

Department of Planning and Budget

2006 Special Session Fiscal Impact Statement

1. Bill Number HB 5054

House of Origin ☒ Introduced ☐ Substitute ☐ Engrossed
Second House ☐ In Committee ☐ Substitute ☐ Enrolled

2. Patron Albo

3. Committee House Finance

4. Title Transportation funding for Northern Virginia

5. Summary/Purpose:

The proposed legislation would establish a fund to support transportation projects in Northern Virginia (Special Transportation Fund for Northern Virginia, hereafter referred to as “the fund”). The source of money for the fund would be revenue generated by a variety of new local taxes and fees authorized by the bill, as well as a portion of the state recordation tax revenues collected in Northern Virginia and currently deposited in the state’s general fund.

The bill would also designate how the money in the new fund would be distributed, as well as certain state matching requirements.

The bill would enlarge the membership of the Northern Virginia Transportation Authority (the Authority) by adding three additional members of the General Assembly from Northern Virginia (to the three already on the Authority), a mayor of a town with a population greater than 3,500, and the Northern Virginia District Administrator for VDOT. The Authority would have responsibility for administering the Fund.

Finally, the bill would prohibit any county or city that did not enact all the new taxes and fees authorized in the bill from being a member of the Authority.

6. Fiscal Impact Estimates are: Tentative.

6a. Expenditure Impact:

Note: The expenditures shown would be the required state match for the Virginia Railway Express (\$30 million). The proposed bill does not stipulate whether the matching funds should come from the general fund or transportation funds.

(shown in millions of dollars)

Fiscal Year	Amount
2007	\$30.0
2008	\$30.0
2009	\$30.0

2010	\$30.0
2011	\$30.0
2012	\$30.0

6b. Revenue Impact:

Note: The following estimates are based on the latest forecasts of recordation tax revenue by the Department of Taxation. Due to the recent slowing of the real estate market, it is anticipated that these estimates will be lowered when the next forecast is made later this fall.

General Fund

(shown in millions of dollars)

Fiscal Year	Amount
2007	(\$51.4)
2008	(\$118.2)
2009	(\$122.2)
2010	(\$122.2)
2011	(\$122.2)
2012	(\$122.2)

Note: For estimates of the impact on nongeneral funds, see Item 8.

- 7. Budget amendment necessary:** Yes. Because the bill would result in a significant reduction in general fund revenue available for general use, there could be a need to reduce existing general fund appropriations to some state agencies for the current biennium.

8. Fiscal implications:

As noted above, the bill could result in significant reductions for agencies with general fund appropriations for the current biennium. Even if revised revenue forecasts project sufficient additional general fund revenue to balance the diversion of general fund appropriation to transportation as proposed by this legislation, there will not be much remaining additional general fund revenue to direct to any new general fund needs.

The bill could also have an impact on transportation funding. To the extent that any of the projects or programs that would be funded under the bill are now included in VDOT's Six-Year Construction Plan, those funds could be freed up for use on additional projects.

Revenues

The table below summarizes the estimated revenues that would be generated by the proposed legislation for the fund. Following the table are descriptions of each source:

(dollars shown in millions)

Tax/Fee	FY 2007	FY 2008	FY 2009	FY 2010
State recordation tax	\$51.4	\$118.2	\$122.2	\$122.2
Building permit fee	\$68.5	\$137.0	\$137.0	\$137.0
Initial driver's license fee	\$5.9	\$11.8	\$11.8	\$11.8
Automobile license fee	\$26.3	\$52.6	\$52.6	\$52.6
Initial automobile license fee	\$22.1	\$44.7	\$45.0	\$45.3
Rental car fee	\$3.7	\$7.7	\$8.0	\$8.2
Commercial real estate tax	\$43.4	\$194.1	\$194.1	\$194.1
Transient occupancy tax	\$8.9	\$22.2	\$23.2	\$24.1
Total	\$230.2	\$588.3	\$593.9	\$593.9

State revenues

- State recordation tax—Currently, the state collects taxes and fees on deeds, deeds of trust or mortgages, and various other real estate instruments recorded with the courts. It also collects a grantor's tax from sellers of real estate. Of the revenue collected from the recordation tax, \$40 million each year is deposited into a special fund in the Department of Transportation (VDOT) to support the improvement of Rt. 58 across the state. Another \$40 million is returned annually to counties and cities.

