations for:

a) More than 15 percent cumulatively of the annual general fund appropriation

contained in this Act for operating expenses of any one state or nonstate agency or institution designated in this Act by title, and the exact amount withheld, by state or nonstate agency or institution, shall be reported within five calendar days to the Chairmen of the Senate Finance and House Appropriations Committees. State agencies providing funds directly to grantees named in this Act shall not apportion a larger cut to the grantee than the proportional cut apportioned to the agency. Without regard to Section 4-5.07 b.4. of this Act, the remaining appropriation to the grantee which is not subject to the cut, equal to at least 85 percent of the annual appropriation, shall be made by July 31, or in two equal installments, one payable by July 31 and the other payable by December 31, if the remaining appropriation is less than or equal to \$500,000, except in cases where the normal conditions of the grant dictate a different payment schedule.

b) The payment of principal and interest on the bonded debt or other bonded obligations of the Commonwealth, its agencies and its authorities, or for payment of a legally authorized deficit.

c) The payments for care of graves of Confederate dead.

d) The employer contributions, and employer paid member contributions to the: Social Security System, Virginia Retirement System, Judicial Retirement System, State Police Officers Retirement System, Virginia Law Officers Retirement System, Optional Retirement Plan for College and University Faculty, Optional Retirement Plan for Political Appointees, Optional Retirement Plan for Superintendents, the Volunteer Service Award Program, and the Virginia Retirement System's group life insurance, sickness and disability, and retiree health care credit programs for state employees, state-supported local employees and teachers. If the Virginia Retirement System Board of Trustees approves a contribution rate for a fiscal year that is lower than the rate on which the appropriation was based, or if the United States government approves a Social Security rate that is lower than that in effect for the current budget, the Governor may withhold excess contributions. However, employer and employee paid rates or contributions for health insurance and matching deferred compensation for state employees, state-supported local employees and teachers may not be increased or decreased beyond the amounts approved by the General Assembly. Payments for the employee benefit programs listed in this paragraph may not be delayed beyond the customary billing cycles that have been established by law or policy by the governing board.

e) The payments in fulfillment of any contract awarded for the design, construction and furnishing of any state building.

f) The salary of any state officer for whom the Constitution of Virginia prohibits a change in salary.



g) The salary of any officer or employee in the Executive Department by more than two percent (irrespective of the fund source for payment of salaries and wages). Provided, however, that the percentage of reduction shall be uniformly applied to all employees within the Executive Department.

h) The appropriation supported by the State Bar Fund, as authorized by Section 54.1-3913, Code of Virginia, unless the supporting revenues for such appropriation are estimated to be insufficient to pay the appropriation.

8. The Governor is authorized to withhold specific allotments of appropriations by a uniform percentage, a graduated reduction or on an individual basis, or apply a combination of these actions, in effecting the authorized reduction of expenditures, up to the maximum of 15 percent, as prescribed in subdivision 7a of this subsection.

9. Each nongeneral fund appropriation shall be payable in full only to the extent the nongeneral fund revenues from which the appropriation is payable are estimated to be sufficient. The Governor is authorized to reduce allotments on nongeneral fund appropriations by the amount necessary to ensure that expenditures do not exceed the supporting revenues for such appropriations. Provided, however, the Governor shall take no action to reduce allotments of appropriations for major nongeneral fund sources on account of reduced revenues until such time as a formal written re-estimate of revenues for the current and next biennium, prepared in accordance with the process specified in Section 2.2-1503, Code of Virginia, has been reported to the Chairmen of the Senate Finance, House Finance, and House Appropriations Committees. For purposes of this subsection, major nongeneral fund sources are defined as Highway Maintenance and Operating Fund and Transportation Trust Fund.

10. Notwithstanding any contrary provisions of law, the Governor is authorized to transfer to the general fund on June 30 of each year of the biennium or within twenty days from that date, any available unexpended balances in other funds in the state treasury, subject to the following:

a) The Governor shall declare in writing to the Chairmen of the Senate Finance and House Appropriations Committees that a fiscal emergency exists which warrants the transfer of nongeneral funds to the general fund and reports the exact amount of such transfer within five calendar days of the transfer;

b) No such transfer may be made from retirement or other trust accounts, the State Bar Fund as authorized by Section 54.1-3913, Code of Virginia, debt service funds, or federal funds; and

c) The Governor shall include for informative purposes, in the first biennial budget he submits subsequent to the transfer, the amount transferred from each account or fund and recommendations for restoring such amounts.

11. The Director, Department of Planning and Budget, shall report spending authority withheld under the provisions of this subsection to the Chairmen of the Senate Finance and House Appropriations Committees within five calendar days of the action to withhold. Said report shall include the amount withheld by agency and appropriation item.

12. If action to withhold allotments of appropriation under this provision is inadequate to eliminate the imbalance between projected general fund resources and appropriations, the Speaker of the House of Delegates and the President Pro Tempore of the Senate shall be advised in writing by the Governor, so that they may consider requesting a special session of the legislature."

**Explanation:**

(This amendment restores language as adopted by the 2005 General Assembly concerning the withholding of appropriations.)

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General Provisions Subcommittee

Item 4-1.03 #1g

**Appropriations**

Appropriation Transfers

Language

**Language:**

Page 487, after line 42, insert:

"4) proper accounting between fund sources;"

Page 487, line 43, strike "4" and insert "5".

