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HOUSE BILL NO. 1296

Offered January 18, 2002

A BILL to amend and reenact §§ 33.1-221.1:3, 58.1-603, 58.1-604, 58.1-611.1, 58.1-614, 58.1-627, 58.1-628, 58.1-638, and 58.1-815.1 of the Code of Virginia; to amend and reenact § 2 of Chapter 391 of the Acts of Assembly of 1993, as amended by Chapters 470 and 597 of the Acts of Assembly of 1994, Chapters 740 and 761 of the Acts of Assembly of 1998, and Chapter 538 of the Acts of Assembly of 1999; and to repeal Article 22 (§§ 58.1-540 through 58.1-549) of Chapter 3 of Title 58.1, relating to sales and use taxes in Arlington County, Fairfax County, Loudoun County, Prince William County, the City of Alexandria, the City of Fairfax, the City of Falls Church, the City of Manassas, and the City of Manassas Park, and dedicating revenues from such taxes to increase the principal amount of bonds authorized to be issued for transportation projects in the Northern Virginia Transportation District Program to \$2,696,200,000, and designating additional transportation projects to be funded through such Program.

Patrons—Rollison, Albo, Bolvin, Callahan, Dillard, Hull, McQuigg, Parrish and Rust

Referred to Committee on Finance

Be it enacted by the General Assembly of Virginia:

1. That §§ 33.1-221.1:3, 58.1-603, 58.1-604, 58.1-611.1, 58.1-614, 58.1-627, 58.1-628, 58.1-638, and 58.1-815.1 of the Code of Virginia are amended and reenacted as follows:

§ 33.1-221.1:3. Northern Virginia Transportation District Program.

A. The General Assembly declares it to be in the public interest that the economic development needs and economic growth potential of Northern Virginia be addressed by a special transportation program to provide for the costs of providing an adequate, modern, safe and efficient transportation network in Northern Virginia which shall be known as the Northern Virginia Transportation District Program (the Program), including, without limitation, environmental and engineering studies, rights-of-way acquisition, construction, improvements to all modes of transportation, and financing costs. The Program consists of the following projects: the Fairfax County Parkway, Route 234 Bypass/Route 659 Relocated, Metro Capital Improvements, including the Franconia-Springfield Metrorail Station and new rail car purchases, Route 7 improvements in Loudoun County and Fairfax County, the Route 50/Courthouse Road interchange improvements in Arlington County, the Route 28/Route 625 interchange improvements in Loudoun County, Metrorail capital improvements attributable to the City of Alexandria including the King Street Metrorail Station access, Metrorail capital improvements attributable to Arlington County, including Ballston Station improvements, Route 15 safety improvements in Loudoun County, Route 1/Route 123 interchange improvements in Prince William County, Lee Highway improvements in the City of Fairfax, Route 123 improvements in Fairfax County, Telegraph Road improvements in Fairfax County, Route 1/Route 234 interchange improvements in Prince William County, Potomac-Rappahannock Transportation Commission bus replacement program, and Dulles Corridor Enhanced Transit

~~program~~ Program (locality share), I-66 improvements and rail extension, I-95/I-395 improvements and transit improvements, Route 1 improvements, I-495 improvements and transit improvements, Tri-County/Loudoun Parkway, Metrorail infrastructure replacement program, urban system improvements, secondary system improvements (including unpaved roads), Columbia Pike/Route 7 Transit improvements, rail safety improvements, and VRE new railcar purchase.

B. Allocations to this Program from the Northern Virginia Transportation District Fund established by § 58.1-815.1 shall be made annually by the Commonwealth Transportation Board for the creation and enhancement of a safe, efficient transportation system connecting the communities, businesses, places of employment, and residences of the Commonwealth, thereby enhancing the economic development potential, employment opportunities, mobility and quality of life in Virginia.

C. Except in the event that the Northern Virginia Transportation District Fund is insufficient to pay for the costs of the Program, allocations to the Program shall not diminish or replace allocations made from other sources or diminish allocations to which any district, system, or locality would be entitled under other provisions of this title, but shall be supplemental to other allocations to the end that transportation improvements in the Northern Virginia Transportation District may be accelerated and augmented. Allocations under this subsection shall be limited to projects specified in *subdivision (2) (s)* of § 33.1-268 (2) (s).

D. The Commonwealth Transportation Board may expend such funds from all sources as may be lawfully available to initiate the Program and to support bonds and other obligations referenced in

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59 subsection E of this section.

60 E. The Commonwealth Transportation Board is authorized to receive, dedicate or use first from (i)
61 revenues received from the Northern Virginia Transportation District Fund, (ii) to the extent required,
62 funds appropriated and allocated, pursuant to the highway allocation formula as provided by law, to the
63 highway construction district in which the project or projects to be financed are located or to the city or
64 county in which the project or projects to be financed are located, (iii) to the extent required, legally
65 available revenues of the Transportation Trust Fund, and (iv) such other funds which may be
66 appropriated by the General Assembly for the payment of bonds or other obligations, including interest
67 thereon, issued in furtherance of the Program. No such bond or other obligations shall pledge the full
68 faith and credit of the Commonwealth.

69 § 58.1-603. Imposition of sales tax.

70 A. There is hereby levied and imposed, in addition to all other taxes and fees of every kind now
71 imposed by law, a license or privilege tax upon every person who engages in the business of selling at
72 retail or distributing tangible personal property in this Commonwealth, or who rents or furnishes any of
73 the things or services taxable under this chapter, or who stores for use or consumption in this
74 Commonwealth any item or article of tangible personal property as defined in this chapter, or who
75 leases or rents such property within this Commonwealth, in the amount of three and one-half percent:

76 1. Of the gross sales price of each item or article of tangible personal property when sold at retail or
77 distributed in this Commonwealth.

78 2. Of the gross proceeds derived from the lease or rental of tangible personal property, where the
79 lease or rental of such property is an established business, or part of an established business, or the
80 same is incidental or germane to such business.

81 3. Of the cost price of each item or article of tangible personal property stored in this
82 Commonwealth for use or consumption in this Commonwealth.

83 4. Of the gross proceeds derived from the sale or charges for rooms, lodgings or accommodations
84 furnished to transients as set out in the definition of "retail sale" in § 58.1-602.

