

Department of Planning and Budget 2010 Fiscal Impact Statement

1. Bill Number: HB971

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

2. Patron: Rust

3. Committee: House Transportation

4. Title: Transportation funding and administration.

5. Summary: The proposed legislation would provide additional funding for transportation both statewide and for Northern Virginia. The bill would impose a statewide motor fuels sales tax at a rate of 1 percent and dedicate the proceeds for highway maintenance. A special fund would be created for each of the Commonwealth's nine construction districts and the tax revenues from each construction district would be used for road maintenance in the applicable district.

The bill also would increase the state sales tax in Northern Virginia by 0.5 percent and increase the recordation tax in Northern Virginia at a rate of \$0.40 per \$100. These increases would apply to the localities which comprise the Northern Virginia Transportation Authority (the Authority). The funds are to be used by the Authority for transportation improvements within the region. The retail sales and use tax increase would not apply to food purchased for human consumption. The Authority is comprised of the counties of Arlington, Fairfax, Loudoun and Prince William and the cities of Alexandria, Fairfax, Falls Church, Manassas and Manassas Park.

The tax increases shall not become effective until the first day of the third month following six consecutive months in which the unemployment rate in Virginia is equal to or lower than the rate in January 2008.

The bill also requires a performance audit of the Commonwealth's transportation programs, with particular emphasis on the Department of Transportation and the Department of Rail and Public Transportation. The cost to conduct the audit is to be provided from appropriations to the transportation agencies, not to exceed \$4 million. The final report is to be submitted to the Joint Commission on Transportation Accountability by December 31, 2010.

6. Fiscal Impact Estimates: Preliminary. The Department of Taxation would need to make redesign forms and systems, as well as notify and educate several thousand dealers who will comply with the new sales tax collection process. The Department of Taxation would receive revenues from the transportation infrastructure user fee to cover the direct costs of administering the fee. However, an additional one-time general fund appropriation would be required in FY 2011 to pay for the costs of administering the 0.5 percent additional retail sales and use tax. In order to accomplish the requisite changes and notifications, the

Department of Taxation estimates it would not be able to implement the additional statewide gas tax or the additional retail sales and use tax proposed in the legislation before January 1, 2011.

6a. Expenditure Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2010	\$2,000	0	NGF
2011	\$244,000	0	NGF
	\$259,000	0	GF
2012	\$0	0	NGF
2013	\$89,000	2	NGF
2014	\$168,000	2	NGF
2015	\$173,000	2	NGF
2016	\$179,000	2	NGF

6b. Revenue Impact:

State-wide Revenue to the Highway Maintenance and Operating Fund

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2010	\$0	
2011	\$46,200,000	NGF
2012	\$126,800,000	NGF
2013	\$140,900,000	NGF
2014	\$156,000,000	NGF
2015	\$172,200,000	NGF
2016	\$186,600,000	NGF

Regional Revenue to the Northern Virginia Transportation Authority

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2010	\$0	
2011	\$247,400,000	NGF
2012	\$328,000,000	NGF
2013	\$342,100,000	NGF
2014	\$357,200,000	NGF
2015	\$373,400,000	NGF
2016	\$387,800,000	NGF

7. Budget Amendment Necessary: Yes. Additional general fund and nongeneral fund appropriation would need to be added to Item 262 and 264.

8. Fiscal Implications: The proposed legislation would impose a statewide motor fuels tax at a rate of 1 percent of the sales price charged by distributors to retail dealers, labeled the Transportation Infrastructure User Fee. The funding would be deposited into regional subaccounts of the Highway Maintenance and Operating Fund. State law directs the funding of maintenance needs prior to construction activities. In FY 2010, approximately \$500 million of the construction fund will be used to support maintenance activities. The additional maintenance funding would decrease the support required from the construction fund and allow for increased funding to transportation construction projects.

The bill would also increase the retail sales and use tax and the grantor's tax in Northern Virginia and direct the revenue to the Northern Virginia Transportation Authority. The expenditure of those funds would be determined by the Authority.

9. Specific Agency or Political Subdivisions Affected: Department of Transportation, Department of Rail and Public Transportation, Department of Taxation, Northern Virginia Transportation Authority, Counties of Arlington, Fairfax, Loudoun and Prince William and the cities of Alexandria, Fairfax, Falls Church, Manassas, and Manassas Park

10. Technical Amendment Necessary: Line 460, after "and" strike "Highway" and insert "Operating." The Department of Taxation suggests a technical amendment implementing the statewide motor fuels tax and the additional Northern Virginia sales and retail tax no earlier than January 1, 2011, to allow time for the department to make the necessary modifications.

11. Other Comments: None.

Date: 2/8/2010 dpb/smc

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