The proposed legislation would direct that, from revenue generated in counties and cities in Northern Virginia by the state recordation tax, grantor's tax, and other similar fees, 10 cents on every \$100 or fraction thereof of the actual value of property conveyed be deposited into the fund.

The estimates are based on the latest forecasts of recordation tax revenue by the Department of Taxation. Due to the recent slowing of the real estate market, it is anticipated that these estimates will be lowered when the next forecast is made later this fall.

Locally-generated revenues

The counties and cities of Northern Virginia would be authorized to impose the following new fees:

- Building permit fee—\$7,000 for a new single-family detached dwelling; \$6,000 for a new townhouse; and \$5,000 for a multi-family dwelling unit. The revenue from the fees would be appropriated into the fund. Because of the difficulty in getting data and

projecting future building trends, these projects should be considered highly preliminary and used only for purposes of determining magnitude.

- Initial driver's license fee—An additional fee of \$200 for the initial issuance of a driver's license. The additional fee would be waived for any minor who successfully completed an approved driver safety course. The additional fee would be collected by the Department of Motor Vehicles and returned to the locality in which the vehicle was registered. The locality, in turn, would appropriate the revenue into the fund. Estimates provided by the Department of Motor Vehicles.
- Motor vehicle license fee—An additional annual automobile license fee. The rate for passenger cars and pickup trucks would be \$30. The rate for other types of vehicles would range from \$40 to \$12. The additional fee would be collected by the Department of Motor Vehicles and returned to the locality in which the vehicle was registered. The locality, in turn, would appropriate the revenue into the fund. Estimates provided by the Department of Motor Vehicles.
- Initial motor vehicle license fee—An additional, one-time license fee charged at the time the vehicle is registered in the locality. The fee would be equal to 0.75 percent of the retail value of the vehicle. The additional fee would be collected by the Department of Motor Vehicles and returned to the locality in which the vehicle was registered. The locality, in turn, would appropriate the revenue into the fund. These estimates are based on vehicles first titled in one of the Northern Virginia localities in FY 2006. It does not include vehicles brought in from outside the area and on which the motor vehicle sales tax had already been paid. Because the bill would also impose the initial fee on vehicles brought into the area from other parts of the state, the estimates shown likely underestimate the revenue impact.
- Rental car fee—Two percent of the gross proceeds of the rental in the locality of any daily rental vehicle. The revenue from the fee would be appropriated for deposit into the fund. Estimates provided by the Department of Taxation.
- Commercial real estate tax—Tax at rate of 0.3 percent of the fair market value of any commercial or industrial real estate. (The bill would declare real estate used solely for commercial or industrial purposes as a separate class solely for the purpose of funding regional transportation improvements.) Revenues from the tax would be appropriated to the fund. Estimates provided by the Department of Taxation.
- Transient occupancy tax—An additional two percent of the amount charged for the occupancy of any room. Revenue from the tax would be appropriated to the fund. Estimates provided by the Department of Taxation.

