

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

**1. Bill Number**    **HB 6029**

<b>House of Origin</b>	<input checked="" type="checkbox"/> Introduced	<input type="checkbox"/> Substitute	<input type="checkbox"/> Engrossed
<b>Second House</b>	<input type="checkbox"/> In Committee	<input type="checkbox"/> Substitute	<input type="checkbox"/> Enrolled

**2. Patron**        Albo

**3. Committee**    Rules

**4. Title**            **Transportation administration and funding**

**5. Summary/Purpose:**

The proposed legislation would impose a variety of statewide and regional taxes and fees and direct that the revenue from such taxes and fees be used for maintaining state and local highways and streets. It would repeal those provisions enacted by the 2007 General Assembly and ruled to be unconstitutional by the Virginia Supreme Court in 2008. Finally, the bill would impose certain requirements related to the administration of the Virginia Department of Transportation (VDOT). The major provisions of the bill are set out in more detail below.

Statewide tax and fee increases

**Court costs**—Additional \$20 court costs fee upon conviction of following offenses, effective October 1, 2008:

- Manslaughter, if motor vehicle used in commission of offense;
- DUI-related offenses;
- Driving with a suspended license; and
- Any traffic infraction or offense under Title 46.2 of the Code of Virginia.

**Initial driving license fee**—One-time fee of \$150 for the initial issuance of a driver's license to any person 18 years old or older to whom a Virginia driver's license has never been issued. Persons under 18 who have completed a safe driving course are exempt from the fee.

**Statewide transient occupancy tax**—Tax of 2.5 percent on charge for occupying any room, lodging space, or accommodation for less than 90 days.

**Motor vehicle registration fees**—Increases motor vehicle registration fees annually equal to the percentage change in Producer Price Index for Highway and Street Construction.

All the revenue from the new tax and increased fees would be used for highway maintenance. All the revenue, except from that produced by the indexing of the motor vehicle registration fees, would be deposited into the state Highway Maintenance and Operation Fund. The additional revenue from the indexing of registration fees would be deposited into a new fund

created by the bill, the Special Highway Maintenance Fund. Monies in the new fund would be allocated exclusively for highway and street maintenance projects according to the county, city, or town in which they were collected.

### Regional taxes and fees

The bill would repeal the authority, granted in 2007 and later declared unconstitutional, for the Northern Virginia Transportation Authority and the newly created Hampton Roads Transportation Authority to impose taxes. It would also abolish the Hampton Roads Transportation Authority and provide for the transfer of the responsibilities of that entity to VDOT or the Hampton Roads Metropolitan Planning Organization.

The bill would impose additional taxes and fees in those counties and cities making up the Northern Virginia region and the Hampton Roads region, as follows:

#### **Northern Virginia**

- Retail sales and use tax—Additional one-half percent (increase from 4.0 percent to 4.5 percent)
- Grantor's tax—Additional \$0.40 per \$100 or fraction thereof.
- Motor vehicle rental tax—Additional 2 percent of the gross proceeds.

#### **Hampton Roads**

- Motor vehicle registration fees—Additional \$20 annually.
- Vehicle inspection fee—Additional \$20 annually.
- Motor vehicle rental tax—Additional 2 percent of the gross proceeds

Revenue collected by the state from these increased taxes and fees would be allocated for use on transportation projects in those regions. Revenues collected in Northern Virginia localities would be transferred to the Northern Virginia Transportation Authority, to be used primarily for debt service. (The bill would also require the Authority to dedicate at least \$20 million annually to the Dulles Rail project, beginning at the time construction on phase two of the project begins.)

The revenue collected in Hampton Roads localities would be transferred to the Hampton Roads Transportation Revenue Fund, established by the bill, and used by VDOT for transportation construction projects in that region.

The bill would continue the authority of counties and cities in Northern Virginia and Hampton to impose additional real estate taxes on commercial and industrial property and use the revenues from those additional taxes for transportation purposes. That authorization was enacted by the 2007 General Assembly.

### Administration of VDOT

The bill would impose the following requirements on VDOT:

**Operations and administrative expenditures**--reduce by at least five percent within two years of the effective date of the legislation.

**Performance audit**—Contract with a private firm to conduct a performance audit. The firm would report directly to the Transportation Accountability Commission. An audit of maintenance operations would be due no later than December 1, 2008.

**Maintenance operations**—Set performance standards for maintenance operations and privatize at least 80 percent of secondary road maintenance operations by January 1, 2014.

