

# *Virginia's Transportation Funding Solution HB 2313(2013)*

Virginia Association of Counties  
Transportation Steering Committee

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# HB 2313: Virginia Adopts Enhanced Revenue Stream for Transportation

- After more than a decade of legislative efforts, Virginia's 2013 General Assembly adopted legislation providing a dynamic long-term transportation funding solution.
- About \$850 million annually when fully implemented (2018) from a combination of new and existing revenue sources.
  - Includes \$200 million from existing GF sources by year 2018.
- Over an additional \$500 million annually for regional “self-help” packages in Hampton Roads and Northern Virginia.
  - Responds to concerns that regions don't receive a fair share of highway funding compared either to their infrastructure needs or proportion of tax contributions.
    - \$220 million annually in Hampton Roads.
    - \$325 million annually in Northern Virginia.

# Additional Statewide Revenues for Transportation

(\$ in millions)	2014	2018	5-Year
Replace Cents Per Gallon at Pump (gasoline and diesel)	\$ (871.1)	\$ (938.2)	\$ (4,528.6)
3.5% tax at rack on gasoline (wholesale price)	\$ 412.0	\$ 501.6	\$ 2,358.7
6% tax at rack on diesel (wholesale price)	\$ 214.3	\$ 303.1	\$ 1,323.2
\$64 Registration Fee for Alt. Fuel Vehicles	\$ 6.5	\$ 10.9	\$ 42.6
Increase titling tax from 3.0% to 4.15%	\$ 184.0	\$ 246.5	\$ 1,118.5
<b>Net Impact - User Fees</b>	<b>\$ (54.4)</b>	<b>\$ 123.9</b>	<b>\$ 314.4</b>
Increase General Sales and Use Tax 0.3%	\$ 265.8	\$ 336.3	\$ 1,541.7
MFA: Share for Transp. - Sales Tax at 5.3%	\$ 145.9	\$ 184.5	\$ 846.1
Increase Share of Existing SUT to HMOF by 0.175% (.50 to .675)	\$ 49.0	\$ 198.2	\$ 699.1
<b>Net Impact - Other Fees</b>	<b>\$ 460.7</b>	<b>\$ 719.0</b>	<b>\$ 3,086.9</b>
<b>Grand Total - Statewide Programs (ex. regional)</b>	<b>\$ 406.4</b>	<b>\$ 842.9</b>	<b>\$ 3,401.5</b>

# Wide Ranging Financing Proposals Considered

- **SB 717** (Watkins)

- Apply 5.0% sales tax to motor fuels and retain excise tax.
- Apply sales tax to certain transportation services.
- Eliminate certain tax credits.
- Amend income tax structure to lower threshold.

- **SB 1340** (Saslaw)

- Increase motor fuels tax by \$0.10.
- Increase general sales and use tax by 1 percent.

Final legislation was a compromise between the Governor's proposal to **eliminate** motor fuel taxes and a variety of Senate bills to increase them.

# What was Achieved?

- **Eliminates the transfer of state construction funding to maintenance programs.**
  - More than \$500 million of additional revenue to the Highway Maintenance and Operating Fund by FY 2017.
  - Results in an equivalent amount of funding retained in the Transportation Trust Fund to be distributed according to the existing construction formulas.
- **Establishes dynamic funding for Intercity Passenger Rail, Mass Transit and debt service programs.**
- **Provides dedicated regional revenues through taxes imposed by the State rather than local option.**
  - Use of regional planning district boundaries, population, and travel metrics allows for regions to “grow” into enhanced taxing structure.

# Driving Forces

- **Reflects compromise on use of existing General Fund revenues for transportation.**
  - Increases the share of the existing general sales and use tax dedicated to transportation from 0.50% to 0.675% when fully phased in (FY 2017).
  - Transfers additional 0.05% each year in FY 2014, 2015 and 2016, with an additional 0.025% transferred in 4<sup>th</sup> year.
- **Utilize potential “new” revenue from Marketplace Fairness.**
  - Provides that majority of revenues anticipated to be generated by the Marketplace Fairness Act (MFA) be utilized for transportation.
    - Retains traditional “local option” sales tax for localities, as well as share dedicated to public education; remainder will go to transportation.
  - Includes a trigger that if MFA is **not** adopted by January 1, 2015, the tax at the rack will be increased to 5.1%, and general fund transfers to HMOF frozen at 2015 levels.
    - Also includes a “double-trigger” that if MFA is subsequently adopted, original provisions go back into effect.

