

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

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ORIGINAL

Bill Number: HB986

Patron: Garrett

Bill Title: Insurance; Fire Programs Fund; purposes; Virginia At Risk Fire Grant Program established.

Bill Summary: Increases the assessment on certain insurance companies from one percent to 1.5 percent. The bill provides that the portion of the Fire Programs Fund allocated to localities may be used for the additional purposes of (i) constructing, improving, or expanding fire station facilities; (ii) providing mental health resources for fire personnel; or (iii) hiring additional fire personnel and funding recruitment and retention programs. The bill also prohibits such funds from being used, except as provided, for the purposes of investments, operating expenses, debt repayment, taxes, or fees. The bill also establishes the Virginia At Risk Fire Grant Program, to be funded by 0.25 percent of the assessments on insurance companies, for the purposes of providing assistance to localities with fire departments that are determined to be most at risk of being unable to provide fire suppression or rescue activities or maintain compliance with relevant laws and regulations.

Budget Amendment Necessary: Yes

Items Impacted: 405 and 406

Explanation: See fiscal summary

Fiscal Summary: According to the Department of Fire Programs (DFP), it is likely necessary to increase the nongeneral fund appropriation associated with the Fire Programs Fund distribution in Item 406 by \$44,653,043 to provide sufficient spending authority to the agency to make aid to locality distributions without additional administrative adjustments during the fiscal year. In addition, one additional nongeneral fund position and \$121,481 of associated nongeneral fund appropriation is anticipated to be needed to administer the bill's expansion of the existing grant program.

Nongeneral Fund Expenditure Impact:

<u>Agency</u>	<u>FY2026</u>	<u>FY2027</u>	<u>FY2028</u>	<u>FY2029</u>	<u>FY2030</u>	<u>FY2031</u>
DFP		\$101,235	\$44,774,524	\$44,774,524	\$44,774,524	\$44,774,524
TOTAL		\$101,235	\$44,774,524	\$44,774,524	\$44,774,524	\$44,774,524

Position Impact:

<u>Agency</u>	<u>FY2026</u>	<u>FY2027</u>	<u>FY2028</u>	<u>FY2029</u>	<u>FY2030</u>	<u>FY2031</u>
		1.00	1.00	1.00	1.00	1.00
TOTAL		1.00	1.00	1.00	1.00	1.00

Fiscal Analysis:

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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.
- \$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 HB986 on Fire Programs Fund Revenues

According to DFP, the provisions of the bill increase the current 1.0 percent assessment on certain insurance companies operating in the Commonwealth by an additional 0.5 percent. See table below for an overview of assumptions, calculations, and estimated impact on nongeneral fund revenues:

FY2027 Estimated Total Direct Gross Premium Income	FY2028 Estimated Total Direct Gross Premium Income
\$7,976,452,000	\$8,587,038,600
FY2027 Original Revenue Estimate (1 percent assessment)	FY2028 Original Revenue Estimate (1 percent assessment)
\$79,764,521	\$85,870,386
FY2027 Updated Revenue Estimate (1.5 percent assessment)	FY2028 Updated Revenue Estimate (1.5 percent assessment)
\$119,646,780	\$128,805,579

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According to DFP, the additional 0.5 percent increase on the assessment on certain licensed insurance companies is estimated to generate an additional \$39,882,259 in FY2027 and \$42,935,193 in FY2028, over original estimates.

Fiscal Impact of HB986 on Fire Programs Fund Expenditures

As the bill is written, the requirement for 0.25 percent of the assessment on certain licensed insurance companies is obligated towards the new Virginia At Risk Fire Grant Program. According to data provided by DFP, the 0.25 percent assessment would generate approximately \$19,941,130 in FY2027 to be expended in FY2028 for the Virginia At Risk Fire Grant Program. This amount would be deducted from total revenues, along with amounts previously mentioned above, and the remaining balance would be subject to the 75 percent requirement for general aid to localities and 25 percent for agency operations. The chart below provides an overview of assumptions, calculations, and estimates for FY2028 expenditures:

<i>Note – revenues generated in any given fiscal year are used by DFP in the following fiscal year, therefore FY2027 expenditures are not anticipated to be impacted by the bill and are not included in the fiscal analysis.</i>	
FY2027 Total Estimated Revenue (1.0 percent assessment)	\$79,764,521
FY2028 Original Expenditure Estimate	
Fire Services Grant Program	\$1,000,000
Dry Fire Hydrant Grant Program	\$100,000
Hazardous Material Training	\$160,810
Subtotal	\$1,260,810
Remaining Funds	\$78,503,711
75 percent of remaining funds for aid to localities	\$58,877,783
25 percent of remaining funds for agency operations	\$19,625,927
FY2028 Total Estimated Revenue (1.5 percent assessment)	\$119,646,780
FY2028 Updated Expenditure Estimate	
Fire Services Grant Program	\$1,000,000
Dry Fire Hydrant Grant Program	\$100,000
Hazardous Material Training	\$160,810
<i>0.25 percent for the Virginia At Risk Fire Grant</i>	<i>\$19,941,130</i>
Subtotal	\$21,201,940
Remaining Funds	\$98,444,840
75 percent of remaining funds for aid to localities	\$73,833,630
25 percent of remaining funds for agency operations	\$24,611,210

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Currently, Item 406 of HB30/SB30 (Introduced Budget) provides \$50,382,527 nongeneral fund appropriation the first and second year for the Fire Programs Fund Distribution. Therefore, an increase of \$44,653,043 in nongeneral fund appropriation is likely necessary to provide the agency with sufficient spending authority to make aid to locality distributions under all provisions proposed by this bill. Additional nongeneral fund appropriation associated with additional funds available due to higher estimated revenue generation will be requested by the agency during the 2026 budget development for the 2027 Introduced Budget.

In addition, according to DFP, the bill's expansion of the Fire Programs Fund grant is anticipated to require one additional full-time position at a base salary of \$75,000, with a total annual cost of \$121,481 including fringe benefits (the first-year estimate is prorated for 10 months to allow for recruitment and onboarding at \$101,235). According to DFP, the agency currently employs two grants administrators that are responsible for managing five existing annual grants and one one-time grant. DFP anticipates that the two existing grants administrators would not be able to manage the additional workload of the expanded grant program in this bill.

Other: None.