

Department of Planning and Budget
2006 Special Session Fiscal Impact Statement

1. Bill Number **HB 5098**

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 Callahan

3. Committee Appropriations

4. Title Use of insurance premium tax revenues; issuance of bonds for transportation

5. Summary/Purpose:

The proposed bill would accomplish the following:

- Direct that all state insurance license tax revenue be set aside for transportation purposes. Until recently, all revenue from insurance premium taxes has been deposited into the general fund. In recent years, portions of the revenue related to motor vehicle insurance have been appropriated for transportation uses.
- Authorize the Commonwealth Transportation Board (CTB) to issue up to \$1.5 billion in bonds, with no more than \$300 million to be issued in any one fiscal year. This authorization would be contingent upon approval by the voters in a statewide referendum held in November 2007. The proceeds of the bonds would be allocated among the highway districts on the basis of population. The CTB would determine the specific projects for which the revenues would be used.

The first \$20 million of the insurance license tax revenue would be used for matching certain federal funds provided for the Washington Metropolitan Area Transit Authority (WMATA). The dedication to WMATA would not be effective unless the federal law were in effect on June 30, 2008.

The next portion of the revenue from the insurance premium tax would be used to pay the debt service on the bonds authorized by the bill. Any revenue not needed for the WMATA match or debt service on the bonds would be used for new transportation projects under current allocation formulas.

The provisions of the bill would be effective July 1, 2008, subject to the federal funds for WMATA being approved and the bond authorization being approved in the 2007 referendum.

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

7. Budget amendment necessary: No. The bill's provisions would not be effective until the next biennium.

8. Fiscal implications:

The debt service payments on the bonds authorized by the proposed bill would depend on several factors: the amounts in which they were issued, the interest rate, and the term of the bonds. Assuming that the CTB issued the maximum amount of 20-year bonds authorized each year (\$300 million) for five years, the debt service would be approximately \$24 million the first year after issuance and increase to \$120 million in the fifth year and remain at that level for several years.

The annual revenue in FY 2008 from the insurance premium tax related to motor vehicles is projected to be approximately \$117.6 million. Therefore, by the time the full amount of \$1.5 billion in bonds were issued, the revenue from the motor vehicle insurance premium tax would likely be insufficient to provide the \$20 million annual match for WMATA and the required debt service for the bonds. The General Assembly would need to decide whether to make up the difference with general fund revenue or transportation revenue.

Furthermore, the revenue from the insurance premium tax related to motor vehicles is appropriated in the current biennium to the Department of Transportation to be used to help pay the debt service on Federal Highway Reimbursement Anticipation Notes (FRANs) issued by the CTB. If the insurance premium tax revenue is diverted to provide funds for WMATA, debt service for bonds, and funding for new construction projects, as directed by the proposed legislation, existing transportation funds will therefore need to be used to pay the FRAN debt service.

Bonds issued by the Commonwealth Transportation Board under the provisions of this legislation would be tax-supported debt and would reduce the Commonwealth's debt capacity by approximately _____.

9. Specific agency or political subdivisions affected:

Department of Transportation
Department of the Treasury
Washington Metropolitan Area Transit Authority
All counties and cities

10. Technical amendment necessary: None.

11. Other comments: None.

Date: 09/26/06 / rwh

Document: G:\LEGIS\Sept 06 Session\HB5098.DOC Dick Hall-Sizemore