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SENATE BILL NO. 1285

Offered January 12, 2011

Prefiled January 12, 2011

A *BILL to amend and reenact §§ 58.1-638 and 58.1-638.1 of the Code of Virginia and to amend the Code of Virginia by adding in Chapter 3 of Title 58.1 an article numbered 21.1, consisting of a section numbered 58.1-536, relating to depositing revenues from retail sales and income taxes paid by highway contractors into the Transportation Trust Fund.*

Patron—McWaters

Referred to Committee on Finance

Be it enacted by the General Assembly of Virginia:

1. That §§ 58.1-638 and 58.1-638.1 of the Code of Virginia are amended and reenacted and that the Code of Virginia is amended by adding in Chapter 3 of Title 58.1 an article numbered 21.1, consisting of a section numbered 58.1-536, as follows:

*Article 21.1.**Dedication of Income Taxes for Transportation.*

§ 58.1-536. Income taxes paid by highway contractors used for transportation purposes.

A. As used in this section, unless the context requires a different meaning:

"Highway contractor" means the same as the term is defined in subsection F of § 58.1-638.

B. Beginning July 1, 2011, and for each fiscal year thereafter, the net revenue generated by the individual and corporate income taxes paid by highway contractors under this chapter shall be deposited into the Transportation Trust Fund established under § 33.1-23.03:1. For the purposes of the Comptroller making the deposit, the Tax Commissioner shall make a written certification to the Comptroller within 15 days after the close of each calendar quarter providing an estimate of the net revenue generated by the state individual and corporate income taxes paid by highway contractors in the calendar quarter. The Tax Commissioner shall base his estimate upon a review by the Department of recent income tax returns filed with the Department by highway contractors. Not later than 30 days after the close of each calendar quarter, the Comptroller shall transfer to the Transportation Trust Fund an amount from the general fund that is equal to the estimate provided by the Tax Commissioner.

§ 58.1-638. Disposition of state sales and use tax revenue; localities' share; Game Protection Fund.

A. The Comptroller shall designate a specific revenue code number for all the state sales and use tax revenue collected under the preceding sections of this chapter.

1. The sales and use tax revenue generated by the one-half percent sales and use tax increase enacted by the 1986 Special Session of the General Assembly shall be paid, in the manner hereinafter provided in this section, to the Transportation Trust Fund as defined in § 33.1-23.03:1. Of the funds paid to the Transportation Trust Fund, an aggregate of 4.2 percent shall be set aside as the Commonwealth Port Fund as provided in this section; an aggregate of 2.4 percent shall be set aside as the Commonwealth Airport Fund as provided in this section; and an aggregate of 14.5 percent in fiscal year 1998-1999 and 14.7 percent in fiscal year 1999-2000 and thereafter shall be set aside as the Commonwealth Mass Transit Fund as provided in this section. The Fund's share of such net revenue shall be computed as an estimate of the net revenue to be received into the state treasury each month, and such estimated payment shall be adjusted for the actual net revenue received in the preceding month. All payments shall be made to the Fund on the last day of each month.

2. There is hereby created in the Department of the Treasury a special nonreverting fund which shall be a part of the Transportation Trust Fund and which shall be known as the Commonwealth Port Fund.

a. The Commonwealth Port Fund shall be established on the books of the Comptroller and the funds remaining in such Fund at the end of a biennium shall not revert to the general fund but shall remain in the Fund. Interest earned on such funds shall remain in the Fund and be credited to it. Funds may be paid to any authority, locality or commission for the purposes hereinafter specified.

b. The amounts allocated pursuant to this section shall be allocated by the Commonwealth Transportation Board to the Board of Commissioners of the Virginia Port Authority to be used to support port capital needs and the preservation of existing capital needs of all ocean, river, or tributary ports within the Commonwealth.

c. Commonwealth Port Fund revenue shall be allocated by the Board of Commissioners to the Virginia Port Authority in order to foster and stimulate the flow of maritime commerce through the ports of Virginia, including but not limited to the ports of Richmond, Hopewell and Alexandria.