# Hampton Roads Regional Plan

- Revenue derived from additional general and motor fuels sales taxes.
- Funding can only be used for construction projects on new or existing roadways, bridges and tunnels.
  - Priority given to projects that reduce congestion.
- Projects approved by the Hampton Roads TPO.

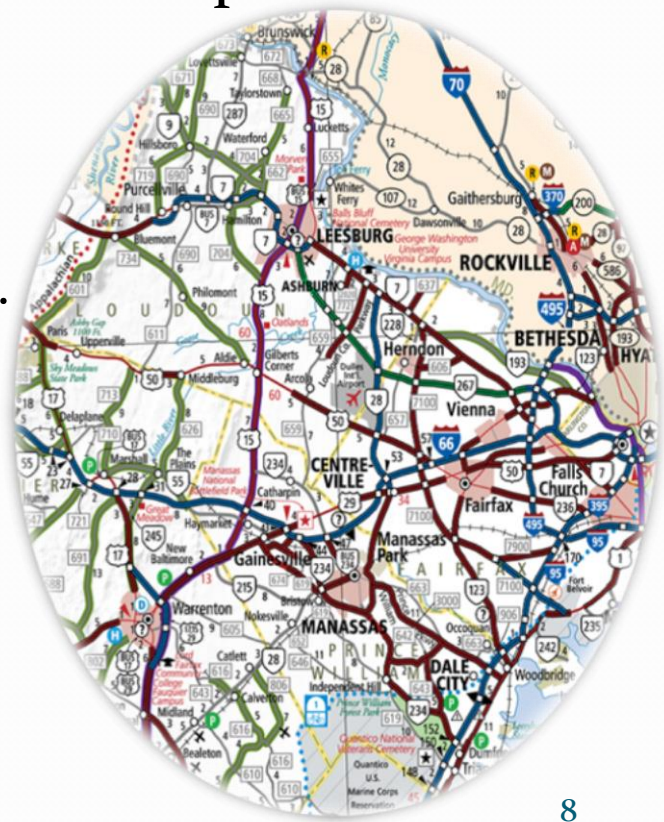
(\$ in millions)	2014	2018	5-Year Total
0.7% Local SUT	\$115.2	\$145.8	\$ 668.4
2.1% Regional Motor Fuel Tax	\$ 60.4	\$ 76.3	\$ 352.2
<b>Total</b>	<b>\$175.6</b>	<b>\$222.1</b>	<b>\$1,020.6</b>



# Northern Virginia Regional Plan

- An additive mix of revenue sources for a larger region.
  - Northern Virginia had a regional motor fuels sales tax since 1986.
- 70% of revenues are dedicated to regional projects; 30% returned to localities for transportation projects.
- Projects approved by the Northern Virginia Transportation Authority.
  - Urban or Secondary road construction,
  - Capital projects that reduce congestion; and
  - Public transportation and mass transit capital.

(\$ in millions)	2014	2018	5-Year Total
0.7% Local SUT	\$214.1	\$270.8	\$1,241.7
\$0.15/\$100 Grantors	\$ 33.5	\$ 33.5	\$ 167.5
2% Hotel Tax	\$ 24.9	\$ 31.2	\$ 143.4
<b>Total</b>	<b>\$272.5</b>	<b>\$335.5</b>	<b>\$1,552.6</b>





# The Road Ahead...

- Refining the alternative fuel vehicle registration fee.
  - “Double” impact of the registration fee on diesel-hybrids.
  - Fee viewed by some as a “tax on virtue”.
- Uncertain Impact of Marketplace Fairness Act.
  - Potential effort to freeze in place additional gas taxes, if Congress fails to pass MFA by January 2015.
- Appropriateness of metrics for the levy of regional transportation taxes.
- Additional Bond Authorizations.
  - With a dynamic revenue stream for debt service fund, additional authorizations will now be possible.

# The Road Ahead...

- Defining State and Local Roles and Responsibilities.
  - Composition of state and regional oversight bodies.
  - Devolution of secondary roads.
  - Defining corridors of statewide significance.
- Project Selection and Return on Investment Criteria.
- Alignment of funding formulas to sustain multimodal investments.
  - Addressing the competing needs of road, rail, mass transit, ports, air and space.
- Appropriate use of toll financed improvements beyond interstate investments.
- Impact of stagnant or declining federal funds.



# Contact Information

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