

Department of Planning and Budget 2005 Fiscal Impact Statement

1. Bill Number: HB 2292

House of Origin ☒ Introduced ☐ Substitute ☐ Engrossed

Second House ☐ In Committee ☐ Substitute ☐ Enrolled

2. Patron: Lingamfelter

3. Committee: Appropriations

4. Title: Distribution of recordation tax revenue

5. Summary/Purpose:

The 2004 General Assembly increased the state recordation rate from \$0.15 per \$100 of value to \$0.25 per \$100. The proposed legislation would require that the additional revenue generated by that increase be deposited into the Transportation Trust Fund, rather than the general fund.

6. Fiscal impact: Preliminary. See Item 8.

Revenue Impact:

| <i>Fiscal Year</i> | <i>Dollars</i> | <i>Fund</i> |
|--------------------|-----------------|-------------|
| 2005-06 | (\$160,400,000) | General |
| 2006-07 | (\$160,800,000) | General |
| 2007-08 | (\$164,900,000) | General |
| 2008-09 | (\$164,200,000) | General |
| 2009-10 | (\$165,000,000) | General |
| 2010-11 | (\$168,500,000) | General |

7. Budget amendment necessary: Yes. See Item 8.

8. Fiscal implications:

The data shown in the table in Item 6 are the Department of Taxation's estimates of the revenue that would be generated by the 2004 increase in the state recordation tax rate. These revenues would be diverted from the general fund into the Transportation Trust Fund and be available for transportation uses only.

If this bill were enacted into law, anticipated general fund revenues for FY 2006 would be reduced by \$160.4 million. To make up for this loss in general fund revenue in the second year of the current biennium, the General Assembly could take one of two courses of action. If the legislature were to assume that the provisions of this bill were to be in addition to the

provisions of the introduced budget bill, then it would need to reduce overall general fund appropriations for FY 2006 by a comparable \$160.4 million.

The second alternative would not involve a reduction of general fund appropriations. In the introduced bill, the Governor proposed a one-time appropriation of \$350 million in general fund dollars for transportation. The General Assembly could assume that the \$350 million general fund appropriation for transportation included the \$160.4 million from recordation taxes that would be diverted from the general fund to the Fund under the provisions of this legislation. Under that assumption, transportation would still receive \$350 million from the general fund this biennium and FY 2006 general fund appropriations would not have to be reduced. In effect, under this scenario, the one-time general fund appropriation would be \$189.6 million.

In future biennia, however, the proposed legislation would have a significant impact on the general fund budget. Because the \$350 million general fund appropriation for transportation purposes proposed for the current biennium is intended to be only a one-time appropriation, the loss by the general fund of a portion of the recordation tax revenue to the Transportation Trust Fund would have to be offset by comparable reductions in general fund appropriations. Already, preliminary projections of general fund revenues and projected spending needs through FY 2010 indicate that revenues will barely meet those needs. For example, it is currently projected that FY 2007 revenue will fall almost \$200 million short of what will be needed. The diversion of general fund revenue to the Transportation Trust Fund that would result from this bill would exacerbate the problem of balancing future general fund budgets. The projected general fund deficit balance in FY 2007 could be almost \$360 million.

9. Specific agency or political subdivisions affected:

All general fund agencies
Department of Transportation
Department of Rail and Public Transportation
Department of Aviation
Virginia Port Authority
Counties, cities, and towns

10. Technical amendment necessary: None.

11. Other comments: None.

Date: 01/27/05 / rwh

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cc: Secretary of Finance
Secretary of Transportation