

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** House Appropriations

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 authorizing \$2 billion in state tax-supported debt for transportation. Further, the legislation also directs the appropriation of general fund revenues to certain transportation purposes. In addition, the proposed legislation makes changes to land use requirements; local responsibility for maintenance and construction of transportation infrastructure; environmental permitting; the composition of the Commonwealth Transportation Board (CTB); and the selection of the Commonwealth Transportation Commissioner.

6. **Fiscal Impact Estimates are:** Preliminary. See Item 8.

Statewide

<i>Fiscal Year</i>	<i>GF Total Amount</i>	<i>Insurance Premiums</i>	<i>Required GF Appropriation</i>	<i>1/2 GF Surplus</i>
FY 2008	(\$675.8 m)*	(109.8 m)**	(\$250.0 m)	unknown
FY 2009	(\$404.2 m)	(\$154.2 m)	(\$250.0 m)	unknown
FY 2010	(\$411.4 m)	(\$161.4 m)	(\$250.0 m)	unknown
FY 2011	(\$421.0 m)	(\$171.0 m)	(\$250.0 m)	unknown
FY 2012	(\$431.5 m)	(\$181.5 m)	(\$250.0 m)	unknown

*Chapter 3 appropriates \$339 million of the total \$566 million to undesignated transportation purposes; with auto insurance premiums (GF) already appropriated in FY 2008, the total GF impact in FY 2008 of the legislation is \$675.8 million.

**Chapter 3 appropriates \$108.9 million in auto insurance premiums to the Priority Transportation Fund

<i>Transportation Revenue Impact</i>			
<i>Fiscal Year</i>	<i>Amount</i>	<i>GF Transfers</i>	<i>New Transportation Revenues</i>
FY 2008	\$846.7 million	\$675.8 million	\$170.9 million
FY 2009	\$599.7 million	\$404.2 million	\$195.5 million
FY 2010	\$636.1 million	\$411.4 million	\$224.6 million
FY 2011	\$647.2 million	\$421.0 million	\$226.2 million

FY 2012	\$659.2 million	\$431.5 million	\$227.7 million
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Northern Virginia Transportation Authority, all provisions effective 1/1/2008

	Rate Change	<u>FY08</u>	<u>FY09</u>	<u>FY10</u>	<u>FY11</u>	<u>FY12</u>
Original Driver's License	\$100	3.0	5.9	5.9	5.9	5.9
Increase the Grantor's Tax by 40 cents per \$100	40 cents	75.8	163.6	172.0	172.4	173.6
Motor Vehicle Rental Tax	2%	4.2	8.6	8.8	9.0	9.2
Commerical Real Estate	25 cents	122.8	245.5	245.5	245.5	245.5
Northern Virginia Total		\$ 205.7	\$ 423.6	\$ 432.2	\$ 432.8	\$ 434.3

Hampton Roads Transportation Authority, all provisions effective 1/1/2008

	<u>Rate Change</u>	<u>FY08</u>	<u>FY09</u>	<u>FY10</u>	<u>FY11</u>	<u>FY12</u>
Driver's License Fee	\$20	2.3	4.7	4.7	4.7	4.7
Local Vehicle Registration Fee	\$10	6.7	13.3	13.3	13.3	13.3
First Time Vehicle Registration	1%	17.0	41.2	41.9	42.2	42.9
Vehicle Inspection Fee	\$10	6.2	12.3	12.3	12.3	12.3
Local Sales & Use Tax on Auto Repairs	5%	7.4	18.4	19.1	19.8	20.5
Grantor's Tax	30 cents	17.1	36.8	38.7	38.8	39.1
Motor Vehicle Rental Tax	2%	1.7	3.5	3.6	3.7	3.8
Commerical Real Estate	30 cents	30.5	60.9	60.9	60.9	60.9
Hampton Roads Total		\$ 88.8	\$ 191.1	\$ 194.5	\$ 195.7	\$ 197.4

7. Budget amendment necessary: Yes. Items 428, 432, 435, 437, 443, 449.10, 453.

8. Fiscal implications: The proposed legislation would establish additional statewide transportation revenues as outlined below

