

**Department of Planning and Budget  
2007 Fiscal Impact Statement**

**1. Bill Number** HB1638

**House of Origin**    ☒ Introduced    ☐ Substitute    ☐ Engrossed

**Second House**    ☐ In Committee    ☐ Substitute    ☐ Enrolled

**2. Patron**        Cole

**3. Committee**    House Appropriations

**4. Title**            Transportation Trust Fund; sales and use tax revenue dedicated thereto.

**5. Summary/Purpose:** The proposed legislation would increase retail sales and use tax revenues dedicated to the Transportation Trust Fund by one-quarter percent, from one-half percent to three-quarters of one percent, beginning July 1, 2007 and ending June 30, 2008. The bill would also increase the retail sales and use tax revenues dedicated to the Transportation Trust Fund by another one-quarter percent, to one percent, beginning July 1, 2008. The portion of the sales and use tax currently supports the general fund. The additional transportation revenue would be distributed according to the existing formulas.

**6. Fiscal Impact Estimates are:** Preliminary.

**6b. Revenue Impact:**

<i>General Fund</i>	
<i>Fiscal Year</i>	<i>Amount</i>
FY 2008	(\$268,000,000)
FY 2009	(\$566,400,000)
FY 2010	(\$597,200,000)
FY 2011	(\$625,600,000)
FY 2012	(\$651,500,000)
FY 2013	(\$671,000,000)

<i>Nongeneral Fund</i>	
<i>Fiscal Year</i>	<i>Amount</i>
FY 2008	\$268,000,000
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- 7. Budget amendment necessary:** Yes. Item 437, Item 443, Item 453, Item 428. The reduction in general fund revenues would likely require there be significant reductions in general fund appropriations for some programs or some agencies in FY 2008.
- 8. Fiscal implications:** The Transportation Trust Fund was established in 1986 as a permanent fund and receives all the revenue generated as a result of the one-half percent retail sales and use tax increase effective January 1, 1987. Moneys in this fund are dedicated to transportation needs in the Commonwealth.

This bill does not increase the overall sales tax rate, but reallocates the existing state sales tax to provide for increased revenues being paid into the Transportation Trust Fund. This increased allocation will reduce revenues paid into the unrestricted General Fund that are available for appropriations.

On July 1, 2005, the sales tax rate on eligible food items was reduced from three percent to 1.5 percent. Of this 1.5 percent, 0.5 percent is already allocated to the Transportation Trust Fund and the remaining one percent is allocated to localities. It is unclear how the provisions of the proposed legislation will affect the sales tax rate on food. The bill does not grant the authority to reduce the amount allocated to localities, nor does it direct an amount equal to 0.25 percent of the sales tax revenue attributable to food be transferred from other funds.

- 9. Specific agency or political subdivisions affected:** Department of Taxation, Department of Transportation

- 10. Technical amendment necessary:** None.

- 11. Other comments:** The bill is similar to HB 1703. HB 1703 would increase the retail sales and use tax revenue dedicated to the Transportation Trust Fund from one-half percent to three-quarters of one percent.

**Date:** 01/08/07 / smc

**Document:** F:\SMC\GA\FIS 2007\HB1638.Doc

cc: Secretary of Finance

Secretary of Transportation