

Department of Planning and Budget

2007 Fiscal Impact Statement

1. Bill Number SB1366

House of Origin ☒ Introduced ☐ Substitute ☐ Engrossed

Second House ☐ In Committee ☐ Substitute ☐ Enrolled

2. Patron Williams

3. Committee Finance

4. Title Transportation funding.

5. Summary/Purpose: The proposed legislation would repeal Virginia's motor fuels taxes and increase the retail sales and use tax by an additional one percent, with the revenues from the increase deposited into the Transportation Trust Fund. The state and local retail sales and use tax would not apply to motor fuels, with the exception of the two percent sales and use tax on motor fuels in Northern Virginia. The new rate for the combined retail sales and use tax would be six percent. The bill would not affect the amount of the current fee imposed for the Virginia Petroleum Storage Tank Fund. The proposed legislation contains an enactment date of October 1, 2007.

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	\$79,864	0	GF
2007-08	\$325,280	0	GF
2008-09	\$18,300	0	GF
2009-10	\$0	0	GF
2010-11	\$0	0	GF
2011-12	\$0	0	GF
2012-13	\$0	0	GF

The Department of Taxation would incur administrative costs for systems changes, notification mailers, and coupon books to implement the increase in the state retail sales and use tax.

6b. Revenue Impact:

Total Impact of SB1366 by Fund (in millions)

	<u>HMOF</u>	<u>TTF</u>	<u>DMV</u>	<u>Total</u>
FY08	(\$570.0)	\$540.3	(\$5.8)	(\$35.5)
FY09	(\$782.6)	\$882.3	(\$7.9)	\$91.8
FY10	(\$808.4)	\$933.7	(\$8.2)	\$117.1
FY11	(\$830.7)	\$981.3	(\$8.4)	\$142.2
FY12	(\$848.7)	\$1,025.0	(\$8.6)	\$167.7
FY13	(\$848.7)	\$1,072.7	(\$8.0)	\$216.0

7. Budget amendment necessary: Yes. Item 265, Item 269, Item 443 and Item 444.

8. Fiscal implications: The proposed legislation would repeal the Commonwealth's taxes on motor vehicle fuels and increase the state retail sales and use tax by one percent, with the additional sales tax revenues deposited into the Transportation Trust Fund (TTF). The additional revenue supplied to the TTF is distributed by formulas in the Code of Virginia to the four modal agencies. The Department of Aviation receives 2.4 percent, the Virginia Port Authority receives 4.2 percent, Department of Rail and Public Transportation receives 14.7 percent, and the 78.7 percent remaining is used for highway construction.

Currently, the taxes on motor vehicle fuels are divided between the Highway Maintenance and Operating Fund (HMOF), the TTF and the Department of Motor Vehicles. The HMOF receives \$0.1485 per gallon, the TTF receives \$0.025 per gallon and DMV receives \$0.0015 per gallon. The HMOF is the funding source for maintenance work on Virginia's highway system. The TTF funds new construction projects.

The repeal of the motor vehicle fuels taxes greatly reduces the amount of funding available to the maintenance program through the HMOF. The Code of Virginia directs that maintenance needs be funded before construction. The Code section requires VDOT to transfer funding from its construction program to its maintenance program to cover the shortfall in maintenance funding. In FY 2007, the transfer was \$450 million. The proposed legislation will require an increased transfer of construction program funding to the maintenance program. As 21.3 percent of the additional revenue to the Transportation Trust Fund will be transferred to the other transportation agencies, the proposed legislation will have a negative fiscal impact on VDOT.

The third enactment clause of this bill stipulates that the DMV will be appropriated funds based on transactions occurring during FY 2007. It is not clear from what fund is to be used for the payments to DMV.

9. Specific agency or political subdivisions affected: Department of Motor Vehicles, the Department of Transportation, Department of Rail and Public Transportation, Department of Aviation, Virginia Port Authority, Department of Taxation

10. Technical amendment necessary: None.

11. Other comments: None.

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cc: Secretary of Finance

Secretary of Transportation