85 5. Of the gross sales of any services which are expressly stated as taxable within this chapter.

86 B. *Beginning July 1, 2003, and ending July 1, 2043, an additional sales tax of one-half percent is*
87 *hereby levied and imposed in Arlington County, Fairfax County, Loudoun County, Prince William*
88 *County, the City of Alexandria, the City of Fairfax, the City of Falls Church, the City of Manassas, and*
89 *the City of Manassas Park. All revenues collected pursuant to this subsection shall be distributed and*
90 *used as set forth in subsection G of § 58.1-638.*

91 § 58.1-604. Imposition of use tax.

92 A. There is hereby levied and imposed, in addition to all other taxes and fees now imposed by law, a
93 tax upon the use or consumption of tangible personal property in this Commonwealth, or the storage of
94 such property outside the Commonwealth for use or consumption in this Commonwealth, in the amount
95 of three and one-half percent:

96 1. Of the cost price of each item or article of tangible personal property used or consumed in this
97 Commonwealth. Tangible personal property which has been acquired for use outside this Commonwealth
98 and subsequently becomes subject to the tax imposed hereunder shall be taxed on the basis of its cost
99 price if such property is brought within this Commonwealth for use within six months of its acquisition;
100 but if so brought within this Commonwealth six months or more after its acquisition, such property shall
101 be taxed on the basis of the current market value (but not in excess of its cost price) of such property at
102 the time of its first use within this Commonwealth. Such tax shall be based on such proportion of the
103 cost price or current market value as the duration of time of use within this Commonwealth bears to the
104 total useful life of such property (but it shall be presumed in all cases that such property will remain
105 within this Commonwealth for the remainder of its useful life unless convincing evidence is provided to
106 the contrary).

107 2. Of the cost price of each item or article of tangible personal property stored outside this
108 Commonwealth for use or consumption in this Commonwealth.

109 3. A transaction taxed under § 58.1-603 shall not also be taxed under this section, nor shall the same
110 transaction be taxed more than once under either section.

111 4. The use tax shall not apply with respect to the use of any article of tangible personal property
112 brought into this Commonwealth by a nonresident individual, visiting in Virginia, for his personal use,
113 while within this Commonwealth.

114 5. The use tax shall not apply to out-of-state mail order catalog purchases totaling \$100 or less
115 during any calendar year.

116 B. *Beginning July 1, 2003, and ending July 1, 2043, an additional use tax of one-half percent is*
117 *hereby levied and imposed in Arlington County, Fairfax County, Loudoun County, Prince William*
118 *County, the City of Alexandria, the City of Fairfax, the City of Falls Church, the City of Manassas, and*
119 *the City of Manassas Park. All revenues collected pursuant to this subsection shall be distributed and*
120 *used as set forth in subsection G of § 58.1-638.*

§ 58.1-611.1. Rate of tax on sales of food purchased for human consumption; Food Tax Reduction Program.

A. Subject to the conditions of subsections D and E, the tax imposed by §§ *subsection A of § 58.1-603 and subsection A of § 58.1-604* on food purchased for human consumption shall be levied and distributed as follows:

1. From January 1, 2000, through March 31, 2001, the tax rate on such food shall be three percent of the gross sales price. The revenue from the tax shall be distributed as follows: (i) the revenue from the tax at the rate of one-half percent shall be distributed as provided in subsection A of § 58.1-638, (ii) the revenue from the tax at the rate of one percent shall be distributed as provided in subsections B, C and D of § 58.1-638, and (iii) the revenue from the tax at the rate of one and one-half percent shall be used for general fund purposes.

2. From April 1, 2001, through March 31, 2002, the tax rate on such food shall be two and one-half percent of the gross sales price. The revenue from the tax shall be distributed as follows: (i) the revenue from the tax at the rate of one-half percent shall be distributed as provided in subsection A of § 58.1-638, (ii) the revenue from the tax at the rate of one percent shall be distributed as provided in subsections B, C and D of § 58.1-638, and (iii) the revenue from the tax at the rate of one percent shall be used for general fund purposes.

3. From April 1, 2002, through March 31, 2003, the tax rate on such food shall be two percent of the gross sales price. The revenue from the tax shall be distributed as follows: (i) the revenue from the tax at the rate of one-half percent shall be distributed as provided in subsection A of § 58.1-638, (ii) the revenue from the tax at the rate of one percent shall be distributed as provided in subsections B, C and D of § 58.1-638, and (iii) the revenue from the tax at the rate of one-half percent shall be used for general fund purposes.

4. On and after April 1, 2003, the tax rate on such food shall be one and one-half percent of the gross sales price. The revenue from the tax shall be distributed as follows: (i) the revenue from the tax at the rate of one-half percent shall be distributed as provided in subsection A of § 58.1-638 and (ii) the revenue from the tax at the rate of one percent shall be distributed as provided in subsections B, C and D of § 58.1-638.

B. The provisions of this section shall not affect the imposition of tax on food purchased for human consumption pursuant to §§ 58.1-605 and 58.1-606.

C. As used in this section, "food purchased for human consumption" has the same meaning as "food" defined in the Food Stamp Act of 1977, 7 U.S.C. § 1012, as amended, and federal regulations adopted pursuant to that Act, except it shall not include seeds and plants which produce food for human consumption.

D. Notwithstanding the tax rates set forth in subsection A, the rate of tax on sales of food purchased for human consumption for any twelve-month period beginning on or after April 1, 2001, shall not be reduced below the rate then in effect for the Commonwealth's current fiscal year if:

1. Actual general fund revenues for the fiscal year preceding a fiscal year in which a rate reduction is contemplated in subsection A do not exceed the official general fund revenue estimates for such preceding fiscal year, as estimated in the most recently enacted and approved general appropriation act, by at least one percent; or

2. Any of the events listed in subsection C of § 58.1-3524 or subsection B of § 58.1-3536 have occurred during the then current fiscal year.

E. If the tax rate on food purchased for human consumption remains the same for the period January 1, 2000, through March 31, 2001, and the subsequent twelve-month period beginning on April 1, 2001, or with respect to any consecutive twelve-month periods beginning on and after April 1, 2001, the tax rate on such food shall remain the same unless none of the conditions described in subsection D have occurred, in which event the tax rate on food purchased for human consumption for the immediately following twelve-month period shall be equal to the next lowest tax rate listed in subsection A.

