

**Department of Planning and Budget
2007 Fiscal Impact Statement**

1. Bill Number HB 3202

House of Origin Introduced Substitute Engrossed

Second House In Committee Substitute Enrolled

2. Patron Howell

3. Committee Passed both houses

4. Title **Transportation Funding and Other Changes to Transportation Activities and Functions**

5. Summary/Purpose: The proposed legislation would modify a number of local and state revenue sources and dedicate them to transportation purposes as well as authorize \$2.5 billion in state tax-supported debt for transportation. The legislation also directs the appropriation of general fund revenues to certain transportation purposes, including one-half of any future general fund surpluses and an annual transfer of a portion of state recordation tax revenues. In addition, the proposed legislation would make changes to: land use requirements; local responsibility for maintenance and construction of transportation infrastructure; environmental permitting; and the composition of the Commonwealth Transportation Board. The proposed legislation also creates the Hampton Roads Transportation Authority, modifies the Northern Virginia Transportation Authority and directs additional revenue sources to both subject to action by local governing bodies. The proposed legislation would also create the Joint Commission on Transportation Accountability, which would consist of appointed General Assembly members and be served by a director and adequate staff.

6. Fiscal Impact Estimates are: Final. See Item 8.

6a. Expenditure Impact:

The Department of Taxation would incur administrative costs in the amount of \$692,471 the first year for system changes and approximately \$3,000 each year thereafter in expenditures related to the collection of taxes authorized in the bill. The Department of Motor Vehicles would incur administrative expenditures related to the collection of the fees authorized for the regional authorities, although the Department is not yet certain of the scope of the costs. The Joint Commission on Transportation Accountability would require annual appropriation for operating expenses. While a budget amendment was not provided for this purpose, the commission would require an estimated appropriation of \$401,328 the first year and \$385,328 each year thereafter.

6b. Revenue Impact:

**Total Funds Committed to Statewide Transportation Purposes by HB 3202
(in millions of \$)**

<i>Transportation Revenue Impact</i>				
<i>Fiscal Year</i>	<i>New Transportation Revenues</i>	<i>Insurance Premiums</i>	<i>Assumed GF Transfers</i>	<i>Amount</i>
FY 2008	\$92.8			\$92.8
FY 2009	\$154.6	\$137.0	\$148.0	\$439.7
FY 2010	\$158.2	\$144.1	\$172.0	\$474.2
FY 2011	\$158.2	\$150.8	\$172.0	\$481.0
FY 2012	\$158.2	\$159.7	\$172.0	\$489.9
FY 2013	\$158.2	\$169.5	\$172.0	\$499.7

7. Budget amendment necessary: Any fiscal year 2008 state transportation revenues authorized pursuant to this legislation can be administratively approved or addressed in next year's caboose bill.

8. Fiscal implications: The proposed legislation raises and directs the new revenues and general fund appropriations as outlined below (in millions of \$).

Proposed Sources	Proposed Increase	FY08	FY09	FY10	FY11	FY12	FY13
Abusive Drivers Fee	8+ demerits; varies by conviction		\$61.9	\$65.4	\$65.4	\$65.4	\$65.4
Registration Fee -- Passenger Cars & Light Trucks only (no motorcycles)	\$10	\$62.4	\$62.4	\$62.4	\$62.4	\$62.4	\$62.4
Registration Fee for Trailers	\$10	\$12.1	\$12.1	\$12.1	\$12.1	\$12.1	\$12.1
Registration Fee for Non passenger vehicles	\$10	\$14.9	\$14.9	\$14.9	\$14.9	\$14.9	\$14.9
Violation of Weight Limits	varies	\$3.4	\$3.4	\$3.4	\$3.4	\$3.4	\$3.4
Insurance Premiums (net)	1/3rd of total (GF)		\$137.0	\$144.1	\$150.8	\$159.7	\$169.5
Recordation allocation	Specific Amount; assumes appropriation (GF)		\$148.0	\$172.0	\$172.0	\$172.0	\$172.0
1/2 General Fund Surplus Revenues	GF			1/2 general fund surplus			
Statewide Total		\$92.8	\$439.7	\$474.2	\$481.0	\$489.9	\$499.7
New Transportation Revenues		\$92.8	\$154.6	\$158.2	\$158.2	\$158.2	\$158.2
General Funds in Statewide Total			\$285.0	\$316.1	\$322.8	\$331.7	\$341.5

The proposed uses of the revenues are as follows (in millions of \$):