Proposed Sources	Proposed Increase	FY08	FY09	FY10	FY11	FY12	FY13
Abusive Drivers Fee	8+ demerits; varies by conviction	57.5	80.5	108.1	108.1	108.1	108.1
Registration Fee -- Passenger Cars and Light Trucks only	\$10	62.4	62.4	62.4	62.4	62.4	62.4
Registration Fee for Trailers	\$10	7.4	7.9	8.4	9.0	9.5	10.2
Registration Fee for Non passenger vehicles	\$10	20.4	20.4	20.4	20.4	20.4	20.4
Violation of Weight Limits	varies	3.4	3.4	3.4	3.4	3.4	3.4
Diesel Tax/Road Tax	1.5 cents	19.8	20.9	21.9	22.9	23.8	24.3
Insurance Premiums (gross)	1/3rd of total (GF)	109.8	154.2	161.4	171.0	181.5	192.7
Appropriation \$339 million	GF	339.0	-	-	-	-	-
Transfer from General Fund	GF		250.0	250.0	250.0	250.0	250.0
1/2 General Fund Increased Revenues	GF	227.0	1/2 general fund surplus				
Statewide Total		\$ 846.7	\$ 599.7	\$ 636.1	\$ 647.2	\$ 659.2	\$ 671.5
General Funds in Statewide Total		\$ 675.8	\$ 404.2	\$ 411.4	\$ 421.0	\$ 431.5	\$ 442.7

Of the total, about 65 percent of the statewide revenues dedicated to transportation result from the redirection of general fund revenues beginning in the next biennium – FY 2009.

The uses of the revenues are as follows:

Proposed Uses		FY08	FY09	FY10	FY11	FY12
Priority Transportation Fund	FRAN debt svc	109.8	125.2	124.9	124.7	72.2
Partnership Opportunity Fund	PPTA/DB	339.0	0.0	0.0	0.0	0
Transportation Trust Fund	all modes	234.9	445.4	474.6	476.2	477.7
Aviation	2.4%	5.6	10.7	11.4	11.4	11.5
Ports	4.2%	9.9	18.7	19.9	20.0	20.1
Mass Transit	14.7%	34.5	65.5	69.8	70.0	70.2
Highway Construction	78.7%	184.9	350.6	373.5	374.8	375.9
Capital Projects Debt Service Fund		163.0	29.0	36.5	46.3	109.3
Statewide Total - Uses		846.7	599.7	636.1	647.2	659.2

Currently, the Appropriation Act allocates to VDOT an amount of the insurance license tax revenues that represents the share of the tax revenues derived from automobile insurance premiums. The share is approximately 27 percent of the total insurance premium tax revenues. The funds are deposited into the Priority Transportation Fund, and are used to support the debt service payment requirements attributable to the issuance of Federal Highway Reimbursement

Anticipatory Notes (FRANs). If the proposed legislation is passed, insurance premiums would continue to pay the FRAN debt service and remaining revenues would be used to pay the debt service on \$2 billion in newly authorized 9(d) Commonwealth debt (see below).

Commonwealth Transportation Capital Projects Bond Act

The proposed legislation also includes the issuance of \$2 billion in 9(d) Commonwealth debt. The debt can be issued in \$300 million annual increments and, when fully issued, have an estimated debt service payment of approximately \$165 million.

In addition to the remaining balance of the insurance premiums, the proposed legislation deposits \$163 million of general funds in FY 2008 into the Capital Projects Debt Service Fund.

The proceeds of the bonds are to be distributed to projects on the primary, secondary, and urban systems around the state following the 1986 funding formula allocations for highway construction. Also included is language that allows the Commonwealth Transportation Board to use the bonds to match federal interstate funds and to allocate a limited amount of bonds to interstate projects around the state.

As this is tax-supported debt of the Commonwealth, these bonds will count against the state's debt capacity.

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 region and paid to the Authority for specified uses. The proposed legislation, if all revenues were enacted on January 1, 2008, would generate \$205.7 million in FY 2008 and \$423.6 million in FY 2009.

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

Commercial real estate – 25 cents
Grantor's Tax – 40 cents
Motor Vehicle Rental Tax – 2%
Original Driver's License - \$100

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.

