

## Department of Planning and Budget 2015 Fiscal Impact Statement

**1. Bill Number:** HB1745

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

**2. Patron:**    Lingamfelter

**3. Committee:** House Committee on Commerce and Labor

**4. Title:**    Fire Programs Fund; expense of administration of insurance laws and regulatory revenue taxes.

**5. Summary:** Increases the rate of the assessment for the Fire Programs Fund from one to 1.4 percent of the total direct gross premium income for fire and related lines of insurance. Decreases the maximum assessment to administer insurance laws and reduces the maximum regulatory revenue tax imposed by the State Corporation Commission.

**6. Budget Amendment Necessary:** No

**7. Fiscal Impact Estimates:** Preliminary (see Item #8)

**8. Fiscal Implications:** This bill would likely have impact on Fire Program Fund (FPF) collections. The bill increases the FPF assessment rate on fire and related lines of insurance from 1 percent to 1.4 percent. In FY2014, approximately \$34.8 million was deposited into the Fire Program Fund as a result of the 1 percent levy. If the assessment rate is increased to 1.4 percent, the FPF would likely collect an estimated \$48 million, an increase of \$14 million over the FY2014 collections.

Pursuant to §38.2-401.B. of the Code of Virginia, 75 percent of total collections from the FPF are allocated to “*the several counties, cities and towns of the Commonwealth providing fire service operations to be used for the improvement of volunteer and career fire services in each of the receiving localities.*” These allocations are distributed to 324 eligible jurisdictions through the Virginia Department of Fire Programs Aid to Localities Entitlement Program.

The remainder of the funds, available for allocation from the FPF, used for the purposes of carrying out the powers and duties assigned to the Department of Fire Programs under Chapter 2 of Title 9.1. This includes funding training, administrative support services to localities, and for compensation and costs of expenses of the members of the Fire Services Board in performing their official duties.

The bill also amends §38.2-400 establishing a revised maintenance assessment rate that the State Corporation Commission (“Commission”) is allowed to assess against all companies

and surplus lines brokers, except premium finance companies and providers of continuing care registered pursuant to Chapter 49 (§ 38.2-4900 et seq.).

The bill increases the maintenance rate from .001 to 2.5. The legislation also caps the Commission's special regulatory revenue tax for utilities at .0015, which is below the current assessment rate of .0016 and considerably below the maximum of .002 currently allowed by law.

According to the Commission, the current maintenance assessment and special regulatory revenue tax are not sufficient to cover current expenses and will use up a portion of the Commission's surplus fund. Additionally, the proposed caps would limit the Commission from raising assessment fees and taxes when needed for unexpected events. In the past, the Commission has had to raise assessment fees and taxes to cover expenses such as new or evolving insurance duties and responsibilities and to pay for new utility-related duties such as the Virginia Energy Sense program. According to the Commission, the proposed caps would make it difficult to maintain tax rate stability on utilities and insurance companies.

**9. Specific Agency or Political Subdivisions Affected:** Virginia Department of Fire Programs, State Corporation Commission

**10. Technical Amendment Necessary:** No

**11. Other Comments:** None

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