

REPORT: 2008 GENERAL ASSEMBLY OF VIRGINIA

Recap: Special Session II – Transportation Funding

The 2008 Special Session II of the General Assembly of Virginia convened on June 23, 2008 with much hope but little likelihood for reaching any groundbreaking policy solution to address Virginia's increasingly dire transportation infrastructure funding challenges. After a week (in actuality just four days), the session recessed until July 9, 2008 having accomplished little and with even less expectation for reaching an accord on this vital issue. Despite Governor Tim Kaine's effort to rally them into action, legislators clearly arrived in Richmond firmly entrenched in their positions regarding the best means to address the state's transportation funding dilemma, with little inclination to compromise. Sadly, it also became readily apparent during the early hours of the special session that Gov. Kaine had failed to establish any level of consensus or base of support for concrete action on transportation funding, even within his own party. In fact, the Governor was unable to secure a patron in the Senate for his signature legislative initiative.

As a result of reported commentary from opposing sides on the transportation debate during the 12-day recess, the session reconvened on July 9, 2008 amidst a heightened level of rancor. The one-day session included one of the more acrimonious floor debates in recent memory in the House of Delegates. With adept procedural maneuvering and practiced political gamesmanship, Republicans and Democrats went toe to toe with unfortunately the end result being that no movement whatsoever was made to advance a workable solution to Virginia's transportation funding needs. The following provides a recap of the action (or inaction) taken on the major legislative proposals introduced during the special session:

1) HB 6026 (Armstrong) – Governor Kaine's Transportation Funding Proposal:

Statewide Taxes / Fees –

- Increases the statewide motor vehicles sales and use tax (titling tax) by 1% from 3% to 4%
- Increases the statewide annual vehicle registration fee by \$10 per vehicle
- Increases the statewide grantor's tax by 25 cents, with revenues dedicated to a new "Transportation Change Fund" focused upon rail and transit improvements, aviation, port and innovative highway improvements aimed at economic development; and research and development directed at innovative solutions to traffic congestion.

Regional Taxes / Fees –

- Increases the retail sales tax in Northern Virginia and Hampton Roads by 1% (excluding food and medication)
- Sales tax revenue in Northern Virginia to be dedicated to the Northern Virginia Transportation Authority

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- Sales tax revenue in Hampton Roads to be dedicated to seven regional projects, as specified in the 2007 Transportation Plan

Action: - Heard before the House Committee on Rules on June 26, 2008 - "Passed by Indefinitely"
- Reconsidered by Rules Committee on July 9, 2008 – Reported to floor of the House in an effort to force a recorded vote on the Governor's initiative
- Motion to suspend and dispense Constitutional readings - Defeated
- Re-referred to Rules Committee (effectively ending consideration)

2) SB 6009 (Saslaw) – Statewide and Regional Transportation Funding – Gas Tax:

Statewide Taxes/Fees –

- Increases gas tax one cent per gallon per year over the next six fiscal years
- Increases the motor vehicles sales and use tax (titling tax) by 1/2 %
- Increases the state retail sales and use tax by 1/4 % (excluding food and medication)
- Decreases the state sales tax on food by 1/2 %

Regional Taxes / Fees –

Northern Virginia –

- Increases sales tax by 1/2 % (excluding food and medication)
- Increases grantor's tax to 40 cents per \$100 value
- Increases transient occupancy tax (hotel tax) by \$5 per night of lodging

Hampton Roads –

- Implements a 1 % wholesale fuel tax (rack tax)
- Implements a 1 % sales tax (excluding food and medication)

Richmond and Fredericksburg –

- Implements a 1% sales and use tax for localities between Richmond and Fredericksburg (I-95 corridor)

Action: - Approved by the Senate on June 25, 2008
- Heard before the House Committee on Rules on June 26, 2008 and "reported without recommendation" to the floor of the House
- Heard on the floor of House on July 9, 2008:
- Floor substitute introduced by Del. Athey (R-HD 18) - same as HB 6026 (Governor's Bill) – substitute to SB 6009 rejected unanimously

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- Amendments introduced by Del. Armstrong (D-HD 10) – to remove provisions for proposed increase in gas tax – amendments approved
- Amended version of SB 6009 defeated by House (39-Y 59-N)

3) *HB 6055 – (Hamilton, Albo) – Regional Transportation Funding – Northern Virginia and Hampton Roads:*