3. There is hereby created in the Department of the Treasury a special nonreverting fund which shall

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59 be part of the Transportation Trust Fund and which shall be known as the Commonwealth Airport Fund.
60 The Commonwealth Airport Fund shall be established on the books of the Comptroller and any funds
61 remaining in such Fund at the end of a biennium shall not revert to the general fund but shall remain in
62 the Fund. Interest earned on the funds shall be credited to the Fund. The funds so allocated shall be
63 allocated by the Commonwealth Transportation Board to the Virginia Aviation Board. The funds shall
64 be allocated by the Virginia Aviation Board to any Virginia airport which is owned by the
65 Commonwealth, a governmental subdivision thereof, or a private entity to which the public has access
66 for the purposes enumerated in § 5.1-2.16, or is owned or leased by the Metropolitan Washington
67 Airports Authority (MWAA), as follows:

68 Any new funds in excess of \$12.1 million which are available for allocation by the Virginia Aviation
69 Board from the Commonwealth Transportation Fund, shall be allocated as follows: 60 percent to
70 MWAA, up to a maximum annual amount of \$2 million, and 40 percent to air carrier airports as
71 provided in subdivision A 3 a. Except for adjustments due to changes in enplaned passengers, no air
72 carrier airport sponsor, excluding MWAA, shall receive less funds identified under subdivision A 3 a
73 than it received in fiscal year 1994-1995.

74 Of the remaining amount:

75 a. Forty percent of the funds shall be allocated to air carrier airports, except airports owned or leased
76 by MWAA, based upon the percentage of enplanements for each airport to total enplanements at all air
77 carrier airports, except airports owned or leased by MWAA. No air carrier airport sponsor, however,
78 shall receive less than \$50,000 nor more than \$2 million per year from this provision.

79 b. Forty percent of the funds shall be allocated by the Aviation Board for air carrier and reliever
80 airports on a discretionary basis, except airports owned or leased by MWAA.

81 c. Twenty percent of the funds shall be allocated by the Aviation Board for general aviation airports
82 on a discretionary basis.

83 4. There is hereby created in the Department of the Treasury a special nonreverting fund which shall
84 be a part of the Transportation Trust Fund and which shall be known as the Commonwealth Mass
85 Transit Fund.

86 a. The Commonwealth Mass Transit Fund shall be established on the books of the Comptroller and
87 any funds remaining in such Fund at the end of the biennium shall not revert to the general fund but
88 shall remain in the Fund. Interest earned on such funds shall be credited to the Fund. Funds may be
89 paid to any local governing body, transportation district commission, or public service corporation for
90 the purposes hereinafter specified.

91 b. The amounts allocated pursuant to this section shall be used to support the public transportation
92 administrative costs and the costs borne by the locality for the purchase of fuels, lubricants, tires and
93 maintenance parts and supplies for public transportation at a state share of 80 percent in 2002 and 95
94 percent in 2003 and succeeding years. These amounts may be used to support up to 95 percent of the
95 local or nonfederal share of capital project costs for public transportation and ridesharing equipment,
96 facilities, and associated costs. Capital costs may include debt service payments on local or agency
97 transit bonds. The term "borne by the locality" means the local share eligible for state assistance
98 consisting of costs in excess of the sum of fares and other operating revenues plus federal assistance
99 received by the locality.

100 c. Commonwealth Mass Transit Fund revenue shall be allocated by the Commonwealth
101 Transportation Board as follows:

102 (1) Funds for special programs, which shall include ridesharing, experimental transit, and technical
103 assistance, shall not exceed 1.5 percent of the Fund.

104 (2) The Board may allocate these funds to any locality or planning district commission to finance up
105 to 80 percent of the local share of all costs associated with the development, implementation, and
106 continuation of ridesharing programs.

107 (3) Funds allocated for experimental transit projects may be paid to any local governing body,
108 transportation district commission, or public corporation or may be used directly by the Department of
109 Rail and Public Transportation for the following purposes:

110 (a) To finance up to 95 percent of the capital costs related to the development, implementation and
111 promotion of experimental public transportation and ridesharing projects approved by the Board.

