

Department of Planning and Budget
2026 General Assembly Session
State Fiscal Impact Statement

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REVISED

Bill Number: HB1000

Patron: Cole, J.G.

Bill Title: Rappahannock Area Transportation Authority created; funding; recordation tax; sales and use tax; report.

Bill Summary: Creates the Rappahannock Area Transportation Authority, initially comprising the counties with a population in excess of 150,000 and cities located in Planning District 16. The bill authorizes any locality in Planning District 16 to join the Authority by resolution or ordinance of such governing body. The Authority will administer transportation funding generated through the imposition of (i) an additional regional 0.5 percent sales and use tax, (ii) an additional transportation improvement grantor's fee at a rate of \$0.06 per \$100 of the consideration for the conveyance, and (iii) a local transportation transient occupancy tax at a rate of one percent of the amount of the charge for the occupancy of any room or space occupied in any county or city in Planning District 16. The bill also increases the annual distribution of recordation tax revenues to cities and counties from \$20 million to \$55 million and dedicates \$15 million of such annual distribution to the Rappahannock Area Transportation Fund, created by the bill.

Budget Amendment Necessary: Yes

Items Impacted: 254 and 446

Explanation: Distribution of the recordation taxes would require a general fund appropriation. Additional nongeneral fund appropriation would be needed to distribute revenues proposed by this bill.

Fiscal Summary: This fiscal impact statement was revised to incorporate updated revenue estimates from the Department of Taxation for the 0.5 percent regional sales and use tax. Additionally, this fiscal impact statement was revised to include the administrative impact on the Department of Taxation.

The bill establishes the Rappahannock Area Transportation Authority, initially comprised of Stafford County and the City of Fredericksburg, and creates the Rappahannock Area Transportation Fund to support transportation projects in those localities. The bill proposes additional nongeneral fund taxes to support the Fund totaling \$11.5 million in FY27 and \$12.7 million in FY28. The bill increases the recordation tax distributions for transportation by \$35.0 million per year, which would require a corresponding general fund appropriation to distribute, of which \$15.0 million per year would be deposited to the Rappahannock Area Transportation Fund and \$20.0 million per year would be distributed to other localities as a general fund expenditure.

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General Fund Appropriation and Expenditure Impact:

| <u>Agency</u> | <u>FY2027</u> | <u>FY2028</u> | <u>FY2029</u> | <u>FY2030</u> | <u>FY2031</u> | <u>FY2032</u> |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| DOA Transfer Payments (deposit to nongeneral fund) | \$15,000,000 | \$15,000,000 | \$15,000,000 | \$15,000,000 | \$15,000,000 | \$15,000,000 |
| DOA Transfer Payments (payments to other localities) | \$20,000,000 | \$20,000,000 | \$20,000,000 | \$20,000,000 | \$20,000,000 | \$20,000,000 |
| TOTAL | \$35,000,000 | \$35,000,000 | \$35,000,000 | \$35,000,000 | \$35,000,000 | \$35,000,000 |

Nongeneral Fund Revenue and Expenditure Impact:

| <u>Agency</u> | <u>FY2027</u> | <u>FY2028</u> | <u>FY2029</u> | <u>FY2030</u> | <u>FY2031</u> | <u>FY2032</u> |
|------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| VDOT Transfer Payments | \$11,460,780 | \$12,692,133 | \$13,229,116 | \$13,638,074 | \$14,139,779 | \$14,545,153 |
| TOTAL | \$11,460,780 | \$12,692,133 | \$13,229,116 | \$13,638,074 | \$14,139,779 | \$14,545,153 |

* Does not account for expenditures from the \$15 million general fund deposit

Fiscal Analysis:

Rappahannock Area Transportation Authority

The bill would create the Rappahannock Area Transportation Authority (RATA) initially comprising the counties with a population more than 150,000 and cities located in Planning District 16, which encompasses the counties of Caroline, King George, Spotsylvania, and Stafford, and the City of Fredericksburg. Of those counties, only Stafford had a population exceeding 150,000 in the 2020 Census. As a result, Stafford County and the City of Fredericksburg would be the initial members of the RATA under this legislation. The bill provides that the remaining counties may join the Authority by resolution or ordinance in such locality.

The Authority created by this bill would have the authority to employ a chief executive officer and other staff as deemed necessary to carry out the duties of the Authority. The number of staff needed, and the resulting costs, are currently indeterminate; however, the bill provides that the Authority's expenses are to be paid from the Fund in the absence of other funding being provided. Therefore, any impact related to expenses for the Authority and its staff and board members is included in the revenue and expenditure impacts identified below.

The bill provides that staff members of the Department of Rail and Public Transportation (DRPT) will be made available to assist the Authority if requested. The amount of assistance that would be requested of DRPT is unknown; as a result, the fiscal impact to DRPT is indeterminate.

The bill would require that the Commonwealth Transportation Board (CTB) and the Virginia Department of Transportation (VDOT) continue to provide maintenance and operating support for bridges and roadways in

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the Authority's area at the level that support was being provided on July 1, 2026, until the Authority and VDOT or the CTB agree otherwise in writing.

