

Resources

The adopted amendments to the 2014-16 budget, Chapter 665 of the 2015 Acts of Assembly (HB 1400), include \$624.3 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 \$157.0 million; (2) a \$714.9 million increase in the general fund revenue forecast, including tax policy actions; and (3) transfer additions of \$66.3 million. These changes total \$624.2 million and, when combined with the \$2.9 million unappropriated balance contained in Chapter 3, provide \$627.1 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	(217.5)	<u>(522.0)</u>
Net Balance Change			(\$157.0)
Revenue Estimate*	\$34,191.7	\$34,906.6	\$ 714.9
Revenue Stabilization Fund	705.0	705.0	0.0
Transfers	<u>1,143.2</u>	<u>1,209.5</u>	<u>66.3</u>
Additional GF Resources	\$36,385.2	\$37,009.4	\$ 624.2
Unappropriated Balance (Chapter 3)			\$ <u>2.9</u>
Chapter 665 Resources			\$ 627.1
<i>*Including 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 Chapter 665, as opposed to amounts estimated in Chapter 3 prior to the savings plans being finalized (see the table at the end of this section).

Changes in Revenue

The economic revenue growth rate for FY 2015 in the adopted budget is projected at 4.4 percent, to reflect actual collections to date from improved job growth along with strong

corporate profits and holiday sales. The economic growth rate for FY 2016 of 3.0 percent is slightly above the 2.8 percent growth contained in Chapter 3. A series of technical adjustments and tax policy actions outlined below increase the overall general fund revenue growth rates in the adopted budget to 4.7 percent in FY 2015 and 3.1 percent in FY 2016.

Technical adjustments increase projected revenues by \$45.3 million including \$21.6 million from savings identified in agency reduction plans. In addition, the following policy actions add \$80.4 million to the revenue estimate over the two years.

- 1) Land Preservation Tax Credit – Lowers the overall credit cap from \$100.0 million to \$75.0 million and 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 for two years and then increases the per taxpayer credit to \$50,000 for TY 2017 and thereafter. Extends the period for claiming unused credits from 10 years to 13 years and establishes a deadline for filing applications to receive a tax credit (*savings of \$22.4 million in FY 2016*) as adopted in Chapters 235 and 680 of the 2015 Acts of Assembly (HB 1828/SB 1019).
- 2) Conducts three sales tax holidays (school items, energy-efficient products and hurricane preparedness items) on the same three days in August during the current biennium (*savings of \$1.6 million in FY 2015 and \$1.0 million in FY 2016*) as adopted in Chapter 382 of the 2015 Acts of Assembly (SB 1319).
- 3) Repeals income tax subtraction from gain on sale of land devoted to open-space (*savings of \$0.5 million in FY 2016*) as adopted in Chapter 248 of the 2015 Acts of Assembly (SB 1012).
- 4) 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 (*savings of \$39.2 million in FY 2015 and \$18.6 million in FY 2016*).
- 5) Sales tax exemption on sale of gold bullion (*reduced revenue of \$200,000*) as adopted in Chapter 629 of the 2015 Acts of Assembly (SB 1336).
- 6) DNA fee increase (*increased revenue of \$168,950*) as adopted in Chapters 209 and 437 of the 2015 Acts of Assembly (HB 1928/SB 1187).
- 7) Reverse interest diversion contained in Chapter 3 for the Health Insurance Fund and the Commuter Rail Fund (*reduced revenue of \$2.9 million*).

Change in GF Taxes by Source				
(\$ in millions)				
	Estimated FY 2015	Annual Growth	Estimated FY 2016	Annual Growth
Net Individual	\$179.8	5.0%	\$256.4	3.4%
Corporate	90.0	11.0%	72.5	(2.4)%
Sales	65.3	4.9%	57.6	3.3%
Insurance	(23.9)	(14.0)%	(3.4)	0.0%
Recordation	3.8	0.0%	3.8	0.0%
All Other	<u>(3.4)</u>	<u>(4.4)%</u>	<u>16.5</u>	<u>5.9%</u>
Total Revenues	\$311.6	4.7%	\$403.4	3.1%

Changes in Transfers

Net transfer adjustments total \$66.3 million in the adopted budget. This amount includes agency savings of \$68.0 million offset by forecast and other technical reductions of \$1.7 million. Agency savings include \$10.5 million of the roughly \$16.0 million to be generated from ABC revenue-enhancing initiatives 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>
<u>Unreserved Balance:</u>	
Unreserved Fund Balance, Comptroller's August Report	\$405.8
Less: Balance Reflected in Chapter 3	<u>40.8</u>
Adjustment Needed to Restate Unreserved Balance	\$365.0
<u>Adjustments to the Unreserved Balance:</u>	
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
Chesterfield-Petersburg Agreement Veto, 2014 Session	0.6
FACT Fund Balance Veto, 2014 Session	(4.4)
Re-appropriate 2014 Mandatory Balances	(170.9)

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

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	41.8
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	<u>(2.0)</u>
Net Balance Adjustments	(\$522.0)

Revenue Amendments:

December Tax Re-forecast	\$34.5
Mid-session Forecast Adjustment	555.0
Correct Omission of ABC Excise Tax Base Increase	13.0
Re-estimate of Education Improvement Tax Credits	10.0
Miscellaneous Technical	0.5

Agency Savings Plans:

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 Property	0.4
Community Based Behavioral Health and Develop. Services Providers Fee (FY 2015 only)	0.4
Reverse Interest Diversions in Chapter 3 for Health Insurance Fund and Commuter Rail Fund	(2.9)
Other Actions	0.2

Tax Policy Actions:

Limit Land Preservation Tax Credit (HB1828/SB 1019)	22.4
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General Fund Resource Changes Above Chapter 3
(\$ in millions)

Sales Tax Holidays on Same Date in August (SB 1319)	2.6
Repeal Subtraction for Gain on Sale of Land (SB 1012)	0.5
Reduce Accelerated Sales Tax Threshold	57.8
Sales Tax Exemption Gold Bullion (SB 1336)	(0.2)
DNA Fee Increase (HB1928/SB1187)	<u>0.2</u>
Total Revenue Adjustments	\$714.9

Transfers:

Agency Savings Plans:

ABC Profits – Part of Revenue Enhancement Initiative	\$10.5
Reduce Transfers to Game Protection Fund	4.3
Revised Estimate of Uninsured Motorist Fees	1.5
Revised Estimate of ABC Operational Efficiencies	1.3
DEQ Vehicle Emissions Inspection	1.9
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	6.6
EMS Fund	5.0
DOC Out-of-State Prisoner Revenue	7.3
State Police FY 2014 Balances	5.8
Small Business & Supplier Diversity Fund	1.0
TAX Department One-time NGF Balance	1.8
Miscellaneous Other NGF Balances	8.7
State Corporation Commission Balances	2.0
Other Transfer Actions	<u>(1.7)</u>
Total Transfer Adjustments	\$66.3

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
Roanoke Higher Education Auth.	Impose a \$20 per semester student parking fee.	\$4,100	4,100
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	\$15 fee for the on-line training system used by CSBs and private providers (FY 2015 only).	58,500	
Behavioral Health & Developmental Services	New licensing fee for local service providers (FY 2015 only)	352,022	
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
DEQ	Class A Biosolids fee of \$3.75 per ton, with no revenue added in budget.	_____	_____ <u>TBD</u>
Total NGF Fees		\$506,678	\$1,858,518
<p><i>Note: A GF fee of \$5.00 was approved for the TAX Department to provide duplicates of tax returns which would generate \$17,000 per year.</i></p>			