F. There is hereby created on the books of the Comptroller a nonreverting fund entitled the Food Tax Reserve Fund which shall be used solely for the statutory purposes of the Food Tax Reduction Program as established by this section, and as may be provided for in the general appropriation act. For the purpose of the Comptroller's preliminary and final annual reports required by § 2.1-207, all balances remaining in the Fund on June 30 of each year shall be considered a portion of the fund balance of the general fund of the state treasury.

G. *The tax imposed by subsection B of § 58.1-603 and by subsection B of § 58.1-604 shall not apply to food purchased for human consumption.*

§ 58.1-614. Vending machine sales.

A. Notwithstanding the provisions of §§ 58.1-603 and 58.1-604, whenever a dealer makes sales of tangible personal property through vending machines, or in any other manner making collection of the tax impractical, as determined by the Tax Commissioner, such dealer shall be required to report his

182 wholesale purchases for sale at retail from vending machines and shall be required to remit an amount
 183 based on four and one-half percent of such wholesale purchases, *except that such wholesale purchases*
 184 *shall be taxed at a rate of five percent in the localities set forth in subsection B of § 58.1-603.*

185 B. Notwithstanding the provisions of §§ 58.1-605 and 58.1-606, dealers making sales of tangible
 186 personal property through vending machines shall report and remit the one percent local sales and use
 187 tax computed as provided in subsection A of this section.

188 C. The provisions of subsections A and B of this section shall not be applicable to vending machine
 189 operators all of whose machines are under contract to nonprofit organizations. Such operators shall
 190 report only the gross receipts from machines selling items for more than ten cents and shall be required
 191 to remit an amount based on a percentage of their remaining gross sales established by the Tax
 192 Commissioner to take into account the inclusion of sales tax.

193 D. Notwithstanding any other provisions in this section or § 58.1-628, when the Tax Commissioner
 194 determines that it is impractical to collect the tax in the manner provided by those sections, such dealer
 195 shall be required to remit an amount based on a percentage of gross receipts which takes into account
 196 the inclusion of the sales tax.

197 E. The provisions of this section shall not be applicable to any dealer who fails to maintain records
 198 satisfactory to the Tax Commissioner. A dealer making sales of tangible personal property through
 199 vending machines shall obtain a certificate of registration under § 58.1-613 in relevant form for each
 200 county or city in which he has machines.

201 § 58.1-627. Bracket system for tax at rate of three and one-half percent.

202 The following brackets of prices shall be used for the collection of the tax imposed by this chapter,
 203 *except for the tax imposed pursuant to subsection B of § 58.1-603 or pursuant to subsection B of*
 204 *§ 58.1-604:*

205	\$0.00	to	\$0.14	no tax
206	.15	to	.42	1¢ tax
207	.43	to	.71	2¢ tax
208	.72	to	.99	3¢ tax
209	1.00	to	1.28	4¢ tax
210	1.29	to	1.57	5¢ tax
211	1.58	to	1.85	6¢ tax
212	1.86	to	2.14	7¢ tax
213	2.15	to	2.42	8¢ tax
214	2.43	to	2.71	9¢ tax
215	2.72	to	2.99	10¢ tax
216	3.00	to	3.28	11¢ tax
217	3.29	to	3.57	12¢ tax
218	3.58	to	3.85	13¢ tax
219	3.86	to	4.14	14¢ tax
220	4.15	to	4.42	15¢ tax
221	4.43	to	4.71	16¢ tax
222	4.72	to	5.00	17¢ tax

223
 224 *Except in the localities set forth in subsection B of § 58.1-603, on transactions over greater than*
 225 *five dollars, the tax shall be computed at three and one-half percent, one-half cent or more being treated*
 226 *as one cent. In the localities set forth in subsection B of § 58.1-603, on transactions greater than five*
 227 *dollars, the tax shall be computed at four percent, one-half cent or more being treated as one cent.* If a
 228 dealer can show to the satisfaction of the Tax Commissioner that more than eighty-five percent of the
 229 total dollar volume of his gross taxable sales during the taxable month was from individual sales at
 230 prices of ten cents or less each, and that he was unable to adjust his prices in such manner as to prevent
 231 the economic incidence of the sales tax from falling on him, the Tax Commissioner shall determine the
 232 proper tax liability of the dealer based on that portion of the dealer's gross taxable sales which was from
 233 sales at prices of eleven cents or more.

234 § 58.1-628. Bracket system for combined state and local tax.

235 The following brackets of prices shall be used for the collection of the combined state and local tax,
 236 *except for the tax imposed pursuant to subsection B of § 58.1-603 or pursuant to subsection B of*
 237 *§ 58.1-604:*

238	\$0.00	to	\$0.11	no tax
239	.12	to	.33	1¢ tax
240	.34	to	.55	2¢ tax
241	.56	to	.77	3¢ tax

242	.78	to	.99	4¢	tax
243	1.00	to	1.22	5¢	tax
244	1.23	to	1.44	6¢	tax
245	1.45	to	1.66	7¢	tax
246	1.67	to	1.88	8¢	tax
247	1.89	to	2.11	9¢	tax
248	2.12	to	2.33	10¢	tax
249	2.34	to	2.55	11¢	tax
250	2.56	to	2.77	12¢	tax
251	2.78	to	2.99	13¢	tax
252	3.00	to	3.22	14¢	tax
253	3.23	to	3.44	15¢	tax
254	3.45	to	3.66	16¢	tax
255	3.67	to	3.88	17¢	tax
256	3.89	to	4.11	18¢	tax
257	4.12	to	4.33	19¢	tax
258	4.34	to	4.55	20¢	tax
259	4.56	to	4.77	21¢	tax
260	4.78	to	5.00	22¢	tax

261
 262 *Except in the localities set forth in subsection B of § 58.1-603, on transactions over greater than*
 263 *five dollars, the tax shall be computed at four and one-half percent, one half cent or more being treated*
 264 *as one cent. In the localities set forth in subsection B of § 58.1-603, on transactions greater than five*
 265 *dollars, the tax shall be computed at five percent, one-half cent or more being treated as one cent. The*
 266 *foregoing bracket system shall not relieve the dealer from the duty and liability to remit an amount*
 267 *equal to four and one-half percent of his gross taxable sales as provided in this chapter. If the dealer,*
 268 *however, can show to the satisfaction of the Tax Commissioner that more than eighty-five percent of the*
 269 *total dollar volume of his gross taxable sales during the taxable month was from individual sales at*
 270 *prices of ten cents or less each and that he was unable to adjust his prices in such manner as to prevent*
 271 *the economic incidence of the sales tax from falling on him, the Tax Commissioner shall determine the*
 272 *proper tax liability of the dealer based on that portion of the dealer's gross taxable sales which was from*
 273 *sales at prices of eleven cents or more.*

274 § 58.1-638. Disposition of state sales and use tax revenue; Transportation Trust Fund; localities'
 275 share; Game Protection Fund.

