

**Department of Planning and Budget**  
**2026 General Assembly Session**  
**State Fiscal Impact Statement**

---

PUBLISHED: 1/23/2026 9:54 AM

ORIGINAL

**Bill Number:** HB394                    **Patron:** Askew  
**Bill Title:** Fire Programs Fund; assessment.

**Bill Summary:** Increases the fire insurance assessment from one percent of total direct gross premium income for such insurance to (i) 1.5 percent on and after July 1, 2026, but before July 1, 2027, and (ii) two percent on and after July 1, 2027.

**Budget Amendment Necessary:** Yes                    **Items Impacted:** Item 406

**Explanation:** A nongeneral fund appropriation increase of \$38,406,950 in FY2028 is likely necessary in Item 406 of HB30/SB30 (the Introduced Budget) to provide sufficient spending authority for the anticipated increase in funds available for aid to localities.

**Fiscal Summary:** According to the Department of Fire Programs (DFP) and the State Corporation Commission (SCC), the provisions of the bill are estimated to increase nongeneral fund revenues for the Fire Programs Fund to \$119,646,782 in FY2027 and \$171,740,772 in FY2028, an increase of \$39,882,260 and \$85,870,386, respectively, over original revenue estimates. The additional nongeneral fund revenues are estimated to provide an additional \$38.4 million of aid to localities for the improvement of volunteer and career fire services beginning in FY2028.

**Nongeneral Fund Expenditure Impact:**

Agency	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031
DFP			\$38,406,950	\$77,477,444		
<b>TOTAL</b>			<b>\$38,406,950</b>	<b>\$77,477,444</b>		

**Fiscal Analysis:**

Background

As per existing § 38.2-401 of the Code of Virginia, the Fire Programs Fund generates revenue through an annual assessment of one percent of the total direct gross premium income for all licensed insurance companies doing business in the Commonwealth providing fire insurance, miscellaneous property insurance, marine insurance, homeowners insurance, and farmowners insurance. Of the total annual revenue generated for the Fire Programs Fund:

- \$1,000,000 is committed to the Fire Services Grant Program.
- \$100,000 is committed to the Department of Forestry to support a Dry Fire Hydrant Grant Program.

**Department of Planning and Budget**  
**2026 General Assembly Session**  
**State Fiscal Impact Statement**

---

- \$160,810 is committed to support hazardous materials training (as per Item 398 of HB30/SB30 (Introduced Budget))
- 75 percent of the remaining amount of funds after the above distributions are deducted is committed to providing aid to localities for the improvement of volunteer and career fire services.
- The remaining amount of funding after the above distributions are made is available to be used for the purposes of carrying out the powers and duties assigned to DFP and to cover expenses associated with the Virginia Fire Services Board.

The SCC is responsible for collecting the assessment on insurance companies and transferring the revenues to DFP to be used in the following fiscal year (i.e. revenues generated in FY2027 will be used in FY2028).

**Fiscal Impact of HB394 on Fire Programs Fund Revenues**

According to nongeneral fund revenue estimates submitted by DFP and SCC during the budget development for the 2026 Introduced Budget, below are the original nongeneral fund revenue estimates for FY2027 and FY2028, as well as updated estimates reflecting the impacts of the bill:

Original FY2027 Estimate	Original FY2028 Estimate	Updated FY2027 Estimate (1.5%)	Updated FY2028 Estimate (2.0%)
\$79,764,521	\$85,870,386	\$119,646,780	\$171,740,772

According to DFP, the impact estimates assume a total direct gross premium income from licensed insurance companies to be approximately \$7.9 billion in FY2027 and \$8.5 billion in FY2028. From these amounts, DFP applied the 1.5 percent assessment to the FY2027 estimated direct gross premium income and the 2.0 percent assessment to the FY2028 estimated direct gross premium income, as per the provisions of the bill. As such, the fiscal impact of the bill is anticipated to provide an additional revenue of \$39,882,259 in FY2027 and \$85,870,386 in FY2028, over original estimates.

**Fiscal Impact of HB394 on Fire Programs Fund Expenditures**

DFP estimates the following impact on aid to localities funding and funding available for agency operations as a result of this bill:

FY2027	FY2028
No change to anticipated expenses due to the use of FY2026 revenues in FY2027.	<b>Total Funds Available:</b> \$119,646,780 <b>Aid to Localities:</b> \$88,789,478 <b>Operations:</b> \$29,596,493

Original estimates assumed approximately \$58.5 million for aid to localities and \$19.6 million for agency operations in FY2028. Therefore, the fiscal impact of the bill is anticipated to increase FY2028 total funds available for aid to localities by \$30.2 million and funds available for agency operations by \$9.9 million.

**Department of Planning and Budget**  
**2026 General Assembly Session**  
**State Fiscal Impact Statement**

---

In Item 406 of HB30/SB30 (Introduced Budget), \$50,382,527 nongeneral fund appropriation in the first and second year is currently provided for Fire Programs Fund distributions to localities. An increase of nongeneral fund appropriation in the amount of \$38,406,950 in FY2028 is likely necessary to provide sufficient spending authority for the agency to make aid to locality distributions without additional administrative adjustments during the fiscal year. The bill does not appear to make any adjustments to required distributions for the Fire Services Grant Program nor the Dry Fire Hydrant Grant Program, therefore no changes were assumed.

Additional nongeneral fund appropriation is likely necessary to provide sufficient spending authority to use the Fire Programs Fund to cover agency operations. According to DFP, the agency intends to spend the additional available funds for operations to hire:

- 10 full-time fire training instructors to address increased training workloads.
- Three full-time logistics technicians to support the planning and execution of fire service trainings.
- One full-time administrator to oversee the Virginia Fire Marshals Academy.
- Two full-time grants administrators to support anticipated workload increases to DFP's grants team.

DFP also intends to make upgrades to its logistics office at the Virginia Public Safety Training Center. Funding and additional nongeneral fund positions will likely need to be adjusted in the second year in Items 405 (Fire Training and Technical Support), 406 (Financial Assistance for Fire Services Programs), and 407 (Regulation of Structure Safety), but can be addressed in the Amended Budget after revenues are recorded. The agency has indicated that it is preparing a proposal for the use of the additional nongeneral fund revenues.

**Other:** None