

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

**1. Bill Number:** SB6010

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

**2. Patron:**        Colgan

**3. Committee:** Transportation

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

- 5. Summary:** The proposed legislation would create new statewide and regional revenue sources for transportation funding. Statewide, the bill creates new revenues by (i) increasing by three-quarters of one percent the motor vehicle titling tax, and (ii) creating a recapture index to be applied to the existing seventeen and one-half cent per gallon gas tax over the next nine years. The bill would eliminate the one-half of one cent sales tax on food that is currently designated for the Transportation Trust Fund. The new revenues are distributed for funding for mass transit, highway construction, highway maintenance, and a new Tolling Incentive Fund to provide additional moneys for transportation infrastructure in areas that implement new tolls or expand existing tolls. In addition, a new fund is created to support the debt service for \$100,000,000 in bonds authorized to be issued for mass transit.

In pursuing transportation reform and efficiencies, the bill establishes a goal of state agencies reducing the total vehicle miles traveled by state employees in commuting to work by 20 percent by 2012. Such reductions may be accomplished through telework, alternative work schedules, ridesharing and carpooling, or mass transit. The Governor shall report annually on the state's efforts to reduce vehicle miles traveled, and the Department of Rail and Public Transportation is directed to develop incentives and guidelines to reduce miles traveled by public and private sector employees. The bill also directs the Commonwealth Transportation Board to identify projects in its six-year plan that would be suitable for tolling, including the use of tolling in projects suitable for public-private partnerships, and directs the Secretary of Transportation to seek federal permission to impose tolls on existing Interstate Highways to be used for maintenance revenues.

Regional components:

Regionally, the bill imposes in the localities embraced by the Northern Virginia Transportation Authority (i) a one-half of one cent sales and use tax, (ii) an additional 40 cents per \$100 grantors tax, and (iii) a \$5 per night hotel tax. These new revenues will be deposited in the Northern Virginia Transportation Authority Revenue Fund to be used for transportation needs in the Northern Virginia region. In the Hampton Roads region, the bill imposes (i) a three-quarters of one cent sales and use tax, (ii) a one percent local motor fuels retail sales tax, and (iii) a \$5 per night hotel tax. These new revenues will be deposited in the Hampton Roads Transportation Revenue Fund to be administered by the Commonwealth

Transportation Board for specified transportation projects in the region. The additional sales and use tax in both regions would not apply to food for human consumption.

The bill will also impose an additional one percent sales and use tax on any urban region in the Commonwealth that has an aggregate of 8.5 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. The additional sales tax would only apply to localities that have a voting member on the Metropolitan Planning Organization for the Metropolitan Planning Area in which the locality is located, and the additional sales tax would not apply to localities in the Northern Virginia and Hampton Roads regions.

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

**6a. Expenditure Impact:**

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2008	\$0	0	NGF
2009	\$512,603	0	NGF
2010	\$82,785	0	NGF
2011	\$71,894	0	NGF
2012	\$72,521	0	NGF
2013	\$73,167	0	NGF
2014	\$73,832	0	NGF

The proposed legislation would require the Department of Taxation to make forms and systems changes. The agency would also need to notify and educate the several thousand dealers who will be expected to comply with a more complex sales tax collection process. Currently, the rate of the sales tax is the same in every locality. This proposal would require TAX to process sales tax returns with four different rates – 5 percent on sales of nonfood items in all but the Northern Virginia and Hampton Roads localities, 2 percent on sales of qualifying food items statewide, 5.5 percent on nonfood sales in the Northern Virginia localities, and 5.75 percent on nonfood sales in the Hampton Roads localities. In order to accommodate different state sales tax rates in different localities, TAX would have to make fundamental changes in the framework of its systems. TAX would need at least two months to design the systems changes, three months to make the changes and one month to test the changes. Therefore, if this bill is enacted during the June Special Session, even though the bill would be effective October 1, 2008, TAX cannot make the required systems and forms changes before January 1, 2009.

**6b. Revenue Impact:**

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2008	\$0	0	NGF
2009	\$63,900,000	0	NGF
2010	\$232,100,000	0	NGF
2011	\$310,300,000	0	NGF
2012	\$392,300,000	0	NGF
2013	\$476,200,000	0	NGF
2014	\$552,600,000	0	NGF

The revenues set out above are statewide revenues, and reflect the net of the additional funding for transportation and the reduction from the elimination of the sales tax on food.

**7. Budget Amendment Necessary:** No, the Appropriation Act gives the Department of Planning and Budget the authority to administratively increase nongeneral fund revenues, if revenue is available.

**8. Fiscal Implications:** The proposed legislation would provide funding for a number of transportation purposes.

	2009	2010	2011	2012	2013	2014
Gas tax index	\$58.8	\$144.3	\$146.3	\$152.0	\$159.6	\$159.0
3/4% increase in mv sales tax	\$33.5	\$159.4	\$239.0	\$318.7	\$398.4	\$478.1
<b>New revenue available for distribution</b>	<b>\$92.3</b>	<b>\$303.7</b>	<b>\$385.4</b>	<b>\$470.7</b>	<b>\$557.9</b>	<b>\$637.1</b>
Distribution of Revenues:						
Commonwealth Port Fund	\$1.3	\$3.3	\$3.5	\$3.6	\$3.8	\$4.0
Commonwealth Airport Fund	\$0.7	\$1.8	\$1.9	\$2.0	\$2.1	\$2.2
Commonwealth Mass Transit Fund	\$4.5	\$11.4	\$12.0	\$12.6	\$13.2	\$13.8
Tolling Incentive Fund			\$50.0	\$50.0	\$50.0	\$50.0
Remaining Revenue	\$85.8	\$287.2	\$368.0	\$452.5	\$538.8	\$617.0
3.75% to Mass Transit	\$3.2	\$10.8	\$11.9	\$15.1	\$18.3	\$21.3
85% to HMOF	\$72.9	\$244.1	\$270.3	\$342.1	\$415.5	\$482.0
11.25% to TTF	\$9.7	\$32.3	\$35.8	\$45.3	\$55.0	\$63.8
Eliminate sales tax on food on current 1/2% to TTF	(\$28.4)	(\$71.6)	(\$75.1)	(\$78.4)	(\$81.7)	(\$84.5)
Net TTF Additional Revenue	(\$18.7)	(\$39.3)	(\$39.3)	(\$33.1)	(\$26.7)	(\$20.7)
transit	(\$2.8)	(\$5.8)	(\$5.8)	(\$4.9)	(\$3.9)	(\$3.0)
highways	(\$14.8)	(\$30.9)	(\$30.9)	(\$26.1)	(\$21.0)	(\$16.3)
port	(\$0.8)	(\$1.7)	(\$1.7)	(\$1.4)	(\$1.1)	(\$0.9)
aviation	(\$0.4)	(\$0.9)	(\$0.9)	(\$0.8)	(\$0.6)	(\$0.5)

The bill would also generate additional revenues for Northern Virginia and Hampton Roads.

	2009	2010	2011	2012	2013	2014
Northern Virginia	\$140.7	\$335.4	\$343.0	\$351.8	\$360.8	\$368.7
Hampton Roads	\$85.8	\$213.4	\$221.5	\$228.9	\$236.4	\$243.0

**9. Specific Agency or Political Subdivisions Affected:** Transportation agencies, Department of Taxation, localities in Northern Virginia and Hampton Roads

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

**11. Other Comments:** None.

**Date:** 6/24/2008 dpb/smc

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cc: Secretary of Transportation