

SENATOR WARNER: Mr. President, as we all know, we are in a situation where until the final action is taken by the Legislature on appropriations pending what, if any, vetoes, that we need, because of time sequence, we need to have in place the possibility of a tax rate change before us, and as you all know, tomorrow will be the last day that any bill of any kind could be amended. And the vetoes, including A bills, we may not know until the very last day of the session. So what we are attempting to do is to put in place and advance to Final Reading appropriate tax rate changes if necessary, if needed, and once the budget is finalized, then we can look at which, if any, tax rate change needs to be utilized. The amendment that is offered is a half cent increase from 3 1/2 to 4 for the sales tax. As the amendment is drafted, it would take effect July 1, or in the event the bill did not have the emergency clause, it would be the 1st of the month following the effective date of the act, or if it did not have the emergency clause, that would mean August 1. In terms of actual receipts, there would be 11 months of collections if the act goes into effect in July, 10 months of actual receipts if the act would go into effect on August, \$42 million raised, July 1, about 3 1/2 or so million less than that if it goes into effect August 1. You have had passed out to you a sheet which shows what might be a possible budget and tax issue before we get done. This reflects what has been enacted in the forms of budget. It allows on the sheet 2 million to go for the Research Development Authority. It indicates 750,000 of A bills, about 300,000 have been passed so far, and if this is done, it also assumes that the cash reserve which is affected by 870, the cash reserve would be fully reimbursed between July 15 and July 30 as currently required by law. It would have a 3 1/2 percent reserve, with the cash reserve fund fully reimbursed as we are now required by law. You will note at the bottom, it says if 1258 is passed, and that is still pending, that then the reserve would be 4.2 percent. It seems to me we are dealing with two issues. One, of course, is the budget issue. But the second, and equally important, is the reserve that you feel is appropriate or necessary, and with this, it obviously gives a higher reserve to protect the possibility of decline in the receipts over the next few months. We are going to start out this year, as you know, from the green sheets, in excess of \$12 million in the hole, a negative beginning balance. It would be accurate to state that the first, and the law requires a 3 percent reserve, as you will recall, a 3 percent reserve at the beginning balance for setting taxes is 24 million, 3 x 8, plus you have got a 12 million