Department of Planning and Budget
2006 Special Session Fiscal Impact Statement

1. **Bill Number** HB 5056

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

2. **Patron** Albo

3. **Committee** Appropriations

4. **Title** Statewide and regional funding for transportation

5. **Summary/Purpose:**

The proposed legislation would accomplish the following:

- Transfer 20 percent of the state's individual income tax revenues to the Highway Maintenance and Operations fund;
- Create a pool of funding for transportation projects in Northern Virginia, utilizing state revenues currently deposited in the general fund, as well as new locally-generated revenues, and;
- Establish the Hampton Roads Transportation Authority. The authority would be responsible for constructing major transportation projects in the region and would have the authority to issue bonds. The bill also provides funding, from current state general fund revenues and new locally-generated revenues, for the Authority. After the outstanding bonds and other debt of the Chesapeake Bay Bridge and Tunnel have been satisfied, the Authority would assume control of the operation and maintenance of that facility.

For both the Northern Virginia and Hampton Roads funding streams, the bill would designate how the funds would be distributed, as well as certain state matching requirements.

Finally, 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.

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) and, beginning in FY 2009, the estimated costs of implementing the portion of the legislation imposing additional fees on abusive driver fees (DMV). 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	$51.1
2010	$53.5
2011	$59.6
2012	$59.6

6b. Revenue Impact:
(impacts shown in millions of dollars)

<u>General Fund</u>

Fiscal Year	Amount
2007	($25)
2008	($25)
2009	($878.6)
2010	($878.6)
2011	($878.6)
2012	($878.6)

Revenues for Transportation (State and locally-generated)

Fiscal Year	Amount
2007	$253.7
2008	$608.6
2009	$1,585.7
2010	$1,603.1
2011	$1,636.9
2012	$1,636.9

7. Budget amendment necessary: Yes.

8. Fiscal implications:

STATEWIDE

None of the statewide impacts would not take effect until July 1, 2008. They are as follows:

Abusive driving fees

The proposed bill would require that anyone convicted within the previous three years of any of several specified serious driving offenses pay an additional annual fee, in addition to any traffic offense fees required by law. In effect, a person convicted of such an offense would have to pay the fee for three years—within 30 days of the offense being reported to the Department of Motor Vehicles and on the second and third year anniversaries of the conviction being reported to DMV. The offenses and the related fees are as follows:

- Driving with a suspended or revoked driver's license--$250.
- Reckless driving or aggressive driving--$350.
- Driving while intoxicated--$750.
- Any other misdemeanor conviction for a driving or motor vehicle-related offense--$300.
- Any felony conviction for a driving or motor vehicle-related offense--$1,000.

In addition to the fees for the offenses shown, any person whose driving record shows a balance of four or more demerit points on July 15 of any year would be assessed a fee of $100 plus $75 for each demerit point in excess of four, with a maximum fee of $700.

The Department of Motor Vehicles (DMV) would be responsible for assessing and collecting the fees. Revenue collected from the fees would be used first to pay DMV expenses, with the remainder being into the HMOF.

The following table shows the estimated revenue from these fees (dollars shown in millions):

Abusive driving fees

	FY 2009	FY 2010	FY 2011	FY 2012
Total	$117.0	$130.7	$164.5	$164.5
DMV costs	*$21.1*	*$23.5*	*$29.6*	*$29.6*
HMOF	*$95.9*	*$107.2*	*$134.9*	*$134.9*

Recordation tax revenues

The state recordation tax is currently split between localities and the state. An amount equal to $40 million is distributed to counties and cities based on their share of the recordation taxes paid to the state. Localities must use their recordation tax revenues for transportation or public education purposes. Another $40 million is allocated to a fund for road improvements to the Route 58 corridor. The remainder of the state recordation tax supports the general fund. The proposed bill would require that the remainder be deposited into the HMOF, rather than the general fund, beginning on July 1, 2008.

