

Department of Planning and Budget 2010 Fiscal Impact Statement

1. Bill Number: HB540

House of Origin X Introduced Substitute Engrossed
Second House In Committee Substitute Enrolled

2. Patron: Marshall, D.W.

3. Committee: House Transportation

4. Title: **Transportation funding; the Salem Highway Construction District.**

5. Summary: The proposed legislation would provide funds for transportation in the Salem Highway Construction District by diverting thirty percent of the annual growth in state tax revenues attributable to economic activity generated or facilitated by the proposed Inland Port in Montgomery County. The revenue would be deposited into a special fund and would be evenly split between construction and maintenance of Interstate 73 and the construction and maintenance of Interstate 81 in the Bristol and Salem construction districts. The amount deposited into the fund is not to exceed \$50 million in any fiscal year.

On August 19, 2008, the Virginia Department of Rail and Public Transportation authorized Norfolk Southern Railway to initiate construction of the Roanoke Region Intermodal Facility at the Ellison site in Montgomery County. The project has a goal of completion by 2010.

6. Fiscal Impact Estimates: Unavailable. See Item 8.

7. Budget Amendment Necessary: None.

8. Fiscal Implications: The proposed legislation would require the Secretary of Finance and Secretary of Transportation to determine the amount of state taxes attributable to economic activity generated or facilitated by the inland port following the first fiscal year in which the port is operating. The state taxes specified are individual and corporate income taxes, the state sales and use tax, and the insurance license tax. "Economic activity generated or facilitated" by the inland port is to include state tax revenues from facility operations, production of goods in Virginia exported through the facility, imports coming in through the facility sold in Virginia, and employee compensation, fuel costs, business and professional services, power, and communications.

Using this base amount and the number of cargo containers in such a fiscal year, the growth in state tax revenue derived from facility activities would be based on the annual growth in the number of cargo containers. The bill would require an annual deposit to the new fund from the general fund equal to 30 percent of the growth in such facility-related revenue in the most recently completed fiscal year over that revenue generated in the base year. (The proposed legislation is not clear as to whether the amount of state taxes attributable to economic activity generated or facilitated by the facilities would have to be updated annually or if the "revenue ratio" calculated with the first fiscal year data would serve as the base to be

used in subsequent years.) The Secretary of Finance is to determine the revenue ratio by January 1, 2011.

The value of the economic activity generated by the inland port when it becomes operational, and the amount of state revenue generated by such activity, cannot be determined at this time.

The Mason School of Business of the College of William and Mary completed a study of the economic impact of the Port of Virginia in FY 2006 comparable to the analysis that would be required by the proposed legislation. The study cost \$86,900. It appears a similar study will need to be conducted to determine the economic activity of the inland port in Montgomery County.

9. Specific Agency or Political Subdivisions Affected: Department of Transportation,
Department of Taxation

10. Technical Amendment Necessary: None.

11. Other Comments: Similar to SB 76.

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