

Department of Planning and Budget 2009 Fiscal Impact Statement

1. Bill Number: HB1579

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

2. Patron: Oder

3. Committee: House Appropriations

4. Title: **Transportation funding, etc; certain revenues attributable to economic growth in Hampton Roads, etc.**

- 5. Summary:** The proposed legislation would provide funds for transportation improvements in specified areas of the Commonwealth by diverting thirty percent of the annual growth in state tax revenues attributable to economic activity generated or facilitated by the state's ports and airports. The facilities specified in the bill are Dulles International Airport and Reagan National Airport in Northern Virginia, the Port of Virginia in Hampton Roads, the Virginia Inland Port in the Staunton Construction District and the Port of Richmond in the Richmond Construction District. Funds generated in Northern Virginia are to be transferred to the Northern Virginia Transportation Authority and used solely for transportation projects within the cities and counties that comprise the Authority. In the other regions, special funds are to be created and used solely for construction projects in localities which comprise the construction districts. The bill provides a maximum amount for each facility that may be transferred in any fiscal year.

The bill also directs that within 90 days of its effective date, the Virginia Department of Transportation (VDOT) shall solicit proposals under the Public-Private Transportation Act for specified projects in the Hampton Roads region.

The bill also repeals the Hampton Roads Transportation Authority (HRTA) and repeals certain fees and taxes authorized pursuant to House Bill 3202 (Chapter 896 of the Acts of Assembly of 2007). The bill would continue the authority of the counties and cities embraced by the HRTA to impose an additional real property tax on commercial and industrial property and create special regional transportation tax districts.

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

7. Budget Amendment Necessary: None.

8. Fiscal Implications:

State revenues generated by ports and airports

The proposed legislation would require the Secretary of Finance and Secretary of Transportation to determine the amount of state taxes attributable to economic activity

generated or facilitated by the ports and airports during FY 2010. The state taxes specified are individual and corporate income taxes, the state sales and use tax, and the insurance license tax. “Economic activity generated or facilitated” by the ports and airports is to include state tax revenues from facility operations, production of goods in Virginia exported through the facilities, imports coming in through the facilities sold in Virginia, and employee compensation, fuel costs, business and professional services, power, and communications.

Using this base amount and the number of passengers and/or cargo containers in FY 2010, the growth in state tax revenue derived from facility activities would be based on the annual growth in the number of passengers and/or cargo containers. The bill would require an annual deposit to the appropriate fund from the general fund equal to 30 percent of the growth in such facility-related revenue in the most recently completed fiscal year over that revenue generated in the base year of FY 2010. (The proposed legislation is not clear as to whether the amount of state taxes attributable to economic activity generated or facilitated by the facilities would have to be updated annually or if the “revenue ratio” calculated with the FY 2010 data would serve as the base to be used in subsequent years.)

The bill would result in an unknown loss to the general fund and an unknown gain to nongeneral funds. The value of the economic activity generated by the ports and airports in FY 2010, and the amount of state revenue generated by such activity, cannot be determined at this time. The Mason School of Business of the College of William and Mary completed a study of the economic impact of the Port of Virginia in FY 2006 comparable to the analysis that would be required by the proposed legislation. The study cost \$86,900. It appears similar studies will need to be conducted to determine the economic activity of the Dulles and Reagan airports, the Virginia Inland Port and the Port of Richmond. The total amount transferred in any fiscal year is capped at \$600 million for Northern Virginia, \$300 million for Hampton Roads, and \$50 million each for the Richmond and Staunton Districts.

Because the projected revenue growth related to port and airport activities has been included in the state’s six-year revenue projections, the bill’s provisions requiring that 30 percent of those revenues be dedicated to transportation projects would be a decrease in general fund revenue for the state’s budget.

The calculation resulting from the proposed legislation would include all state tax revenues generated by the facilities. It should be noted that one percent of the state sales tax is returned to localities for education expenses. The provisions of the proposed legislation would result in 30 percent of the growth in the revenue from this one percent be diverted for transportation funding, resulting in a decrease in the total amount returned to localities.

In addition, one-half percent of the state sales tax is dedicated to the Transportation Trust Fund (TTF). The provisions of the proposed legislation would, consequently, also result in a decrease in the total amount of the sales tax revenue going to the TTF.

PPTA projects

The proposed legislation would also require VDOT to solicit proposals under the Public-Private Transportation Act (PPTA) for five major transportation construction projects in the

Hampton Roads area. Unlike the review process generally required by statute for PPTA projects, the proposed legislation would establish a panel consisting of legislators, state officials, and residents to review the proposals and make recommendations to the Governor, the General Assembly, and the Commonwealth Transportation Board. The following projects would be subject to the requirement:

- Construction of the Third Crossing of Hampton Roads, linking Newport News to Norfolk and Suffolk;
- Construction of the Southeastern Expressway/Dominion Boulevard system in Chesapeake and Virginia Beach;
- Replacement of U.S. Rt. 460 from Chesapeake to Petersburg;
- Widening of I-64 in Chesapeake;
- Widening I-64 in Newport News, James City County, and New Kent County;
- Expansion of the Hampton Roads Bridge-Tunnel between Hampton and Norfolk by the construction of a third bridge-tunnel structure.

Hampton Roads Transportation Authority

The proposed legislation would repeal the HRTA and the taxes and fees it was authorized to collect. Those taxes and fees were never imposed. House Bill 3202 also authorized the Cities of Chesapeake, Hampton, Newport News, Norfolk, Poquoson, Portsmouth, Suffolk, Virginia Beach, and Williamsburg and the Counties of Isle of Wright, James City, and York to impose an additional real property tax of \$0.10 per \$100 of assessed value on real property used for or zoned to permit commercial or industrial uses and in special regional transportation tax districts. This bill continues the authority of these localities to impose the additional real property tax and to create the special regional transportation tax districts. Currently, none of the localities have adopted an ordinance to impose this tax.

- 9. Specific Agency or Political Subdivisions Affected:** Department of Transportation, Department of Taxation, cities and counties in Northern Virginia, Hampton Roads and the Richmond and Staunton Construction Districts.

- 10. Technical Amendment Necessary:** None.

- 11. Other Comments:** HB 2622 applies the same concept to the proposed inland port in Montgomery County.

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cc: Secretary of Transportation