Department of Planning and Budget
2004 Fiscal Impact Statement

1. **Bill Number** HB117

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

2. **Patron** Marshall, R.G.

3. **Committee** Finance

4. **Title** Private Investment Inducement Act of 2004; created to provide revenue

5. **Summary/Purpose:**

Dedicates one-third of the insurance license tax revenue, paid to the State Corporation Commission, to fund transportation projects in the Northern Virginia Investment Program, the Eastern Virginia Investment Program, and the Western Virginia Investment Program. The revenue will be deposited in a special nonreverting fund created in the Department of the Treasury, which will be part of the Transportation Trust Fund and titled “Commonwealth Investment Fund.” The Commonwealth Transportation Board (CTB) will allocate and distribute the revenue to each highway construction district based on the proportion of the population. Revenue distributed to the Northern Virginia, Hampton Roads, and the Bristol, Salem, and Staunton districts will be earmarked for the Northern Virginia Investment Program, the Eastern Virginia Investment Program, and the Western Virginia Investment Program respectively. Funding in the three investment programs may be used to issue up to $350 million in bonds in each program ($1.05 billion total). The CTB is authorized to issue up to $150 million in bonds during FY 2005, $350 million in FY 2006, $350 Million in FY 2007, and $200 million in FY 2008. Bond funding would be used for no more than one-half of the costs of the projects, and contracts will not be approved unless private entities, localities, or both are obligated to pay an amount equal or greater than the cost for the project. However, the CTB may make a formal determination that sufficient private or local funds are not practically available, or that sufficient private or local funds will be available within six years. This bill also repeals the tenth enactment of Chapter 1019 and Chapter 1044 of the Acts of Assembly of 2000, which provided for the deposit of one-third of the estimated revenue collected for all insurance license tax imposed pursuant to Article 2 (§ 58.1-2500 et seq.) of Chapter 25 of Title 58.1 for each fiscal year to the Virginia Department of Transportation’s Priority Transportation Fund.

6. **Fiscal Impact Estimates are:** Preliminary, see item 8.

7. **Budget amendment necessary:** To be determined. According to the Department of Transportation, the sixth enactment of the bill sets maximum amounts of expenditure and or debt issuance for fiscal years 2005 though 2008. An appropriation for debt service of $10.4 million and $34.5 million would be required for 2005 and 2006 respectively if the revenue dedicated for the respective funds were to be leveraged through debt issuance. Further, the redirection of one-third of the insurance license tax shifts funding levels in the state highway construction program and the Priority Transportation Fund. As currently proposed by the Governor, the insurance

premiums will provide the necessary budgetary offset of $1 million in FRANs in the next six years.

8. Fiscal implications:
Currently, a third ($130.4 million in 2005 and $141.6 million in 2006) of the insurance license tax is diverted to the Virginia Department of Transportation's Priority Transportation in accordance with the Transportation Act (VTA) of 2000. The fifth enactment of the bill repeals the tenth enactment of the (VTA). By diverting the funding, the CTB's discretion is removed to allocate the license tax revenues to advance priority transportation projects designated in the VTA. Given this, the proposed bill redirects such funding to projects identified in House Bill 117, and primary projects in the Lynchburg, Richmond, Staunton, and Fredericksburg districts.

In addition, according to the Department of Transportation, the revenue identified in the bill would be authorized to fund up to one half of designated projects either through expenditure from the three funds created or district allocations. Projects specified in the bill total more than $9 billion, with identified funding of $109 million through the current six-year program. Designated funding may be leveraged through the issuance of up to $1.05 billion in bonds to provide funding for the projects. However, the CTB is prohibited from using bond proceeds for any project unless matching private or local funding has been identified, or the CTB determines such matching funds are not practically available.

If the full amount of authorized debt were issued, then the annual debt service needs would total approximately $73 million by 2008. Total revenue available from the three Investment Funds is projected to be about $109 million in 2008.

In addition, according to the Department of Treasury, bonds issued pursuant to this bill would constitute tax-supported debt and utilize the state's available debt capacity. Given this, the bill should be considered in the context of other debt-related proposals. The 2003 Debt Advisory Capacity Committee recommended that no more than $661.9 million of tax-supported debt be authorized in any year of the biennium and the debt proposed by this bill would utilize most of the recommendation. The ultimate impact on the State's debt capacity will depend upon the issuance and debt repayment terms of the bonds so authorized.

9. Specific agency or political subdivisions affected: Department of Transportation, the State Corporation Commission, Department of the Treasury, Department of Accounts, and localities.

10. Technical amendment necessary: Some of the bond and security provisions in HB 117 are unique. Given this, it may be prudent to have the bond counsel review the language in this bill to ensure that no technical problems exist.

11. Other comments: The bill does not appear to provide for gubernatorial or Treasury Board approval.

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cc: Secretary of Finance
Secretary of Transportation