Department of Planning and Budget
2012 Fiscal Impact Statement

1. **Bill Number:** HB1183

House of Origin	☒	Introduced	☐	Substitute	☐	Engrossed
Second House	☐	In Committee	☐	Substitute	☐	Enrolled

2. **Patron:** Cosgrove

3. **Committee:** House Transportation

4. **Title:** Virginia Port Authority (VPA) organizational changes; creation of the Route 460 Corridor Interstate 85 Connector Economic Development Zone

5. **Summary:** The proposed legislation exempts VPA from following certain processes for state agencies. The bill exempts the agency from requirements governing approval of real property purchases when the acquisition is less than $20 million and the disposal of surplus property. The bill also exempts VPA from preparing environmental reports when capital projects are less than $5 million. The bill also authorizes VPA to retain legal council to represent the Authority without the prior approval of the Office of the Attorney General, as well as to retain an outside auditor, although the General Assembly may request the Auditor of Public Accounts to perform an audit at any time.

   The legislation makes several changes to the Virginia Port Authority (VPA) board. The bill increases the number of residents of Chesapeake, Hampton, Newport News, Norfolk, Portsmouth or Virginia Beach who may be on the board at one time from three to five. The bill eliminates a residency requirement of certain board members. The bill requires members appointed by the Governor to have executive level experience and represent the industries of agriculture, distribution and warehousing, manufacturing, logistics and transportation, mining, marketing, legal, finance and transportation infrastructure. The board is authorized to create a Maritime Advisory Council to provide advice on port matters outside of the annual budget or personnel issues.

   The bill also eliminates the sunset provisions on several port-related tax credits. The bill would extend indefinitely the international trade facility tax credit, the barge and rail usage tax credit and the Virginia port volume increase tax credit.

   The bill creates the Port Opportunity Fund, which is to be a subfund of the Commonwealth Port Fund. In years in which the Authority's net operating income exceeds operation expenditures, the VPA is to transfer five percent of the net operating income from the Commonwealth Port Fund to the Port Opportunity Fund. Revenues in the Port Opportunity Fund are to be used to fund a marketing program and to provide incentives for expanding the use of port facilities. The VPA and its board are to develop regulations for the use of the incentives that comply with Virginia laws.

Further, the bill creates the Route 460 Corridor Interstate 85 Connector Economic Development Zone, which is to be comprised of the counties of Isle of Wight, Prince George, Sussex, and Southampton and the cities of Chesapeake, Norfolk, Portsmouth, Suffolk, and Virginia Beach. Qualified companies which locate within the zone on or after January 1, 2014, are to receive a full or partial exemption from income taxes for the first two years of operating within the zone. Companies are to receive exemptions of 25 percent if employing at least 25 employees, 50 percent if employing at least 50 employees, 75 percent if employing at least 75 employees, and a full exemption if employing at least 100 employees. The bill defines qualified companies as those involved in certain aspects of maritime commerce and also sets certain standards for the employees hired. The total amount of exemptions is not to exceed $25 million in one fiscal year; in any year in which the total number or requests is greater than $25 million, the amount shall be distributed on a pro rata basis.

The bill is identical to SB 578.

6. **Budget Amendment Necessary**: None.

7. **Fiscal Impact Estimates:** Unavailable. See Item 8.

8. **Fiscal Implications:** The bill is expected to have a minimal fiscal impact on the current biennium. Although the bill eliminates sunset clauses on tax credits, the credits have been assumed in the Governor's introduced budget. The creation of the economic development zone may have a future impact on general fund revenues due to the income tax exemptions. This impact will not occur until next biennium and is not to exceed $25 million. The exclusion of VPA from the state's surplus property program may impact the program service fees charged to other state agencies.

   The creation of the Port Opportunity Fund may have a future impact on the revenues of the VPA, although the impact will only occur after all operating expenditures are paid.

9. **Specific Agency or Political Subdivisions Affected:** Virginia Port Authority

10. **Technical Amendment Necessary:** The Port Opportunity Fund should receive funding from the Authority's terminal revenue funds since that is the fund used for terminal operating needs. The Commonwealth Port Fund is used solely for capital infrastructure.

11. **Other Comments:** The bill requires five percent be transferred out of the Commonwealth Port Fund and into the Port Opportunity Fund when net operating income exceeds net expenditures, but there is no requirement for the income to exceed expenditures by at least five percent. The funding transferred to the Port Opportunity Fund may be greater than the operating surplus calculated when the surplus is less than five percent.

Date: 2/8/2012 dpb/smc
Document: G:\GA\FIS 2012\HB1183.doc