112 (b) To finance up to 95 percent of the operating costs of experimental mass transportation and
113 ridesharing projects approved by the Board for a period of time not to exceed 12 months.

114 (c) To finance up to 95 percent of the cost of the development and implementation of any other
115 project designated by the Board where the purpose of such project is to enhance the provision and use
116 of public transportation services.

117 d. Funds allocated for public transportation promotion and operation studies may be paid to any local
118 governing body, planning district commission, transportation district commission, or public transit
119 corporation, or may be used directly by the Department of Rail and Public Transportation for the
120 following purposes and aid of public transportation services:

(1) At the approval of the Board to finance a program administered by the Department of Rail and Public Transportation designed to promote the use of public transportation and ridesharing throughout Virginia.

(2) To finance up to 50 percent of the local share of public transportation operations planning and technical study projects approved by the Board.

e. At least 73.5 percent of the Fund shall be distributed to each transit property in the same proportion as its operating expenses bear to the total statewide operating expenses and shall be spent for the purposes specified in subdivision 4 b.

f. The remaining 25 percent shall be distributed for capital purposes on the basis of 95 percent of the nonfederal share for federal projects and 95 percent of the total costs for nonfederal projects. In the event that total capital funds available under this subdivision are insufficient to fund the complete list of eligible projects, the funds shall be distributed to each transit property in the same proportion that such capital expenditure bears to the statewide total of capital projects. Prior to the annual adoption of the Six-Year Improvement Program, the Commonwealth Transportation Board may allocate up to 20 percent of the funds in the Commonwealth Mass Transit Fund designated for capital purposes to transit operating assistance if operating funds for the next fiscal year are estimated to be less than the current fiscal year's allocation, to attempt to maintain transit operations at approximately the same level as the previous fiscal year.

g. There is hereby created in the Department of the Treasury a special nonreverting fund known as the Commonwealth Transit Capital Fund. The Commonwealth Transit Capital Fund shall be part of the Commonwealth Mass Transit Fund. The Commonwealth Transit Capital Fund subaccount shall be established on the books of the Comptroller and consist of such moneys as are appropriated to it by the General Assembly and of all donations, gifts, bequests, grants, endowments, and other moneys given, bequeathed, granted, or otherwise made available to the Commonwealth Transit Capital Fund. Any funds remaining in the Commonwealth Transit Capital Fund at the end of the biennium shall not revert to the general fund, but shall remain in the Commonwealth Transit Capital Fund. Interest earned on funds within the Commonwealth Transit Capital Fund shall remain in and be credited to the Commonwealth Transit Capital Fund. Proceeds of the Commonwealth Transit Capital Fund may be paid to any political subdivision, another public entity created by an act of the General Assembly, or a private entity as defined in § 56-557 and for purposes as enumerated in subdivision 4c of § 33.1-269 or expended by the Department of Rail and Public Transportation for the purposes specified in this subdivision. Revenues of the Commonwealth Transit Capital Fund shall be used to support capital expenditures involving the establishment, improvement, or expansion of public transportation services through specific projects approved by the Commonwealth Transportation Board. Projects financed by the Commonwealth Transit Capital Fund shall receive local, regional or private funding for at least 20 percent of the nonfederal share of the total project cost.

5. Funds for Metro shall be paid by the Northern Virginia Transportation Commission (NVTC) to the Washington Metropolitan Area Transit Authority (WMATA) and be a credit to the Counties of Arlington and Fairfax and the Cities of Alexandria, Falls Church and Fairfax in the following manner:

a. Local obligations for debt service for WMATA rail transit bonds apportioned to each locality using WMATA's capital formula shall be paid first by NVTC. NVTC shall use 95 percent state aid for these payments.

b. The remaining funds shall be apportioned to reflect WMATA's allocation formulas by using the related WMATA-allocated subsidies and relative shares of local transit subsidies. Capital costs shall include 20 percent of annual local bus capital expenses. Hold harmless protections and obligations for NVTC's jurisdictions agreed to by NVTC on November 5, 1998, shall remain in effect.

Appropriations from the Commonwealth Mass Transit Fund are intended to provide a stable and reliable source of revenue as defined by Public Law 96-184.