276 A. The Comptroller shall designate a specific revenue code number for all the state sales and use tax
 277 revenue collected under the preceding sections of this chapter.

278 1. The sales and use tax revenue generated by the one-half percent sales and use tax increase enacted
 279 by the 1986 Special Session of the General Assembly shall be paid, in the manner hereinafter provided
 280 in this section, to the Transportation Trust Fund as defined in § 33.1-23.03:1. Of the funds paid to the
 281 Transportation Trust Fund, an aggregate of 4.2 percent shall be set aside as the Commonwealth Port
 282 Fund as provided in this section; an aggregate of 2.4 percent shall be set aside as the Commonwealth
 283 Airport Fund as provided in this section; and an aggregate of 14.5 percent in fiscal year 1998-1999 and
 284 14.7 percent in fiscal year 1999-2000 and thereafter shall be set aside as the Commonwealth Mass
 285 Transit Fund as provided in this section. The Fund's share of such net revenue shall be computed as an
 286 estimate of the net revenue to be received into the state treasury each month, and such estimated
 287 payment shall be adjusted for the actual net revenue received in the preceding month. All payments shall
 288 be made to the Fund on the last day of each month.

289 2. There is hereby created in the Department of the Treasury a special nonreverting fund which shall
 290 be a part of the Transportation Trust Fund and which shall be known as the Commonwealth Port Fund.

291 a. The Commonwealth Port Fund shall be established on the books of the Comptroller and the funds
 292 remaining in such Fund at the end of a biennium shall not revert to the general fund but shall remain in
 293 the Fund. Interest earned on such funds shall remain in the Fund and be credited to it. Funds may be
 294 paid to any authority, locality or commission for the purposes hereinafter specified.

295 b. The amounts allocated pursuant to this section shall be allocated by the Commonwealth
 296 Transportation Board to the Board of Commissioners of the Virginia Port Authority to be used to
 297 support port capital needs and the preservation of existing capital needs of all ocean, river, or tributary
 298 ports within the Commonwealth.

299 c. Commonwealth Port Fund revenue shall be allocated by the Board of Commissioners to the
 300 Virginia Port Authority in order to foster and stimulate the flow of maritime commerce through the
 301 ports of Virginia, including but not limited to the ports of Richmond, Hopewell and Alexandria.

302 3. There is hereby created in the Department of the Treasury a special nonreverting fund which shall
303 be part of the Transportation Trust Fund and which shall be known as the Commonwealth Airport Fund.
304 The Commonwealth Airport Fund shall be established on the books of the Comptroller and any funds
305 remaining in such Fund at the end of a biennium shall not revert to the general fund but shall remain in
306 the Fund. Interest earned on the funds shall be credited to the Fund. The funds so allocated shall be
307 allocated by the Commonwealth Transportation Board to the Virginia Aviation Board. The funds shall
308 be allocated by the Virginia Aviation Board to any Virginia airport which is owned by the
309 Commonwealth, a governmental subdivision thereof, or a private entity to which the public has access
310 for the purposes enumerated in § 5.1-2.16, or is owned or leased by the Metropolitan Washington
311 Airports Authority (MWAA), as follows:

312 Any new funds in excess of \$12.1 million which are available for allocation by the Virginia Aviation
313 Board from the Commonwealth Transportation Fund, shall be allocated as follows: sixty percent to
314 MWAA, up to a maximum annual amount of two million dollars, and forty percent to air carrier airports
315 as provided in subdivision A 3 a. Except for adjustments due to changes in enplaned passengers, no air
316 carrier airport sponsor, excluding MWAA, shall receive less funds identified under subdivision A 3 a
317 than it received in fiscal year 1994-1995.

318 Of the remaining amount:

319 a. Forty percent of the funds shall be allocated to air carrier airports, except airports owned or leased
320 by MWAA, based upon the percentage of enplanements for each airport to total enplanements at all air
321 carrier airports, except airports owned or leased by MWAA. No air carrier airport sponsor, however,
322 shall receive less than \$50,000 nor more than \$2 million per year from this provision.

323 b. Forty percent of the funds shall be allocated by the Aviation Board for air carrier and reliever
324 airports on a discretionary basis, except airports owned or leased by MWAA.

325 c. Twenty percent of the funds shall be allocated by the Aviation Board for general aviation airports
326 on a discretionary basis.

327 4. There is hereby created in the Department of the Treasury a special nonreverting fund which shall
328 be a part of the Transportation Trust Fund and which shall be known as the Commonwealth Mass
329 Transit Fund.

330 a. The Commonwealth Mass Transit Fund shall be established on the books of the Comptroller and
331 any funds remaining in such Fund at the end of the biennium shall not revert to the general fund but
332 shall remain in the Fund. Interest earned on such funds shall be credited to the Fund. Funds may be
333 paid to any local governing body, transportation district commission, or public service corporation for
334 the purposes hereinafter specified.

335 b. The amounts allocated pursuant to this section shall be used to support the public transportation
336 administrative costs and the costs borne by the locality for the purchase of fuels, lubricants, tires and
337 maintenance parts and supplies for public transportation at a state share of eighty percent in 2002 and
338 ninety-five percent in 2003 and succeeding years. These amounts may be used to support up to
339 ninety-five percent of the local or nonfederal share of capital project costs for public transportation and
340 ridesharing equipment, facilities, and associated costs. Capital costs may include debt service payments
341 on local or agency transit bonds. The term "borne by the locality" means the local share eligible for
342 state assistance consisting of costs in excess of the sum of fares and other operating revenues plus
343 federal assistance received by the locality.

