

Department of Planning and Budget 2004 Fiscal Impact Statement

1. **Bill Number** SB413

House of Origin	<input type="checkbox"/> Introduced	<input checked="" type="checkbox"/> Substitute	<input type="checkbox"/> Engrossed
Second House	<input type="checkbox"/> In Committee	<input type="checkbox"/> Substitute	<input type="checkbox"/> Enrolled

2. **Patron** Edwards

3. **Committee** Finance

4. **Title** Rail Transportation Development Authority; change of effective date.

5. **Summary/Purpose:**

Creates a body corporate and a political subdivision of the Commonwealth to be known as the Rail Transportation Development Authority. The Authority has the responsibility of identifying needed construction, reconstruction, improvements, repairs, extensions, additions, restorations, and any related acquisitions of real or personal property, rails, tracks, rights-of-way, shops, terminals, bridges, tunnels, rolling stock, signals, and any other equipment, infrastructure, or facilities that are or may be used to provide for the transportation of freight or passengers by rail in the Commonwealth that the Authority determines to be in the public interest, hereinafter referred to as a rail transportation project. In addition to its other powers hereinafter set forth, the Authority shall have the power to finance or assist in financing, from the resources made available to it, any such rail transportation project. The Authority shall consist of the State Treasurer or his designee, who shall be a non-voting member, and nine voting members appointed by the Governor, subject to confirmation by the General Assembly, who shall serve at the pleasure of the Governor.

6. **Fiscal Impact Estimates are:** Preliminary, see item 8.

6a. **Expenditure Impact:**

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2003-04	\$0	0	NA
2004-05	\$262,000	0	GF
2005-06	\$262,000	0	GF
2006-07	\$525,000	0	GF/NGF
2007-08	\$750,000	0	GF/NGF
2008-09	\$750,000	0	GF/NGF
2009-10	\$750,000	0	GF/NGF

7. **Budget amendment necessary:** Yes, item 483.

8. **Fiscal implications:**

The bill notes that the members of the Authority shall be reimbursed their actual and necessary expenses incurred in carrying out their duties and, in addition, shall be paid the same per diem as provided in the general appropriation act for members of the General Assembly engaged in legislative business between sessions.

Currently, non-session per diems is \$200 per day. If the ten members are reimbursed, for example, \$50 for their actual and necessary expenses, and an additional \$200 per day, and there are six meeting per year, then the total costs could be \$15,000.

Also, the bill notes that the Virginia Department of Rail and Public Transportation shall provide administrative support services for the Authority, which could include financial management of funding for the project(s), and the development, publishing, advocating, and the revision of a rail transportation plan for the Commonwealth. According to the Department of Rail and Public Transportation, the minimum annual "start-up" budget could be \$260,000, which includes board management and core support service to the authority. A Senate budget

amendment does include \$262,000 in general fund moneys each year for start-up costs, and this may be sufficient. After two years, it is expected that either general fund and/or non general fund moneys could be available to continue the Authority. However, it is unclear where the additional non general funding would come from since it has been noted that no existing freight traffic may be used, and transportation revenue has not been identified. Given this, the Authority may have to be re-evaluated at some point in the future, and a steady funding source for costs identified.

Additional staff or consultant staff for the Authority could cost \$250,000 to \$500,000. A recently completed study indicated a budget need between \$500,000 to \$1 million each year. An existing similar authority's budget is about \$1.4 to \$1.7 million a year. Thus, out-year costs are estimated at \$525,000 in FY 2007, and \$750,000 each year thereafter. As the Authority takes on more responsibility, additional staff may have to be added to the department, such as attorneys, engineers, and other technical advisors. However, the actual number, position, and salaries cannot be determined at this time.

The Authority appears to have the power, without limitation, to assist in the financing of rail line capital improvement projects. The total fiscal impact of this bill is not known since it would depend on the number of projects, overall cost, debt service conditions, type of loans and grants, and the source of the funding to pay for the projects that would originate. In addition, the Authority does not have the power to impose fees, financial obligations, or mandates of any kind on any common carrier freight railroad to reimburse its costs without the consent on the common carrier railroad. However, the amount that could be issued in bonds appears unlimited.

If any funding for debt service comes from Transportation Trust Fund moneys or other related funding, then debt issued by this authority would impact the state's debt capacity. According to the Department of Treasury, the 2003 Debt Advisory Capacity Committee recommended that no more than \$661.9 million of tax-supported debt be authorized in any year. Given this, the issuance of these bonds could impact other bond projects. The ultimate impact on the state's debt capacity will depend upon the issuance and debt repayment terms of the bonds so authorized.

9. Specific agency or political subdivisions affected: The Department of Rail and Public Transportation and the Department of Treasury.

10. Technical amendment necessary: No.

11. Other comments: The primary purpose of the Authority appears to be to finance infrastructure improvements to rail lines, which are owned and controlled by private freight companies. Senate Document #4 (2004) noted that the creation of the Virginia Rail Transportation Authority to serve this intended purpose may be unconstitutional. The bill also does not appear to provide for gubernatorial or Treasury Board approval of such financings.

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Document: (DPB G:\Leg 04\SB413S1.DOC)

cc: Secretary of Treasury
Secretary of Finance