

Department of Planning and Budget 2006 SSI Fiscal Impact Statement

1. Bill Number HB 5048

House of Origin ☒ Introduced ☐ Substitute ☐ Engrossed

Second House ☐ In Committee ☐ Substitute ☐ Enrolled

2. Patron Lingamfelter

3. Committee Appropriations

4. Title State secondary highway system; state urban highway system; allocation of highway construction funds; distribution of certain individual income tax revenue to localities for transportation.

5. Summary/Purpose:

The proposed legislation would abolish the secondary system of roads and the urban system of roads in the Commonwealth, and transfer the current allocations for those systems to other systems supported by the Transportation Trust Fund. The bill would establish the Virginia Highway Bridge Fund. Counties would assume the management and operation of secondary highways. Counties and cities would receive 20 percent of the individual income tax revenues to be used solely for transportation purposes. The income tax revenue currently supports the general fund.

6. Fiscal Impact: Preliminary.

| <i>General Fund</i> | |
|---------------------|-----------------|
| <i>Fiscal Year</i> | <i>Amount</i> |
| FY 2008 | (1,930,100,000) |
| FY 2009 | (2,037,800,000) |
| FY 2010 | (2,156,500,000) |
| FY 2011 | (2,275,400,000) |
| FY 2012 | (2,535,400,000) |

| <i>Nongeneral Fund</i> | |
|------------------------|---------------|
| <i>Fiscal Year</i> | <i>Amount</i> |
| FY 2008 | 1,930,100,000 |
| FY 2009 | 2,037,800,000 |
| FY 2010 | 2,156,500,000 |
| FY 2011 | 2,275,400,000 |
| FY 2012 | 2,535,400,000 |

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:

Currently, the Code of Virginia creates the primary, secondary and urban highway systems and allocates Transportation Trust Fund funds to each system. Generally, the primary system contains state-maintained roads numbered 599 and below, excluding the interstate system. The secondary system consists of state-maintained roadways numbered 600 and above. Streets within municipalities maintained by cities and towns are grouped into the urban system. There are 81 municipalities in the urban system, 39 cities and 42 towns. Highway construction allocations are divided among the three systems, with 40 percent to primary, 30 percent to secondary and 30 percent to urban. The state maintains the secondary system roads and provides payments to cities and towns to assist in the maintenance of the urban system.

The proposed legislation would repeal or amend Code sections referring to the secondary system and urban system of highways. The bill would eliminate the highway construction allocations to the secondary and urban systems, instead distributing the highway funds as such:

- 60 percent to the primary system
- 20 percent to address high-cost construction projects on the interstate system or the National Highway System
- 10 percent to permit an expanded use of primary system construction funding for transit capital projects
- 10 percent to a new Virginia Highway Bridge Fund

The proposed legislation establishes the Virginia Highway Bridge Fund. The fund would receive highway allocations and federal bridge funds, and would fund the construction, reconstruction or rehabilitation of highway bridges. The fund would require a county match of 20 percent for projects on secondary highways. The Commonwealth Transportation Board would allocate the funds for bridge projects based on the severity of the bridge's deficiency.

The bill would transfer control, supervision, management, operation and jurisdiction of all secondary highways to the governing bodies of counties. VDOT would create standards for the highways to be followed by the counties.

The bill would direct the transfer of 20 percent of individual income to counties and cities to be used solely for transportation purposes. The income tax revenue would be distributed to counties and cities based on the share each contributed to the total amount.

9. Specific agency or political subdivisions affected:

All county and city governments
Towns with populations over 3,500
Department of Transportation
Commonwealth Transportation Board

Department of Accounts

10. Technical amendment necessary: Yes.

- a) §33.1-23.03.1 B of the bill refers to a 20 percent match of highway system funds, pursuant to 22.1-23.1 for any project on the interstate, primary or urban system. However, the bill revises 33.1-23.1 to remove funding for the urban system.

11. Other comments: The proposed legislation would direct 20 percent of the individual income tax to be transferred to counties and cities to be used for transportation purposes and make up for the loss in highway system allocations. The urban system is comprised of 39 cities and 42 towns, but towns would not receive any income tax revenue under the provisions of this bill. The towns would be left to enact their own funding sources to pay for the costs of maintaining and operating highways within their jurisdictions.

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cc: Secretary of Finance

Secretary of Transportation