



Report on Revenues
(Amendments to SB 700, as Introduced)

Senate Finance Committee
Virginia General Assembly

February 6, 2005

General Fund Revenue Adjustments February 6, 2005

By far, the most significant revenue adjustment is the mid-session reforecast transmitted by the Governor last week. Based on collections through January, it appears that roughly \$205.0 million above the forecast will be collected in corporate and individual non-withholding payments this fiscal year, and \$77.0 million in additional deed recording fees will be collected over the course of the next two years.

The re-forecast does not continue adjustments in corporate and non-withholding payments in the second year because these two revenue sources are our most volatile. History has shown that wide swings can occur from year-to-year. And so, in an abundance of caution, the re-forecast assumes a “wait and see” posture with regard to these revenue sources.

Admittedly, this is a conservative posture, but that is a good thing. Because, in addition to the very substantial funding increases that we will face next year in public education and Medicaid as we craft the 2006-08 biennial budget, there remain “**bills in the drawer**” relative to liability that is being created today.

Specifically, the **enhanced revenue collections that we enjoy today are producing a liability** through the Constitutionally-mandated payment to our Rainy Day Fund. As of today, the “bill” stands at \$147.6 million. On June 30, 2006, at the end of the current biennium, that \$147.6 million will have to be reserved or set aside by the Comptroller for payment into the Rainy Day Fund in fiscal year 2007. **That is not a discretionary matter -- it is required by the Constitution.**

With that in mind, we have included budget language stipulating that **if** revenue collections continue to exceed the forecast, after other statutory obligations are met, the first \$147.6 million of that excess revenue will be deposited into a Rainy Day reserve account, so that we don't have to rely on the hope that unspent balances at the end of the biennium will cover our reserve obligation.

With this amendment, there is no need to second-guess the revenue re-forecast. We don't have to worry about whether every dollar has been captured because if additional dollars do materialize, **they will be directed toward further fiscal housekeeping – sweeping another of those “bills out of the drawer.”**

Our revenue actions also reflect the elimination of the accelerated sales tax, with a one-time negative general fund impact of \$252.7 million. As I indicated in my earlier comments, this was a long-standing “bill in the drawer” that we had attempted to “pay” last year.

The other revenue adjustments are modest. They capture activity related to Senate bills that have passed or have been recommended by the Finance Committee. And one adjustment increases the second year estimate of collections related to Tax Partnership activities, so that the forecast includes an amount equal to what was actually collected last fiscal year -- again, a conservative estimate.

The attached spreadsheet details the general fund revenue changes.

**Senate Bill 700
General Fund Actions
Senate Finance Committee Amendments**

	<u>FY 2005</u>	<u>FY 2006</u>	<u>Total</u>
Introduced Budget Unappropriated Balance	\$205,843,122	(\$199,766,747)	\$6,076,375
ADDITIONAL REVENUES			
Revised revenue forecast	249,000,000	34,590,000	283,590,000
Compliance from TAX partnership activities	0	9,900,000	9,900,000
Small charge card rebate	0	1,605,266	1,605,266
Interest earned from larger investible balance	0	897,750	897,750

Subtotal-Revenues	\$249,000,000	\$46,993,016	\$295,993,016
LEGISLATION			
End acceleration of sales tax collections (SB 709)	(187,000,000)	(65,700,000)	(252,700,000)
Escrow Payments by NPMs (SB 1332)	0	(520,000)	(520,000)
Investment in lower grade debt (SB 932)	0	775,200	775,200
Public employee subtraction (SB 866)	0	798,000	798,000
Enterprise Zone - Grants, not tax credits (SB 983)	0	11,540,000	11,540,000
Land Preservation Tax Credit (SB 1139)	0	13,500,000	13,500,000

Subtotal-Legislation	(\$187,000,000)	(\$39,606,800)	(\$226,606,800)
TRANSFERS			
Unobligated balance, Tax Partnership Fund	1,680,762	0	1,680,762

Subtotal-Transfers	\$1,680,762	\$0	\$1,680,762
Total, Committee Revenue Actions	\$63,680,762	\$7,386,216	\$71,066,978
Net Spending and Savings	(\$40,525,731)	\$96,565,377	\$56,039,646
Revised Unappropriated Balance	\$310,049,615	(\$288,945,908)	\$21,103,707

Central Appropriations

Central Appropriations

Language

Language:

Page 471, following line 27, insert:

"General fund revenues collected during the 2004-06 biennium, above the official revenue estimate contained in the appropriation act adopted by the 2005 General Assembly, shall be deposited into a reserve account after meeting other statutory requirements, to the degree necessary to satisfy the Revenue Stabilization Fund liability created by fiscal year 2005 revenue collections."

Explanation:

(This amendment requires that revenues collected beyond the current forecast be reserved to the degree necessary to offset the liability that is being created by fiscal year 2005 revenue collections for a payment to the Revenue Stabilization Fund in fiscal year 2007.)

Transfers

Interfund Transfers

Language

Language:

Page 556, line 44, strike "10,753,052" and insert "12,433,814"

Explanation:

(This amendment transfers an additional \$1,680,762 of unobligated balances from the Tax Technology Partnership Fund to the general fund.)