

Department of Planning and Budget 2008 Fiscal Impact Statement

1. Bill Number: SB469

House of Origin X Introduced Substitute Engrossed
Second House In Committee Substitute Enrolled

2. Patron: Hanger

3. Committee: Senate Finance

4. Title: **Transportation funding.**

5. Summary: The proposed legislation would repeal the abusive driver fees, increase the state motor fuels tax rate by \$0.02 per gallon, and repeal the sales and use tax on charges for labor or services in automobile repairs. The sales and use tax for automobile repairs are funding sources of the Hampton Roads Transportation Authority (HRTA) and the Northern Virginia Transportation Authority (NVTa). The bill further provides for a refund of any abusive driver fees paid, with interest.

6. Fiscal Impact Estimates: Preliminary.

6a. Expenditure Impact: The proposed legislation would repeal the abusive driver provisions of HB 30202 of the 2007 General Assembly session, and refund the collected fees with interest. The expenditures related to collecting the civil remedial fees are recovered through the collections. The 2007 Appropriation Act authorizes the Department of Motor Vehicles (DMV) to impose an administrative cost on the revenues collected. The amount of interest to be repaid is dependant upon the collection of imposed remedial fees. Based on the collection rate described in Item 11, the interest of the refund is estimated to be approximately \$200,000.

6b. Revenue Impact:

Statewide Transportation Funding

(millions of dollars)

	<u>FY09</u>	<u>FY10</u>	<u>FY11</u>	<u>FY12</u>	<u>FY13</u>
Abusive Driver Fees	(\$61.8)	(\$65.4)	(\$65.4)	(\$65.4)	(\$65.4)
Fuel Tax Increase	\$94.3	\$104.4	\$106.8	\$109.1	\$111.8
Statewide Funding Total	\$32.5	\$39.0	\$41.4	\$43.7	\$46.4

Northern Virginia Transportation Authority Funding

Auto Repair Sales Tax	(\$33.2)	(\$33.2)	(\$33.2)	(\$33.2)	(\$33.2)
NVTA Total	(\$33.2)	(\$33.2)	(\$33.2)	(\$33.2)	(\$33.2)

Hampton Roads Transportation Authority Funding

Auto Repair Sales Tax	(\$18.9)	(\$19.6)	(\$20.2)	(\$21.0)	(\$21.7)
HRTA Total	(\$18.9)	(\$19.6)	(\$20.2)	(\$21.0)	(\$21.7)

7. **Budget Amendment Necessary:** Yes, increase in Item 455 for \$32.5 million in FY 2009 and \$39.0 million in FY 2010.
8. **Fiscal Implications:** The proposed legislation would repeal the abusive driver provisions as passed by the 2007 General Assembly in HB 3202. The bill would increase the tax on motor vehicle fuels by \$0.02 per gallon, which would support the Highway Maintenance and Operating Fund (HMOF). The increase in the motor vehicle fuels tax would provide additional revenue to the HMOF, which would reduce the crossover from the construction program. Current law directs all maintenance funding needs to be met prior to construction expenditures. In FY 2009, the crossover from the construction program was \$260 million. The funding no longer required for maintenance would be available for formula distributions in the construction program.

The Northern Virginia and Hampton Roads transportation authorities are authorized to collect taxes and fees to support transportation projects in the two regions. With the repeal of the sales and use tax on motor vehicle repairs, less funding for the transportation projects will be available, which may delay or eliminate the implementation of the transportation improvements. The proposed legislation does not offset the loss in regional revenue with additional state funding.

9. **Specific Agency or Political Subdivisions Affected:** Department of Taxation, Department of Motor Vehicles, Department of Transportation, Courts, Hampton Roads Transportation Authority, Northern Virginia Transportation Authority, cities of Alexandria, Chesapeake, Fairfax, Falls Church, Hampton, Manassas, Manassas Park, Newport News, Norfolk, Poquoson, Portsmouth, Suffolk, Virginia Beach, and Williamsburg, and the counties of Arlington, Fairfax, Isle of Wight, James City, Loudon, Prince William and York.

10. **Technical Amendment Necessary:** None.

11. **Other Comments:** The Northern Virginia Transportation Authority and the Hampton Roads Transportation Authority were authorized to collect certain taxes and fees by the 2007 General Assembly. The NVTa began collection of the taxes and fees in January 2008, and the HRTA is scheduled to begin in April 2008. The revised taxes and fees will take effect July 1, 2008. Some of the revenue sources may be collected for a short period of time before they are repealed by the proposed legislation. The NVTa expects to collect \$5.4 million from the sales and use tax on automobile repairs in FY 2009, and the HRTA expects to collect \$3.0 million.

The revenue impact shown above in Item 6 b. for the abusive driver program is based upon the projections developed by DMV and the Department of Taxation in March 2007. As was noted by the Joint Legislative Audit and Review Commission in its December 5, 2007 report to the Joint Commission on Transportation Accountability, while inherently uncertain, these revenue estimates represent “a concerted effort to develop a projection based on the best available information.”

The actual revenue collected from the assessment of the conviction related fees for the six month period of July 1, 2007 through December 30, 2007 was \$3.9 million. According to the

data received from the Courts, the total amount of fees assessed by the Courts during that same period was almost \$9.9 million.

These two sources of information indicate that the civil remedial fees imposed pursuant to §46.2-206.1, Code of Virginia, may not generate the amount of revenue that had been projected.

Date: 1/23/2008 dpb/smc

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cc: Secretary of Transportation