Department of Planning and Budget
2006 Special Session Fiscal Impact Statement

1. **Bill Number** **HB 5057**

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

2. **Patron** Kilgore

3. **Committee** Appropriations

4. **Title** Issuing bonds for transportation projects

5. **Summary/Purpose:**

The proposed bill would authorize the Commonwealth Transportation Board (CTB) to issue debt, called Commonwealth of Virginia Transportation Investment Notes, up to a total amount of $2 billion. The proceeds of the notes would be used to fund transportation projects throughout the state. Sixty percent of the proceeds would be allocated for transportation projects in the Northern Virginia Highway Construction District and the Hampton Roads Highway Construction District, with the remaining 40 percent distributed to the remaining highway districts of the state. The CTB would designate the specific projects that would be funded with the note proceeds.

The debt service payments on the notes would be made first from such funds as designated and appropriated by the General Assembly and then, to the extent required, from available revenues of the Transportation Trust Fund.

6. **Fiscal Impact Estimates are:** Preliminary. See Item 8.

7. **Budget amendment necessary:** Perhaps. Depending on when the CTB issues the first series of notes, there may be debt service due in FY 2008.

8. **Fiscal implications:**

The proposed bill would have fiscal implications on two fronts. First, the notes issued by the CTB under its provisions would be tax-supported debt and would have to be included in the calculation of the Commonwealth's debt capacity. The issuance of this debt would decrease the debt capacity of the Commonwealth by 44 percent.

The second implication would be the debt service payments over the life of the 10-year notes. It is likely that the full authorization of $2 billion in notes would be issued over a span of several years, rather than all at one time. Assuming four annual issues of $500 million each, according to the Department of the Treasury, debt service would start at $62.4 million per year and increase to $250 million per year.

The bill is somewhat vague about the source of funds for debt service. Unlike most authorizations for the issuance of revenue bonds, no specific revenue stream is identified as the source of the debt service payments. The bill provides for the principal and interest payments to be made from, first, those funds designated by the General Assembly, and, then, to the extent required, from the Transportation Trust Fund. To the extent that the General Assembly would choose to appropriate general fund revenues to pay the debt service on these notes, those revenues, of course, would not then be available for use in meeting needs generally supported by the general fund, such as education, public safety, and human services.

9. Specific agency or political subdivisions affected:

Department of Transportation
Department of the Treasury
All counties and cities

10. Technical amendment necessary: None.

11. Other comments: None.

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Document: G:\LEGIS\Sept 06 Session\HB 5057.DOC Dick Hall-Sizemore