

Department of Planning and Budget 2010 Fiscal Impact Statement

1. Bill Number: SB684

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

2. Patron: Miller, J.C.

3. Committee: Finance

4. Title: **Transportation funding.**

5. Summary: The proposed legislation would provide new and increased taxes, tolls, royalties from offshore natural gas and oil drilling, and general fund revenues to the Highway Maintenance and Operating Fund and the Transportation Trust Fund.

The bill would decrease the Virginia fuels tax from \$0.175 per gallon to \$0.05 per gallon beginning July 1, 2010, and then increase the rate from \$0.05 per gallon in increments of \$0.02 per gallon each year beginning January 1, 2011, until it reaches the rate of \$0.15 per gallon beginning January 1, 2015. The bill would also impose an additional fuels tax at a cents per gallon rate equal to five percent of the wholesale price of fuels beginning January 1, 2011. The revenues would be dedicated to the Highway Maintenance and Operating Fund.

The bill would also increase the Motor Vehicle Sales and Use Tax by 2 percentage points from three percent to five percent in increments of 0.5 percentage points each year beginning January 1, 2011, until January 1, 2014. The additional revenues would be dedicated to the Highway Maintenance and Operating Fund.

This bill would also transfer from the general fund to the Highway Maintenance and Operating Fund an amount equal to the amount that would be generated by a 2.5 percent Retail Sales and Use Tax on sales of automobile parts and accessories beginning July 2010.

The bill would also authorize the Commonwealth Transportation Board to impose a toll of \$1 per axle on every vehicle entering the Commonwealth from North Carolina from Interstate 85 and Interstate 95. The toll proceeds are dedicated to the Transportation Trust Fund. The bill also directs that all royalties from offshore natural gas and oil be dedicated to the Transportation Trust Fund.

Beginning FY 2011, the bill would also dedicate 10 percent of the growth in state taxes attributable to economic activity generated or facilitated by marine terminals in Hampton Roads, not to exceed \$100 million in any fiscal year, the Inland Port at Front Royal, not to exceed \$17 million in any fiscal year, and the Port of Richmond, not to exceed \$17 million in any fiscal year. The revenues would be dedicated to the Highway Maintenance and Operating Fund.

6. Fiscal Impact Estimates: Preliminary.

General Fund

<i>Fiscal Year</i>	<i>Total</i>
2011	(\$300,000)
2012	(\$300,000)
2013	(\$300,000)
2014	(\$300,000)
2015	(\$300,000)
2016	(\$300,000)

Highway Maintenance and Operating Fund

<i>Fiscal Year</i>	<i>Motor Vehicle Fuels Tax Decrease</i>	<i>Wholesale Fuel Price Tax</i>	<i>Motor Vehicle Sales Tax Increase</i>	<i>General Fund Transfer</i>	<i>Total</i>
2011	(\$262,600,000)	\$235,700,000	\$26,000,000	\$300,000	(\$600,000)
2012	(\$595,200,000)	\$598,300,000	\$102,300,000	\$300,000	\$105,700,000
2013	(\$499,400,000)	\$670,600,000	\$186,400,000	\$300,000	\$357,900,000
2014	(\$402,200,000)	\$745,200,000	\$279,400,000	\$300,000	\$622,700,000
2015	(\$302,500,000)	\$825,000,000	\$343,000,000	\$300,000	\$865,800,000
2016	(\$135,600,000)	\$902,500,000	\$344,500,000	\$300,000	\$1,111,700,000

- 7. Budget Amendment Necessary:** Yes. A reduction in general fund resources and an appropriation for the additional Highway Maintenance and Operating Fund revenue.

8. Fiscal Implications:

Proceeds from Economic Activity at Ports

The proposed legislation would require the Secretary of Finance and Secretary of Transportation to determine the amount of state taxes attributable to economic activity generated or facilitated by Virginia's ports. The state taxes specified are individual and corporate income taxes, the state sales and use tax, and the insurance license tax. "Economic activity generated or facilitated" by the ports is to include state tax revenues from facility operations, production of goods in Virginia exported through the facility, imports coming in through the facility sold in Virginia, and employee compensation, fuel costs, business and professional services, power, and communications.

Using this base amount and the number of cargo containers in FY 2012, the growth in state tax revenue derived from facility activities would be based on the annual growth in the number of cargo containers. The bill would require an annual deposit to the appropriate fund from the general fund equal to 10 percent of the growth in such facility-related revenue in the most recently completed fiscal year over that revenue generated in the base year of FY 2012.

Because the projected revenue growth related to port activities has been included in the state's six-year revenue projections, the bill's provisions requiring that 10 percent of those revenues be dedicated to transportation projects would be a decrease in general fund revenue for the state's budget. The dollar figure of this impact cannot be determined at this time. The

Mason School of Business of the College of William and Mary completed a study of the economic impact of the Port of Virginia in FY 2006 comparable to the analysis that would be required by the proposed legislation. The study cost \$86,900 to conduct.

Proceeds from Offshore Drilling

The bill apportions revenues and royalties received by the Commonwealth from offshore drilling for natural gas or oil, for deposit to the Transportation Trust Fund. At present, uncertainties exist as to the location and amount of resources available for drilling and several factors on the federal level would need to align to permit offshore drilling in Virginia and to permit any revenues from this drilling to be allocated to the state. However, should offshore drilling be permitted, should production ensue, and should the Commonwealth be granted a portion of the royalties from this production, a future revenue impact to the Transportation Trust Fund may result.

Interstate Tolls

The bill would authorize the Commonwealth Transportation Board to impose a toll of \$1 per axle on every vehicle entering the Commonwealth from North Carolina from Interstate 85 and Interstate 95 following federal approval. It is not known if or when federal approval would be granted. In the event tolls are authorized, an unknown amount of revenue would be provided to the Transportation Trust Fund.

- 9. Specific Agency or Political Subdivisions Affected:** Department of Transportation, Department of Taxation, Department of Motor Vehicles, Commonwealth Transportation Board

- 10. Technical Amendment Necessary:** None.

- 11. Other Comments:** None.

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