

**Department of Planning and Budget
2013 Fiscal Impact Statement**

1. Bill Number: HB1696

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

2. Patron: Minchew

3. Committee: Appropriations

4. Title: Dulles Toll Road and the Dulles Corridor Metrorail project.

5. Summary: The Metropolitan Washington Airports Authority (MWAA) is constructing a 23-mile extension of the existing Metrorail system from East Falls Church to Washington Dulles International Airport and west to Ashburn. The project is being constructed in two phases. Phase II runs from Wiehle Avenue on the eastern edge of Reston to Ashburn in eastern Loudoun County. As currently planned, funding for Phase II is to be provided by bonds issued by MWAA, supported by a special tax district in Fairfax County and revenues from the Dulles Toll Road.

The proposed legislation would authorize the Virginia Department of Transportation (VDOT) to enter into an agreement with MWAA whereby the Commonwealth would pledge to cover a projected funding shortfall for debt service payments on bonds financing Phase II of the Dulles Corridor Metrorail project. The Commonwealth's payment, if any, is not to exceed an aggregate principal amount of \$500 million. In exchange, MWAA is to reduce the toll rates on the Dulles Toll Road by an amount equal to the interest rate savings on debt service payments.

The bill would require the Governor to include any necessary payment in his introduced budget, for consideration by the General Assembly. Any amounts paid by the state to MWAA are to be considered loans and their repayment may include interest. In addition, as part of the agreement, any toll rate increases on the Dulles Toll Road after January 1, 2013, shall be submitted to the State Corporation Committee for review and approval.

6. Budget Amendment Necessary: None.

7. Fiscal Impact Estimates: Preliminary. See Item 8.

8. Fiscal Implications: This proposal is consistent with a moral obligation pledge of the Commonwealth. A moral obligation pledge does not impact the Commonwealth's debt capacity. However, the Debt Capacity Advisory Committee's report to the Governor and General Assembly does include an appendix listing the state's outstanding moral obligations.

The report also reruns the debt capacity model showing the capacity available if the Commonwealth assumed outstanding moral obligation debt as tax-supported debt.

The Commonwealth has granted its moral obligation support to three issuers, the Virginia Housing Development Authority, the Virginia Resources Authority and the Virginia Public School Authority. For these entities, debt service reserve funds are created when the bonds are issued. If a revenue deficiency occurs, reserve fund monies are used to pay bondholders and the following year the entity requests an appropriation from the General Assembly to replenish it. The General Assembly may, but is not legally required to, replenish the reserve fund. Under the provisions of the proposed legislation, a reserve fund would not exist and MWAA would request funding from the Commonwealth when it projects a revenue deficiency will occur. It is unknown how rating agencies will view this arrangement and what level of interest rate reduction MWAA would receive on its bonds. It is also not known what level of toll rate reduction users of the Dulles Toll Road may experience.

9. Specific Agency or Political Subdivisions Affected: Department of Transportation,
Department of Treasury

10. Technical Amendment Necessary: None.

11. Other Comments: The total statutory cap on the three entities authorized to issue moral obligation bonds is \$3.8 billion. Currently, only the Virginia Resources Authority (VRA) is issuing debt with a moral obligation for the Commonwealth. In 2009, the General Assembly approved an increase to VRA's moral obligation debt limit from \$900 million to \$1.5 billion. VRA has \$801.4 million in outstanding moral obligation debt as of June 1, 2012.

Date: 1/27/2013 dpb/smc

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