

**REPORT OF THE
JOINT SUBCOMMITTEE STUDYING
A CONSTITUTIONAL AMENDMENT
TO LIMIT STATE SPENDING
TO
THE GOVERNOR
AND
THE GENERAL ASSEMBLY OF VIRGINIA**



HOUSE DOCUMENT NO. 46

**COMMONWEALTH OF VIRGINIA
RICHMOND
1983**

MEMBERS OF THE JOINT SUBCOMMITTEE

Delegate L. Cleaves Manning, Chairman
Senator Hunter B. Andrews, Vice-Chairman
Delegate Ralph L. Axselle, Jr.
Delegate George P. Beard, Jr.
Delegate Vincent F. Callahan, Jr.
Delegate Raymond R. Guest, Jr.
Delegate Dorothy S. McDiarmid
Senator Willard J. Moody
Senator Elliot S. Schewel
Delegate Warren G. Stambaugh
Senator Edward E. Willey

STAFF

Virginia Division of Legislative Services

John A. Banks, Jr., Director

Report of the

Joint Subcommittee Studying

A Constitutional Amendment

To Limit State Spending

To

The Governor and the General Assembly of Virginia

Richmond, Virginia

January, 1983

To: Honorable Charles S. Robb, Governor of Virginia
and
The General Assembly of Virginia

I. INTRODUCTION

The study of the operation of and the definitions in the proposed constitutional amendment to limit state spending was created by House Joint Resolution No. 6 adopted by the 1982 Session of the Virginia General Assembly.

House Joint Resolution No.6 reads as follows:

WHEREAS, the 1981 Session of the Virginia General Assembly passed legislation which begins the process of amending the Constitution of Virginia to provide for a limitation on state spending; and

WHEREAS, this constitutional amendment has been closely studied by a number of committees and individuals to determine the precise language of this amendment; and

WHEREAS, this constitutional amendment as passed by the General Assembly provides that the specific implementation and the definition of the specific terms in the amendment shall be provided for by general law; and

WHEREAS, during the preparation of the constitutional amendment the members agreed that the General Assembly should study the specific definitions contained in the amendment and recommend statutory language to define those terms as well as to study the actual operation of the amendment before its adoption by the citizens of the Commonwealth; now, therefore, be it

RESOLVED by the House of Delegates, the Senate concurring, That there is hereby created a joint subcommittee to study the operation of the constitutional amendment to limit state spending and prepare a proposed general law for its implementation. The joint subcommittee shall be composed of eleven members; three from the House Appropriations Committee to be appointed by the chairman of that committee, three from the House Finance Committee to be appointed by the chairman of that committee, one member to be appointed by the Speaker of the House, three from the Senate Finance Committee to be appointed by the chairman of that committee and one member to be appointed by the chairman of the Senate Privileges and Elections Committee.

The joint subcommittee shall complete its work in time to submit recommendations to the 1983 Session of the General Assembly.

Pursuant to this directive Delegates L. Cleaves Manning, Vincent F. Callahan, Jr., and Dorothy S. McDiarmid were appointed from the House Appropriations Committee. Delegates George P. Beard, Jr., Raymond R. Guest, Jr., and Warren G. Stambaugh were appointed from the House Finance Committee while Delegate Ralph L. Axelle, Jr. was appointed by the Speaker. The Senate members were comprised of Senators Hunter B. Andrews, Willard J. Moody, and Edward E. Willey from the Senate Finance Committee and Senator Elliot S. Schewel from the Senate. At its first meeting the

joint subcommittee unanimously selected Delegate L. Cleaves Manning as Chairman and Senator Hunter B. Andrews as Vice-Chairman.

Joint Subcommittee was directed to undertake the following:

1. Study the operation of the constitutional amendment to limit state spending.
2. Prepare a proposed general law for its implementation.

II. BACKGROUND

The question of a constitutional amendment to limit state spending in its current general form has been considered by the Virginia General Assembly since the 1979 Session when Senator Elliot Schewel and Delegate Vance Wilkins introduced their proposals to provide a limitation on total state spending from state tax revenue. Their general thrust was to provide "an insurance policy against the state continuing to take an increasingly larger and larger percentage of each citizens' personal income to finance state programs." The proposed constitutional amendment at that time would have provided that state expenditures from state tax revenues never exceed a certain percentage of total Virginia personal income as defined and published by the U. S. Department of Commerce.

