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**HOUSE BILL NO. 423**

Offered January 11, 2006

Prefiled January 6, 2006

*A BILL to amend and reenact § 58.1-638 of the Code of Virginia, relating to disposition of state sales and use tax revenue to certain localities.*

\_\_\_\_\_  
Patron—Nutter

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Referred to Committee on Appropriations

**Be it enacted by the General Assembly of Virginia:****1. That § 58.1-638 of the Code of Virginia is amended and reenacted as follows:**

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

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

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

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

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

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

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

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

Any new funds in excess of \$12.1 million which are available for allocation by the Virginia Aviation Board from the Commonwealth Transportation Fund, shall be allocated as follows: 60 percent to MWAA, up to a maximum annual amount of \$2 million, and 40 percent to air carrier airports as provided in subdivision A 3 a. Except for adjustments due to changes in enplaned passengers, no air carrier airport sponsor, excluding MWAA, shall receive less funds identified under subdivision A 3 a than it received in fiscal year 1994-1995.

Of the remaining amount:

a. Forty percent of the funds shall be allocated to air carrier airports, except airports owned or leased by MWAA, based upon the percentage of enplanements for each airport to total enplanements at all air carrier airports, except airports owned or leased by MWAA. No air carrier airport sponsor, however,

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59 shall receive less than \$50,000 nor more than \$2 million per year from this provision.

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

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

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

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

72 b. The amounts allocated pursuant to this section shall be used to support the public transportation  
73 administrative costs and the costs borne by the locality for the purchase of fuels, lubricants, tires and  
74 maintenance parts and supplies for public transportation at a state share of 80 percent in 2002 and 95  
75 percent in 2003 and succeeding years. These amounts may be used to support up to 95 percent of the  
76 local or nonfederal share of capital project costs for public transportation and ridesharing equipment,  
77 facilities, and associated costs. Capital costs may include debt service payments on local or agency  
78 transit bonds. The term "borne by the locality" means the local share eligible for state assistance  
79 consisting of costs in excess of the sum of fares and other operating revenues plus federal assistance  
80 received by the locality.

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

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

85 (2) The Board may allocate these funds to any locality or planning district commission to finance up  
86 to 80 percent of the local share of all costs associated with the development, implementation, and  
87 continuation of ridesharing programs.

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

91 (a) To finance up to 95 percent of the capital costs related to the development, implementation and  
92 promotion of experimental public transportation and ridesharing projects approved by the Board.

93 (b) To finance up to 95 percent of the operating costs of experimental mass transportation and  
94 ridesharing projects approved by the Board for a period of time not to exceed 12 months.

95 (c) To finance up to 95 percent of the cost of the development and implementation of any other  
96 project designated by the Board where the purpose of such project is to enhance the provision and use  
97 of public transportation services.

98 d. Funds allocated for public transportation promotion and operation studies may be paid to any local  
99 governing body, planning district commission, transportation district commission, or public transit  
100 corporation, or may be used directly by the Department of Rail and Public Transportation for the  
101 following purposes and aid of public transportation services:

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

105 (2) To finance up to 50 percent of the local share of public transportation operations planning and  
106 technical study projects approved by the Board.

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

110 f. The remaining 25 percent shall be distributed for capital purposes on the basis of 95 percent of the  
111 nonfederal share for federal projects and 95 percent of the total costs for nonfederal projects. In the  
112 event that total capital funds available under this subdivision are insufficient to fund the complete list of  
113 eligible projects, the funds shall be distributed to each transit property in the same proportion that such  
114 capital expenditure bears to the statewide total of capital projects.

115 g. There is hereby created in the Department of the Treasury a special nonreverting fund known as  
116 the Commonwealth Transit Capital Fund. The Commonwealth Transit Capital Fund shall be part of the  
117 Commonwealth Mass Transit Fund. The Commonwealth Transit Capital Fund subaccount shall be  
118 established on the books of the Comptroller and consist of such moneys as are appropriated to it by the  
119 General Assembly and of all donations, gifts, bequests, grants, endowments, and other moneys given,  
120 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 20 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 95 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 20 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 reported, the Department of Education shall adjust such school population figures by the same percent of annual change in total population estimated for each locality by The Center for Public Service. The revenue so apportionable and distributable is hereby appropriated to the several counties and cities for maintenance, operation, capital outlays, debt and interest payments, or other expenses incurred in the operation of the public schools, which shall be considered as funds raised from local resources. In any county, however, wherein is situated any incorporated town constituting a school division, the county treasurer shall pay into the town treasury for maintenance, operation, capital outlays, debt and interest payments, or other expenses incurred in the operation of the public schools, the proper proportionate amount received by him in the ratio that the school population of such town bears to the school population of the entire county. If the school population of any city or of any town constituting a school division is increased by the annexation of territory since the last preceding school population census, such increase shall, for the purposes of this section, be added to the school population of such city or town as shown by the last such census and a proper reduction made in the school population of the county or counties from which the annexed territory was acquired.

