

Department of Planning and Budget 2013 Fiscal Impact Statement

1. Bill Number: HB1758

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

2. Patron: Ramadan

3. Committee: Appropriations

4. Title: Virginia Economic Development Partnership Authority; export of Virginia products and services.

5. Summary: Authorizes the Virginia Economic Development Partnership Authority (VEDP) to undertake whatever activities the Authority deems appropriate to provide bridge loans and shipment insurance for Virginia exporters. This bill may be known as the Virginia Export Assistance Act.

6. Budget Amendment Necessary: Yes. See item 8, below.

7. Fiscal Impact Estimates are indeterminate. See item 8, below.

8. Fiscal Implications: *This revised impact statement reflects additional information from VEDP and the Department of the Treasury's Division of Risk Management (DRM) regarding anticipated implementation costs.* The full fiscal impact of the proposed legislation is indeterminate. However, estimates are available for various components of the proposed export assistance program.

The bill would authorize VEDP to provide bridge loans and shipment insurance for Virginia exporters. It is anticipated that VEDP would incur costs in establishing and staffing such a program. VEDP estimates that staffing costs would include hiring a manager with expertise in the areas of export financing and insurance to oversee the program. Preliminary, VEDP estimates the salary and benefit costs to be approximately \$91,000 (\$70,000 salary and \$21,000 benefits), from the general fund.

Additionally, VEDP anticipates that the development of an on-line application to provide a portal for interested parties to receive information and submit an application to participate in the program would be required. The cost of such an application is indeterminate, but based on the costs of previous applications, VEDP anticipates that it could range from \$100,000 to \$1.0 million, from the general fund, depending on the complexity. At this time, an assessment of the system's requirements is unavailable.

Also, it is anticipated that funding would be required to provide for the bridge loans as well as the shipment insurance. The amount of funding necessary to establish a program to provide bridge loans is indeterminate and would depend on the level of demand. The actual cost of the insurance is also indeterminate.

DRM administers various risk management plans and programs that cover state government, public entities, specified not-for-profit organizations, and certain individuals serving in the public interest. According to DRM, there would be costs incurred in developing a program that provides shipment insurance. The costs would depend upon the program's structure, including, but not limited to, whether the authority is to contract with an international broker to provide the insurance, whether the authority or the exporters would be responsible for paying for the insurance, the mechanism for securing payment (such as premiums and/or deductibles), the demand for insurance, the volume of shipments, the estimated value of the insured exports, shipping destination, the mode of shipment (land, sea, or air), as well as coverage types and limits.

Based on a preliminary review of potential options for implementing a program to provide shipment insurance, VEDP anticipates securing the insurance through a third-party insurance company to effectuate the program. However, the cost of the insurance is indeterminate at this time.

9. Specific Agency or Political Subdivisions Affected: Virginia Economic Development Authority; Department of the Treasury, Division of Risk Management.

10. Technical Amendment Necessary: No.

11. Other Comments: SB1301 also establishes an export assistance program under VEDP.

Date: 1/29/13

Document: G:/tmw/2013 Session/Legislation/HB1758.docx