

Department of Planning and Budget 2005 Fiscal Impact Statement

1. Bill Number SB 1245

House of Origin	<input checked="" type="checkbox"/> Introduced	<input type="checkbox"/> Substitute	<input type="checkbox"/> Engrossed
Second House	<input type="checkbox"/> In Committee	<input type="checkbox"/> Substitute	<input type="checkbox"/> Enrolled

2. Patron Williams

3. Committee Senate Finance

4. Title Definition and use of transportation funds

5. Summary/Purpose:

Current law has provisions applicable to a situation in which the Governor or the General Assembly proposes, in the budget bill, to use any funds in the Highway Maintenance and Operating Fund (HMOF) or the Transportation Trust Fund (TTF) for any purpose other than constructing, maintaining, or otherwise furthering the interests of, transportation projects or programs. In such a situation, the law requires that any such proposal include a plan for repaying those funds to the HMOF or TTF within three years.

The proposed legislation would delete those provisions. In their place, it would set out the sources of revenues that constitute the Commonwealth Transportation Fund, the TTF, and the HMOF and stipulate that the revenues in those Funds are to be used solely for transportation-related purposes. Furthermore, it would prohibit the use of general fund revenue for transportation-related purposes, except in the following instances:

- FRAN debt service—Requires a general fund appropriation to cover the debt service on the \$317 million in Federal Highway Reimbursement Anticipation Notes (FRANs) previously authorized and issued;
- Recordation tax deposits—Requires a general fund appropriation for the annual deposit of \$40 million in recordation tax revenues previously authorized to support the Rt. 58 program and the annual deposit of another portion of the recordation tax revenues previously authorized to support the Northern Virginia Transportation District Fund and the Transportation Improvement Program Set-aside Fund;
- Extraordinary general fund growth—Allows use of general fund revenues for transportation-related purposes when the general fund revenues are projected to be at least eight percent higher than the general fund revenues in the immediately preceding fiscal year.

6. Fiscal Impact: Preliminary. See Item 8.

7. Budget amendment necessary: None.

8. Fiscal implications:

It has long been the general policy and practice of the Commonwealth that tax revenues directed by law to be deposited in the Commonwealth Transportation Fund, or any of its components (primarily those from gasoline taxes), would be dedicated for transportation-related expenditures and used solely for those purposes. Likewise, revenues deposited in the general fund (primarily those from personal and corporate income taxes and the general sales tax) would be used for other needs of the government and not for transportation. The proposed legislation would make this policy an explicit provision of state law. The only exceptions would be previously authorized uses of general fund revenue for debt service or support of specified statewide or regional transportation programs, or in those cases in which general fund revenue was projected to exceed the previous year's revenue by at least eight percent.

The legislation would not change any of the components that currently comprise the sources of revenue for the transportation-related funds. However, its provisions relating to the use of general fund revenue for transportation purposes would have an impact on future budgets. The bill would require that general fund revenues be used to pay the debt service on \$317 million on Federal Highway Reimbursement Anticipation Notes (FRANs) previously issued by the Commonwealth Transportation Board. The annual debt service is approximately \$37.5 million. Because the current Appropriation Act and the introduced budget provide a general fund appropriation for this debt service for FY 2005 and FY 2006, this provision of the proposed legislation would not have an effect on the current biennium. However, it is not intended that this appropriation be continued beyond this biennium and, thus, this would be an additional expenditure that would, by law, need to be met with general fund revenues in future fiscal years.

An additional expenditure of this magnitude will exacerbate the problem of balancing future general fund budgets. 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. With the requirement for an additional \$37.5 million in expenditures, the projected general fund deficit balance in FY 2007 could be \$236.5 million.

9. Specific agency or political subdivisions affected:

Department of Transportation
All general fund agencies

10. Technical amendment necessary: None.

11. Other comments: Senate Bill 1325 is similar to this bill.

Date: 01/31/05 / rwh

Document: G:\LEGIS\Fis-05\Transportation\SB1245.Doc Dick Hall-Sizemore