

Department of Planning and Budget 2006 SSI Fiscal Impact Statement

1. Bill Number HB 5072

House of Origin ☒ Introduced ☐ Substitute ☐ Engrossed

Second House ☐ In Committee ☐ Substitute ☐ Enrolled

2. Patron Jones, S.C.

3. Committee House Finance

4. Title Transportation; Hampton Roads Transportation Authority; supplemental funding for Hampton Roads.

5. Summary/Purpose:

The proposed legislation creates the Hampton Roads Transportation Authority (the Authority) to determine, administer, and fund transportation projects in the region. The bill would dedicate existing and new funding sources to the Authority. The bill would provide the Authority the power to impose and collect tolls for any new or improved highway, bridge, tunnel or transportation facility constructed by the Authority or with funds provided by the Authority. When specified conditions are met, the Chesapeake Bay Bridge-Tunnel would be included under the oversight of the Authority.

The proposed legislation would fund the Authority from a variety of sources. The bill would allow member localities to impose additional fees on motor vehicles, hotel rooms and rental cars. Localities would not be included in the Authority until they imposed all the new taxes and fees. The bill would also transfer to the Authority a portion of the state recordation tax which currently supports the general fund. Sales and use tax revenue generated by maritime related businesses in the amount of \$25 million would also be transferred to the Authority.

The bill outlines specific construction projects to be undertaken by the Authority.

6. Fiscal Impact: Preliminary. See Item 8.

| <i>General Fund</i> | |
|---------------------|---------------|
| <i>Fiscal Year</i> | <i>Amount</i> |
| FY 2007 | (55,800,000) |
| FY 2008 | (95,900,000) |
| FY 2009 | (98,300,000) |
| FY 2010 | (98,300,000) |

| <i>Nongeneral Fund</i> | |
|------------------------|---------------|
| <i>Fiscal Year</i> | <i>Amount</i> |
| FY 2007 | 55,800,000 |
| FY 2008 | 95,900,000 |
| FY 2009 | 98,300,000 |
| FY 2010 | 98,300,000 |

- 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:

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.

State 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 legislation would transfer to the Authority a portion of the state share of the recordation tax of \$30.8 million in FY 2008.

The proposed legislation would remit to the Authority an amount of the sales and use tax revenue generated by maritime related businesses equal to \$25 million annually. That portion of the sales and use tax currently supports the general fund.

The following table summarizes the transfer of amounts of the sales and use tax and the state recordation tax to the Authority, in millions of dollars:

| Source | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|-----------------------|----------------|----------------|----------------|----------------|
| State recordation tax | 30.8 | 70.9 | 73.3 | 73.3 |
| Sales and use tax | 25.0 | 25.0 | 25.0 | 25.0 |

Locally-generated 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, in millions of dollars:

| Source | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|--------------------------------|---------|---------|---------|---------|
| Rental vehicle tax | 1.3 | 3.3 | 3.4 | 3.5 |
| Additional license fees | 21.0 | 42.0 | 42.0 | 42.0 |
| Additional Initial license fee | 12.9 | 31.6 | 34.8 | 35.4 |
| Hotel/motel fee | 14.7 | 36.6 | 38.2 | 39.8 |
| TOTAL | 49.9 | 113.5 | 118.4 | 120.7 |

Use of Revenues

The bill directs the Authority to use the revenues solely to undertake those transportation projects that are currently included in the current or successive regional transportation plan created by the Hampton Roads Metropolitan Planning Organization. The bill divides projects contained in the plan into two phases, and directs the Authority not to begin the second phase until certain requirements are met.

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:

Counties of Isle of Wight, James City and York
 Cities of Chesapeake, Hampton, Newport News, Norfolk, Portsmouth, Suffolk, Virginia Beach and Williamsburg
 Department of Transportation
 Commonwealth Transportation Board
 Department of Treasury
 Department of Accounts

10. Technical amendment necessary: None.

11. Other comments:

- 1) The revenue generated by the state recordation tax is dependent upon the strength of the housing market. The forecasts used are based on the current volume of home sales, which has shown signs of slowing.
- 2) 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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cc: Secretary of Finance

Secretary of Transportation