344 c. Commonwealth Mass Transit Fund revenue shall be allocated by the Commonwealth
345 Transportation Board as follows:

346 (1) Funds for special programs, which shall include ridesharing, experimental transit, and technical
347 assistance, shall not exceed 1.5 percent of the Fund.

348 (2) The Board may allocate these funds to any locality or planning district commission to finance up
349 to eighty percent of the local share of all costs associated with the development, implementation, and
350 continuation of ridesharing programs.

351 (3) Funds allocated for experimental transit projects may be paid to any local governing body,
352 transportation district commission, or public corporation or may be used directly by the Department of
353 Rail and Public Transportation for the following purposes:

354 (a) To finance up to ninety-five percent of the capital costs related to the development,
355 implementation and promotion of experimental public transportation and ridesharing projects approved
356 by the Board.

357 (b) To finance up to ninety-five percent of the operating costs of experimental mass transportation
358 and ridesharing projects approved by the Board for a period of time not to exceed twelve months.

359 (c) To finance up to ninety-five percent of the cost of the development and implementation of any
360 other project designated by the Board where the purpose of such project is to enhance the provision and
361 use of public transportation services.

362 d. Funds allocated for public transportation promotion and operation studies may be paid to any local
363 governing body, planning district commission, transportation district commission, or public transit

corporation, or may be used directly by the Department of Rail and Public Transportation for the following purposes and aid of public transportation services:

(1) At the approval of the Board to finance a program administered by the Department of Rail and Public Transportation designed to promote the use of public transportation and ridesharing throughout Virginia.

(2) To finance up to fifty percent of the local share of public transportation operations planning and technical study projects approved by the Board.

e. At least 73.5 percent of the Fund shall be distributed to each transit property in the same proportion as its operating expenses bear to the total statewide operating expenses and shall be spent for the purposes specified in subdivision 4 b.

f. The remaining twenty-five percent shall be distributed for capital purposes on the basis of ninety-five percent of the nonfederal share for federal projects and ninety-five percent of the total costs for nonfederal projects. In the event that total capital funds available under this subdivision are insufficient to fund the complete list of eligible projects, the funds shall be distributed to each transit property in the same proportion that such capital expenditure bears to the statewide total of capital projects.

g. There is hereby created in the Department of the Treasury a special nonreverting fund known as the Commonwealth Transit Capital Fund. The Commonwealth Transit Capital Fund shall be part of the Commonwealth Mass Transit Fund. The Commonwealth Transit Capital Fund subaccount shall be established on the books of the Comptroller and consist of such moneys as are appropriated to it by the General Assembly and of all donations, gifts, bequests, grants, endowments, and other moneys given, bequeathed, granted, or otherwise made available to the Commonwealth Transit Capital Fund. Any funds remaining in the Commonwealth Transit Capital Fund at the end of the biennium shall not revert to the general fund, but shall remain in the Commonwealth Transit Capital Fund. Interest earned on funds within the Commonwealth Transit Capital Fund shall remain in and be credited to the Commonwealth Transit Capital Fund. Proceeds of the Commonwealth Transit Capital Fund may be paid to any political subdivision, another public entity created by an act of the General Assembly, or a private entity as defined in § 56-557 and for purposes as enumerated in subdivision 4c of § 33.1-269 or expended by the Department of Rail and Public Transportation for the purposes specified in this subdivision. Revenues of the Commonwealth Transit Capital Fund shall be used to support capital expenditures involving the establishment, improvement, or expansion of public transportation services through specific projects approved by the Commonwealth Transportation Board. Projects financed by the Commonwealth Transit Capital Fund shall receive local, regional or private funding for at least twenty percent of the nonfederal share of the total project cost.

5. Funds for Metro shall be paid by the Northern Virginia Transportation Commission (NVTC) to the Washington Metropolitan Area Transit Authority (WMATA) and be a credit to the Counties of Arlington and Fairfax and the Cities of Alexandria, Falls Church and Fairfax in the following manner:

a. Local obligations for debt service for WMATA rail transit bonds apportioned to each locality using WMATA's capital formula shall be paid first by NVTC. NVTC shall use ninety-five percent state aid for these payments.

b. The remaining funds shall be apportioned to reflect WMATA's allocation formulas by using the related WMATA-allocated subsidies and relative shares of local transit subsidies. Capital costs shall include twenty percent of annual local bus capital expenses. Hold harmless protections and obligations for NVTC's jurisdictions agreed to by NVTC on November 5, 1998, shall remain in effect.

Appropriations from the Commonwealth Mass Transit Fund are intended to provide a stable and reliable source of revenue as defined by Public Law 96-184.

B. The sales and use tax revenue generated by a one percent sales and use tax shall be distributed among the counties and cities of this Commonwealth in the manner provided in subsections C and D.

C. The localities' share of the net revenue distributable under this section among the counties and cities shall be apportioned by the Comptroller and distributed among them by warrants of the Comptroller drawn on the Treasurer of Virginia as soon as practicable after the close of each month during which the net revenue was received into the state treasury. The distribution of the localities' share of such net revenue shall be computed with respect to the net revenue received into the state treasury during each month, and such distribution shall be made as soon as practicable after the close of each such month.

D. The net revenue so distributable among the counties and cities shall be apportioned and distributed upon the basis as certified to the Comptroller by the Department of Education, of the number of children in each county and city according to the most recent statewide census of school population taken by the Department of Education pursuant to § 22.1-284, as adjusted in the manner hereinafter provided. No special school population census, other than a statewide census, shall be used as the basis of apportionment and distribution except that in any calendar year in which a statewide census is not

425 reported, the Department of Education shall adjust such school population figures by the same percent of
426 annual change in total population estimated for each locality by The Center for Public Service. The
427 revenue so apportionable and distributable is hereby appropriated to the several counties and cities for
428 maintenance, operation, capital outlays, debt and interest payments, or other expenses incurred in the
429 operation of the public schools, which shall be considered as funds raised from local resources. In any
430 county, however, wherein is situated any incorporated town constituting a school division, the county
431 treasurer shall pay into the town treasury for maintenance, operation, capital outlays, debt and interest
432 payments, or other expenses incurred in the operation of the public schools, the proper proportionate
433 amount received by him in the ratio that the school population of such town bears to the school
434 population of the entire county. If the school population of any city or of any town constituting a school
435 division is increased by the annexation of territory since the last preceding school population census,
436 such increase shall, for the purposes of this section, be added to the school population of such city or
437 town as shown by the last such census and a proper reduction made in the school population of the
438 county or counties from which the annexed territory was acquired.

