

Department of Planning and Budget 2008 Fiscal Impact Statement

1. Bill Number: SB444

House of Origin X Introduced Substitute Engrossed
Second House In Committee Substitute Enrolled

2. Patron: Petersen

3. Committee: Senate Finance

4. Title: **Funding for transportation and transportation-related alternative fuels.**

5. Summary: The proposed legislation would repeal the abusive driver fees and increase the state motor fuels tax rate by \$0.02 per gallon with (i) one-half of the revenues deposited into the Biofuels Production Fund to fund grants for biofuels production and (ii) one-half of the revenues deposited into the Highway Maintenance and Operating Fund. The bill further provides for a refund of any abusive driver fees paid, with interest.

6. Fiscal Impact Estimates: Preliminary.

6a. Expenditure Impact: The proposed legislation would repeal the abusive driver provisions of HB 30202 of the 2007 General Assembly session, and refund the collected fees with interest. The expenditures related to collecting the civil remedial fees are recovered through the collections. The 2007 Appropriation Act authorizes the Department of Motor Vehicles (DMV) to impose an administrative cost on the revenues collected. The amount of interest to be repaid is dependant upon the collection of imposed remedial fees. Based on the collection rate described in Item 11, the interest of the refund is estimated to be approximately \$200,000.

6b. Revenue Impact:

Statewide Transportation Funding

(millions of dollars)

	<u>FY09</u>	<u>FY10</u>	<u>FY11</u>	<u>FY12</u>	<u>FY13</u>	<u>FY14</u>
Abusive Driver Fees	(\$61.8)	(\$65.4)	(\$65.4)	(\$65.4)	(\$65.4)	(\$65.4)
Fuel Tax Increase	94.3	104.4	106.8	109.1	111.8	112.6
Statewide Funding Total	\$32.5	\$39.0	\$41.4	\$43.7	\$46.4	\$47.2
Highway Maintenance and Operating Fund	\$47.2	\$52.2	\$53.4	\$54.6	\$55.9	\$56.3
Biofuels Production Fund	\$47.2	\$52.2	\$53.4	\$54.6	\$55.9	\$56.3

7. **Budget Amendment Necessary:** Yes, an increase in Item 122 of \$47.2 million in FY 2009 and \$52.2 million in FY 2010. Also, an increase in Item 455 of \$47.2 million in FY 2009 and \$52.2 million in FY 2010.
8. **Fiscal Implications:** The proposed legislation would repeal the abusive driver provisions as passed by the 2007 General Assembly in HB 3202. The bill would increase the tax on motor vehicle fuels by \$0.02 per gallon, which would support the Highway Maintenance and Operating Fund (HMOF) and the Biofuels Production Fund. The increase in the motor vehicle fuels tax would provide additional revenue to the HMOF, which would reduce the crossover from the construction program. Current law directs all maintenance funding needs to be met prior to construction expenditures. In FY 2009, the crossover from the construction program was \$260 million. The funding no longer required for maintenance would be available for formula distributions in the construction program.
- The Biofuels Production Fund was created in 2006 as an incentive for private businesses to produce biofuels. In order to be eligible to receive a grant from the Fund, companies have to produce at least two million gallons of neat biofuels in a calendar year. Neat biofuels are those that have not been blended with traditional fuel such as diesel or gasoline. At that production threshold, companies may apply to receive a biofuels production incentive grant in an amount equal to \$0.10 for each gallon of neat biofuels sold in the calendar year.
9. **Specific Agency or Political Subdivisions Affected:** Department of Mines, Minerals and Energy, Department of Transportation, Department of Taxation
10. **Technical Amendment Necessary:** None.
11. **Other Comments:** The revenue impact shown above in Item 6 b. for the abusive driver program is based upon the projections developed by DMV and the Department of Taxation in March 2007. As was noted by the Joint Legislative Audit and Review Commission in its December 5, 2007 report to the Joint Commission on Transportation Accountability, while inherently uncertain, these revenue estimates represent “a concerted effort to develop a projection based on the best available information.”

The actual revenue collected from the assessment of the conviction related fees for the six month period of July 1, 2007 through December 30, 2007 was \$3.9 million. According to the data received from the Courts, the total amount of fees assessed by the Courts during that same period was almost \$9.9 million.

These two sources of information indicate that the civil remedial fees imposed pursuant to §46.2-206.1, Code of Virginia, may not generate the amount of revenue that had been projected.

Date: 1/23/2008 dpb/smc

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cc: Secretary of Transportation