The question of a tax or expenditure limitation has been studied and examined on a number of occasions by the Virginia General Assembly including the Joint Subcommittee Studying Tax and Expenditure Limitations of 1979 which was chaired by Senator Edward E. Willey and a House Appropriations subcommittee study which was undertaken during 1980.

The 1981 Session of the General Assembly passed two identical resolutions initiating the process of amending the Virginia Constitution (House Joint Resolution 166 - Delegate Axselle and Senate Joint Resolution No. 161 - Senator Emick). The process of amending the Constitution of Virginia requires these resolutions to be referred to the first regular session of the General Assembly held after the next general election of members of the House of Delegates. After its second passage, in identical form, it is the duty of the General Assembly to provide that the proposed amendment be submitted to the voters for ratification. The constitutional amendment of Delegate Axselle and Senator Emick were not submitted to the 1982 Session and, therefore, the process of amending the Virginia Constitution to provide for a limitation on total state spending must start again.

The joint subcommittee has been charged with examining statutory language in order to make the constitutional amendment operative. In its examination, the joint subcommittee has assumed that the constitutional amendment that would be adopted is identical to the one adopted in 1981 Chapter 643 of the 1981 Acts of Assembly (please see Appendix A).

III. OPERATION OF SPENDING LIMITATION

The joint subcommittee, before examining statutory language, directed its staff to examine what would have been the impact of a spending limitation imposed as of July 1, 1982, that is, for the 1982-84 biennium. Appendix B provides an analysis of the impact of the spending limitation. The result would have been that appropriations from state tax revenues would have been \$68.6 million over the spending limitation for the biennium, and thus, the General Assembly would have been required to reduce its appropriations by this amount. Of course, the limitation could have been overridden by a 2/3 majority of each house.

The joint subcommittee also requested its staff to examine the impact of a spending limitation on the 1982-84 biennium if the limitation was an annual limitation based on a 3-year moving average of Virginia personal income. The actual limitation examined in this case was identical to Delegate Axselle's/Senator Schewel's original version as embodied in HJR No. 166 as introduced in 1980. Using this method, the state would have been substantially below the spending limit. Please see Appendix C for details of this analysis.

IV. STATUTORY LANGUAGE

The joint subcommittee spent the majority of its time examining statutory language to make the limitation operative. The joint subcommittee considered and prepared legislation to make the Constitutional Amendment version operative as well as language for a statutory limitation on state

spending if this approach would be favored by the General Assembly. The three working draft versions are presented in Appendix D and reflect the joint subcommittee's refinement of the language. The first draft is the statutory language that would accompany a constitutional amendment. The two other versions are statutory limitation versions, one using a rolling average annual base while the other uses a biennium base.

V. RECOMMENDATIONS

The joint subcommittee, after studying the philosophy of the Constitutional Amendment to limit state spending as well as examining the actual operation of the Amendment, has narrowly recommended that a Constitutional Amendment to limit state spending is not necessary nor is it needed in Virginia. The joint subcommittee also examined the feasibility of adopting a statutory limitation on state spending and recommends against this approach to limit state spending because it would not be an effective limitation.

Respectfully submitted,

.....
Delegate L. Cleaves Manning, Chairman

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Senator Hunter B. Andrews, Vice-Chairman

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Delegate Ralph L. Axselle, Jr. *

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Delegate George P. Beard, Jr. *

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Delegate Vincent F. Callahan, Jr. *

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Delegate Raymond R. Guest, Jr. *

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Delegate Dorothy S. McDiarmid

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Senator Willard J. Moody

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Senator Elliot S. Schewel *

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Delegate Warren G. Stambaugh

.....
Senator Edward E. Willey

* Member approves report but does not agree with recommendations.

APPENDIX A

CHAPTER 643

HOUSE JOINT RESOLUTION NO. 166

Proposing amendments to Section 8 of Article X of the Constitution of Virginia, relating to the limit of tax or revenue.