B. The sales and use tax revenue generated by a one percent sales and use tax shall be distributed among the counties and cities of this Commonwealth in the manner provided in subsections C and D.

C. The localities' share of the net revenue distributable under this section among the counties and cities shall be apportioned by the Comptroller and distributed among them by warrants of the Comptroller drawn on the Treasurer of Virginia as soon as practicable after the close of each month during which the net revenue was received into the state treasury. The distribution of the localities' share of such net revenue shall be computed with respect to the net revenue received into the state treasury during each month, and such distribution shall be made as soon as practicable after the close of each such month.

D. The net revenue so distributable among the counties and cities shall be apportioned and distributed upon the basis of the latest yearly estimate of the population of cities and counties ages five to 19, provided by the Weldon Cooper Center for Public Service of the University of Virginia. Such population estimate produced by the Weldon Cooper Center for Public Service of the University of

182 Virginia shall account for persons who are domiciled in orphanages or charitable institutions or who are
183 dependents living on any federal military or naval reservation or other federal property within the school
184 division in which the institutions or federal military or naval reservation or other federal property is
185 located. Such population estimate produced by the Weldon Cooper Center for Public Service of the
186 University of Virginia shall account for members of the military services who are under 20 years of age
187 within the school division in which the parents or guardians of such persons legally reside. Such
188 population estimate produced by the Weldon Cooper Center for Public Service of the University of
189 Virginia shall account for persons who are confined in state hospitals, state training schools or state
190 training centers for the mentally retarded, mental institutions, or state or federal correctional institutions
191 or who attend the Virginia School for the Deaf and the Blind within the school division in which the
192 parents or guardians of such persons legally reside. Such population estimate produced by the Weldon
193 Cooper Center for Public Service of the University of Virginia shall account for persons who attend
194 institutions of higher education within the school division in which the student's parents or guardians
195 legally reside. To such estimate, the Department of Education shall add the population of students with
196 disabilities, ages two through four and 20 through 21, as provided to the Department of Education by
197 school divisions. The revenue so apportionable and distributable is hereby appropriated to the several
198 counties and cities for maintenance, operation, capital outlays, debt and interest payments, or other
199 expenses incurred in the operation of the public schools, which shall be considered as funds raised from
200 local resources. In any county, however, wherein is situated any incorporated town constituting a school
201 division, the county treasurer shall pay into the town treasury for maintenance, operation, capital outlays,
202 debt and interest payments, or other expenses incurred in the operation of the public schools, the proper
203 proportionate amount received by him in the ratio that the school population of such town bears to the
204 school population of the entire county. If the school population of any city or of any town constituting a
205 school division is increased by the annexation of territory since the last estimate of school population
206 provided by the Weldon Cooper Center for Public Service, such increase shall, for the purposes of this
207 section, be added to the school population of such city or town as shown by the last such estimate and a
208 proper reduction made in the school population of the county or counties from which the annexed
209 territory was acquired.

210 E. Beginning July 1, 2000, of the remaining sales and use tax revenue, the revenue generated by a
211 two percent sales and use tax, up to an annual amount of \$13 million, collected from the sales of
212 hunting equipment, auxiliary hunting equipment, fishing equipment, auxiliary fishing equipment,
213 wildlife-watching equipment, and auxiliary wildlife-watching equipment in Virginia, as estimated by the
214 most recent U.S. Department of the Interior, Fish and Wildlife Service and U.S. Department of
215 Commerce, Bureau of the Census National Survey of Fishing, Hunting, and Wildlife-Associated
216 Recreation, shall be paid into the Game Protection Fund established under § 29.1-101 and shall be used,
217 in part, to defray the cost of law enforcement. Not later than 30 days after the close of each quarter, the
218 Comptroller shall transfer to the Game Protection Fund the appropriate amount of collections to be
219 dedicated to such Fund. At any time that the balance in the Capital Improvement Fund, established
220 under § 29.1-101.1, is equal to or in excess of \$35 million, any portion of sales and use tax revenues
221 that would have been transferred to the Game Protection Fund, established under § 29.1-101, in excess
222 of the net operating expenses of the Board, after deduction of other amounts which accrue to the Board
223 and are set aside for the Game Protection Fund, shall remain in the general fund until such time as the
224 balance in the Capital Improvement Fund is less than \$35 million.