Proposed Uses		FY08	FY09	FY10	FY11	FY12	FY13
Debt Service	assumes appropriation		\$148.0	\$172.0	\$172.0	\$172.0	\$172.0
Maintenance		\$83.4	\$83.0	\$82.6	\$82.2	\$81.8	\$81.3
Increase to Henrico County	Decrease to Arlington	\$9.4	\$9.8	\$10.2	\$10.6	\$11.0	\$11.4
Transportation Trust Fund	all modes		\$198.9	\$209.5	\$216.2	\$225.1	\$234.9
Aviation	2.4%		\$4.8	\$5.0	\$5.2	\$5.4	\$5.6
Ports	4.2%		\$8.4	\$8.8	\$9.1	\$9.5	\$9.9
Mass Transit	14.7%		\$29.2	\$30.8	\$31.8	\$33.1	\$34.5
Highway Construction	78.7%		\$156.5	\$164.8	\$170.1	\$177.1	\$184.9
Statewide Total - Uses		\$92.8	\$439.7	\$474.2	\$481.0	\$489.9	\$499.7

Commonwealth Transportation Capital Projects Bond Act

The proposed legislation also includes the issuance of \$2.5 billion in 9(d) Commonwealth debt. The debt can be issued in \$300 million annual increments and, when fully issued, will have an estimated debt service payment of approximately \$196 million by fiscal year 2017.

The debt service on the new bonds is to be paid out of a new non-reverting fund within the Transportation Trust Fund. The new fund is to receive a portion of the annual collections from the state recordation tax. The transfer is to be an appropriation of \$148 million in FY 2009, \$172 million in FY 2010 through FY 2016 and \$185 million in FY 2017 and thereafter. Revenue in the new fund after the debt service has been satisfied may be transferred to the Priority Transportation Fund. From the general fund debt service appropriation, both outstanding Federal Reimbursement Anticipation Notes (FRANS) (current annual debt service of \$152 million) and the additional debt authorized by this act (annual debt service of \$196 million when all sold) would have to be met. The Transportation Trust Fund would pay any portion of the debt service which exceeds the amount transferred from the recordation tax.

The proceeds of the bonds are to be distributed as follows:

- A minimum of 15.7 percent for transit capital
- A minimum of 4.3 percent for the Rail Enhancement Fund
- The remainder for construction of priority transportation projects on the interstate or primary system as determined by the CTB. Total allocations must equal, within a 10 percent margin, the distribution proportion each VDOT construction district receives under the current Six-Year Improvement Program.

Northern Virginia Transportation Authority

The proposed legislation proposes a number of fees and taxes that may be adopted by local governments in the Northern Virginia Transportation Authority (the Authority) and paid to the

Authority for specified uses. The proposed legislation, if all revenues were enacted on January 1, 2008, would generate \$196.5 million in FY 2008 and \$409.9 million in FY 2009.

The taxes and fees that localities are authorized to impose are:

Commercial Real Estate tax – 25 percent fair market value
Grantor's Tax – 40 cents per \$100
Motor Vehicle Rental Tax – 2 percent
Original Driver's License Fee- \$100
Transient Occupancy Tax – 2 percent

The Authority is also authorized to collect and impose tolls on facilities constructed or improved by the Authority.

The proposed legislation has no required start date for imposition of new taxes and fees but the locality cannot impose them before July 1, 2008. If a locality does not impose ALL the revenues, the locality may not determine projects and services to be funded nor receive an allocation from the Authority.

A condition of receiving funding from the Authority for urban and secondary roads is that the locality must assume responsibility for construction. Counties shall receive all state secondary road construction due the county.

The uses of the Authority revenues are:

- 40 percent returned to localities based on portion attributable to locality and used for secondary and urban construction projects and public transportation
- 60 percent first used as follows, and then used by NVT A for projects in participating localities as determined by NVT A in consultation with member localities and General Assembly members representing participating localities:
 - First fund debt service on any issued bonds
 - Next \$50 million to WMATA, if Alexandria and Arlington participate
 - Next \$25 million to VRE for capital improvements, if Prince William participates
 - Next \$20 million dedicated to Dulles Rail when the phase two of the project begins, if Loudoun County is imposing the new fees and taxes
 - Next \$2 million to Loudon for transit, if the county participates

Hampton Roads Transportation Authority

The proposed legislation creates the Hampton Roads Transportation Authority, which is to be comprised of local and state elected officials as well as other state representatives. The Authority would be given authority to issue debt, impose and collect tolls, administer contracts, and hire staff. The Authority must be in place by December 31, 2007, and the legislation requires affirmative action by seven localities representing half the population to create. The localities must take action by December 31, 2007, to impose the taxes and fees. The legislation also includes provisions to incorporate the Chesapeake Bay Bridge Tunnel Commission into the Authority in the future, once current debt obligations on the tunnel have been fully satisfied.