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

**6a. Expenditure Impact:**

<i>Fiscal Year</i>	<i>General Fund</i>	<i>Nongeneral Fund</i>
2009	\$5,510,288	\$470,855
2010	\$39,535	\$691,944
2011	\$39,956	\$779,375
2012	\$40,390	\$871,349
2013	\$40,836	\$966,728
2014	\$41,296	\$1,064,379

The bill would appropriate \$5 million from the unappropriated balance of the general fund on June 30, 2008 to pay for the performance audit of VDOT. The remaining expenditure impact for FY 2009 and those for subsequent years would be the costs incurred by the Department of Taxation in implementing the additional sales and use tax increase in Northern Virginia.

**6b. Revenue Impact:**

(in million of dollars)		
<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2009	60.5	NGF
2010	147.6	NGF
2011	158.7	NGF
2012	170.2	NGF
2013	182.2	NGF
2014	194.6	NGF

These estimates are for the new and increased statewide taxes and fees. The revenue estimates for the regional taxes and fees are set out in Item 8.

7. **Budget amendment necessary:** Yes. The proposed legislation would amend the Appropriation Act to provide the appropriation of \$5 million from the unappropriated general fund balance. However, no appropriation is provided for the Department of Taxation. The issue of increased costs for the department resulting from implementation of the bill would have to be addressed in the 2009 Session. The Appropriation Act authorizes the Department of Planning and Budget to increase nongeneral fund appropriations administratively if the collection of revenues warrants such increase.

8. **Fiscal implications:**

Additional revenue

The additional revenues from the statewide sources would be dedicated to highway maintenance. The new revenues would reduce the highway maintenance deficit but a deficit of \$238.7 million would remain in FY 2010. Currently, maintenance funding in the Commonwealth is allocated on a needs basis, but the proposed legislation would require that funding in the Special Highway Maintenance Fund be allocated for maintenance based on the point of collection of the revenues.

The following table shows the additional revenue that it is estimated would result from the bill's provisions for increases in taxes and fees in Northern Virginia and Hampton Roads:

(in millions of dollars)

	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Northern Va.	\$126.1	\$299.8	\$306.8	\$315.0	\$323.3	\$332.5
Hampton Roads	\$27.7	\$56.1	\$56.2	\$56.4	\$56.5	\$56.6

Note: These estimates do not include any revenue from the additional real estate tax that Northern Virginia and Hampton Roads localities are authorized to levy on commercial and industrial real estate. That authorization was enacted in 2007. The proposed legislation would make technical changes to the Code section providing that authorization, but would not affect the authorization itself or the maximum permissible tax rate.

VDOT requirements

**Performance audit**

Until the exact specifications of the audit that would be required by the proposed legislation are developed and negotiated with contractors, it cannot be known how much such an audit would cost. It is also not feasible to project any savings that may result from the audit. However, the recent experience of the state of Washington may serve as a guide.

The Washington state auditor contracted in 2007 for a performance audit of the Washington Department of Transportation. There were audits of four aspects of the department's operations. The total cost of all the audits was a little over \$4 million. The cost of the audits that focused on the department's Administration and Overhead and on Highway Maintenance and Construction Management was \$1.3 million. The total of the estimated cost savings of the audits' recommendations was less than one percent of the Washington Department of Transportation's biennial budget.

As noted earlier, the proposed bill would provide \$5 million from the unappropriated balance of the general fund to pay for the costs of the audit.

### **Maintenance privatization**

Until the performance standards for maintenance operations are set and private firms hired to perform the maintenance on secondary roads, the fiscal impact of privatization of secondary maintenance, savings or additional expense, cannot be projected. It should be kept in mind that some secondary maintenance is currently performed by private firms under contract to VDOT. Part of the fiscal impact will be the severance costs paid, under the provisions of the state's Workforce Transition Act, to VDOT employees whose jobs would be eliminated by the privatization, but those costs cannot be projected at this time.

**9. Specific agency or political subdivisions affected:**

Department of Transportation  
Department of Motor Vehicles  
Department of Taxation  
Circuit Courts  
Counties, cities, and towns  
Northern Virginia Transportation Authority

**10. Technical amendment necessary:** None.

**11. Other comments:** None.

**Date:** 6/25/2008 rwh

**Document:** {G:\LEGIS\fis-08-II\hb6029.DOC}