

FUNDING CONSIDERATIONS

Presentation: Joint Subcommittee Studying Long-Term Funding Sources
for the Purchase of Development Rights to Preserve Open-Space Land
and Farmlands

Virginia Division of Legislative Services

October 24, 2007

A stylized, layered mountain range graphic in shades of teal and blue, located in the bottom right corner of the slide.

FUNDING CONSIDERATIONS

- ◆ If the objective is to preserve 20% of the Chesapeake Bay Watershed by January 1, 2010, the guesstimated cost was between \$167,367,000 and \$278,945,000.
 - This was the cost for an additional 111,578 acres. This was the number of acres left to be preserved after exhausting current appropriations and land preservation tax credits.
 - The preservation cost per acre was estimated at \$1,500 to \$2,500 per acre.
 - Under a 50/50 cost sharing with local governments, the Commonwealth and local governments each would be responsible for an additional \$83,683,500 to \$139,472,500 over the next two years.

FUNDING CONSIDERATIONS

- ◆ Funding options for the Commonwealth's share can be classified as:
 - A. The use of existing revenues;
 - B. The use of new revenue sources;
 - C. A mix of existing and new revenue sources;
and
 - D. The issuance of bonds to provide upfront cash
for land preservation.

USE OF EXISTING REVENUES FOR COMMONWEALTH'S SHARE

- ◆ State revenues from recordation taxes on home sales and business license taxes on insurance premium receipts might be a natural nexus for funding land preservation.
 - State recordation taxes totaled \$583 million in FY 07. Of this amount, \$145 million per year is taken off the top for transportation (Route 58; funding to local governments; mass transit and highway maintenance).
 - State license taxes on insurance companies totaled \$385 million in FY 07. Of this amount, \$128 million per year will be taken off the top beginning in FY 09 for transportation, with the payment of debt service on transportation bonds as the first priority.
- ◆ If the annual \$100 million in land preservation tax credits are not fully subscribed, a portion could be used as state grants to match local dollars for land preservation.

USE OF NEW REVENUES FOR COMMONWEALTH'S SHARE

- ◆ Tipping fees for disposal of solid waste also have a nexus for funding land preservation.
 - Tipping fees would provide a reliable and sustainable source of revenue.
 - Accurate revenue estimates can be developed for tipping fees. The Governor's Natural Resources Funding Commission (2003) estimated that a \$3 per ton tipping fee on municipal solid waste imposed on landfill operators would raise about \$36 million per year.
- ◆ Insurance premiums collected from farmowner, homeowner, and commercial multi-peril policies were approximately \$2.1 billion in 2006. Each 1 percent charged to insured persons on these premiums would generate \$21 million per year. Insurance companies could collect the new charges.

USE OF COMMONWEALTH BONDS

- ◆ The issuance of bonds will allow the Commonwealth to more quickly generate funds to meet the Commonwealth's share in any state/local land preservation program.

USE OF NEW REVENUES FOR LOCAL GOVERNMENTS' SHARE

- ◆ Cities and towns may impose cigarette taxes at any rate. For counties, however, only Arlington and Fairfax may impose a cigarette tax and at a rate not to exceed 30 cents per pack.
 - If all counties were authorized to impose a cigarette tax at up to 30 cents per pack and every county imposed a 30 cents per pack cigarette tax, local revenues would increase by \$88 million per year.
- ◆ Water and sewer authorities could be authorized to charge a premium for services with the revenues designated for land conservation.
- ◆ Local governments can borrow for land preservation from the Virginia Resources Authority at more favorable rates (Senate Bill No. 1211/House Bill No. 2694).