439 E. Beginning July 1, 2000, of the remaining sales and use tax revenue, the revenue generated by a
440 two percent sales and use tax, up to an annual amount of \$13 million, collected from the sales of
441 hunting equipment, auxiliary hunting equipment, fishing equipment, auxiliary fishing equipment,
442 wildlife-watching equipment, and auxiliary wildlife-watching equipment in Virginia, as estimated by the
443 most recent U.S. Department of the Interior, Fish and Wildlife Service and U.S. Department of
444 Commerce, Bureau of the Census National Survey of Fishing, Hunting, and Wildlife-Associated
445 Recreation, shall be paid into the Game Protection Fund established under § 29.1-101 and shall be used,
446 in part, to defray the cost of law enforcement. Not later than thirty days after the close of each quarter,
447 the Comptroller shall transfer to the Game Protection Fund the appropriate amount of collections to be
448 dedicated to such Fund. At any time that the balance in the Capital Improvement Fund, established
449 under § 29.1-101.1, is equal to or in excess of \$35 million, any portion of sales and use tax revenues
450 that would have been transferred to the Game Protection Fund, established under § 29.1-101, in excess
451 of the net operating expenses of the Board, after deduction of other amounts which accrue to the Board
452 and are set aside for the Game Protection Fund, shall remain in the general fund until such time as the
453 balance in the Capital Improvement Fund is less than \$35 million.

454 F. If errors are made in any distribution, or adjustments are otherwise necessary, the errors shall be
455 corrected and adjustments made in the distribution for the next quarter or for subsequent quarters.

456 *G. The sales and use tax revenue generated pursuant to subsection B of § 58.1-603 and subsection B*
457 *of § 58.1-604, both subsections becoming effective July 1, 2003, shall be deposited into the Northern*
458 *Virginia Transportation District Fund pursuant to § 58.1-815.1 and used solely for transportation*
459 *purposes as provided in § 58.1-815.1.*

460 *GH.* The term "net revenue," as used in this section, means the gross revenue received into the
461 general fund or the Transportation Trust Fund of the state treasury under the preceding sections of this
462 chapter, less refunds to taxpayers.

463 § 58.1-815.1. Northern Virginia Transportation District Fund.

464 A. There is hereby created in the Department of the Treasury a special nonreverting fund which shall
465 be a part of the Transportation Trust Fund and which shall be known as the Northern Virginia
466 Transportation District Fund, consisting of transfers pursuant to § 58.1-816 of annual collections of the
467 state recordation taxes attributable to the Cities of Alexandria, Fairfax, Falls Church, Manassas, and
468 Manassas Park and the Counties of Arlington, Fairfax, Loudoun, and Prince William; however, this
469 dedication shall not affect the local recordation taxes under §§—*subsection B of § 58.1-802 B*, and
470 *§ 58.1-814. The Fund shall also consist of transfers pursuant to subsection G of § 58.1-638 of revenues*
471 *from sales and use taxes imposed pursuant to subsection B of § 58.1-603 and subsection B of*
472 *§ 58.1-604. The Fund shall also include any public rights-of-way use fees appropriated by the General*
473 *Assembly; any state or local revenues, including but not limited to, any funds distributed pursuant to*
474 *§§ 33.1-23.3, 33.1-23.4 or § 33.1-23.5:1, which may be deposited into the Fund pursuant to a contract*
475 *between a jurisdiction participating in the Northern Virginia Transportation District Program and the*
476 *Commonwealth Transportation Board; and any other funds as may be appropriated by the General*
477 *Assembly from time to time and designated for this Fund and all interest, dividends and appreciation*
478 *which may accrue thereto. Any moneys remaining in the Fund at the end of a biennium shall not revert*
479 *to the general fund, but shall remain in the Fund, subject to the determination by the Commonwealth*
480 *Transportation Board or the Northern Virginia Transportation Authority that a Category 2, 3, or 4, or 5*
481 *project or projects may be funded.*

482 B. Allocations from this Fund may be paid (i) to any authority, locality or commission for the
483 purposes of paying the costs of the Northern Virginia Transportation District Program which consists of
484 the following: the Fairfax County Parkway, Route 234 Bypass/Route 659 Relocated, Metro Capital
485 Improvements, including the Franconia-Springfield Metrorail Station and new rail car purchases, Route 7
486 improvements in Loudoun County and Fairfax County, Route 50/Courthouse Road interchange

improvements in Arlington County, the Route 28/Route 625 interchange improvements in Loudoun County, Metrorail capital improvements attributable to the City of Alexandria, including the King Street Metrorail station access, Metrorail capital improvements attributable to Arlington County, including Ballston Station improvements, Route 15 safety improvements in Loudoun County, Route 1/Route 123 interchange improvements in Prince William County, Lee Highway improvements in the City of Fairfax, Route 123 improvements in Fairfax County, Telegraph Road improvements in Fairfax County, Route 1/Route 234 interchange improvements in Prince William County, Potomac-Rappahannock Transportation Commission bus replacement program, and Dulles Corridor Enhanced Transit program Program (locality share), I-66 improvements and rail extension,

I-95/I-395 improvements and transit improvements, Route 1 improvements, I-495 improvements and transit improvements, Tri-County/Loudoun Parkway, Metrorail infrastructure replacement program, urban system improvements, secondary system improvements (including unpaved roads), Columbia Pike/Route 7 Transit improvements, rail safety improvements, and VRE new railcar purchase and (ii) for Category 4 Category 5 projects as provided in § 2 of the act or acts authorizing the issuance of Bonds for the Northern Virginia Transportation District Program.