Rappahannock Area Transportation Fund

The bill creates the Rappahannock Area Transportation Fund to be used solely for transportation purposes benefiting the localities comprising the Authority and administrative and operating expenses of the Authority. The fund would consist of revenues generated by: an additional regional 0.5 percent sales and use tax, an additional grantor's fee at a rate of \$0.06 per \$100 of the consideration for the conveyance, and a local transportation transient occupancy tax at a rate of one percent of the amount of the charge for the occupancy of any room or space occupied in any county or city in Planning District 16. Further, the bill would direct the deposit of \$15.0 million per year from annual distribution of recordation tax revenues to counties and cities to the fund. The following table summarizes revenue that would be generated by the additional taxes proposed by this bill, based on estimates from the Department of Taxation.

| Rappahannock Area Transportation Fund Revenues | | | | | |
|---|--|---------------------------------|--|-------------------------------------|----------------------|
| Fiscal Year | 0.5% Additional Sales and Use Tax Revenue | Additional Grantor's fee | 1.0% Transportation Transient Occupancy Tax | Recordation Tax Distribution | Total Funding |
| 2027 | \$9,900,000 | \$660,780 | \$900,000 | \$15,000,000 | \$26,460,780 |
| 2028 | \$11,000,000 | \$762,133 | \$930,000 | \$15,000,000 | \$27,692,133 |
| 2029 | \$11,400,000 | \$859,116 | \$970,000 | \$15,000,000 | \$28,229,116 |
| 2030 | \$11,700,000 | \$938,074 | \$1,000,000 | \$15,000,000 | \$28,638,074 |
| 2031 | \$12,100,000 | \$1,009,779 | \$1,030,000 | \$15,000,000 | \$29,139,779 |
| 2032 | \$12,400,000 | \$1,075,153 | \$1,070,000 | \$15,000,000 | \$29,545,153 |

The bill provides that the Fund is to be allocated as follows: 60 percent to be retained by the Authority to be used for transportation-related purposes, including the provision of transit and mobility services, benefiting the localities comprising the Authority; and 40 percent to be returned, proportionally, to each locality located in the Authority to be used to improve local mobility or transit located in the locality.

| Rappahannock Area Transportation Fund Distribution | | |
|---|------------------------------|-------------------------------|
| Fiscal Year | Retained by Authority | Returned to Localities |
| 2027 | \$15,876,468 | \$10,584,312 |
| 2028 | \$16,615,280 | \$11,076,853 |
| 2029 | \$16,937,470 | \$11,291,646 |
| 2030 | \$17,182,844 | \$11,455,230 |
| 2031 | \$17,483,867 | \$11,655,912 |
| 2032 | \$17,727,092 | \$11,818,061 |

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Statewide recordation tax distributions

The bill increases the annual distribution of recordation tax revenues to cities and counties by \$35.0 million, from \$20.0 million to \$55.0 million. Currently, the \$20.0 million distribution is dedicated to the Hampton Roads Regional Transit Fund. This bill maintains that distribution. From the increased distribution proposed, the bill dedicates \$15.0 million per year to the Rappahannock Area Transportation Fund, as noted above. The remaining \$20.0 million per year would be distributed proportionally based on recordation tax payments to all other localities not included in the RATA or a transportation district in Hampton Roads. Localities are required to use these funds for transportation or public education purposes.

Recordation taxes are deposited to the general fund. A general fund appropriation of \$35.0 million each year would be needed under the Department of Accounts Transfer Payments agency (Item 254 of HB30/SB30) to complete the distributions proposed. This bill would reduce the general fund amounts available for other purposes by a corresponding \$35.0 million per year.

Bonds

The bill provides that the Authority would have the authority to issues bonds supported by available funds. The bill further provides that Article 5 (§ 33.2-1920 et seq.) of Chapter 19, Code of Virginia, would apply to bond issued by the Authority. As a result, the bonds would not be considered tax-supported debt and they would not impact the Commonwealth's debt capacity.

Tolls

The bill authorizes the Authority to impose and collect tolls on new or improved transportation infrastructure to increase capacity or relieve congestion within the localities embraced by the Authority. Tolls may be used to cover construction, operating, and/or debt service costs associated with the toll facility improvements. Any revenues collected would be revenues of the Authority and estimates of amounts collected are indeterminate at this time.

Auditor of Public Accounts

The bill requires the Auditor of Public Accounts (APA), or his legally authorized representatives, to annually audit the financial accounts of the Authority, and requires the Authority to pay the cost of this audit. As such, there is no anticipated fiscal impact to the APA.

Impact to the Department of Taxation

The Department of Taxation requests a delayed effective date of January 1, 2027, due to the system changes required by this legislation and resource commitments associated with the Integrated Revenue Management System (IRMS) replacement project. Changes needed to implement this bill would impact work in progress for the first rollout of the new system scheduled for September 2026. For more information on the new system

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implementation releases, see the 2025 Status Report on the Replacement of the Integrated Revenue Management System (IRMS).

Provided the requested delayed effective date is adopted, the Department does not require additional funding because the implementation costs of this bill can be absorbed within existing resources.

Other: The bill also provides that its provisions generating extra revenue for transportation funding shall expire if the General Assembly, any locality located in the Rappahannock Area Transportation Authority, or the Authority itself, appropriates or transfers any of the funding generated by the bill for any non-transportation purpose.

REVISED: This impact statement has been revised to incorporate updated revenue estimates from the Department of Taxation for the 0.5 percent regional sales and use tax. Revenues from the tax were increased from \$9.6 million in FY27 and \$9.8 million in FY28 to \$9.9 million in FY27 and \$11.0 million in in FY28. As a result, total nongeneral fund revenue estimates increased from \$11.2 million in FY27 and \$11.5 million in FY28 to \$11.5 million in FY27 and 12.7 million in FY28. Revenue and distribution tables were updated accordingly.

This impact statement was also revised to reflect comments from the Department of Taxation on the administrative impact of the bill and request for a delayed effective date.