The proposed legislation, if all revenues were enacted on January 1, 2008, would generate \$84.6 million in FY 2008 and \$188.8 million in FY 2009. The taxes and fees that localities are authorized to impose are:

Annual license fee – \$10

Initial license fee – 1 percent retail value of vehicle

Vehicle inspection fee – \$10

Sales and use tax on motor vehicle repairs – 5 percent

Grantor's tax – \$0.40 per \$100 value

Rental car fee – 2 percent rental charge

Commercial real property tax – 0.10 percent fair market value of property

Sales tax on motor vehicle fuel – 2 percent

The uses of the revenue are for Transportation Projects in the Regional 2030 Plan or successor plan. Projects to be funded in the first phase are Route 460, I-64, Downtown Tunnel/Midtown Tunnel/MLK Extension, Southeastern Parkway/Dominion Blvd, I-664 widening in Newport News, I-664 widening in Southside, and the I-664 Tunnel widening. Second phase projects include I-64 to Intermodal Connector, I-564, and the Craney Island Connector.

Other Components of the Legislation

Land Use

The proposed legislation requires all secondary streets accepted into the state system to meet specific requirements beginning on January 1, 2008. The Commonwealth would not be able to accept subdivision streets into the secondary system if they do not meet the standard, meaning that VDOT will not maintain the road.

For counties with 15 percent population growth between census counts or 50,000 in population, a requirement is included that they must amend their comprehensive plan to include urban development areas (high density development) by July 1, 2011. These localities cannot deny rezoning applications or limit development outside of the new urban development area based solely on the development's location outside the urban development area. The requirement also applies to localities in metropolitan statistical areas in Northern Virginia, Richmond-Petersburg and Winchester.

Separately from amending the comprehensive plan for certain localities, certain counties with populations over 90,000 (Fairfax, Prince William, Chesterfield, Loudoun, Stafford, Spotsylvania) can create urban transportation service districts. (While meeting the 90,000 population requirement, Arlington and Henrico County are specifically excluded from this authority since they maintain their own secondary roads.) These localities can impose impact fees in certain areas of the county if action is taken by July 1, 2009. The counties would be paid the same per lane mile maintenance rate as VDOT pays to cities and certain towns for maintaining streets on the urban system as well as an additional amount.

If all eligible localities create countywide urban transportation service districts, approximately \$60 million would have to be budgeted off the top of the highway construction program because these localities would be authorized higher maintenance payments than what VDOT currently spends.

While excluding them from the urban transportation service district, the proposed legislation would entitle the counties of Arlington and Henrico to be paid the same urban lane mile maintenance rate. If the counties are paid the urban allocation rate, Henrico County would gain an estimated additional \$12 million in maintenance payments for its secondary road program from the Commonwealth Transportation Board while Arlington County's payment would be reduced by approximately \$2 million.

Accountability and Performance

The proposed legislation also establishes the Joint Commission on Transportation Accountability which has the authority to hire staff and consultants and conduct evaluations and studies of transportation activities. A budget amendment was not provided to fund the cost of the Commission.

The proposed legislation also changes the composition of the Commonwealth Transportation Board so that the General Assembly elects five at-large members out of the 17 members. The Governor would continue to appoint the members representing the nine construction districts. The CTB would be given the authority to approve the salary of the Commonwealth Transportation Commissioner, which is set by the Governor.

The requirements of the Statewide Transportation Plan are also amended to incorporate quantifiable and achievable goals and those goals are to be used in CTB selection of projects. The Hampton Roads Transportation Authority and Northern Virginia Transportation Authority also must develop plans with performance measures.

Administrative/Implementation Concerns

The proposed legislation creates a number of new entities and proposes different responsibilities for localities regarding responsibility for maintenance and construction of secondary roads and subdivision streets. A significant public education campaign will be required to ensure that citizens are aware of who is responsible for road maintenance and construction under the proposed legislation.

The legislation also requires the Department of Motor Vehicles to administer and impose regional and local taxes without additional funding provided for this purpose.

9. Specific agency or political subdivisions affected: All counties, cities in Hampton Roads and Northern Virginia, Department of Taxation, Department of Accounts, Department of Transportation, Department of Rail and Public Transportation, Department of Aviation, Virginia Port Authority, Northern Virginia Transportation Authority, Commonwealth Transportation Board

10. Technical amendment necessary: A number of technical amendments are required to the legislation.

11. Other comments: None.

Date: 03/19/07 smc

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cc: Secretary of Finance

Secretary of Transportation