

Department of Planning and Budget 2007 Fiscal Impact Statement

1. Bill Number HB 2706

House of Origin ☒ Introduced ☐ Substitute ☐ Engrossed

Second House ☐ In Committee ☐ Substitute ☐ Enrolled

2. Patron Hugo

3. Committee House Appropriations

4. Title Transportation District Programs, and Transportation Investment Fund; created.

5. Summary/Purpose:

The proposed legislation would dedicate all state insurance license tax revenue for transportation projects in each highway construction district throughout the Commonwealth on a pro rata basis pursuant to the amount collected in the localities in each such district. The bill would also create a transportation program for each highway construction district (similar to the Northern Virginia Transportation Program) as the means by which the revenues are distributed. In addition, the revenues may be used to issue bonds annually with a face value up to two-thirds of the amount of revenue estimated to be dedicated for each respective fiscal year, with the bond proceeds distributed to each transportation program on the same pro rata basis.

For all the transportation programs other than that for Northern Virginia and that for Hampton Roads, the Commonwealth Transportation Board shall determine the transportation projects to be funded. The transportation projects to be funded in Northern Virginia shall be as determined by the Northern Virginia Transportation Authority. The transportation projects to be funded in Hampton Roads shall be as determined by the Hampton Roads Metropolitan Planning Organization with the advice and consent of the members of the House Appropriations and Senate Finance Committees residing in Planning District 23.

6. Fiscal Impact: Preliminary.

<i>General Fund*</i>	
<i>Fiscal Year</i>	<i>Amount</i>
FY 2008	(\$300,100,000)
FY 2009	(\$315,500,000)
FY 2010	(\$330,300,000)
FY 2011	(\$349,700,000)
FY 2012	(\$371,300,000)
FY 2013	(\$394,300,000)

<i>Nongeneral Fund</i>	
<i>Fiscal Year</i>	<i>Amount</i>
FY 2008	\$300,100,000
FY 2009	\$315,500,000
FY 2010	\$330,300,000
FY 2011	\$349,700,000
FY 2012	\$371,300,000
FY 2013	\$394,300,000

* The insurance premium tax revenue derived from automobile insurance premiums is deposited into the general fund and transferred to the Transportation Trust Fund. While the revenue is not considered a component of the Transportation Trust Fund, the funds have been dedicated for transportation purposes and therefore are not included in the impact to the general fund or the nongeneral fund.

7. Budget amendment necessary: Yes. Item 443. 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 new Commonwealth Transportation Projects Fund would receive insurance premium tax revenue which currently supports the general fund. Currently, the Appropriation Act allocates to VDOT an amount of the insurance license tax revenues that represents the share of the tax revenues derived from automobile insurance premiums. The share is approximately 27 percent of the total insurance premium tax revenues. The funds are deposited into the Priority Transportation Fund, and are used to support the debt service payment requirements attributable to the issuance of Federal Highway Reimbursement Anticipatory Notes (FRANs). If the proposed legislation is passed, VDOT would be required to divert existing transportation revenue to satisfy the debt service owed on the FRANs. The diversion of such a significant amount of funding could impact VDOT's ability to match federal funding, which could result in a loss to the Commonwealth of four dollars in federal funding for every one dollar not available for match.

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 at an interest rate of 4.25 percent, utilizing the maximum debt service available, the principal amount of outstanding notes could potentially reach \$2.7 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: None.

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?

Date: 01/30/07 / smc

Document: F:\SMC\GA\FIS 2007\HB2706.Doc

cc: Secretary of Finance

Secretary of Transportation