

Department of Planning and Budget

2006 SSI Fiscal Impact Statement

1. Bill Number HB 5038

House of Origin ☒ Introduced ☐ Substitute ☐ Engrossed

Second House ☐ In Committee ☐ Substitute ☐ Enrolled

2. Patron Hugo

3. Committee House Committee on Appropriations

4. Title Retail Sales and Use Tax; portion dedicated for transportation and creates transportation district programs.

5. Summary/Purpose:

The bill establishes Commonwealth Transportation District Programs for each of VDOT's construction districts, excluding the Northern Virginia construction district. Projects contained in the programs are to be funded by proceeds from the sale of bonds, called Commonwealth Transportation Projects Notes. The notes are to be issued by the Commonwealth Transportation Board secured by revenues generated by 0.5 percent of the sales and use tax. Currently, 0.5 percent of the sales and use tax supports the Transportation Trust Fund. The bond proceeds will be allocated to each district's transportation district program based on the ratio of sales and use tax collected in the district's localities.

6. Fiscal Impact: Preliminary.

<i>General Fund</i>	
<i>Fiscal Year</i>	<i>Amount</i>
FY 2008	(546,100,000)
FY 2009	(573,900,000)
FY 2010	(599,500,000)
FY 2011	(625,700,000)
FY 2012	(651,800,000)

<i>Commonwealth Transportation Projects Fund</i>	
<i>Fiscal Year</i>	<i>Amount</i>
FY 2008	546,100,000
FY 2009	573,900,000
FY 2010	599,500,000
FY 2011	625,700,000
FY 2012	651,800,000

7. Budget amendment necessary: Yes. The reduction in general fund revenues would likely require there be significant reductions in general fund appropriations for some programs or some agencies in FY 2008.

8. Fiscal implications:

The bill would expand the concept of transportation district programs statewide. Currently, only the Northern Virginia district has a transportation district program. The Northern Virginia Transportation District Program is funded by its portion of the state recordation taxes which are distributed back to counties and cities. The Northern Virginia program regionalizes a revenue stream, allocating funds to a single district fund and designating them to specified projects within the region.

Currently, consumers are charged four percent state sales and use tax, of which 2.25 percent supports the general fund. One percent is transferred to localities to support education. An additional 0.25 percent is also transferred to localities for public education or real estate property tax relief. An amount equivalent to 0.5 percent supports the Transportation Trust Fund. The proposed legislation would transfer 0.5 percent to transportation purposes, leaving 1.75 percent of the state sales and use tax to support the general fund.

According to the Department of Treasury, the debt issued under the authority of this bill would be tax-supported debt of the Commonwealth. If 10-year notes were issued utilizing the maximum debt service available, the principal amount of outstanding notes could potentially reach \$4.8 billion.

9. Specific agency or political subdivisions affected:

All county and city governments
Hampton Roads Metropolitan Planning Organization
Northern Virginia Transportation Authority
Department of Transportation
Commonwealth Transportation Board
Department of Treasury

10. Technical amendment necessary: Yes.

- a) The bill amends the Code of Virginia by adding a section numbered §33.1-221.1:3. However, that section currently exists.
- b) Lines 562, 574 and 603: The bill cites §33.1-221.1:9, but that code section does not exist.
- c) Line 695: The bill cites the Northern Virginia Investment Fund pursuant to §58.1-2512, but neither the code section nor the fund exists.

11. Other comments:

- 1) The proposed legislation authorizes the Hampton Roads Metropolitan Planning Organization (MPO) to determine the projects to be funded in the Hampton Roads Transportation District Program, with the advice and consent of certain members of the General Assembly who live within the boundaries of the MPO. The Hampton Roads district is comprised of VDOT's Hampton Roads construction district, which includes counties and cities which lie outside of the Hampton Roads MPO. The term "advise and

consent” should be clarified. For example, would the General Assembly members be able to block a specific project?

2) HB 5035, 5036, 5037 are similar to this bill.

Date: 09/13/06 / smc

Document: F:\SMC\GA\FIS 2006\HB5038.Doc

cc: Secretary of Finance

Secretary of Transportation