Department of Planning and Budget
2005 Fiscal Impact Statement

1. **Bill Number** SB 1324

House of Origin ☒ Introduced ☐ Substitute ☐ Engrossed

Second House ☐ In Committee ☐ Substitute ☐ Enrolled

2. **Patron** Saslaw

3. **Committee** Senate Finance

4. **Title** Management of transportation funds

5. **Summary/Purpose:**

The proposed legislation addresses numerous issues relating to the management of funds appropriated for the construction and maintenance of transportation projects. Following is a summary of those provisions:

Rail Partnership Fund—Currently, statutes provide for a Railway Preservation and Development Fund, established to improve, or assist other entities in improving, passenger and freight rail facilities in the state. The revenue for this fund would come from General Assembly appropriations and allocations by the Commonwealth Transportation Board from transportation revenues. Any tracks, facilities, or equipment purchased or constructed with revenues from the fund would remain the property of the state.

The proposed legislation would change the name of this fund to the Rail Partnership Fund. It would delete the provisions relating to the funding sources of the fund and those relating to any tracks, etc. becoming the property of the Commonwealth. Projects undertaken with money from the fund would be limited to capital improvements and would require a 30 percent match from a private source, regional authority, or local government. As a source of funding, the proposed legislation would require that the revenues collected from a portion of the motor vehicle rental tax be deposited into the fund.

Local Partnership Fund—This is a new fund established by the proposed legislation. Its purpose would be to encourage local governments to take over the management of highway construction and improvement projects. The primary source of revenue for this fund would be any appropriations made by the General Assembly for this purpose. The money in the fund could be used in the following ways, in priority order:

- Federally funded projects—If a locally managed project were partially funded with federal funds, money from the fund could be used to replace the federal funds on that project and the replaced federal funds would be used to advance another qualifying project in that locality.

- Start-up and other costs—Up to five percent of the fund could be provided to local governments for start-up, staffing, and technical assistance costs related to locally managed projects. An additional five percent could be provided for unanticipated costs related to individual projects.

- Additional funding—Additional locally managed projects could receive up to $750,000 in matching funds. These funds could be used to take certain streets into the secondary system.

Transit Partnership Fund—Under current law there exists the Commonwealth Transit Capital Fund. Money in this fund can be granted to local political subdivisions, other public entities, or certain private entities to be used to pay up to 80 percent of the nonfederal share of the cost of the capital expenditures involving the establishment, improvement, or expansion of public transportation services through specific projects. The proposed legislation would change the name of the fund to Transit Partnership Fund and expand the authorized use of grant funds to include capital programs.

Private Partnership Fund—The purpose of this new fund would be to make loans to projects for which state transportation agencies have entered into agreements with private companies to construct or manage under the provisions of the Public-Private Transportation Act of 1995. These would be noninterest-bearing loans and would be repaid within seven years. No single loan could exceed $30 million.

PPTA modification—Under the terms of the Public-Private Transportation Act of 1995 (PPTA), the private entity and the public agency enter into a comprehensive agreement under which the private entity (operator) agrees to complete a specified project. The proposed legislation would enable the operator and public agency to enter into a "development agreement" under which the operator would perform work and get paid for it without committing either party to completing the entire course of improvements set out in the comprehensive agreement.

Project allocation—The proposed legislation would require that the total funds allocated to a transportation construction project would be equal to the total expenditures for the project within 12 months following completion of the project.

6. **Fiscal Impact**: Preliminary. See Item 8.

7. Budget amendment necessary: None. See Item 8.

8. Fiscal implications:

Statutory provisions require that a portion of the revenue from the tax on the proceeds from the rental of motor vehicles be used to meet the expenses of the Department of Motor Vehicles. However, since 2003, the Appropriations Act has overridden that provision and directed the deposit of this revenue into the general fund. The proposed legislation would re-direct this revenue into the Rail Partnership Fund. Without this legislation being enacted, it is assumed that this revenue would continue, in future biennia, to be deposited into the general fund. Therefore, the legislation would result in a decrease in projected general fund revenues, as shown in the following table:

Fiscal Year	*Projected General Fund Loss*
FY 2006	$23.2 million
FY 2007	$23.7 million
FY 2008	$24.2 million
FY 2009	$24.7 million
FY 2010	$25.1 million
FY 2011	$25.1 million

However, the introduced budget has taken the provisions of this bill into account in its estimate of general fund revenue for FY 2006 and contains amendments directing the deposit of $23.2 million from motor vehicle rental tax revenues into the Rail Partnership Fund, rather than the general fund, in FY 2006. Thus, no budget amendments are needed.

Other than for the Rail Partnership Fund, the proposed legislation does not designate a source of funding for the various funds it would create. Under the provisions of the legislation, the amount of money in those other funds is dependent on the appropriations provided by the General Assembly. Therefore, the bill itself would have no fiscal impact, except for the provisions relating to the motor vehicle rental tax described above.

9. Specific agency or political subdivisions affected:

Department of Transportation
Department of Rail and Public Transportation
Counties, cities, and towns

10. Technical amendment necessary: None.

11. Other comments:

This bill is identical to HB 2736.

Although not required by the proposed legislation, the introduced budget also includes appropriations to implement the following provisions of the proposed legislation:

- Local Partnership Fund--$40 million in FY 2005 from the general fund and $40 million in FY 2006 from the Commonwealth Transportation Fund.
- Transit Partnership Fund--$80 million in FY 2005 from the general fund
- Private Partnership Fund--$140 million in FY 2005 from the general fund.
- Deficit highway projects--$90 million in FY 2005 from the general fund and $166.4 million in FY 2006 from the Commonwealth Transportation Fund to close out highway projects that are complete but have been identified in the six-year program as requiring a deficit payoff.

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cc: Secretary of Finance
Secretary of Transportation