

**Department of Planning and Budget**  
**2008 Special Session II**  
**Fiscal Impact Statement**

**1. Bill Number: SB 6009**

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

**2. Patron: Saslaw, R.**

**3. Committee: House Rules**

**4. Title: Statewide and regional transportation funding.**

**5. Summary/Purpose:**

The proposed legislation would establish new taxes and increase the rates of certain existing taxes with the revenues generated to be used for the funding of transportation on a statewide and regional basis. The bill would provide funds for mass transit and road and highway maintenance statewide by (i) increasing the state motor fuels tax rate by \$0.06 per gallon in increments of \$0.01 per gallon in each of the next six fiscal years, (ii) increasing the state retail sales and use tax by one-quarter of one percent, and (iii) increasing the motor vehicle sales and use tax by one-half of one percent. These increases in taxes would be imposed throughout the Commonwealth.

The revenues collected under the bill for mass transit and road and highway maintenance would be deposited into the Supplemental Highway Maintenance and Mass Transit Fund. Each year 25 percent of the moneys deposited into the Fund would be distributed to the Commonwealth Mass Transit Fund to be used for mass transit purposes. The remaining 75 percent of such moneys would be deposited in the Highway Maintenance and Operating Fund (HMOF).

The proposed legislation would also exempt food purchased for human consumption from the sales and use tax rate that supports the Transportation Trust Fund.

The bill also would provide funds to be used for transportation purposes in the counties and cities embraced by the Northern Virginia Transportation Authority (NVTa) by (i) establishing an additional one-half of one percent state retail sales and use tax to be imposed in the Counties of Arlington, Fairfax, Loudoun, and Prince William and the Cities of Alexandria, Fairfax, Falls Church, Manassas, and Manassas Park; (ii) establishing a \$5 per day transient occupancy tax to be imposed in such counties and cities; and (iii) increasing the grantor's tax in such counties and cities by \$0.40 per \$100 of value. The bill would repeal the authorization of certain counties and cities in Northern Virginia to impose a local income tax.

The revenues from the taxes that would be imposed in the Counties of Arlington, Fairfax, Loudoun, and Prince William and the Cities of Alexandria, Fairfax, Falls Church, Manassas,

and Manassas Park would be administered by the Northern Virginia Transportation Authority for transportation purposes in such counties and cities.

The bill would also abolish the Hampton Roads Transportation Authority and distribute the authority's duties and assets to other entities. In place of the Authority, the bill would provide funds for transportation purposes to a new Hampton Roads Transportation Revenue Fund. The bill would provide revenues to the Fund by (i) establishing an additional one percent state retail sales and use tax to be imposed in the Counties of Isle of Wight, James City, and York and the Cities of Chesapeake, Hampton, Newport News, Norfolk, Poquoson, Portsmouth, Suffolk, Virginia Beach and Williamsburg; and (ii) establishing an additional one percent retail fuels tax in such counties and cities. The Commonwealth Transportation Board is to use all moneys deposited in the fund for specified transportation projects. The list of projects is identical to those identified in HB 3202 of the 2007 General Assembly session, with the addition of the Hampton Roads Bridge Tunnel.

All taxes under the bill would be taxes of the Commonwealth.

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

### **6a. Expenditure Impact:**

<i>Fiscal Year</i>	<i>TAX</i>	<i>DMV</i>	<i>Total</i>	<i>Fund</i>
2009	\$511,218	\$543,073	\$1,054,291.23	NGF
2010	\$25,725	\$1,199,259	\$1,224,984.00	NGF
2011	\$23,329	\$1,215,465	\$1,215,488.33	NGF
2012	\$23,543	\$1,262,837	\$1,286,380.00	NGF
2013	\$23,867	\$1,325,792	\$1,349,659.00	NGF
2014	\$24,199	\$1,321,429	\$1,345,628.00	NGF

Expenditures would be incurred by the Department of Taxation (TAX) in implementing the regional sales tax provisions of the proposed legislation. The Department of Motor Vehicles (DMV) would incur costs related to the additional motor vehicle sales and use tax. The bill authorizes TAX to recover its expenses from the additional revenues generated by its provisions. The bill does not contain language authorizing DMV to recover its expenses from the revenue generated by the bill.

### **6b. Revenue Impact:**

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2009	\$135,100,000	NGF
2010	\$355,700,000	NGF
2011	\$415,900,000	NGF
2012	\$477,900,000	NGF
2013	\$541,300,000	NGF
2014	\$598,100,000	NGF

The revenues set out above are state-wide revenues. The amount shown for FY 2009 assumes an effective date of January 1, 2009. Revenue estimates for the Northern Virginia Transportation Authority and Hampton Roads are set out in Item 8.

- 7. Budget amendment necessary:** No. The Appropriation Act gives the Department of Planning and Budget the authority to administratively increase nongeneral fund appropriations, if revenue is available.

