

Department of Planning and Budget 2006 Fiscal Impact Statement

1. Bill Number: SB708

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

2. Patron: Hawkins, C.

3. Committee: House Finance

4. Title: Funding of Transportation Programs in the Commonwealth of Virginia

5. Summary/Purpose:

This bill provides several mechanisms for funding the transportation needs of the Commonwealth of Virginia.

The bill establishes a new transportation fund, the Shortline Railway Preservation Fund. This fund will be administered by the Department of Rail and Public Transportation.

The bill also adjusts certain fees and taxes applicable to transportation:

- Motor Vehicle registration fees (MVRF) are increased for all passenger carrying and non-passenger carrying motor vehicles.
- Motor Vehicle Sales and Use Tax (MVST) is increased by 3/4 percent in equal 1/4 percent increments over three years.
- A Sales Tax on Motor Fuels (STMF) of 5 percent will be imposed at the wholesale level beginning in FY 2007.
- Motor Fuels Tax Rate (MFTR) on diesel fuel at the pump will increase from \$0.16 to \$0.175.
- Increases liquidated damages from overweight vehicles. The rate varies on the weight of the vehicle.
- Creates abusive driver fees, with the rate is based on accumulated driver demerit points.
- Increases Grantor Tax from \$0.10 to \$0.30 per \$100.00 valuation.
- Dedicates auto insurance premium tax to transportation.

The bill restricts all moneys credited to specific transportation funds for the sole use of purposes to fund and to maintain highways, public transportation, congestion mitigation, railways, seaports, and airports; to pay bonds and obligations for funding transportation projects; and to grant loans to finance transportation projects. Through revenues raised by this bill and the creation of new funds, specific needs of urban congestion, rural transportation funding, and further rail development in the Commonwealth are addressed. In addition, general fund revenues, with few exceptions, will be restricted to non-transportation projects.

6. Fiscal Impact Estimates are Preliminary: (See Item 8)

7. Budget amendment necessary: Yes

- a) Item 444
- b) Item 438
- c) Item 437
- d) Item 435

8. Fiscal implications:

The bill provides for refunds to non-business consumers of fuel equal to the increase in taxes beyond the current \$0.175 per gallon. The Department of Motor Vehicles (DMV) estimates refunds of the tax at \$186.8 million in FY 2007, increasing to \$276.8 million in FY 2012. This is based on a 50 percent participation rate. DMV also estimates that an additional 15 FTE's will be needed to implement processing of abuser fees, as well as an additional 363 FTE's to process the fuels tax refunds. This bill authorizes up to 18 percent of the revenue collected for administrative costs related to the abuser fees, but caps it at \$5.1 million. The bill also authorizes \$15.0 million for administrative costs for the refund program.

The Department of Treasury estimates the incremental costs to process the refund checks could range from \$520,000 to process 1.3 million checks to \$1.09 million to process 2.7 million checks.

The additional estimated revenues will be distributed as follows:

- Local governments will receive an estimated \$210.9 million per fiscal year;
- The Rail Enhancement Fund will receive \$45.0 million per fiscal year;
- The Shortline Railway Preservation Fund will receive \$ 5.0 million per fiscal year;
- The Highway Construction Fund will receive an estimated \$649.3 million in FY 2007, increasing to an estimated \$786.3 million in FY 2012; and
- The Commonwealth Mass Transit Fund will receive an estimated \$111.9 million in FY 2007, increasing to an estimated \$135.5 million in FY 2012.

Net revenue generated for the state in FY 2007 and FY 2008 would equal \$2,092.7 million.

9. Specific agency or political subdivisions affected:

Department of Taxation
Department of Rail and Public Transportation
Virginia Department of Transportation
Department of Treasury
Department of Motor Vehicles

10. Technical amendment necessary: §§ 58.1-2701A and 58.1-2706A, Code of Virginia, will need to be amended to reflect the additional 5 percent sales tax on diesel fuel.

11. Other comments: Revenue by Source (\$ millions)

Revenue Source	FY 2007	FY 2008	Totals
Auto Insurance Premium Tax	\$ 111.3	\$ 117.6	\$ 228.9
Motor Vehicle Sales Tax	46.2	98.3	144.5
Sales Tax on Motor Fuels	513.3	533.6	1,046.9
Refunds on Sales Tax Increase	(93.4)	(127.6)	(221.0)
Motor Fuels Tax on Diesel	20.3	21.3	41.6
Registration Fees	160.3	161.7	322.0
Grantor's Tax	210.9	210.9	421.8
Abusive Drivers Fee	48.4	48.4	96.8
Liquidated Damages Fee	5.6	5.6	11.2
Totals	\$1,022.9	\$1,069.8	\$2,092.7

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cc: Secretary of Transportation

Secretary of Finance