Page 487, line 43, strike "or,".

Page 487, line 44, strike "5" and insert "6".

Page 487, line 45, after "scope", insert "; or,".

Page 487, after line 45, insert:

"7) to administer a program for another agency or to effect budgeted program purposes approved by the General Assembly, pursuant to a signed agreement between the respective agencies.".

**Explanation:**

(This amendment corrects language that authorizes appropriation transfers. The language in this amendment was inadvertently removed from the introduced budget and matches the authority that exists in the current Appropriation Act.)

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General Provisions Subcommittee

Item 4-1.04 #1s

## **Appropriations**

Appropriation Increases

Language

### **Language:**

Page 489, following line 1, insert:

"a. If the Governor vetoes an item, neither he nor the Director, Department of Planning and Budget, shall administratively establish the vetoed program within the agency. In addition, neither the Governor nor the Director, Department of Planning and Budget, shall administratively increase the appropriations of, nor transfer appropriations to, the agency affected by the veto in order to carry out the purposes of the vetoed item."

Page 489, line 2, strike "a." and insert "b."

Page 489, following line 40, insert:

"f. If the Governor vetoes an item, neither he nor the Director, Department of Planning and Budget, shall administratively re-establish the vetoed program within the agency. In addition, neither the Governor nor the Director, Department of Planning and Budget, shall administratively increase the appropriations of, nor transfer appropriations to, the agency affected by the veto to carry out the purposes of the vetoed item."

### **Explanation:**

(This amendment restores language as adopted by the 2005 General Assembly concerning increases in appropriations.)

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General Provisions Subcommittee

Item 4-5.03 #1s

## **Special Conditions and Restrictions on Expenditures**

Services and Clients

Language

### **Language:**

Page 506, line 22, strike "1."

Page 506, strike lines 26 through 28.

### **Explanation:**

(This amendment eliminates language proposed in the budget as introduced concerning submission of proposed increases in rates to be charged to internal service funds to the Governor for his approval prior to submission to the Joint Legislative Audit and Review Commission.)

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**Positions and Employment**

Positions and Employment

Language

**Language:**

Page 511, strike lines 45 through 47.

**Explanation:**

(This amendment eliminates language proposed in the budget as introduced concerning nondiscrimination. The language is unnecessary because it duplicates protections already provided under the federal and state constitutions.)



## Part V

Part V of SB 30 is amended to delete Enactment 3 to eliminate the potential authorization of \$50 million in VCBA state-supported debt.

Part V of SB 30 is also amended to contain language that represents Senate Bills 708, 267, 571, 504, and 93 as passed by the Senate.

Part V of SB 29 is amended to include a second enactment clause that repeals the accelerated sales tax program in May, 2006 rather than August, 2006 as currently stated in the Code of Virginia. This change would relieve the remaining retailers of the requirement to make one final early sales tax payment.

1  
2 SB 29

3 Page 203, At the end of line 8 insert:  
4

5 **PART 5: ENACTMENT NUMBER 2**  
6

7 **2. That notwithstanding any other law the provisions of subsection B of § 58.1-615 of the Code of**  
8 **Virginia shall expire on May 31, 2006.**

9  
10 (This amendment eliminates the requirement for certain vendors to make an additional payment  
11 of retail sales and use tax to the Department of Taxation in the month of June. The amendment would  
12 eliminate the additional payment required in the month of June beginning with June 2006.)  
13  
14

3 Item 0, strike Lines 4 through 6, and insert:

4 "A BILL to appropriate the public revenue for the two years ending respectively on the thirtieth  
5 day of June 2007, and the thirtieth day of June 2008, to provide a portion of such revenues, and to  
6 amend and re-enact §§ 2.2-1509.2, 33.1-12, 33.1-23.03:1, 33.1-23.03:2, 33.1-23.03:8, 33.1-221.1:1.1,  
7 33.1-221.1:1.2, 46.2-694, 46.2-694.1, 46.2-697, 46.2-698, 46.2-700, 46.2-730, 46.2-752, 46.2-753, 46.2-  
8 1135, 58.1-512, 58.1-513, 58.1-603, 58.1-604, 58.1-614, 58.1-638, 58.1-802, 58.1-811, 58.1-901, 58.1-  
9 902, 58.1-2217, 58.1-2249, 58.1-2289, 58.1-2402, 58.1-2425, 58.1-2701, and 58.1-2706 of the Code of  
10 Virginia, to amend the Code of Virginia by adding sections numbered 46.2-206.1, 46.2-702.1, 58.1-  
11 802.1, and 58.1-2259.1, by adding in Chapter 22 of Title 58.1 an article numbered 8.1, consisting of a  
12 section numbered 58.1-2288.1, and by adding in Article 2 of Chapter 25 of Title 58.1 a section  
13 numbered 58.1-2531, to repeal the tenth enactment clauses of Chapter 1019 and Chapter 1044 of the  
14 Acts of Assembly of 2000, and to repeal the second enactment of Chapter 940 of the Acts of Assembly  
15 of 2005."

16  
17 (This amendment revises the title of Senate Bill 30 to incorporate the amendments in Part V of  
18 the bill.)



