

Department of Planning and Budget 2004 Fiscal Impact Statement

1. Bill Number SB413

House of Origin	<input checked="" type="checkbox"/> Introduced	<input type="checkbox"/> Substitute	<input type="checkbox"/> Engrossed
Second House	<input type="checkbox"/> In Committee	<input type="checkbox"/> Substitute	<input type="checkbox"/> Enrolled

2. Patron Edwards

3. Committee Local Government

4. Title Rail Transportation Development Authority; change of effective date.

5. Summary/Purpose:

Amends the second enactment of Chapter 1041 of the Acts of Assembly of 2003 to provide that that act (creating the Rail Transportation Authority) will become effective on July 1, 2004. Establishes a seven-member rail transportation authority appointed by the Governor to finance or assist in the financing of capital improvements to rail lines and associated facilities. The authority may borrow money and accept contributions, grants, and other financial assistance, to issue bonds, including projects undertaken by the Public-Private Transportation Act of 1995, and make loans and grants.

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

7. Budget amendment necessary: To be determined.

8. Fiscal implications:

The bill is unclear on how the Authority will be financially supported. Although it could be implied that funding from the Department of Rail and Transportation (DRPT) may be available since the proposed new Chapter 10.2 is included within that part of the Code of Virginia dealing with DRPT. According to the Department of Rail and Public Transportation, the minimum annual "start-up" budget could be \$260,000, which includes board management and core support service to the authority. In addition, additional staff or consultant staff could be \$250,000 to \$500,000. However, a recently completed study indicated a budget need between \$500,000 to \$1 million each year. In addition, an existing similar authority's budget is between \$1.4 to \$1.7 million a year. It is unclear, at this time, if an appropriation needs to be provided to DRPT for the authority.

The authority appears to have the power, without limitation, to assist in the financing of rail line capital improvement projects. The fiscal impact of this bill is not known since it would depend on the number of projects, overall cost, debt service conditions, type of loans and grants, and the source of the funding to pay for the projects that would originate. However, the amount that could be issued in bonds appears unlimited.

If any funding for debt service comes from Transportation Trust Fund moneys or other related funding, then debt issued by this authority would impact the state's debt capacity. According to

the Department of Treasury, the 2003 Debt Advisory Capacity Committee recommended that no more than \$661.9 million of tax-supported debt be authorized in any year. Given this, the issuance of these bonds could impact other bond projects. 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: The Department of Rail and Public Transportation and the Department of Treasury.

10. Technical amendment necessary: No.

11. Other comments: The purpose of the authority appears to be for financing infrastructure improvements to rail lines, which are owned and controlled by private freight companies. In addition, the bill does not appear to provide for gubernatorial or Treasury Board approval.

Also, Senate Document #4 noted the creation of the Virginia Rail Transportation Authority to serve its intended purpose may be unconstitutional. Although this could be debated, the issue may be raised.

Date: 02/02/04 / jlm

Document: (DPB G:\Leg 04\SB413.DOC)

cc: Secretary of Treasury
Secretary of Finance