Agreed to by the House of Delegates, February 21, 1981

Agreed to by the Senate, February 21, 1981

RESOLVED by the House of Delegates, the Senate concurring, a majority of the members elected to each house agreeing, That the following amendments to the Constitution of Virginia be, and the same hereby are, proposed and referred to the General Assembly at its first regular session held after the next general election of members of the House of Delegates for its concurrence in conformity with the provisions of Section 1 of Article XII of the Constitution of Virginia to be effective on and after July one, nineteen hundred eighty-four; namely:

Amend Section 8 of Article X of the Constitution of Virginia as follows:

ARTICLE X

TAXATION AND FINANCE

Section 8. Limit of tax or revenue.

No other or greater amount of tax or revenues shall, at any time, be levied than may be required for the necessary expenses of the government, or to pay the indebtedness of the Commonwealth.

In no biennium shall the rate of growth of appropriations from total State tax revenues exceed the estimated rate of growth of the State economy.

No appropriation in excess of the limit shall be made unless authorized by the affirmative vote of two-thirds of the members elected to each house of the General Assembly.

State tax revenues in excess of those necessary to meet such appropriations for a biennium shall be held in a separate fund. Such revenues shall be used in subsequent biennia for any one or more of the following purposes: (1) to reduce indebtedness of the Commonwealth as defined in Section 9 of this Article; (2) to provide appropriations for the expenses of the Commonwealth; or (3) to provide a tax refund or credit. Any amount appropriated to pay expenses of the Commonwealth in subsequent biennia shall be deemed subject to the limit on appropriations, whereas the amount used to reduce indebtedness or to provide a tax refund or credit shall not be deemed subject to the limitation on appropriations.

The General Assembly shall provide by general law for the implementation of this section and shall have the power to define any terms herein. Such general law shall be adopted and may be amended by the affirmative vote of two-thirds of the members elected to each house of the General Assembly.

APPENDIX B

THE OPERATION OF A SPENDING
LIMITATION FOR VIRGINIA
1982-84 BIENNIUM

John A. Garka

October 11, 1982

Definitions

1. Total State Tax Revenues- The term corresponds with the definition of the Comptroller in his annual report minus the unemployment compensation payroll tax.
2. State Economy- Defined as Virginia Personal Income published quarterly on an annual basis. In my example, I use actual figures where available published by the Department of Commerce and estimated figures are provided by Chase Econometrics, Inc.
3. Estimated Rate of Growth of the Economy- Defined as estimated Virginia personal income in the biennium over Virginia personal income in the previous biennium. For the first fiscal year of the base biennium, Virginia personal income is an actual figure while the second year is an estimate since an actual Virginia personal income figure would not yet be available.
4. Appropriations- Assume that all state tax revenues will be appropriated.

Table 1 contains the relevant data to determine the estimated rate of growth of the economy which is defined as Virginia personal income growth. For purposes of the constitutional amendment, to determine the maximum allowable rate of growth of appropriations for the 1982-84 biennium, the estimated rate of growth of Virginia personal income must be determined.

Please keep in mind that the time frame for the calculation of the spending limitation for the 1982-84 biennium is the 1982 Session of the General Assembly.

In January and February of 1982, actual Virginia personal income data would have been available for the 1980-81 fiscal year. However, the use of estimated Virginia personal income data would be required for the 1981-82 fiscal year. The relevant personal income figure for 1980-81 was \$53,305.1 million (actual) and for 1981-82 \$58,841.8 (estimate) resulting in a total Virginia personal income for the biennium of \$112,146.9. The estimate of Virginia personal income was prepared by Chase Econometrics and it is the same personal income figure which was the basis of the latest official estimate of Virginia General Fund revenue for that fiscal year.

The Virginia personal income figures for 1982-83 and 1983-84 are \$65,382.3 million and \$72,434.0 million, respectively, for a total Virginia personal income for the biennium of \$137,816.3. The resulting personal income would equal a 22.9% increase over the previous biennium. Thus, if this particular constitutional amendment was in effect for the 1982-84 biennium, the maximum increase in appropriations from state tax revenues would have been 22.9%.

Table 2 provides the relevant state tax revenue information. The total state tax revenue for 1980-81 is an actual collection figure. The 1981-82 figure is an estimate that was revised as late as the 1982 Session. The result of these two years provides the state tax revenue for the 1980-82 biennium and is the basis of the limitation. The final two columns of the table provide the official estimates of state tax revenue for the 1982-83 and 1983-84 fiscal years. Of course, these are the basis upon which appropriations were made by the 1982 Session for the current biennium.

