

Department of Planning and Budget 2006 SSI Fiscal Impact Statement

1. Bill Number HB 5037

House of Origin ☒ Introduced ☐ Substitute ☐ Engrossed

Second House ☐ In Committee ☐ Substitute ☐ Enrolled

2. Patron Hugo

3. Committee House Committee on Appropriations

4. Title Insurance license tax revenue; dedicated for transportation and creates transportation district programs.

5. Summary/Purpose:

The bill establishes Commonwealth Transportation District Programs for each of VDOT's construction districts, excluding the Northern Virginia construction district. Projects contained in the programs are to be funded by proceeds from the sale of bonds, called Commonwealth Transportation Projects Notes. The notes are to be issued by the Commonwealth Transportation Board and secured by revenues from all insurance license tax revenues paid to the State Corporation Commission. The bond proceeds will be allocated to each district's transportation district program based on the ratio of insurance license taxes collected in the district's localities.

6. Fiscal Impact: Preliminary.

<i>General Fund</i>	
<i>Fiscal Year</i>	<i>Amount</i>
FY 2008	(322,600,000)
FY 2009	(322,600,000)
FY 2010	(322,600,000)
FY 2011	(322,600,000)
FY 2012	(322,600,000)

<i>Nongeneral Fund</i>	
<i>Fiscal Year</i>	<i>Amount</i>
FY 2008	322,600,000
FY 2009	322,600,000
FY 2010	322,600,000
FY 2011	322,600,000
FY 2012	322,600,000

7. Budget amendment necessary: Yes. The reduction in general fund revenues would likely require there be significant reductions in general fund appropriations for some programs or some agencies in FY 2008.

8. Fiscal implications:

The bill would expand the concept of transportation district programs statewide. Currently, only the Northern Virginia district has a transportation district program. The Northern Virginia Transportation District Program is funded by its portion of the state recordation taxes which are distributed back to counties and cities. The Northern Virginia program regionalizes a revenue stream, allocating funds to a single district fund and designating them to specified projects within the region.

Currently, insurance license taxes generate \$440.2 million in revenue for the general fund. The 2006 Appropriation Act transfers \$117.6 million to the Priority Transportation Fund to support the debt service on Federal Reimbursement Anticipatory Notes (FRANs) issued to fund transportation projects. For the purposes of this fiscal impact statement, it is assumed that this transfer would have continued. Thus, the net impact on the general fund of this proposed legislation, related to the insurance premium tax revenue, would be a loss of \$322.6 million.

Another impact of the bill would be on the FRAN debt service payments. As noted above, the revenue from a portion of the insurance premium tax is currently dedicated to be used for FRAN debt service. Because the proposed legislation would direct all of the insurance premium tax revenue to be used to pay Commonwealth Transportation Projects Notes, VDOT will need to use other transportation revenue to pay the FRAN debt service.

According to the Department of Treasury, the debt issued under the authority of this bill would be tax-supported debt of the Commonwealth. If 10-year notes were issued utilizing the maximum debt service available, the principal amount of outstanding notes could potentially reach \$2.6 billion.

9. Specific agency or political subdivisions affected:

All county and city governments
Hampton Roads Metropolitan Planning Organization
Northern Virginia Transportation Authority
Department of Transportation
Commonwealth Transportation Board
Department of Treasury

10. Technical amendment necessary: Yes.

- a) The bill amends the Code of Virginia by adding a section numbered §33.1-221.1:3. However, that section currently exists.
- b) Lines 359, 371 and 409: The bill cites §33.1-221.1:9, but that code section does not exist.
- c) Line 501: The bill cites the Northern Virginia Investment Fund pursuant to §58.1-2512, but the bill does not reference the Northern Virginia Investment fund in that code section.
- d) §58.1-2512 references the Commonwealth Transportation Investment Fund, elsewhere in the proposed legislation the fund is titled Commonwealth Transportation Projects Fund.
- e) Line 104: strike §58.1-2511 and insert §58.1-2512.

11. Other comments:

- 1) The proposed legislation authorizes the Hampton Roads Metropolitan Planning Organization (MPO) to determine the projects to be funded in the Hampton Roads Transportation District Program, with the advice and consent of certain members of the General Assembly who live within the boundaries of the MPO. The Hampton Roads district is comprised of VDOT's Hampton Roads construction district, which includes counties and cities which lie outside of the Hampton Roads MPO. The term "advise and consent" should be clarified. For example, would the General Assembly members be able to block a specific project?
- 2) HB 5035, 5036, 5038 are similar to this bill.

Date: 09/13/06 / smc

Document: F:\SMC\GA\FIS 2006\HB5037.Doc

cc: Secretary of Finance

Secretary of Transportation