

Department of Planning and Budget 2019 Fiscal Impact Statement

1. Bill Number: SB1770

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

2. Patron: Deeds

3. Committee: Finance

4. Title: Transportation Funding.

5. Summary: Creates a statewide approach to transportation funding. The bill repeals the regional sales tax and gas tax enacted in 2013 to fund transportation initiatives in Hampton Roads and Northern Virginia, and raises the statewide gas tax by three percent to fund transportation generally. The bill has a delayed effective date of July 1, 2020, and directs the Secretary of Transportation to report to the Governor and the chairmen of the House Committees on Appropriations and Transportation and the Senate Committees on Finance and Transportation regarding changes necessary to existing transportation funding allocations to honor existing contracts and debt service obligations.

6. Budget Amendment Necessary: No.

7. Fiscal Impact Estimates: Preliminary. See item 8, below.

8. Fiscal Implications: This bill repeals regional sales tax and gas taxes established by Chapter 766, 2013 Acts of Assembly, which provided for an additional 0.7 percent sales and use tax in Northern Virginia (Planning District 8) and Hampton Roads (Planning District 23). The revenue generated by the additional sales and use tax in each region currently is allocated to the Northern Virginia Transportation Authority (NVTa) and the Hampton Roads Transportation Accountability Commission (HRTAC). The Department of Taxation estimates that the repeal of these regional sales taxes would result in the reduction of revenue collected across both regions as detailed in Table 1, below:

Table 1: Regional Sales Taxes Total, in millions

Year	Current Estimate	SB1770 Estimate	Net Impact
FY 2021*	\$489.2	\$40.8	-\$448.4
FY 2022	\$499.5	\$0.0	-\$499.5
FY 2023	\$509.8	\$0.0	-\$509.8
FY 2024	\$519.8	\$0.0	-\$519.8

* 11 month impact in FY 2021 for reduction of regional sales taxes

This bill would increase the Commonwealth’s motor fuels tax on the wholesale price of gasoline from the current 5.1 percent to 8.1 percent. The funding generated by the fuels taxes currently is divided among the Highway Maintenance and Operating Fund (HMOF), the Transportation Trust Fund (TTF), the Priority Transportation Fund (PTF), and the Department of Motor Vehicles (DMV). For each of the impacted uses of fuels tax revenue, the following tables highlight the Department of Taxation’s estimates of: current revenues, revenues under the provisions of this bill, and net impact of this bill, by fiscal year.

Table 2: Highway Maintenance and Operating Fund (HMOF), in millions

Year	Current Estimate	SB1770 Estimate	Net Impact
FY 2021	\$733.3	\$1,148.7	\$415.4
FY 2022	\$733.7	\$1,149.6	\$415.9
FY 2023	\$732.3	\$1,147.7	\$415.4
FY 2024	\$730.3	\$1,144.8	\$414.5

Table 3: Transportation Trust Fund (TTF), in millions

Year	Current Estimate	SB1770 Estimate	Net Impact
FY 2021	\$174.2	\$272.8	\$98.6
FY 2022	\$174.3	\$273.0	\$98.7
FY 2023	\$173.9	\$272.6	\$98.7
FY 2024	\$173.4	\$271.9	\$98.5

(Note: Transportation Trust Fund revenues are distributed by formula, as defined by the Code of Virginia, in the following manner: the Construction Fund (78.7%), managed by the Department of Transportation (VDOT); the Mass Transit Fund (14.7%), managed by the Department of Rail and Public Transportation (DRPT); the Airport Fund (2.4%), managed by the Department of Aviation; and the Port Fund (4.2%), managed by the Virginia Port Authority.)

Table 4: Department of Motor Vehicles Special Fund, in millions

Year	Current Estimate	SB1770 Estimate	Net Impact
FY 2021	\$9.2	\$14.4	\$5.2
FY 2022	\$9.2	\$14.4	\$5.2
FY 2023	\$9.2	\$14.3	\$5.1
FY 2024	\$9.1	\$14.3	\$5.2

The net effect of the revenue changes across all fund and uses listed above is detailed as follows:

Table 5: All Revenue Impacts, in millions

Year	Current Estimate	SB1770 Estimate	Net Impact
FY 2021*	\$1,405.9	\$1,476.7	\$70.8
FY 2022	\$1,416.7	\$1,437.0	\$20.3
FY 2023	\$1,425.2	\$1,434.6	\$9.5
FY 2024	\$1,432.6	\$1,431.0	-\$1.6

* 11 month impact in FY 2021 for reduction of regional sales taxes

The Department of Motor Vehicles estimates that an expenditure of \$42,000 would be necessary to employ a vendor to make the needed updates to the Virginia Excise Tax System to comply with the provisions of this bill. It is anticipated that this expenditure could be absorbed within the additional resources that would be provided to DMV under this legislation (see Table 4).

9. Specific Agency or Political Subdivisions Affected: Virginia Department of Transportation, Department of Rail and Public Transportation, Department of Motor Vehicles, Hampton Roads Transportation Accountability Commission (HRTAC), Northern Virginia Transportation Authority (NVTa), Virginia Port Authority, Virginia Department of Aviation

10. Technical Amendment Necessary: No.

11. Other Comments: This bill has a delayed effective date of July 1, 2020. The actions will limit the ability for the impacted regional authorities to make future debt issuance plans. The elimination of this dedicated source of revenue could require VDOT to allocate a portion of the new statewide funds to Northern Virginia and Hampton Roads. This would impact the planning for future projects and potentially impact the ongoing efforts related to current, active projects in both regions.

The bill allows the Secretary of Transportation to report on the impact of this legislation to existing contracts and debt service commitments.