Table 3 provides the total of state tax revenues for the 1980-82 biennium and the 1982-84 biennium. The result is that if one uses the Comptroller's definition of state tax revenues, state tax revenues increased 24.1% over the previous biennium. This increase would have exceeded the limitation on spending.

Table 4 provides the calculations which show how the spending limitation was calculated and how it compared to actual appropriations. In this case, appropriations for 1982-84 would have exceeded the limitation by \$68.6 million.

TABLE 1

VIRGINIA PERSONAL INCOME
(millions of dollars)

	<u>1980-81</u> (actual)	<u>1981-82</u> (estimates)	<u>1982-83</u> (estimates)	<u>1983-84</u> (estimates)
<u>Quarter</u>				
I	\$ 50,821.8	\$ 56,806.0	\$ 63,082.0	\$ 69,627.5
II	52,887.9	58,118.7	64,667.6	71,320.5
III	54,387.8	59,499.1	66,099.1	73,482.6
IV	55,123.0	60,943.3	67,680.6	75,305.5
Fiscal Year	\$ 53,305.1	\$ 58,841.8	\$ 65,382.3	\$ 72,434.0
Annual Increase	+ 12.7%	+ 10.4%	+ 11.1%	+ 10.8%

	<u>1980-82</u>	<u>1982-84</u>
Virginia Personal Income	\$ 112,146.9	\$ 137,816.3
Percentage Increase Over Previous Biennium	+ 25.4%	+ 22.9%

SOURCE: Compiled by Virginia Division of Legislative Services from Department of Taxation using Chase Econometrics data base utilizing latest data available provided to the 1982 Session.

TABLE 2

TOTAL STATE TAX REVENUES, BY TAX, FOR SELECTED FISCAL YEARS
(millions of dollars)

<u>Tax</u>	ACTUAL <u>1980-81</u>	ESTIMATE <u>1981-82</u>	ESTIMATE <u>1982-83</u>	ESTIMATE <u>1983-84</u>
Individual Income	\$ 1,288.8	\$ 1,470.4	\$ 1,682.3	\$ 1,921.7
Sales & Use	645.2	691.0	720.8	768.0
Motor Fuels	311.4	314.5	313.5	314.1
Oil Franchise	-----	-----	75.5	95.8
Corporate Income	182.3	148.3	195.2	254.8
Public Service Corporations	104.1	98.7	118.5	124.3
Insurance Companies-Gross Premiums	80.1	80.9	87.7	94.4
Motor Vehicle Titling	67.7	73.3	87.4	93.8
Alcoholic Beverage & Wine-Sales Tax	43.7	45.5	53.8	58.1
Deeds, Contracts, Wills, and Suits	31.8	27.5	30.8	36.9
Excise-Beer and Beverage	32.8	37.5	40.0	42.7
Estate and Gift	19.8	11.2	10.5	8.7
Tobacco Products	17.9	17.9	17.9	17.9
Capital Not Otherwise Taxed	13.4	13.7	10.9	11.5
Bank Stock	1.8	2.2	2.2	2.3
Other Taxes	<u>24.0</u>	<u>26.6</u>	<u>27.9</u>	<u>29.3</u>
Total State Tax Revenue	\$ 2,864.8	\$ 3,059.2	\$ 3,474.9	\$3,874.3

TABLE 3
TOTAL STATE TAX REVENUES
(millions of dollars)

<u>1980-82</u>	<u>1982-84</u>
\$ 5,924.0	\$ 7,349.2
	+ 24.1%

TABLE 4

IMPACT OF SPENDING LIMITATION
(amounts in millions)

1980-82 State <u>Tax Revenue</u>	Estimated <u>Rate of Growth</u>	=	Maximum Appropriations <u>From State Tax Revenue</u>
\$ 5,924.0	X 1.229	=	\$ 7,280.6

Total State Tax Revenues	\$ 7,349.2
<u>-Limitation</u>	<u>- 7,280.6</u>
Appropriations over limit	\$ 68.6

TABLE 5

STATE TAX REVENUE
MINUS
HIGHWAY USER FEES
(millions of dollars)

