

## Department of Planning and Budget 2007 Fiscal Impact Statement

**1. Bill Number** SB1026

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

**2. Patron**        O'Brien

**3. Committee**   Finance

**4. Title**            State secondary highway system; local-option retail sales taxes on motor fuels.

**5. Summary/Purpose:** The proposed legislation would require counties with populations of 50,000 or more, according to the last preceding U.S. census, to take over from VDOT responsibility for planning, construction, operation, and maintenance of state secondary highway system components within their boundaries prior to July 1, 2012. The bill would apply to the Counties of Campbell, Washington, Fauquier, York, Henry, Frederick, Bedford, Pittsylvania, Augusta, Rockingham, Albemarle, Montgomery, Roanoke, Hanover, Spotsylvania, Stafford, Loudoun, Chesterfield, Prince William, and Fairfax. Additionally, the bill would provide, on a local-option basis, for a two percent retail sales tax on motor fuels in counties that take over responsibilities for state secondary highways, the proceeds of which would be used for secondary highway planning, construction, operation, and maintenance.

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

**6a. Expenditure Impact:**

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2006-07	\$9,300		GF
2007-08	\$270,300	4	GF
2008-09	\$274,900	4	GF
2009-10	\$281,900	4	GF
2010-11	\$289,200	4	GF
2011-12	\$296,700	4	GF
2012-13	\$304,400	4	GF

The Department of Taxation would incur the above costs for the systems and forms changes necessary to implement the provisions of this bill and for four additional auditors to enforce compliance with the new tax.

**7. Budget amendment necessary:** Yes. Item 265 and Item 269.

**8. Fiscal implications:** The proposed legislation would direct all counties with populations in the last U.S. census over 50,000 to assume responsibility for the secondary highway system within their jurisdiction by July 1, 2012. The bill would allow localities to gradually accept responsibility through its agreement with VDOT.

After the county enters into the agreement with VDOT to assume responsibility for the secondary highway system, the proposed legislation would authorize it to impose an additional two percent sales tax on motor fuels. The tax is to be imposed in increments of one-half percent and would be effective on the first day of the first month that is at least 60 days after the local ordinance imposing the tax was adopted. The additional revenue is to be placed in a special account for the county, and distributed monthly to the county.

Once the applicable counties have assumed responsibility for the construction, operation and maintenance of their secondary highway system, VDOT will cease such expenditures. The reduction in the maintenance and construction programs attributable to those secondary highways will allow VDOT to focus transportation funding elsewhere. The reduction in maintenance will reduce or potentially eliminate the need to transfer funding from the construction program to the maintenance program to offset the shortfall in maintenance funding. In FY 2007, the shortfall amounted to \$450 million.

- 9. Specific agency or political subdivisions affected:** Department of Taxation, Department of Transportation, Department of Accounts, Counties of Campbell, Washington, Fauquier, York, Henry, Frederick, Bedford, Pittsylvania, Augusta, Rockingham, Albemarle, Montgomery, Roanoke, Hanover, Spotsylvania, Stafford, Loudoun, Chesterfield, Prince William, and Fairfax

**10. Technical amendment necessary:**

- 11. Other comments:** Identical to SB 1420.

**Date:** 01/29/07 / smc

**Document:** F:\SMC\GA\FIS 2007\SB1026.Doc

cc: Secretary of Finance

Secretary of Transportation