E. Beginning July 1, 2000, ~~of the remaining sales and use tax revenue~~, the revenue generated by a two percent sales and use tax, up to an annual amount of \$13 million, collected from the sales of hunting equipment, auxiliary hunting equipment, fishing equipment, auxiliary fishing equipment, wildlife-watching equipment, and auxiliary wildlife-watching equipment in Virginia, as estimated by the most recent U.S. Department of the Interior, Fish and Wildlife Service and U.S. Department of Commerce, Bureau of the Census National Survey of Fishing, Hunting, and Wildlife-Associated Recreation, shall be paid into the Game Protection Fund established under § 29.1-101 and shall be used, in part, to defray the cost of law enforcement. Not later than 30 days after the close of each quarter, the

182 Comptroller shall transfer to the Game Protection Fund the appropriate amount of collections to be  
183 dedicated to such Fund. At any time that the balance in the Capital Improvement Fund, established  
184 under § 29.1-101.1, is equal to or in excess of \$35 million, any portion of sales and use tax revenues  
185 that would have been transferred to the Game Protection Fund, established under § 29.1-101, in excess  
186 of the net operating expenses of the Board, after deduction of other amounts which accrue to the Board  
187 and are set aside for the Game Protection Fund, shall remain in the general fund until such time as the  
188 balance in the Capital Improvement Fund is less than \$35 million.

189 F. 1. Of the net revenue generated from the one-half percent increase in the rate of the state sales  
190 and use tax effective August 1, 2004, pursuant to enactments of the 2004 Special Session I of the  
191 General Assembly, the Comptroller shall transfer from the general fund of the state treasury to the  
192 Public Education Standards of Quality/Local Real Estate Property Tax Relief Fund established under  
193 § 58.1-638.1 an amount equivalent to one-half of the net revenue generated from such one-half percent  
194 increase as provided in this subdivision. The transfers to the Public Education Standards of  
195 Quality/Local Real Estate Property Tax Relief Fund under this subdivision shall be for one-half of the  
196 net revenue generated (and collected in the succeeding month) from such one-half percent increase for  
197 the month of August 2004 and for each month thereafter.

198 2. For the purposes of the Comptroller making the required transfers under subdivision 1, the Tax  
199 Commissioner shall make a written certification to the Comptroller no later than the twenty-fifth of each  
200 month certifying the sales and use tax revenues generated in the preceding month. Within three calendar  
201 days of receiving such certification, the Comptroller shall make the required transfers to the Public  
202 Education Standards of Quality/Local Real Estate Property Tax Relief Fund.

203 G. *Beginning July 1, 2006, each county, city, or town of this Commonwealth whose total machinery*  
204 *and tools tax revenues for the most recently ended two fiscal years are at least 50% less than such*  
205 *revenues for the two fiscal years immediately preceding the two most recently ended fiscal years,*  
206 *excluding any reduction due to a decrease in the tax rate, shall receive an amount out of the remaining*  
207 *sales and use tax revenue as set forth in this subsection. The annual amount to be distributed shall be*  
208 *the lesser of one-half of the annual amount distributed to the county, city, or town pursuant to*  
209 *§ 58.1-605, or one-half of the two-year reduction in the machinery and tools tax revenues for the*  
210 *locality. Such annual payments shall continue until the fiscal year immediately following two successive*  
211 *fiscal years in which the county's, city's, or town's total machinery and tools tax revenues for those two*  
212 *fiscal years equal or exceed 80% of the amount of such revenues collected in the two-year period*  
213 *immediately preceding the two fiscal years in which there was at least a 50% reduction in such*  
214 *revenues.*

215 GH. If errors are made in any distribution, or adjustments are otherwise necessary, the errors shall be  
216 corrected and adjustments made in the distribution for the next quarter or for subsequent quarters.

217 HI. The term "net revenue," as used in this section, means the gross revenue received into the  
218 general fund or the Transportation Trust Fund of the state treasury under the preceding sections of this  
219 chapter, less refunds to taxpayers.