C. On or before July 15, 1994, \$19 million shall be transferred to the Fund. Such transfer shall be made by the issuance of a treasury loan at no interest in the amount of \$19 million in the event such an amount is not included for the Fund in the general appropriation act enacted by the 1994 Session of the General Assembly. Such treasury loan shall be repaid from the Commonwealth's portion of the state recordation tax imposed by Chapter 8 (§ 58.1-800 et seq.) of Title 58.1 designated for the Fund by this section and § 58.1-816.

2. That § 2 of Chapter 391 of the Acts of Assembly of 1993, as amended by Chapters 470 and 597 of the Acts of Assembly of 1994, Chapters 740 and 761 of the Acts of Assembly of 1998, and Chapter 538 of the Acts of Assembly of 1999, is amended and reenacted as follows:

§ 2. The Commonwealth Transportation Board is hereby authorized, by and with the consent of the Governor, to issue, pursuant to the provisions of §§ 33.1-267 through 33.1-295, at one time or from time to time, bonds of the Commonwealth to be designated "Commonwealth of Virginia Transportation Contract Revenue Bonds, Series", in an aggregate principal amount not exceeding \$471,200,000 2,696,200,000 to finance the cost of the projects plus an amount for the issuance costs, capitalized interest, reserve funds, and other financing expenses (the "Bonds"). The proceeds of the Bonds shall be used exclusively for the purpose of providing funds, with any other available funds, for paying the costs incurred or to be incurred for construction or funding of the projects which comprise the Northern Virginia Transportation District Program as hereinafter defined and as established in Article 5 (§ 33.1-267 et seq.) of Chapter 3 of Title 33.1, consisting of environmental and engineering studies, rights-of-way acquisition, improvements to all modes of transportation, construction and related improvements (the "projects"). Such costs may include the payment of interest on the Bonds for a period during construction and not exceeding one year after completion of construction of the projects.

The projects shall be classified as Category 1, Category 2, Category 3, and Category 4, and Category 5 projects, each category being subject to different preconditions. Bonds to finance the cost of Category 1, and Category 3, and Category 4 projects may be issued by the Commonwealth Transportation Board. Bonds to finance the cost of Category 2 projects may be issued by the Commonwealth Transportation Board only if the aggregate principal amount of \$466,200,000 in bonds has been issued to finance the cost of Category 1 and Category 3 projects. Category 4 5 projects shall not be financed through the issuance of bonds; however, after all Bonds authorized have been issued, then to the extent the Northern Virginia Transportation District Fund contains amounts in excess of the amount needed to pay annual debt service on such Bonds in a particular fiscal year, such excess amounts may be expended to pay the cost of the work identified as Category 4 5 projects.

The projects, and the amount of bonds authorized to be issued for each such project, are as follows and constitute the Northern Virginia Transportation District Program:

Category 1 projects	Bond amount
Metro Capital Improvements, including	
the Franconia-Springfield Metrorail Station	\$85,600,000
Fairfax County Parkway	\$87,000,000
Route 234 Bypass	\$73,400,000

547		
548	Route 7 improvements between Route 15 and	
549		
550	Route 28 in Loudoun County	\$15,000,000
551		
552	Total	\$261,000,000
553		
554		
555	Category 2 projects consist of the Route 234 Bypass/Route 28 interchange improvements in Prince	
556	William County, in the amount of \$5,000,000.	
557		
558		
559	Category 3 projects	Bond amount
560		
561		
562	Route 50/Courthouse Road interchange	\$10,000,000
563		
564	Fairfax County Parkway -- Partially-funded	
565	segments between Route 1 and Route 7	\$50,000,000
566		
567	Route 234 Bypass from Route 28 to Route 234	\$15,300,000
568		
569	Route 28/Route 625 interchange	\$7,900,000
570		
571	Metrorail Capital Improvements attributable to	
572	the City of Alexandria, including the King	
573	Street Metrorail station access	\$8,600,000
574		
575	Metrorail Capital Improvements,	
576	including new rail car purchases	\$29,300,000
577		
578	Route 15 Safety Improvements	
579	Leesburg Town Line to Potomac River	\$10,100,000
580		
581	Route 1/Route 123 Interchange	\$8,200,000
582		
583	Lee Highway Improvements City of Fairfax	\$3,100,000
584		
585	Route 123 Widening Occoquan River to	
586	Lee Chapel Road	\$27,000,000
587		
588	Dulles Corridor Enhanced Transit Program	\$6,000,000
589		
590	Route 7 Improvements-Loudoun County Line	
591	to Reston Parkway	\$10,000,000
592		
593	Route 7 Improvements-Reston Parkway to	
594	Dulles Toll Road	\$3,000,000
595		
596	Telegraph Road Improvements-S. Kings Highway to	
597	Beulah St.	\$5,000,000
598		
599	Route 1/Route 234 Interchange	\$4,000,000
600		
601	Potomac-Rappahannock Transportation Commission	
602	Bus Replacement Program	\$1,500,000
603		

604	Metrorail Capital Improvements attributable to	
605	Arlington County, including Ballston Station	
606	improvements	\$6,200,000
607		
608	Total	\$205,200,000
609		
610		
611	Category 4 projects	Bond amount
612		
613	Dulles Corridor Transit (locality share)	\$300,000,000
614		
615	I-66 Improvements and Rail Extension	\$300,000,000
616		
617	I-95/I-395 improvements and transit improvements	\$300,000,000
618		
619	Route 1 Improvements	\$150,000,000
620		
621	I-495 Improvements and Transit Improvements	\$200,000,000
622		
623	Fairfax County Parkway	\$150,000,000
624		
625	Tri-County/Loudoun Parkway	\$100,000,000
626		
627	VRE New Railcar Purchase	\$50,000,000
628		
629	Route 234 Bypass/Route 659 Relocated	\$50,000,000
630		
631	Metrorail Infrastructure Replacement Program	\$200,000,000
632		
633	Secondary System Improvements (including	
634		
635	unpaved roads)	\$150,000,000
636		
637	Urban System Improvements	\$90,000,000
638		
639	Route 7 Improvements Loudoun and Fairfax	\$100,000,000
640		
641	Columbia Pike/ Route 7 Transit Improvements	\$75,000,000
642		
643	Rail Safety Improvements	\$10,000,000
644		
645	Total	\$2,225,000,000
646		

647 The Commonwealth Transportation Board shall only issue the bonds for Category 3 projects in an
648 amount or amounts necessary to expedite or complete the Category 3 projects if the following conditions
649 are satisfied: (i) at least two of the jurisdictions participating in the Northern Virginia Transportation
650 District Program have entered into a contract pursuant to § 58.1-815.1 and (ii) the governing bodies of
651 at least five of the jurisdictions participating in the Northern Virginia Transportation District Program
652 and comprising a majority of the population of the jurisdictions participating in such Program have
653 adopted resolutions endorsing the proposed sale or sales of bonds to support the Category 3 projects.
654 Such contracts and resolutions shall remain in force so long as any debts or obligations for Category 3
655 projects remain outstanding.