Uses of Revenues

The bill would require that the revenue generated for the new fund be distributed as follows, in priority order:

- Metro transit—Up to \$50 million each year to be used as matching funds for any new federal funding. This distribution would be contingent upon the federal funds are exclusive of, and in addition to, federal funds currently being appropriated to the state for transportation.
- Virginia Railway Express--\$30 million each year for capital improvements. Distribution would be contingent upon (i) the provision of state matching funds and (ii) Prince William County being a member of the Authority.
- Urban and secondary road construction—At least 25 percent of the amount remaining after the distributions for Metro and Virginia Railway Express. The Northern Virginia Transportation Authority would determine the projects for which the funds would be used. The funds would be distributed among the localities on a pro rata basis.
- General transportation capital improvements—At least 20 percent of the amount remaining after the distributions for Metro and Virginia Railway Express. The funds would be distributed on a pro rata basis to each locality, which would have sole discretion over the projects for which they would be used.
- Dulles Rail—At least \$20 million annually would be dedicated for the Dulles Rail project, beginning with the construction of the second half of the project, provided there were federal matching funds available.
- Remainder—All other remaining revenues would be used for projects as determined by the Authority.

In addition to the requirements for distributing the funds set out in the codified sections of the bill, the legislation contains a separate enactment clause setting out a list of projects, by county, and requires the Authority to construct them or contribute to their funding “in addition to all other expenditures and projects required...under the provisions of this act.”

Implementation Costs

The proposed bill would require the Department of Motor Vehicles (DMV) and the Department of Taxation to collect several of the new fees. The requirements of implementing this legislation are still being determined.

9. Specific agency or political subdivisions affected:

Department of Transportation
Department of Motor Vehicles
Northern Virginia Transportation Authority

Counties:

Arlington
Fairfax
Loudoun
Prince William

Cities:
Alexandria
Falls Church
Fairfax
Manassas
Manassas Park

Towns:
Leesburg
Vienna
Purcellville
Dumfries
Herndon

10. Technical amendment necessary:

1. There seems to be a conflict between the proposed new § 15.1-4838.2 (beginning on line 247) and the third enactment clause of the bill. Paragraphs C and D. of the section require that specific percentages of remaining revenue be distributed in specific ways. Paragraph F. of the section provides for the distribution of “all other remaining revenues.” However, the third enactment clause stipulates that certain specified projects be funded, “in addition to all other expenditures and projects required...under the provisions of this act.” It is assumed that the funding priority would be as follows: paragraph C, paragraph D, enactment clause 3, and then paragraph F. However, that priority should be clarified.
2. There are two provisions requiring the distribution of at least \$20 million annually for the Dulles Rail project, beginning with the construction of the second half of the project. The first provision is paragraph E. of the proposed new § 15.1-4838.2; the second provision is in the fourth enactment clause. Although the fourth enactment clause stipulates that \$20 million is to be distributed for Dulles Rail “in addition to all other expenditures and projects required...under the provisions of this act,” it is assumed that the intention is that the Dulles Rail project get \$20 million annually, not \$40 million. However, that should be clarified. Furthermore, this funding for Dulles Rail is to begin “at the time the second half...is constructed.” It is assumed that the second half consists of the Tysons to Dulles link, but it would best to clarify that in the bill.
3. In the new section authorizing the imposition of a fee on the initial issuance of a driver’s license (beginning on line 357), the bill provides that the revenue be distributed “to the locality wherein the vehicle is registered.” Because the fee is imposed on a driver and not a vehicle, it would seem that the place of residence of the driver, not the locality in which the vehicle is registered, should be the determining factor in distributing the revenue.

11. Other comments:

The effective date of the legislation is set at January 1, 2007 and each new section within the bill authorizing a new tax or fee stipulates that the authority would begin on January 1, 2007. The Virginia Constitution provides that bills passed in a special session of the General Assembly shall become effective on the first day of the fourth month following the adjournment of the special session. The General Assembly is scheduled to begin meeting for several days, starting September 27 to consider this and other transportation-related bills. If the General Assembly adjourns its special session *sine die* before October 1, this proposed legislation would become effective on January 1, 2007 in due course. However, if it adjourns *sine die* after September 30, the bill would not become effective in due course until February 1, 2007. If the General Assembly passes the bill with the January 1 effective date, but does not adjourn before October 1, the bill would thereby be an emergency bill because it would have an effective date earlier than what would have been its effective date in due course. Emergency bills require a four-fifths majority vote for passage.

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