## 8. Fiscal implications:

- Bill would designate new revenues to the new Supplemental Highway Maintenance and Mass Transit Fund
  - 1 cent per gallon increase in motor fuels tax for each of next 6 years
  - Increase retail sales by .25 percent
  - Increase motor vehicle sales and use tax by .5 percent
- Bill would remove the sales tax on food, which would reduce the funding available to the Transportation Trust Fund (TTF)
  - Bill distributes off the top of the new fund to the three other modal agencies which receive TTF revenues to hold them harmless.
  - For fiscal year 2009, \$6.5 million is provided, \$16.5 million in fiscal year 2010, and for all subsequent fiscal years 5% more than the previous year, distributed as follows:
    - 20% to Commonwealth Port Fund
    - 11% to Commonwealth Aviation Fund
    - 69% to Commonwealth Mass Transit Fund
- The revenues remaining are distributed as follows:
  - 25% to the Mass Transit Fund
  - 75% to the Highway Maintenance and Operating Fund (HMOF)

The revenues distributed to the HMOF will replace funds shifted from the construction program to cover the shortfall in the maintenance program, since the Code of Virginia directs that all maintenance needs be satisfied before funds are distributed to construction. The additional funding no longer needed for the crossover to maintenance will provide additional construction funds of \$95.3 million in FY 2009 and \$251.9 million in FY 2010.

The table on the following page shows the distribution of the additional transportation funding, in millions of dollars:

	<b>FY 2009</b>	<b>FY 2010</b>	<b>FY 2011</b>	<b>FY 2012</b>	<b>FY 2013</b>	<b>FY 2014</b>
1/4% Sales Tax	\$101.7	\$256.6	\$269.2	\$280.8	\$292.6	\$302.8
1/2% Motor Vehicle Sales Tax	\$39.2	\$96.2	\$97.5	\$101.3	\$106.4	\$106.0
Rental Tax Increase by 1/2%	\$1.7	\$4.2	\$4.3	\$4.5	\$4.6	\$4.8
Fuels Tax (\$0.01 per year for 6 years)	\$20.9	\$70.4	\$420.0	\$169.7	\$219.4	\$269.0
<b>New revenue to Supplemental Highway Maintenance and Mass Transit Fund</b>	<b>\$163.5</b>	<b>\$427.4</b>	<b>\$791.0</b>	<b>\$556.3</b>	<b>\$623.0</b>	<b>\$682.6</b>
Eliminate sales tax on food on current 1/2% to TTF	(\$28.4)	(\$71.6)	(\$75.1)	(\$78.4)	(\$81.7)	(\$84.5)

Distribution of Revenues:

Hold DRPT, VPA and DoAV Harmless for TTF	\$6.5	\$16.5	\$17.3	\$18.1	\$19.0	\$20.0
25% of remaining to Mass Transit	\$39.2	\$102.7	\$118.4	\$134.5	\$151.0	\$165.6
73.5% to transit operating	\$28.8	\$75.5	\$87.0	\$98.9	\$111.0	\$121.7
1.5% to transit special programs	\$0.6	\$1.5	\$1.8	\$2.0	\$2.3	\$2.5
25% to transit capital	\$9.8	\$25.7	\$29.6	\$33.6	\$37.8	\$41.4
75% to HMOF (reduction in Construction crossover)	\$117.7	\$308.2	\$355.3	\$403.6	\$452.9	\$496.9
Highway share of sales tax elimination	(\$22.4)	(\$56.3)	(\$59.1)	(\$61.7)	(\$64.3)	(\$66.5)
Net additional funding to TTF	\$95.3	\$251.9	\$296.2	\$341.9	\$388.6	\$430.4

- Bill would generate additional revenues dedicated to the Northern Virginia Transportation Authority. The legislation authorizes the state to impose the additional taxes. The following table lists the Northern Virginia revenue estimates in millions of dollars by fiscal year:

	<b>FY 2009</b>	<b>FY 2010</b>	<b>FY 2011</b>	<b>FY 2012</b>	<b>FY 2013</b>	<b>FY 2014</b>
Increase Retail Sales Tax by 1/2%	\$69.6	\$175.6	\$184.2	\$192.1	\$200.2	\$207.2
Increase Transient Occupancy Tax by \$5	\$17.7	\$43.2	\$44.1	\$45.0	\$45.9	\$46.8
Increase Grantor's Tax by 40 Cents	\$53.4	\$116.6	\$114.7	\$114.7	\$114.7	\$116.6
<b>Northern Virginia Total</b>	<b>\$140.6</b>	<b>\$335.4</b>	<b>\$343.0</b>	<b>\$351.7</b>	<b>\$360.7</b>	<b>\$370.5</b>

- Bill would generate additional revenues dedicated to the Hampton Roads Transportation Revenue Fund. The following table lists the Hampton Roads revenue estimates in millions of dollars by fiscal year:

	<b>FY 2009</b>	<b>FY 2010</b>	<b>FY 2011</b>	<b>FY 2012</b>	<b>FY 2013</b>	<b>FY 2014</b>
Increase Retail Sales Tax by 1%	\$76.3	\$192.5	\$201.9	\$210.6	\$219.4	\$227.1
1% Motor Fuels Tax	\$11.9	\$28.1	\$28.4	\$28.4	\$28.4	\$28.4
<b>Hampton Roads Total</b>	<b>\$88.2</b>	<b>\$220.6</b>	<b>\$230.3</b>	<b>\$239.0</b>	<b>\$247.8</b>	<b>\$255.5</b>

**9. Specific agency or political subdivisions affected:**

Department of Transportation, Department of Rail and Public Transportation, Department of Aviation, Department of Taxation, Department of Motor Vehicles, Virginia Port Authority, all counties, cities, and towns, Northern Virginia Transportation Authority

**10. Technical amendment necessary:** None.

**11. Other comments:** None.

**Date:** 06/23/2008 dpb/smc

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**cc:** Secretary of Transportation