656 *Bond proceeds for Category 4 Secondary System Improvements shall be allocated on the basis of*
657 *population of those localities in subsection A of § 58.1-815.1 that receive allocations of funds for*
658 *secondary system highways pursuant to § 33.1-23.4, as such populations are determined by the 2000*
659 *U.S. Census. Bond proceeds allocated for Urban System Improvements shall be allocated on the basis of*
660 *population of (i) those localities in subsection A of § 58.1-815.1 that receive allocations of funds for*

661 urban system highways pursuant to § 33.1-23.3, and (ii) those towns situated within those localities
662 described in clause (i) that receive allocations of funds for urban system highways pursuant to
663 § 33.1-23.3, as such populations are determined by the 2000 U.S. Census.

664 The work identified as Category 4 5 projects to be funded from the Northern Virginia Transportation
665 District Fund, to the extent there are sums in excess of the amount needed to pay debt service on the
666 Bonds in a given fiscal year, is as follows:

667 Category 4 5 projects

668 To the extent that the sales and use tax revenues deposited into the Northern Virginia Transportation
669 District Fund pursuant to subsection G of § 58.1-638 exceed the amount needed to pay annual debt
670 service on bonds issued to support Category 4 projects in any particular fiscal year, the Northern
671 Virginia Transportation Authority, pursuant to § 15.2-4828, may allocate such funds to Category 5
672 projects subject to the following conditions: (i) fifteen percent of such funds shall be allocated to transit
673 operational costs; (ii) any remaining funds shall be allocated to specific Category 4 projects provided
674 that the Authority determines such allocations will materially advance the construction of such Category
675 4 projects; and (iii) any remaining funds shall be allocated to fund other transit, primary, urban, or
676 secondary project or projects.

677 Such To the extent that all other deposits into the Northern Virginia Transportation District Fund
678 exceed the amount necessary to pay annual debt service on bonds issued to support Category 1,
679 Category 2, and Category 3 projects, the Commonwealth Transportation Board shall allocate such funds
680 to Category 5 projects as may be concurred in by the local jurisdictions participating in the Northern
681 Virginia Transportation District Program, as evidenced by resolutions adopted by an affirmative vote of
682 each of the jurisdictions participating in the Northern Virginia Transportation District Program and
683 subject to such guidelines and conditions as may be promulgated by the Commonwealth Transportation
684 Board.

685 The Bonds shall be issued by the Commonwealth Transportation Board and sold through the
686 Treasury Board, which is hereby designated the sales and paying agent of the Commonwealth
687 Transportation Board with respect to the Bonds. The Treasury Board's duties shall include the approval
688 of the terms and structure of the Bonds. In the event the aggregate principal amount of the issuance, for
689 the projects and amounts authorized by the 1994 amendments to Chapter 391 of the Acts of Assembly
690 of 1993, is less than \$127,000,000, the Commonwealth Transportation Board shall cause each Category
691 1 project to be shared in the reduced issuance by reducing the proceeds of the Bonds for each of the
692 Category 1 projects on a pro rata basis.

693 3. That it shall be the duty of the officers in Arlington County, Fairfax County, Loudoun County,
694 Prince William County, the City of Alexandria, the City of Fairfax, the City of Falls Church, the
695 City of Manassas, and the City of Manassas Park conducting the election directed by law to be
696 held on the Tuesday after the first Monday in November 2002 at the places appointed for holding
697 the same, to open a poll and take the sense of the qualified voters upon the ratification or
698 rejection of the additional tax in those localities created by this act.

699 The ballot shall contain the following question:

700 "Question: Shall an additional state sales and use tax of one-half percent be levied in Arlington
701 County, Fairfax County, Loudoun County, Prince William County, the City of Alexandria, the
702 City of Fairfax, the City of Falls Church, the City of Manassas, and the City of Manassas Park in
703 accordance with subsection B of § 58.1-603 and subsection B of § 58.1-604 of the Code of Virginia,
704 with the revenues to be used solely for transportation projects and transportation programs as
705 specified in Chapter (. .) of the Acts of Assembly of 2002."

706 4. That the Department of Taxation shall promulgate all necessary and reasonable regulations to
707 govern the administration of the tax created by this act, including, but not limited to, a bracket
708 system for the collection of taxes in the localities set forth in the second enactment.

709 5. That the revenues dedicated to transportation purposes pursuant to subsection G of § 58.1-638
710 shall not be used to calculate or reduce the share of local, federal, and state revenues otherwise
711 available to participating jurisdictions or to the Northern Virginia Transportation District.

712 6. That, as a condition of the financial assistance for transportation projects located in a city or
713 county set forth in subsection B of § 58.1-603 or subsection B of § 58.1-604, as such financial
714 assistance is provided under this act, such city or county shall not reduce its local contribution to
715 Metrorail capital improvements below the amount it contributed for such improvements in its
716 operating year that began in calendar year 2001.

717 7. That, except for the third enactment, the provisions of this act shall be effective on July 1, 2003,
718 and only if a majority of those voting at the election and upon the question described in the third
719 enactment of this act vote in the affirmative upon such question. For purposes of this act, "a
720 majority of those voting at the election" means a majority of those voting in the entire region
721 constituted by the localities specified in the second enactment, and does not require a majority of
722 those voting in each locality.

723 8. That Article 22 (§ 58.1-540 et seq.) of Chapter 3 of Title 58.1 of the Code of Virginia is
724 repealed.

INTRODUCED

HB1296