The following table shows the estimated amounts of recordation tax revenues that would go to the HMOF (dollars shown in millions):

Recordation tax revenue

FY 2009	**FY 2010**	**FY 2011**	**FY 2012**

$531.0	$531.0	$531.0	$531.0

Insurance premium tax revenues

The tax on insurance premium revenues is currently deposited into the general fund. The Appropriation Act provides that $117.6 million of that revenue be transferred to the Priority Transportation Fund (PTF) each year of the biennium to help pay the debt service on Federal Highway Reimbursement Anticipation Notes (FRANs). (The proceeds from those notes have been used for highway construction.) For purposes of this fiscal impact statement, it is assumed that this transfer of insurance premium tax revenue from the general fund to the PTF would continue in future biennia. The following table shows the net amount of insurance premium tax revenue that would be provided for transportation purposes (dollars shown in millions):

Insurance premium tax revenue

FY 2009	FY 2010	FY 2011	FY 2012
$322.6	$322.6	$322.6	$322.6

This provision would have an effect on funding for highway construction. As noted above, $117.6 million of the insurance premium tax revenue is provided to pay a portion of the annual FRAN debt service. However, the proposed bill would require that all insurance premium tax revenue be deposited into the HMOF, which is used for paying the costs of maintaining the state's highways. Therefore, another source of transportation funds would have to be used to provide the $117.6 million for FRAN debt service that currently comes from insurance premium tax revenue.

NORTHERN VIRGINIA

Additional revenue sources

The table below summarizes the estimated revenues that would be generated by proposed legislation for the special fund established to support transportation funding in Northern Virginia. Following the table are descriptions of each source:

(dollars shown in millions)

Tax/Fee	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Building permit fee	$68.5	$137.0	$137.0	$137.0	$137.0	$137.0
Initial driver's license fee	$5.9	$11.8	$11.8	$11.8	$11.8	$11.8
Automobile license fee	$26.3	$52.6	$52.6	$52.6	$52.6	$52.6

Initial automobile license fee	$22.1	$44.7	$45.0	$45.3	$45.3	$45.3
Rental car fee	$3.7	$7.7	$8.0	$8.2	$8.2	$8.2
Commercial real estate tax	$43.4	$194.1	$194.1	$194.1	$194.1	$194.1
Transient occupancy tax	$8.9	$22.2	$23.2	$24.1	$24.1	$24.1
Total	$178.8	$470.1	$471.7	$473.1	$473.1	$473.1

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 projections 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 being 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."

HAMPTON ROADS

Additional revenues

The table below summarizes the estimated revenues that would be generated by proposed legislation for the special fund established to support transportation funding in Hampton Roads. Following the table are descriptions of each source:

(dollars shown in millions)

Tax/Fee	**FY 2007**	**FY 2008**	**FY 2009**	**FY 2010**	**FY 2010**	**FY 2010**
Port-generated state tax revenue	$25	$25	$25	$25	$25	$25
Automobile license fee	$21.0	$42.0	$42.0	$42.0	$42.0	$42.0
Initial automobile license fee	$12.9	$31.6	$34.8	$35.4	$35.4	$35.4
Rental car fee	$1.3	$3.3	$3.4	$3.5	$3.5	$3.5
Transient occupancy tax	$14.7	$36.6	$38.2	$39.8	$39.8	$39.8
Total	$74.9	$138.5	$143.4	$145.7	$145.7	$145.7

The proposed legislation requires the Comptroller to remit annually $25 million from the state's income and sales tax revenue (general fund revenue) to the proposed Hampton Roads Transportation Authority. This remission would represent some of the income and sales tax revenue generated by maritime businesses located in Hampton Roads.

The counties and cities located in Hampton Roads would be authorized to adopt specified new fees and taxes. The revenues generated by such measures would have to be appropriated to the Hampton Roads Transportation Authority, which would be required to spend the funds on projects benefiting the members of the Authority. To be a member of the Authority, a county or city would have to impose all of these fees and taxes:

- 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 Hampton Roads 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.

- 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 proposed legislation sets out the priorities for the use of the revenues provided for the Authority. The first phase of projects shall consist of:

- Route 460 upgrade.
- I-64 widening on the Peninsula.
- I-64 widening on the Southside.
- Midtown Tunnel/MLK Extension.
- Southeastern Parkway/Dominion Blvd.
- I-664 Widening in Newport News.
- I-664 Widening on the Southside.
- I-664 Monitor Merrimac Bridge Tunnel Widening.

The second phase shall consist of:

- I-64 to the Intermodal Connector.
- I-564 Connector to the Monitor Merrimac Bridge Tunnel.
- Craney Island Connector.

IMPLEMENTATION COSTS

The proposed bill would require the Department of Motor Vehicles (DMV) 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
All counties and cities

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 649), 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 major portion legislation is set at January 1, 2007 and many of the new sections 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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