<u>1980-82</u>	<u>1982-84</u>
\$ 5,157.1	\$ 6,369.1
	+ 23.5%



COMMONWEALTH of VIRGINIA

JOHN A. BANKS, JR.
DIRECTOR

DIVISION OF LEGISLATIVE SERVICES

General Assembly Building
910 Capitol Street

POST OFFICE BOX J AG
RICHMOND, VIRGINIA 23208

IN RESPONSE TO
THIS LETTER TELEPHONE
(804) 786-3591

November 18, 1982

TO: Members of the Joint Subcommittee Studying the State
Spending Limitation

FROM: John A. Garka, Economist *JAS*

SUBJECT: Impact of a 3-year moving average of Virginia personal income
on the spending limitation measure

At the last meeting, the Joint Subcommittee requested me to examine the impact of the constitutional amendment to limit state spending if it was in the form of Delegate Axselle's/Senator Schewel's original version of HJR No. 166 introduced in the 1980 Session. That version provided that "...total state tax revenues in any fiscal year as a percentage of the average annual total personal income in the Commonwealth for the 3 preceeding calendar years shall not exceed the total state tax revenues collected in fiscal 1977-78 as a percentage of the average annual total personal income in the Commonwealth in calendar years 1975-1977, increased by one-fourth of one percent...". In other words, the limitation would have been a limit on appropriations from state tax revenue in each fiscal year equal to the percentage of average Virginia personal income in the 3 previous calendar years. The 1977-78 percentage of state tax revenue to Virginia personal income was selected because it was the highest percentage achieved.

In fiscal year 1977-78, state spending from state tax revenue equalled 6.89% of Virginia personal income for the three previous calendar years. The addition of a cushion of 0.25% to 6.89% would have yielded the maximum percentage of personal income which could have been collected and spent (7.14%). The Joint Subcommittee requested me to examine what would have happened in the 1980-82 and 1982-84 bienniums if this type of limitation would have been in effect. (Please see Table 1.)

For these calculations, I used the state revenue figures for fiscal

years 1980-81, 1981-82, 1982-83, and 1983-84 which I provided to the Joint Subcommittee at the last meeting. I then computed the state tax revenue as a percentage of average Virginia personal income for the 3 previous calendar years.

. As Table 2 shows, the percentage of state tax revenue to average annual Virginia personal income was substantially below the percentage limitation of 7.14% for the period examined. Clearly, if this type of limitation had been used the limitation would never have been reached in these 2 bienniums.

JAC/cc

TABLE 2 - CALCULATION OF STATE TAX
REVENUE TO AVERAGE VIRGINIA PERSONAL
INCOME FOR THREE PREVIOUS CALENDAR YEARS
(amounts in millions of dollars)

<u>1980-81 State Tax Revenue</u>				
Average of 1978-1979-1980	=	<u>\$ 2,864.8</u>	=	6.36%
Virginia Personal Income		\$45,047.0		

<u>1981-82 State Tax Revenue</u>				
Average of 1979-1980-1981	=	<u>\$ 3,059.2</u>	=	6.07%
Virginia Personal Income		\$50,402.0		

<u>1982-83 State Tax Revenue</u>				
Average of 1980-1981-1982	=	<u>\$ 3,479.9</u>	=	6.19%
Virginia Personal Income		\$56,168.0		

<u>1983-84 State Tax Revenue</u>				
Average of 1981-1982-1983	=	<u>\$ 3,874.3</u>	=	6.22%
Virginia Personal Income		\$62,307.0		

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APPENDIX D

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WORKING DRAFT

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Enacting Statutes for Constitutional Amendment

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CHAPTER 27.1

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LIMITATION ON APPROPRIATIONS

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16 §2.1-406.01. Short title.--This chapter shall be known
17 and may be cited as the "Limitation on State Appropriations
18 Act."

19 §2.1-406.02. Definitions.--As used in this chapter,
20 unless the content clearly shows otherwise, the term or
21 phrase:

22 "Current biennium" shall mean the two year period for
23 which the appropriation limit, as determined by the
24 provisions of this chapter, shall be applicable.

25 "Estimated rate of growth of the State economy" shall
26 mean the change in Virginia personal income from the
27 previous biennium to the current biennium divided by
28 Virginia personal income for the previous biennium.

