

## Department of Planning and Budget 2004 Fiscal Impact Statement

**1. Bill Number** HB 1390

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

**2. Patron** Callahan and Griffith

**3. Committee** Finance

**4. Title** Virginia Cultural Economic Development Revolving Fund

**5. Summary/Purpose:** The bill would create the Virginia Cultural Economic Development Revolving Fund for the purposes of improving the cultural institutions and organizations and economic development prospects and interests of the Commonwealth through collaboration with Virginia's local governments. An advisory board would be created to assist the Virginia Resources Authority in managing the Fund. The Fund would be used to make grants or loans to local governments for facilities supporting and improving cultural institutions or interests and for facilities supporting and encouraging economic development. Under the provisions of the bill, the state vehicle rental tax would be increased from four percent to six percent, with the additional revenues from the increase to be deposited into the Fund.

**6. Fiscal impact:** Based on information provided by the Department of Taxation, DPB estimates that a two percent increase in the state vehicle rental tax would yield approximately \$13.4 million in FY 2005 and \$14.0 million in FY 2006, increasing to \$15.2 million by FY 2009 and FY 2010.

**6a. Expenditure Impact:**

| <i>Fiscal Year</i> | <i>Dollars</i> | <i>Positions</i> | <i>Fund</i> |
|--------------------|----------------|------------------|-------------|
| 2003-04            | \$0            | 0.00             | N/A         |
| 2004-05            | \$13,400,000   | 0.00             | NGF         |
| 2005-06            | \$14,000,000   | 0.00             | NGF         |
| 2006-07            | \$14,400,000   | 0.00             | NGF         |
| 2007-08            | \$15,000,000   | 0.00             | NGF         |
| 2008-09            | \$15,200,000   | 0.00             | NGF         |
| 2009-10            | \$15,200,000   | 0.00             | NGF         |

**6b. Revenue Impact:**

| <i>Fiscal Year</i> | <i>Dollars</i> | <i>Positions</i> | <i>Fund</i> |
|--------------------|----------------|------------------|-------------|
| 2003-04            | \$0            | 0.00             | N/A         |
| 2004-05            | \$13,400,000   | 0.00             | NGF         |
| 2005-06            | \$14,000,000   | 0.00             | NGF         |
| 2006-07            | \$14,400,000   | 0.00             | NGF         |
| 2007-08            | \$15,000,000   | 0.00             | NGF         |
| 2008-09            | \$15,200,000   | 0.00             | NGF         |
| 2009-10            | \$15,200,000   | 0.00             | NGF         |

There could be additional costs to the Virginia Economic Development Partnership associated with this bill. Under the provisions of the bill, before approving any grant or appropriation the Advisory Board must receive a report from a reliable entity such as the Virginia Economic Development Partnership on the anticipated economic impact of the proposed project. However, the amount of any such additional costs is difficult to determine because it would depend on a number of factors, such as the demand for funding from the Virginia Cultural Economic Development Revolving Fund.

The Virginia Resources Authority states that it could administer the provisions of this bill with existing staff. While the bill would authorize the Authority to collect a reasonable fee for its management services, it is not clear at this time whether the Authority would charge a fee.

- 7. Budget amendment necessary:** Yes. While the Virginia Resources Authority is not on the books of the Commonwealth and the Virginia Cultural Economic Development Revolving Fund would be established outside the state treasury, an appropriation would be required to disburse the funds to the Virginia Resources Authority.
- 8. Fiscal implications:** See Item 6.
- 9. Specific agency or political subdivisions affected:** Virginia Resources Authority; Department of Motor Vehicles, Virginia Economic Development Partnership.
- 10. Technical amendment necessary:** Yes. The bill states (lines 284-286) that “(v) all funds collected by the additional tax imposed pursuant to subdivision A 4 of §58.1-2402 shall be deposited into the Virginia Cultural Economic Development Revolving Fund created pursuant to §2.2-5107.” The term “additional tax” refers to the additional two percent tax being imposed under the provisions of this bill. However, this additional two percent tax is being added to an already-existing “additional” four percent tax, making the new “additional” tax six percent. The bill as currently drafted would appear to require that the entire six percent additional tax be deposited to the Fund. However, §58.1-2425.A.(ii) requires that this tax be distributed to localities. Therefore the provisions are in conflict with each other and do not appear to represent the intent of the legislation. The language in both §58.1-2425.A.(ii) and the new section §58.1-2425.A.(v) should be rewritten to make clear that, of the additional six percent tax being levied, four percent is to be distributed to localities (current law) and two percent is to be deposited to the Fund (proposed law).

In addition, in line 285 of the bill after the term “deposited into” insert “the state treasury and disbursed to” to make clear that these funds should be appropriated and disbursed from the state treasury to the Virginia Cultural Economic Development Revolving Fund.

**11. Other comments:** One source of funding for the Virginia Cultural Economic Development Revolving Fund is a state-imposed and state-collected tax. In the event and to the extent that the Virginia Resources Authority uses the proceeds of the additional tax to secure, or be the source for payment of, bonds of the Virginia Resources Authority, the bonds could be considered to be tax-supported debt of the Commonwealth and could impact the Commonwealth's debt capacity. The bill also would establish an advisory board in the executive branch of state government. However, all members of the advisory board would be appointed by the Joint Rules Committee of the General Assembly. This bill is identical to SB 676 as introduced.

**Date:** 01/30/04 / mar

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cc: Secretary of Commerce and Trade  
Secretary of Transportation  
Secretary of Finance