

Department of Planning and Budget
2008 Special Session II
Fiscal Impact Statement

1. Bill Number: HB 6026

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

2. Patron: **Armstrong**

3. Committee: **House Rules**

4. Title: **Transportation funding and reforms.**

5. Summary: The proposed legislation would modify a number of local and state revenue sources and dedicate them to transportation purposes. The bill would reform how transportation funding is used and includes a lockbox on the revenue generated. The bill would provide for additional funding for highway maintenance, as well as create the Transportation Change Fund, which would provide additional support to transit, rail, airports and ports in the Commonwealth. The bill would also provide transportation funding for regions meeting certain levels of population and vehicle miles of travel criteria (which today are Northern Virginia and Hampton Roads). The bill also abolishes the Hampton Roads Transportation Authority.

Following are the major revenue components of the legislation:

- Motor vehicle sales and use tax—Dedicates the entire existing 3% motor vehicle sales and use tax to highway maintenance. Increases the motor vehicle sales and use tax to 4% through a phasing in of one-half percent effective January 1, 2009 and another one-half percent effective July 1, 2009. The 1% increase in motor vehicle sales and use tax is also dedicated to highway maintenance. As a result of the bill, the total motor vehicle sales and use tax would be four percent, compared to the five percent retail sales and use tax on goods other than food and prescription drugs.
- Annual motor vehicle registration fee—Would be increased by \$10 on passenger vehicles, heavy trucks, and motorcycles, raising the fee paid by most passenger vehicles from \$39.50 to \$49.50.
- Grantor's tax—Would be increased by 25 cents per \$100 value or fraction thereof. These revenues would be dedicated to the Transportation Change Fund, which is created in the bill, and would be used as follows: 65 percent dedicated to the Mass Transit Fund; 13.5 percent to the Transportation Partnership Opportunity Fund; 10 percent for rail enhancements and new passenger rail service; 7.5 percent for the Commonwealth Port Fund; and, 4 percent for the Commonwealth Airport Fund.

- Regional sales and use tax—Would be increased by one percent (excluding on food and drugs) in localities wholly embraced in urban regions of the Commonwealth that meet certain population and vehicle miles of travel criteria (Northern Virginia and Hampton Roads). These revenues would be dedicated for transportation improvements within each region and would be held in special fund accounts in each region.

Following are the major reforms and use of revenue changes in the legislation:

- Clarifies that secondary and urban highway fund shall be used for transit activities when requested by the local governing body
- Clarifies the use of performance measures such as job to housing ratios by the Commonwealth Transportation Board in project selection for future inclusion in the Six Year Improvement Program
- Takes 5.67 percent off the top of the highway construction formula (same as the current unpaved road allocation) and dedicates it to urban development areas for transportation purposes
- Provides start up grant funding for new passenger rail service within the Commonwealth
- Provides incentives for municipalities to take over responsibility for their road construction program
- Dedicates existing funding for innovative public-private technology projects to improve traffic flow and reduce congestion on existing roads

6. Fiscal Impact Estimates: Preliminary. See Item 8.

6a. Expenditure Impact:

<i>Fiscal Year</i>	<i>Amount</i>	<i>Fund</i>
2009	\$1,541,903	Transportation
2010	\$2,883,867	Transportation
2011	\$3,007,386	Transportation
2012	\$3,096,743	Transportation
2013	\$3,215,572	Transportation
2014	\$3,209,947	Transportation

Note: These expenditures would be the costs incurred by the Departments of Motor Vehicles (DMV) and Taxation to implement the provisions of the bill. According to DMV, its costs will be approximately \$1.1 million the first year and will range from \$2.9 million to \$3.2 million annually in subsequent years. According to Taxation, its costs will be \$447,269 the first year and less than \$10,000 annually in subsequent years. The proposed legislation authorizes each agency to recover its administrative cost in implementing the bill from the new revenues collected.

6b. Revenue Impact:**Total Funds Committed to Statewide Transportation Purposes
(in millions of \$)**

<i>Fiscal Year</i>	<i>New Transportation Revenues</i>	<i>Rededicated Funding to Maintenance</i>	<i>Total Amount</i>
FY 2009*	\$253.7	\$202.5	\$456.2
FY 2010	\$415.6	\$207.0	\$622.6
FY 2011	\$424.0	\$209.8	\$633.8
FY 2012	\$431.9	\$217.7	\$649.6
FY 2013	\$442.4	\$228.3	\$670.7
FY 2014	\$444.4	\$227.5	\$671.9

* The estimates for the revenue from the increase in the motor vehicle sales and use tax that are incorporated in this fiscal impact statement assume an effective date of January 1, 2009. For the other sources of additional revenue, the estimates for FY 2009 are based on annual data. Actual additional revenues in FY 2009 that would result from the proposed legislation could be different than shown in this table because it is not known when the Special Session will be adjourned; therefore, the effective date of the proposed legislation is uncertain.

- 7. Budget Amendment Necessary:** Language is included authorizing the Director of the Department and Planning Budget to adjust appropriations for fiscal year 2009 to implement the legislation.