1 Estimated Virginia personal income data shall be used
2 whenever actual data is unavailable.

3 "Previous biennium" shall mean the two year period
4 immediately preceding the current biennium.

5 "Rate of growth of appropriations" shall mean the
6 change in appropriations from the previous biennium to the
7 current biennium divided by appropriations for the previous
8 biennium.

9 "Separate fund" shall mean the fund administered by the
10 State Treasurer in which State tax revenues collected for
11 any biennium in excess of the appropriation limit for such
12 biennium are deposited.

13 "State tax revenues" shall mean revenue collected from
14 all taxes, general or non-general which are imposed pursuant
15 to levies established by the Commonwealth to raise funds for
16 governmental purposes as opposed to enforced payments in the
17 exercise of the police power, but which do not include
18 employee contributions to retirement funds, unemployment
19 compensation taxes, involuntary payments to, and earned
20 income of, the Commonwealth.

21 "Virginia personal income" shall mean Virginia personal
22 income as defined by the United States Department of
23 Commerce or its successor agency.

24 §2.1-406.03. Limit.--In no biennium shall the rate of
25 growth of appropriations from total State tax revenues
26 exceed the limit on appropriations as established in Section
27 8 of Article X of the Constitution of Virginia.

28 §2.1-406.04. Treatment of revenue in separate

1 fund.--A. All revenue deposited into the separate fund
2 shall be expended in subsequent biennia for any one or more
3 of the following purposes:

- 4 1. To reduce indebtedness of the Commonwealth as
5 defined in Section 9 of Article X of the Constitution
6 of Virginia;
- 7 2. To provide appropriations for expenses of the
8 Commonwealth; or
- 9 3. To provide a tax refund or credit to the taxpayers
10 of the Commonwealth.

11 Any amount appropriated to pay expenses of the
12 Commonwealth in subsequent biennia shall be deemed subject
13 to the appropriation limit for such subsequent biennia. Any
14 amount appropriated to reduce indebtedness or provide a tax
15 refund or credit shall not be deemed subject to such
16 appropriation limit.

17 B. Interest earned on amounts deposited into the
18 separate fund shall be deposited in the general fund and
19 shall not be subject to the appropriations limitation.

20 §2.1-406.05. Data presented in Budget Bill.--The
21 Budget Bill shall contain the estimated rate of growth of
22 the State economy as determined by the Virginia Department
23 of Taxation.

24

25 §2.1-406.06. Amendment.--As provided in Section 8 of
26 Article X of the Constitution of Virginia the provisions of
27 this chapter shall only be amended by the affirmative vote
28 of two-thirds of the members elected to each house of the

1 General Assembly.

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WORKING DRAFT

Statutory Version
(Rolling Average)

CHAPTER 27.1

LIMITATION ON APPROPRIATIONS

§2.1-406.01. Short title.--This chapter shall be known and may be cited as the "Limitation on State Appropriations Act."

§2.1-406.02. Definitions.--As used in this chapter, unless the content clearly shows otherwise, the term or phrase:

"Separate fund" shall mean the fund administered by the State Treasurer in which State tax revenues collected for any fiscal year in excess of the appropriation limit for each fiscal year are deposited.

"State tax revenues" shall mean revenue collected from all taxes, general or non-general, which are imposed

1 pursuant to levies established by the Commonwealth to raise
2 funds for governmental purposes as opposed to enforced
3 payments in the exercise of the police power, but which do
4 not include employee contributions to retirement funds,
5 unemployment compensation taxes, involuntary payments to,
6 and earned income of, the Commonwealth.

7 "Virginia personal income" shall mean Virginia personal
8 income as defined by the United States Department of
9 Commerce or its successor agency. Estimated Virginia
10 personal income data shall be used whenever actual data is
11 unavailable.

12 §2.1-406.03. Limit.--In no fiscal year following the
13 effective date of this chapter shall appropriations from
14 total State tax revenue exceed 7 percent of the annual
15 average Virginia personal income for the current and two
16 preceeding calendar years. No appropriation in excess of
17 the limit shall be made unless authorized by the affirmative
18 vote of a majority of the members elected to each house of
19 the General Assembly.

