

Department of Planning and Budget

2004 Fiscal Impact Statement

1. Bill Number HB106

House of Origin ☐ Introduced ☐ Substitute ☐ Engrossed
Second House ☐ In Committee ☐ Substitute ☒ Enrolled

2. Patron Sherwood

3. Committee Passed Both Houses

4. Title Bond financing for State Agency Radio System

- 5. Summary/Purpose:** The bill authorizes the financing by the Virginia Public Building Authority of the undertaking, development, acquisition and construction of the project known as the State Agency Radio System, Phase I. This bill authorizes the Virginia Public Building Authority to issue revenue bonds in an amount not to exceed \$159,300,000, plus amounts needed to fund issuance costs, reserve funds, original issue discount, interest prior to and during acquisition, construction or renovation and for one year after completion thereof, and other financing expenses. The bonds authorized by this bill constitute tax-supported debt of the Commonwealth and as such have an impact on the Commonwealth's debt capacity.

The bill also provides for an increase in the fee on the rental of motor vehicles from eight percent to 10 percent. The revenue from the additional fee of two percent is to be used for the payment of debt service on the bonds issued for the State Agency Radio System.

6. Fiscal Impact Estimates are final:

6a. Expenditure Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2003-04	-	-	-
2004-05	\$1,319,063	-	GF
2005-06	\$9,550,938	-	GF
2006-07	\$19,032,213	-	GF
2007-08	\$19,803,525	-	GF
2008-09	\$19,805,938	-	GF
2009-10	\$19,804,213	-	GF

6b. Revenue Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2003-04	-	-	-
2004-05	\$13,400,000	-	GF
2005-06	\$14,000,000	-	GF
2006-07	\$14,400,000	-	GF
2007-08	\$15,000,000	-	GF
2008-09	\$15,200,000	-	GF
2009-10	\$15,200,000	-	GF

- 7. Budget amendment necessary:** No. The debt service is included in the introduced budget (HB5001/SB5001). A revenue increase of \$28.0 million for the general fund in the 2004-2006 biennium is reflected in HB5001/SB5001.
- 8. Fiscal implications:** The fiscal impact is based on the projected debt service resulting from the Virginia Public Building Authority issuing \$159,300,000 in bonds to fund Phase I of the project. The impact assumes that the authority would issue \$58.5 million in the Fall of 2004 and \$100.8 million in the Fall of 2005. This amortization is over the ten year, economic useful life of the telecommunications system components, which comprises the greater part of the system.

The revenue estimate by DPB is based on information provided by the Department of Taxation of the increased revenue generated by a two percent fee on vehicle rentals in the state. The revenue will be deposited to the general fund and used to pay the debt service on the State Agency Radio System. In fiscal years 2005 and 2006 the debt service requirements will be lower than the amount of additional revenue generated. Only \$10.9 million is needed for the payment of debt service, but HB5001 and SB5001, as amended, include \$28.0 million in revenue from the auto rental fee.

The bill requires that all the revenues generated by the two percent fee on auto rentals be used for the debt service on the State Agency Radio System project. Beginning in fiscal year 2007 the amount of revenue, generated by the two percent fee, will no longer be sufficient to cover the annual costs of the debt service.

- 9. Specific agency or political subdivisions affected:** Department of the Treasury and Department of State Police.
- 10. Technical amendment necessary:** Yes. Both HB 5001 and SB 5001, as amended, include revenue of \$28.0 million for the general fund and include debt service from the general fund on the bonds issued for the State Agency Radio System. However, the bill provides that the fee revenue is to be deposited to a special fund and not the general fund. Also, the bill contains language restricting the fee revenue only for payment of the debt service on the bonds for State Agency Radio System project. Therefore, in order to make the bill consistent with amendments to the budget bill and to clarify that the \$17.1 million in revenue not needed in the 2004-2006 biennium for payment of debt service is not restricted to only that purpose, the following amendments are necessary:

Page 2, line 84, after “shall be”, insert “deposited to the general fund and”.

Page 2, line 84, after “to pay”, insert “in part”.

- 11. Other comments:** None.

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cc: Secretary of Finance
Secretary of Public Safety