

Department of Planning and Budget 2018 Fiscal Impact Statement

1. Bill Number: HB560

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

2. Patron: Sullivan

3. Committee: Commerce and Labor

4. Title: Virginia Energy Efficiency Revolving Fund.

5. Summary: Creates the Virginia Energy Efficiency Revolving Fund to provide no-interest loans to any locality, school division, or public institution of higher education for energy conservation or efficiency projects, funded by 40 percent of the annual revenue over \$325 million of certain state recordation taxes and other funds given to the Fund. The transfer would not apply to recordation tax revenues generated by the open-space preservation fee or the regional congestion relief fee.

Under current law, the first \$40 million of the state recordation tax is dedicated to the U.S. Route 58 Corridor Development Fund and another \$40 million of the state recordation tax is apportioned and distributed back to each county and city, subject to certain transfers. Additionally, out of the total state recordation tax collected, \$0.02 per \$100 of value are deposited into the Commonwealth Mass Transit Fund and \$0.01 per \$100 of value is deposited into the Commonwealth Transit Capital Fund. The remaining revenues are dedicated to the General Fund.

6. Budget Amendment Necessary: Yes. Page 1, Revenue Estimates.

7. Fiscal Impact Estimates: Preliminary, see Item 8

7b. Revenue Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2018	\$0	-
2019	(\$11.8 million) \$11.8 million	General Virginia Energy Efficiency Revolving Fund
2020	(\$11.8 million) \$11.8 million	General Virginia Energy Efficiency Revolving Fund
2021	(\$11.8 million) \$11.8 million	General Virginia Energy Efficiency Revolving Fund
2022	(\$11.8 million) \$11.8 million	General Virginia Energy Efficiency Revolving Fund
2023	(\$11.8 million) \$11.8 million	General Virginia Energy Efficiency Revolving Fund
2024	(\$11.8 million) \$11.8 million	General Virginia Energy Efficiency Revolving Fund

- 8. Fiscal Implications:** Based on the Official Forecast, forty percent of the revenues generated by the state recordation tax deposited in the state treasury in excess of \$325 million is estimated to be \$11.8 million for Fiscal Year 2018 and thereafter. The bill would require the revenues to be transferred no later than September 1 in the immediately following fiscal year that the revenues exceeded \$325 million. Assuming that this would require the first transfer to occur on September 1, 2018, based on Fiscal Year 2018 revenue, this bill is estimated to result in transfers from the General Fund to the Virginia Energy Efficiency Revolving Fund of \$11.8 million annually beginning in Fiscal Year 2019. This would decrease the amount of General Fund revenues available for appropriation by \$11.8 million annually beginning in Fiscal Year 2019.

These revenue estimates are based on the recordation tax revenue remaining after statutorily mandated transfers to the Transportation Trust Fund. A technical amendment is suggested to clarify that this is the intended result.

The Department of Taxation notes that there are no administrative costs to the department to implement this bill.

- 9. Specific Agency or Political Subdivisions Affected:** Virginia Resources Authority

- 10. Technical Amendment Necessary:** Yes.

Preliminary analysis indicates that this legislation may impact the transportation funding restrictions put in place by Enactment 22, Chapter 896, 2007 Acts of Assembly. If the bill does not violate these restrictions, it is in conflict with Va. Code § 58.1-815.4, which requires that three cents of the total recordation tax revenues collected from deeds generally (Va. Code § 58.1-801) and deeds of trust or mortgages (Va. Code § 58.1-803) be deposited into the Commonwealth Mass Transit Fund and the Commonwealth Transit Capital Fund. This bill requires total revenues generated by recordation taxes, including those imposed by Va. Code §§ 58.1-801 and 58.1-803, to be used in the calculation for the transfer to the Virginia Energy Efficiency Revolving Fund. Since both the bill and the existing statute depend on an amount of “total revenues”, it is not clear which requirement would take precedent. It is suggested that this bill be amended to clarify that the excess upon which the calculations are based is after transfers to the Transportation Trust Fund.

The Virginia Resource Authority (“VRA”) provides financial management for several state revolving loan funds. Each revolving loan fund is assigned to a state agency and those agencies provide subject matter expertise on the various programs and projects. VRA would suggest the Department of Mines, Minerals, and Energy as the agency to provide expertise on this subject. In addition, each of the existing revolving funds include payment to VRA for costs incurred in its financial management of the fund. This is necessary because VRA receives no state funds and operates from revenue that it is required to generate to support its programs and services.

- 11. Other Comments:** SB894 is identical to this bill.