8. Fiscal Implications:**New State Transportation Revenues**

The proposed legislation raises and directs the new revenues as outlined on the next page (in millions of \$). Revenues generated by the one percent increase in the motor vehicle sales and use tax and the \$10 increase in motor vehicle registration fees would be deposited into the Highway Maintenance and Operating Fund. The bill would also provide that the revenues generated by the current three percent titling tax on motor vehicles and the \$35 minimum titling tax would be deposited into the Highway Maintenance and Operating Fund. (Currently one percent is deposited in the Transportation Trust Fund and two percent is deposited in the Highway Maintenance and Operating Fund.) Revenues generated by the increase in the grantor's tax would be deposited into the Transportation Change Fund to be used solely for mass transit, rail, and other transportation projects and programs.

Proposed Sources	Proposed Increase	FY09*	FY10	FY11	FY12	FY13	FY14
Motor Vehicle Sales and Use Tax (phased in)	1%	\$39.2	\$184.4	\$195.1	\$202.6	\$212.7	\$212.0
Annual Registration Fee	\$10	\$72.5	\$76.2	\$76.4	\$76.8	\$77.2	\$77.4
Rededicated Existing Motor Vehicle Sales and Use Tax		\$188.2	\$192.5	\$195.1	\$202.6	\$212.7	\$212.0
Rededicated Existing Minimal Motor Vehicle Sales and Use Tax		\$14.3	\$14.5	\$14.7	\$15.1	\$15.6	\$15.5
Grantor's Tax	\$0.25 per \$100	\$142.0	\$155.0	\$152.5	\$152.5	\$152.5	\$155.0
Statewide Total		\$456.2	\$622.6	\$633.8	\$649.6	\$670.7	\$671.9
New Transportation Revenues		\$253.7	\$415.6	\$424.0	\$431.9	\$442.4	\$444.4
Rededicated Existing Funds		\$202.5	\$207.0	\$209.8	\$217.7	\$228.3	\$227.5

* The estimates for the revenue from the increase in the motor vehicle sales and use tax that are incorporated in this fiscal impact statement assume an effective date of January 1, 2009. For the other sources of additional revenue, the estimates for FY 2009 are based on annual data. Actual additional revenues in FY 2009 that would result from the proposed legislation could be different than shown in this table because it is not known when the Special Session will be adjourned; therefore, the effective date of the proposed legislation is uncertain.

Regional Transportation Funding

The proposed legislation would also establish an additional one percent state sales and use tax in certain urban regions of the Commonwealth. The additional state sales and use tax would be imposed in any urban region of the Commonwealth that has at any time (i) a population of at least 1.5 million according to the most recent United States decennial census of population, and (ii) an aggregate of at least 35 million daily vehicle miles traveled in the area in accordance with the most recent written determinations of daily vehicle miles traveled by the Virginia Department of Transportation. An "urban region" is defined under the bill as collectively the Commonwealth's counties and cities wholly embraced within a metropolitan planning area.

Revenues generated by the additional state sales and use tax in any urban region would be held by a trustee in that region and would be used solely for transportation projects included in the federally mandated regional transportation plan approved by the metropolitan planning organization for the urban region. In Northern Virginia, the revenues generated by the additional state sales and use tax will be used by the Northern Virginia Transportation Authority as envisioned in House Bill 3202; 40 percent would be used for local transportation improvements, \$50 million would be dedicated to Metro, \$25 million would be dedicated to Virginia Railway Express and the remaining funds would be used for projects in the Authority's long range plan.

In Hampton Roads the revenues generated by the additional state sales and use tax would be used for regional projects identified in the bill that are shown below.

Regional Northern Virginia Funding						
	FY09	FY10	FY11	FY12	FY13	FY14
1% Retail Sales and Use Tax	\$ 306.3	\$ 351.1	\$ 368.3	\$ 384.2	\$ 400.3	\$ 414.3
- Local Projects -- 40% - Dedicated Metro Funding -- \$50m - Virginia Railway Express -- \$25m - Regional Projects -- Remaining Funds						

Regional Hampton Roads Funding						
	FY09	FY10	FY11	FY12	FY13	FY14
1% Retail Sales and Use Tax	\$ 167.9	\$ 192.5	\$ 201.9	\$ 210.6	\$ 219.4	\$ 227.1
- I-64 Widening on Peninsula & Southside - Midtown/Downtown Tunnel - Southeastern Parkway/Dominion Blvd - I-664 Widening on Peninsula & Southside - Third Crossing - Hampton Roads Bridge Tunnel - Route 460						

9. Specific Agency or Political Subdivisions Affected: Counties and cities in Hampton Roads and Northern Virginia, Department of Taxation, Department of Accounts, Department of Transportation, Department of Rail and Public Transportation, Department of Aviation, Virginia Port Authority, Northern Virginia Transportation Authority, Commonwealth Transportation Board

10. Technical Amendment Necessary: None.

11. Other Comments: Other provisions of the legislation (including the enactment clauses) repeal provisions of HB 3202 that are no longer valid; clarifies existing bond authorization language and the use of tolls; what types of maintenance highway construction funding may be used for; eliminates the two percent matching requirement for cities that assume responsibility for their urban construction program; and gives the Office of Intermodal Planning and Investment responsibility for developing guidelines for certain congestion mitigation and experimental programs.

Date: 6/25/2008 dpb/rwh

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