

Department of Planning and Budget 2007 Fiscal Impact Statement

1. **Bill Number** HB2440

House of Origin ☒ Introduced ☐ Substitute ☐ Engrossed

Second House ☐ In Committee ☐ Substitute ☐ Enrolled

2. **Patron** Frederick

3. **Committee** House Appropriations

4. **Title** Commonwealth Transportation Investment Fund; created.

5. **Summary/Purpose:** The proposed legislation would create the Commonwealth Transportation Investment Fund and dedicate to it one-third of all insurance license tax revenues, to be used for transportation projects throughout the Commonwealth. The Commonwealth Transportation Board (CTB) would be authorized to issue revenue bonds in accordance with certain provisions. The proceeds of the bonds shall be allocated among various transportation modes according to the formula under current law. All other revenues in the Fund not needed to pay debt service on the bonds are allocated for transportation construction projects among the several highway systems of the Commonwealth according to the formula under current law. The particular transportation projects to be funded shall be determined by the Commonwealth Transportation Board. The bill also increases from \$800 million to \$1.2 billion the amount of Commonwealth of Virginia Federal Highway Reimbursement Anticipation Notes that were authorized in 2000 and dedicated to transportation projects, and makes other changes to transportation projects that were authorized in 2000.

6. **Fiscal Impact Estimates are:** Preliminary. See Item 8.

<i>General Fund*</i>	
<i>Fiscal Year</i>	<i>Amount</i>
FY 2008	(\$26,000,000)
FY 2009	(\$27,400,000)
FY 2010	(\$28,700,000)
FY 2011	(\$30,300,000)
FY 2012	(\$32,200,000)
FY 2013	(\$34,200,000)

<i>Nongeneral Fund</i>	
<i>Fiscal Year</i>	<i>Amount</i>
FY 2008	\$26,000,000
FY 2009	\$27,400,000
FY 2010	\$28,700,000
FY 2011	\$30,300,000
FY 2012	\$32,200,000
FY 2013	\$34,200,000

* The 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.

7. Budget amendment necessary: Yes. Item 447.

8. Fiscal implications: The proposed legislation would create the Commonwealth Transportation Investment Fund (the Fund). Of all insurance license tax revenues paid to the State Corporation Commission, one-third of the revenues generated are to be deposited into the Fund. Proceeds in the Fund are to be used to secure bonds issued by the CTB for transportation projects, entitled Commonwealth of Virginia Transportation Investment Notes (the Notes). The amount of debt that can be issued under the provisions of the proposed legislation depends on the amount of revenue generated by one-third of the insurance license tax revenues in any given year. The debt issued by the Commonwealth Transportation Board under the provisions of the proposed legislation would create tax-supported debt and impact the state's debt capacity.

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.

The proposed legislation would transfer one-third of all insurance license tax revenues, not just the 27 percent share currently allocated to VDOT. The remaining six percent, representing approximately \$26.0 million in FY 2008, currently supports the general fund.

The proceeds of the bonds are to be distributed among the four transportation modes according to subdivision A 1 of §58.1-638, which distributes 4.2 percent to the Commonwealth Port Fund, 2.4 percent to the Commonwealth Airport Fund, 14.7 percent to the Commonwealth Mass Transit Fund and the remaining 78.7 percent to highway purposes.

The revenues in the Fund not required for debt service on the Notes are to be used for transportation projects throughout the Commonwealth, and are to be distributed to the three highway systems according to formulas in the Code of Virginia, which direct 40 percent to the primary system, 30 percent to the secondary system and 30 percent to the urban system.

9. Specific agency or political subdivisions affected: Commonwealth Transportation Board, Department of Transportation

10. Technical amendment necessary: None.

11. Other comments: Chapter 655 of the 2005 Acts of Assembly accomplished some of the purposes of the third and fourth enactments of the proposed legislation dealing with amending the statutory limit on debt issuance to \$1.2 billion.

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cc: Secretary of Finance

Secretary of Transportation