

Department of Planning and Budget 2007 Fiscal Impact Statement

1. Bill Number SB1335

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

2. Patron Colgan

3. Committee Finance

4. Title Supplemental transportation funding for Northern Virginia.

5. Summary/Purpose: The proposed legislation would authorize the governing body of each of the Counties of Arlington, Fairfax, Loudoun, and Prince William and the Cities of Alexandria, Fairfax, Falls Church, Manassas, and Manassas Park to impose a retail sales and use tax at the rate of 0.50 percent. No county or city would be able to impose the tax unless at least six of the nine counties and cities adopt a local ordinance to impose the tax on or before November 15, 2007. If at least six of the nine counties and cities adopt the local ordinance by such date, then in any of the remaining nine localities that have not adopted the local ordinance by March 1, 2008, there would be imposed a state retail sales and use tax at the rate of 0.50 percent. The revenues would be deposited into a special fund for the Northern Virginia Transportation Authority (the Authority).

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	\$390,208	0	GF
2007-08	\$465,313	0	GF
2008-09	\$4,581	0	GF
2009-10	\$4,688	0	GF
2010-11	\$4,799	0	GF
2011-12	\$4,912	0	GF
2012-13	\$5,029	0	GF

The Department of Taxation would incur administrative costs in the implementation of this bill for the forms and systems changes necessary to implement this bill.

6b. Revenue Impact:

Impact of Local Sales Tax Increase By Locality (in Millions)						
Locality	FY 08	FY 09	FY 10	FY 11	FY 12	FY 13
Arlington	\$6.6	\$16.8	\$17.7	\$18.5	\$19.2	\$20.0
Fairfax County	31.0	78.6	82.8	86.7	90.2	93.9
Loudoun	9.9	25.0	26.4	27.6	28.7	29.9
Prince William	9.5	24.0	25.3	26.5	27.6	28.7
Alexandria	5.0	12.7	13.4	14.0	14.6	15.2

Fairfax City	2.8	7.0	7.4	7.7	8.0	8.3
Falls Church	0.8	2.1	2.3	2.4	2.5	2.6
Manassas	1.7	4.3	4.5	4.7	4.9	5.1
Manassas Park	<u>0.4</u>	<u>1.0</u>	<u>1.1</u>	<u>1.1</u>	<u>1.2</u>	<u>1.2</u>
<i>TOTAL</i>	\$67.6	\$171.4	\$180.7	\$189.2	\$196.9	\$205.0

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

8. Fiscal implications: The proposed legislation would authorize the governing body of each of the Counties of Arlington, Fairfax, Loudoun, and Prince William and the Cities of Alexandria, Fairfax, Falls Church, Manassas, and Manassas Park to impose a retail sales and use tax at the rate of 0.50 percent. The tax is not to apply on food for human consumption. All revenue generated by the additional sales and use tax of one-half percent is to be deposited into a special fund for the Northern Virginia Transportation Authority. The Authority is to use the revenue in the special fund for specific purposes outlined in the proposed legislation. The bill prohibits the Authority from using funds in the new special fund to pay debt service on, or other costs related to, any bonds of the Authority. The Authority is prohibited from entering into any obligation that the State Treasurer determines may constitute tax-supported debt or may have an adverse impact on the debt capacity or credit ratings of the Commonwealth.

The proposed legislation directs that the additional sales and use tax imposed in the localities in Northern Virginia shall not cease before January 1, 2043 or as long as the Authority is currently engaged in transportation projects within the locality or has outstanding debt related to a project within the locality.

If a locality authorized in the proposed legislation has not imposed a sales and use tax of one-half percent as of March 1, 2008, the proposed legislation would impose such a sales tax beginning April 1, 2008. The imposed sales and use tax would be added to the state sales tax rate imposed in the locality. The revenue from the imposed sales and use tax is to be deposited into the Authority's special fund.

The proposed legislation contains enactment clauses regarding the circumstances which must take place in order for the bill's provisions to take effect. A certain number of the authorized localities representing a specified population level must adopt the additional sales and use tax by November 15, 2007. The additional taxes will not be imposed if the requirement is not met. The cities and counties would be required to expend or disburse for transportation purposes an amount that is at least equal to the total amount expended or disbursed for transportation purposes by the county or city in its fiscal year that began in calendar year 2006.

The fifth enactment clause states that no provisions of the proposed legislation will take effect unless legislation passed by the 2007 session of the General Assembly provides for new or increased state charges, fees, or taxes with no expiration date, with the revenues generated from such new or increased state charges, fees, or taxes to be deposited by the Comptroller into the Transportation Trust Fund and designated for the funding of transportation-related purposes. Additionally, such revenues must be anticipated to generate

an annual amount of state net revenue that is not less than 15.5 percent of the Fiscal Year 2007 proposed Commonwealth Transportation revenue.

9. Specific agency or political subdivisions affected: Department of Taxation, Northern Virginia Transportation Authority, Counties of Arlington, Fairfax, Loudoun, and Prince William and Cities of Alexandria, Fairfax, Falls Church, Manassas, and Manassas Park

10. Technical amendment necessary:

In order to allow localities sufficient time to adopt the local ordinances, the following technical amendment is suggested:

Page 2, Line 115, After ordinance

Insert: , or January 1, 2008, whichever is later

Page 3, Line 160, After ordinance

Insert: , or January 1, 2008, whichever is later

11. Other comments: None.

Date: 01/29/07 / smc

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cc: Secretary of Finance

Secretary of Transportation