225 F. Beginning July 1, 2011, and for each fiscal year thereafter, of the remaining sales and use tax
226 revenue, the net revenue generated by the state sales and use tax paid by highway contractors shall be
227 deposited into the Transportation Trust Fund established under § 33.1-23.03:1. For the purposes of the
228 Comptroller making the deposit, the Tax Commissioner shall make a written certification to the
229 Comptroller within 15 days after the close of each calendar quarter providing an estimate of the net
230 revenue generated by the state sales and use tax paid by highway contractors in the calendar quarter.
231 The estimate shall be computed by multiplying the total net revenue generated by the state sales and use
232 tax in the calendar quarter by a fraction, which is the same proportion of the total state income taxes
233 that are paid by highway contractors in the calendar quarter as determined from the review of income
234 tax returns required for the estimate under § 58.1-535.1. Not later than 30 days after the close of each
235 calendar quarter, the Comptroller shall transfer to the Transportation Trust Fund an amount from the
236 general fund that is equal to the estimate provided by the Tax Commissioner.

237 For the purposes of this subsection, "highway contractor" means any person primarily engaged in (i)
238 contracting for the construction, improvement, repair, or maintenance of highways or highway bridges
239 or (ii) supplying labor, material, or machinery and equipment used in the construction, improvement,
240 repair, or maintenance of highways or highway bridges.

241 EG. 1. Of the net revenue generated from the one-half percent increase in the rate of the state sales
242 and use tax effective August 1, 2004, pursuant to enactments of the 2004 Special Session I of the
243 General Assembly, the Comptroller shall transfer from the general fund of the state treasury to the

Public Education Standards of Quality/Local Real Estate Property Tax Relief Fund established under § 58.1-638.1 an amount equivalent to one-half of the net revenue generated from such one-half percent increase as provided in this subdivision. The transfers to the Public Education Standards of Quality/Local Real Estate Property Tax Relief Fund under this subdivision shall be for one-half of the net revenue generated (and collected in the succeeding month) from such one-half percent increase for the month of August 2004 and for each month thereafter.

2. For the purposes of the Comptroller making the required transfers under subdivision 1, the Tax Commissioner shall make a written certification to the Comptroller no later than the twenty-fifth of each month certifying the sales and use tax revenues generated in the preceding month. Within three calendar days of receiving such certification, the Comptroller shall make the required transfers to the Public Education Standards of Quality/Local Real Estate Property Tax Relief Fund.

GH. If errors are made in any distribution, or adjustments are otherwise necessary, the errors shall be corrected and adjustments made in the distribution for the next quarter or for subsequent quarters.

HI. The term "net revenue," as used in this section, means the gross revenue received into the general fund or the Transportation Trust Fund of the state treasury under the preceding sections of this chapter, less refunds to taxpayers.

§ 58.1-638.1. Public Education Standards of Quality/Local Real Estate Property Tax Relief Fund established.

There is hereby created in the state treasury a special permanent, nonreverting, interest-bearing fund to be known as the Public Education Standards of Quality/Local Real Estate Property Tax Relief Fund, hereinafter referred to as "the Fund." The Fund shall be established on the books of the Comptroller. The Fund shall consist of (i) any sales and use tax revenues transferred pursuant to subsection *F G* of § 58.1-638; (ii) any other moneys appropriated to it by the General Assembly; and (iii) such other sums as may be made available to it from any other source, public or private, all of which shall be credited to the Fund. Any moneys remaining in the Fund, including interest thereon, at the end of each fiscal year shall remain in the Fund and shall not revert to the general fund.

All amounts credited to the Fund shall be paid to localities in accordance with the general appropriation act to meet the Commonwealth's responsibility for the Standards of Quality prescribed pursuant to Article VIII, Section 2 of the Constitution of Virginia. Any amount paid to a county, city, or town from the Fund shall be taken into account by the governing body of the county, city, or town in setting real estate tax rates.