The uses of the Authority revenues, which is also authorized to impose and collect tolls, are:

Debt service (no limit other than funding generated by sources)
WMATA - \$50 million

VRE - \$30 – supporting VRE service in Prince William

Dulles Metrorail Operating - \$20 million

Any remainder – 45% to urban/secondary construction; and local option and authority allocations

Hampton Roads Transportation Authority

The proposed legislation creates the Authority comprised of local and state elected officials as well as other state representatives. The Authority has broad authority including the authority to issue debt, impose and collect tolls, administer contracts, and hire staff. The Authority must be in place by January 1, 2008 and the legislation requires affirmative action by 6 localities to create. The localities must take action by September 1, 2007 to impose the taxes and fees. The legislation also includes provisions to incorporate the Chesapeake Bay Bridge Tunnel Authority into the Authority in the future.

The proposed legislation, if all revenues were enacted on January 1, 2008, would generate \$88.8 million in FY 2008 and \$191.1 million in FY 2009. The taxes and fees that localities are authorized to impose are:

Commercial real estate – 30 cents
Grantor's Tax – 30 cents
Motor Vehicle Rental Tax – 2%
Driver's License - \$20
First Time Vehicle Registration – 1%
Locally imposed sales and use tax on auto repair – 5%
Vehicle Registration Fee - \$10
Vehicle Inspection Fee - \$10

The uses of the revenue are for Transportation Projects in the Regional 2030 Plan. Projects to be funded in the first phase are Route 460, I-64, 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 includes a statewide requirement for counties or homeowner's associations to begin to maintain subdivision streets and other local roads. The Commonwealth can no longer accept subdivision streets into the secondary system, meaning that VDOT will not maintain the road.

For localities with 5% population growth in a decade, a requirement is included that they must amend their comprehensive plan to include an urban development area (high density development) by July 1, 2008. If the localities do not meet this deadline, 50% of their secondary road funding is to be withheld. It is not clear what is to happen with this funding. These localities cannot deny rezonings or limit development outside of the new urban development area.

Separately from amending their comprehensive plan, 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.) These localities can impose impact fees but only in certain areas of the county if action is taken by July 1, 2009. These localities can deny rezonings based on inadequate transportation (only localities authorized to do so) and they must maintain roads within the urban service district but VDOT continues to maintain others. If all eligible localities create countywide urban transportation service districts, an additional \$62 million would have to be budgeted off the top of the highway construction program because these localities are authorized higher maintenance payments than what VDOT currently spends.

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.

In addition, the proposed legislation establishes a Joint Subcommittee appointed by the Speaker and Senate Majority Leader to identify ways to cut expenses in the operation of state government.

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.

In addition, the proposed legislation requires that the Board will also select, with the consent of the Governor, the Commonwealth Transportation Commissioner for a four-year term.

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.

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 number of organizations will be required to collect and remit the new regional taxes and fees as outlined below.

Proposed Source	Collected By	Imposition
Abusive Drivers Fee	Courts and DMV	Statewide
Registration Fees	DMV	Statewide
Penalty for Violation of Weight Limits	DMV	Statewide
Diesel Fuel Tax and Road Tax	DMV	Statewide
1/3 of Insurance Premiums Tax for FRAN repayment (Gross)	SCC	Statewide
Original Driver's License Fee	DMV	NOVA/Hampton Roads
Grantor's Tax	localities	NOVA/Hampton Roads
Motor Vehicle Rental Tax	DMV	NOVA/Hampton Roads
Commercial Real Estate assessment	localities	NOVA/Hampton Roads
Driver's License Fee	DMV	Hampton Roads
Increase the Local Vehicle Registration Fee	DMV	Hampton Roads
Vehicle Inspection Fee	Safety Inspection Station	Hampton Roads
Repairs	localities	Hampton Roads

9. Specific agency or political subdivisions affected: All counties, Department of Motor Vehicles, Department of Transportation, Commonwealth Transportation Board

10. Technical amendment necessary: None.

11. Other comments: None.

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cc: Secretary of Finance

Secretary of Transportation