Northern Virginia –

- **State Taxes / Fees –**
 - Implements a \$100 initial driver's license fee
 - Increases motor vehicle rental tax to 2% of daily rental fee
- **Local Taxes / Fees –**
 - Implements a grantor's tax of 40 cents per \$100 value
 - Implements a transient occupancy tax (hotel tax) of 2% of the amount of room charge
 - Retains option to impose an additional commercial real estate tax of 25 cents per \$100 of value
 - Retains option to impose a \$10 local vehicle registration fee
- **Airport Economic Activity Fees –**
 - Establishes a formula for the transfer of a portion of the growth in state tax revenues attributable to economic growth from Dulles International Airport and the Ronald Reagan National Airport to the Northern Virginia Transportation Authority

Hampton Roads –

- **State Taxes / Fees –**
 - Increases annual motor vehicle registration fee by \$20
 - Increases motor vehicle inspection fee by \$20
 - Increases motor vehicle rental tax to 2% of daily rental fee
- **Local Taxes / Fees –**
 - Retains option to impose an additional commercial real estate tax of 10 cents per \$100 of value
- **Port of Hampton Roads Economic Activity Fees –**
 - Requires that 30% of the annual growth in state tax revenues attributable to economic activity generated by the ports of Hampton Roads be deposited

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in a special fund to help pay for transportation construction projects in Hampton Roads

- Action:**
- Heard on the floor of the House on July 9, 2008:
 - Floor substitute introduced by Del. Oder (R-HD 94) – to strike all provisions for proposed tax increases
 - Substitute to HB 6055 approved (51-Y 45-N)
 - Referred to Senate Committee on Finance
 - Heard in Senate Committee on Finance on July 10, 2008 and defeated

4) **HB 6023 (Lingamfelter) – Audit of Transportation Secretariat:**

Requires the Auditor of Public Accounts to administer an operational and programmatic performance audit of the agencies of the Transportation Secretariat, with primary emphasis on the Virginia Department of Transportation (VDOT) and the Department of Rail and Public Transportation, such audit to be conducted by a private management consulting firm. The final report of the audit shall consist of detailed findings and recommendations on the following subject areas:

- Improvements that may result in increased efficiency and cost savings in programs and services including organization structure and staffing levels;
- Identification and recognition of best practices;
- Funding of programs or services that may be eliminated or reduced;
- Current asset management activities that are less financially advantageous than maintenance of effort approaches;
- Programs and services that may be enhanced, consolidated, reduced, eliminated, or transferred to the private sector;
- Gaps and overlaps in programs and services;
- Changes to the definitions of activities undertaken by the agencies, particularly with respect to the definition of maintenance of transportation infrastructure;
- Methods to verify the reliability and validity of performance data, self assessments and performance-measurement systems used by the departments; and
- Amendment or repeal of statutes, regulations, rules, and policy directives to ensure that the departments carry out their statutory responsibilities;

- Action:**
- Heard on the floor of the House on July 9, 2008
 - Amendment proposed by Del. Toscano (D-HD 57) – to include a requirement for the audit to “ assess the present cost effectiveness and efficiencies of

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- meeting the highway maintenance needs of the Commonwealth" - amendment approved
- Amended version of HB 6023 approved by House (95-Y 0-N)
- Referred to Senate Committee on Rules
- Heard in Senate Committee on Rules on July 10, 2008 and defeated

Regrettably, as a consequence of the General Assembly's failure to reach agreement on the means to address Virginia's transportation funding challenges during both the 2008 regular session and the recently concluded special session, this vital issue will not be addressed again until January 2009.

The chasm seemingly continues to grow deeper and deeper between those legislators who advocate the adoption of a new, or increased revenue stream (i.e. taxes and/or fees) to fund the Commonwealth's transportation needs, and those who adamantly oppose any such increase in favor of a reallocation of existing general fund revenues and the continued fine tuning of the manner in which the Commonwealth allocates and administers its current transportation dollars. The solution may indeed lie somewhere between these two points, but in the absence of any willingness to compromise, Virginia employers and their employees will continue to pay a confiscatory tax in the form of lost time and productivity and wasted fuel expenses, as Virginia's transportation infrastructure needs continue to escalate.

Looking forward to the 2009 legislative session, ABC-VA will continue to communicate its support of a comprehensive approach to address Virginia's transportation infrastructure needs including: the establishment of a long term, sustainable and dedicated revenue stream to fund transportation improvements at the regional and statewide levels; continued reform of the Virginia Department of Transportation; promotion of public/private initiatives to fund and construct transportation projects; improved integration and coordination of transportation and land-use planning; and the strategic use of general fund surplus dollars and bonded-debt to fund specific, critical-need transportation projects.

For additional information on any of the issues outlined above, please contact Harold B. Kelly, Vice President, ABC-VA at the Central Virginia Region office: (804) 346-4222.

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