20 §2.1-406.04. Treatment of revenue in separate
21 fund.--A. All revenue deposited into the separate fund
22 shall be expended in subsequent fiscal years for any one or
23 more of the following purposes:

- 24 1. To reduce indebtedness of the Commonwealth as
25 defined in Section 9 of Article X of the Constitution
26 of Virginia;
- 27 2. To provide appropriations for expenses of the
28 Commonwealth; or

1 3. To provide a tax refund or credit to the taxpayers
2 of the Commonwealth.

3 Any amount appropriated to pay expenses of the
4 Commonwealth in any subsequent fiscal year shall be deemed
5 subject to the appropriation limit for such subsequent
6 fiscal year. Any amount appropriated to reduce indebtedness
7 or provide a tax refund or credit shall not be deemed
8 subject to such appropriation limit.

9 B. Interest earned on amounts deposited into the
10 separate fund shall be deposited in the general fund and
11 shall not be subject to the appropriations limitation.

12 §2.1-406.05. Data presented in the Appropriations
13 Act.--The Appropriations Act shall contain the Virginia
14 personal income data required by this chapter and shall be
15 determined by the Virginia Department of Taxation.

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WORKING DRAFT

Statutory Version

CHAPTER 27.1

LIMITATION ON STATE APPROPRIATIONS

§2.1-406.01. Short title.--This chapter shall be known and may be cited as the "Limitation on State Appropriations Act."

§2.1-406.02. Definitions.--As used in this chapter, unless the content clearly shows otherwise, the term or phrase:

"Current biennium" shall mean the two year period for which the appropriation limit, as determined by the provisions of this chapter, shall be applicable.

"Estimated rate of growth of the State economy "shall mean the change in Virginia personal income from the previous biennium to the current biennium divided by

1 Virginia personal income for the previous biennium.
2 Estimated Virginia personal income data shall be used
3 whenever actual data is unavailable.

4 "Previous biennium" shall mean the two year period
5 immediately preceding the current biennium.

6 "Rate of growth of appropriations" shall mean the
7 change in appropriations from the previous biennium to the
8 current biennium divided by appropriations for the previous
9 biennium.

10 "Separate fund" shall mean the fund administered by the
11 State Treasurer in which State tax revenues collected for
12 any biennium in excess of the appropriation limit for such
13 biennium are deposited.

14 "State tax revenues" shall mean revenue collected from
15 all taxes, general or non-general which are imposed pursuant to
16 levies established by the Commonwealth to raise funds for
17 governmental purposes as opposed to enforced payments in the
18 exercise of the police power, but which do not include
19 employee contributions to retirement funds, unemployment
20 compensation taxes, involuntary payments to, and earned
21 income of, the Commonwealth.

22 "Virginia personal income" shall mean Virginia personal
23 income as defined by the United States Department of
24 Commerce or its successor agency.

25 §2.1-406.03. Limit.--In no biennium shall the rate of
26 growth of appropriations from total State tax revenues
27 exceed the estimated rate of growth of the State economy.
28 No appropriation in excess of the limit shall be made unless

1 authorized by the affirmative vote of a majority of the
2 members elected to each house of the General Assembly.

3 §2.1-406.04. Treatment of revenue in separate
4 fund.--A. All revenue deposited into the separate fund
5 shall be expended in subsequent biennia for any one or more
6 of the following purposes:

7 1. To reduce indebtedness of the Commonwealth as
8 defined in Section 9 of Article X of the Constitution
9 of Virginia;

10 2. To provide appropriations for expenses of the
11 Commonwealth; or

12 3. To provide a tax refund or credit to the taxpayers
13 of the Commonwealth.

14 Any amount appropriated to pay expenses of the
15 Commonwealth in subsequent biennia shall be deemed subject
16 to the appropriation limit for such subsequent biennia. Any
17 amount appropriated to reduce indebtedness or provide a tax
18 refund or credit shall not be deemed subject to such
19 appropriation limit.

20 B. Interest earned on amounts deposited into the
21 separate fund shall be deposited in the general fund and
22 shall not be subject to the appropriations limitation.

23 §2.1-406.05. Data presented in the Appropriations
24 Act.--The Appropriations Act shall contain the estimated
25 rate of growth of the State economy as determined by the
26 Virginia Department of Taxation.

