

DEPARTMENT OF TAXATION

2006 Fiscal Impact Statement

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| <p>1. Patron L. Scott Lingamfelter</p> <p>3. Committee House Transportation</p> <p>4. Title Virginia Defense Facility and Transportation Improvement Fund and Program</p> | <p style="text-align: right;">REVISED</p> <p>2. Bill Number <u>HB 166</u></p> <p>House of Origin:</p> <p><u> X </u> Introduced</p> <p><u> </u> Substitute</p> <p><u> </u> Engrossed</p> <p>Second House:</p> <p><u> </u> In Committee</p> <p><u> </u> Substitute</p> <p><u> </u> Enrolled</p> |
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5. Summary/Purpose:

This bill would establish the Virginia Defense Facility and Transportation Improvement Fund and Program. The Fund would consist of \$250 million of annual collections of state recordation taxes. Its proceeds would be allocated by the Commonwealth Transportation Board to highway construction districts in which federal defense facilities or bases are expanded as the result of actions of the Base Realignment and Closure Commission, and would be used for transportation infrastructure improvements. The provisions of this bill would expire on July 1, 2011.

No effective date is specified for this bill.

6. Fiscal Impact Estimates: Preliminary. (See Line 8.)

Revenue Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2006-07	(\$250 million) \$250 million	GF - unrestricted TTF
2007-08	(\$250 million) \$250 million	GF - unrestricted TTF
2008-09	(\$250 million) \$250 million	GF - unrestricted TTF
2009-10	(\$250 million) \$250 million	GF - unrestricted TTF
2010-11	(\$250 million) \$250 million	GF - unrestricted TTF
2011-12	(\$250 million) \$250 million	GF - unrestricted TTF

7. Budget amendment necessary: Yes.

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New Item to appropriate revenue to the new Virginia Defense Facility and Transportation Improvement Fund.

8. Fiscal implications:

Under this legislative proposal, the transfers of recordation tax revenue to the Virginia Defense Facility and Transportation Improvement Fund are \$250 million in FY 2006 and beyond. To implement this transfer, a reduction of an equal amount of general fund support from other areas in the introduced budget will be required. Given the magnitude of funding involved, funding would need to be transferred from areas with significant general fund support.

9. Specific agency or political subdivisions affected:

Department of Taxation
Commonwealth Transportation Board

10. Technical amendment necessary: No.

11. Other comments:

Current Law

The Base Realignment and Closure (BRAC) Commission made various recommendations, which became law on November 9, 2005. Several military installations in Virginia were affected. In some cases, operations will be moved from one facility to another in Virginia, while in other cases, operations will be moved out of the state resulting in the closing of facilities or the reduction or relocation of personnel.

The Commonwealth Transportation Board has the authority to, among other things, establish routes for highways, award contracts for the construction and maintenance of highways and public transportation systems, and coordinate the planning for financing of such projects.

Proposal

This bill would establish the Virginia Defense Facility and Transportation Improvement Fund and Program. The Fund would consist of \$250 million of annual collections of state recordation taxes. Its proceeds would be allocated by the Commonwealth Transportation Board to highway construction districts in which federal defense facilities or bases are expanded as the result of actions of the BRAC Commission, and would be used for transportation infrastructure improvements.

This bill would provide that the allocation not affect local recordation taxes.

Other Legislation

HB 67 would earmark 50% of state recordation tax revenue to each county or city that has, or intends to have, a Purchase of Development Rights Program.

HB 92 and **SB 277** would earmark \$0.02 per \$100 of the state recordation tax (equivalent to 8% of revenue) to the Virginia Housing Partnership Revolving Fund (renamed Virginia Housing Trust Fund).

HB 410 would earmark all state recordation tax revenues, after existing earmarks of \$80 million, to the Commonwealth Transportation Board for use throughout the Commonwealth for (i) projects that will reduce poor air quality, (ii) projects that will reduce traffic congestion, and (iii) projects that will enhance the safety of motorists or pedestrians.

HB 485 would reduce the recordation tax rates to the levels that existed prior to the increase imposed in 2004.

HB 659 would earmark recordation tax revenues not already dedicated to the Commonwealth Transportation Board for transportation projects in localities throughout the Commonwealth on a pro rata basis pursuant to the amount of recordation tax collected in each locality.

HB 1436 would earmark recordation tax revenues generated as a result of the rate increase imposed in 2004 to the Transportation Trust Fund.

SB 413 would earmark \$100 million of recordation tax revenue to the Virginia Water Quality Improvement Fund.

cc : Secretary of Finance

Date: 01/26/2006 CHC
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