

Department of Planning and Budget 2012 Fiscal Impact Statement

1. Bill Number: HB892

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

2. Patron: Alexander

3. Committee: House Finance

4. Title: Transportation Funding; taxes on motor fuels, issuance of bonds.

- 5. Summary:** The proposed legislation would reduce the motor vehicle fuels tax by \$0.05 per gallon and implement a five percent retail sales and use tax on the sales price of each fuel transaction. Of the revenues generated by the retail sales and use tax on certain fuels, \$250 million would be deposited into the Highway Maintenance and Operating Fund and the remainder would be deposited into the newly created Highway Construction Projects Trust Fund (HCPTF). The Commonwealth Transportation Board is to identify highway projects to be funded by the HCPTF as long as over the long term, approximately 38 percent of the funds are expended in projects in Northern Virginia, 31 percent in Hampton Roads and 31 percent in the rest of the state.

In addition, the proposed legislation would authorize the Commonwealth Transportation Board to issue up to \$5 billion in bonds to finance transportation improvements. The bill directs revenues in the HCPTF to finance the cost of debt service. If the funds are insufficient, revenues from the Transportation Trust Fund (TTF) or other available funds are to be used.

The bill contains an effective date of January 1, 2013.

- 6. Budget Amendment Necessary:** An adjustment will need to be made to the nongeneral fund revenue estimate on page one of the Governor's introduced budget. In addition, adjustments will need to be made to Item 446 to reflect the additional construction funding and to Item 447 to reflect the changes in the Highway Maintenance and Operating Fund revenue.

7. Fiscal Impact Estimates: Preliminary. See Item 8.

7a. Expenditure Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2012	\$4,000	0	General fund
2013	\$420,000	1	General fund
2014	\$287,000	6	General fund
2015	\$459,000	6	General fund

2016	\$469,000	6	General fund
2017	\$481,000	6	General fund
2018	\$493,000	6	General fund

7b. Revenue Impact:

Fiscal Year	Highway Maintenance and Operating Fund			Highway Construction Projects Trust Fund*
	Gas Tax Revenue	Retail Sales Tax	Net Impact	
2013	(\$103.8)	\$125.0	\$21.2	\$253.0
2014	(\$255.5)	\$250.0	(\$5.5)	\$750.0
2015	(\$263.3)	\$250.0	(\$13.3)	\$759.6
2016	(\$271.5)	\$250.0	(\$21.5)	\$810.2
2017	(\$280.3)	\$250.0	(\$30.3)	\$872.7
2018	(\$290.1)	\$250.0	(\$40.1)	\$933.2

* Based on December 2011 Commonwealth Transportation Fund forecast and November 2011 Short-term Energy Outlook from the Energy Information Administration

- 8. Fiscal Implications:** Currently, the motor vehicle fuels tax is \$0.175 per gallon, with \$0.025 deposited in the Transportation Trust Fund and \$0.15 deposited in the Highway Maintenance and Operating Fund. The reduction of \$0.05 in the tax rate would come from the HMOF's share of the tax revenue, though the lost revenue is partially mitigated by the annual deposit of \$250 million into the HMOF.

The changes to the tax structure for motor fuels will require the Department of Taxation to hire additional staff, including three auditors, two collections employees and one customer service representative to implement the necessary systems and forms changes.

The bill directs the HCPTF and the TTF to pay the debt service on the bonds authorized by the bill. Although the bill states that the debt shall not be deemed to constitute a debt of the Commonwealth of Virginia or a pledge of the full faith and credit of the Commonwealth, the debt service on the bonds is to be paid with tax revenue. Such a repayment source will cause the bonds to impact the debt capacity of the Commonwealth.

- 9. Specific Agency or Political Subdivisions Affected:** Virginia Department of Transportation; Department of Taxation, Department of Treasury

- 10. Technical Amendment Necessary:** None.

- 11. Other Comments:** None.

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