



Virginia's Transportation Funding Miracle



March 28, 2013

NVTA
Northern Virginia
Transportation
Alliance

Virginia's Transportation Funding Miracle

Background – 1986-2012

1986 – 27 years since Virginia General Assembly passed new, long-term transportation funding.

2002 – Hampton Roads and Northern Virginia Sales Tax Referenda defeated 37-63.

2007/2008 – HR/NV Regional Funding Packages Passed/Ruled Unconstitutional

2011 – **\$3.1** billion – accelerated (HB 3202) bonds and surplus/re-allocated funds

2012 – Gas tax indexing/Existing Sales Tax/GF Transfer Defeated



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Late 2012

- November 15th SB 700 (Watkins-R) – Apply 5% retail sales tax to wholesale gas price – \$734 million
 - o 3% – Maintenance (\$440 million)
 - o 1% – Construction (\$147 million)
 - o .66% – Local Governments (\$98 million)
 - o .34% – Intercity Rail (\$49 million)
- December 5th – Governor McDonnell
 - o “The time to address our transportation funding challenges is now. We cannot continue kicking the can down the road.”
 - o Said he would introduce proposal to generate at least \$500 million per year.



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Governor's Proposal – January 8, 2013 (HB 2313) \$3.1 Billion – 5 Years

- **Gas tax** – Eliminate 17.5-cents/gal gas tax
- **New Sales Tax** -- Increase from 5.0 to 5.8%
- **Existing Sales Tax** – Increase GF portion for transportation from 0.5% to 0.75% over 5 years.
- **Vehicle Registration** – Increase \$15/yr
- **Alternative Fuel Vehicle Fee** – \$100
- **Marketplace Equity Act (MEA)** – \$500 million per year
 - o State/Local Transportation
- **Totals** – 2018 \$845 million; 5-year Total: \$3.189 billion



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Senate Proposal -- \$8.35 Billion over 5 years

- **Gas tax**
 - o Increase 5-cents per gallon and index (highway construction)
 - o Impose 1% tax on wholesale price (localities)
- **Existing Sales Tax** – Re-direct .05% to transportation
- **Vehicle Registration Fee** – \$15
- **Marketplace Equity Act**
 - o 64% to highway construction.
 - o 17% to localities
 - o 19% to GF to offset 0.5% re-direct
- **Statewide Total: \$3.6 billion over 5 years**
- **Regional 1% sales tax -- \$4.7 billion over 5 years**
 - o HR – \$963 million over 5 years
 - o NoVA – \$1.7 billion over 5 years
 - o Central Virginia – \$822 million over 5 years



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House-Senate Action on HB 2313

- February 5, 2013 – Passed House 53 – 46
- February 13, 2013
 - o Senate Amends and Passes 25 - 14
 - o House Rejects Senate version 12 - 78
 - o Senate Insists on Conference
- February 22, 2013 – House Supports Conference Report 60 – 40
- February 23, 2013 – Senate Supports Conference Report 25 - 15



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HB 2313 Conference Report Statewide Components

- **Gas Tax**
 - Eliminates existing 17.5-cents per gallon tax
 - Substitutes 3.5% tax on wholesale price (6% diesel)
- **Motor Vehicle Sales Tax**
 - Increases from 3% to 4.3% by FY2017 (Gov. amends to 4.15%)
- **Existing Sales Tax**
 - Increases from 5% to 5.3%
 - Increases portion to transportation from 0.5% to 0.675% by FY 2017
- **Alternate Fuel Vehicles** – \$100/(Gov. amended to \$64)
- **Marketplace Equity Act – 5.3% Sales Tax**
 - Transportation (state) – 3.05%
 - Education – 1.25%
 - Transportation (local) – 0.5%
 - Local (any purpose) – 0.5%
- **Statewide Total – \$3.5 billion over 5-years**



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HB 2313 Conference Report Components – Regional

- **Hampton Roads – \$1 billion over 5 years**
 - **Sales Tax (Retail)– 0.7%**
 - **Sales tax (gas) – 2.1%**

- **Northern Virginia – \$1.6 billion over 5 years**
 - **Sales Tax (Retail) – 0.7%**
 - **Grantors Tax – \$0.25 per \$100 (Gov. Amends to \$0.15)**
 - **Hotel – 3% (Gov amends to 2%)**



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Distribution of HB 2313 Revenues

Maintenance (HMOF)

- Sales Tax (Fuel) (3.5%) – 80%
- Alternative Vehicle Fee (\$100/\$64) – 100%
- Motor Vehicle Sales Tax (1.3%) – 100%
- Retail sales tax increase (0.3%) – 58%
- GF Diversion (.125) – 100%



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Distribution of HB 2313 Revenues

Construction (TTF)

- Sales Tax (Fuel) (3.5%) – 15%
- MEA (5.3%) – 58%

Priority Transportation Fund (PTF)

- Sales Tax (Fuel) (3.5%) – 4%



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Distribution of HB 2313 Revenues

Mass Transit

- Retail Sales Tax Increase – 25%

Passenger Rail

- Retail Sales Tax Increase (0.3%) – 17%

DMV

- Sales Tax (Fuel) – 1%

Education

- MEA – 24%



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Northern Virginia Guidelines (\$1.6 billion over 5 years)

- **Regional Funds (70%)**

- o Projects must be in regional plan
- o Transit funds must be used to increase capacity
- o Priority to projects that reduce congestion
- o Projects must be located in region or adjacent localities
- o Authority independent of state/local agencies
- o Extra \$300 million for Dulles Rail

- **Local Funds (30%)**

- o Distributed on pro rata basis
- o Urban or secondary road construction or cap projects that reduce congestion
- o Other long-range plan projects or mass transit
- o Locality using funds for non-transportation uses loses funds



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Lessons Learned

- **Executive Leadership**

- o Made funding a priority
- o “This is year. Can’t go home without passing.”
- o Introduced proposal/starting point
- o Never said it only acceptable approach
- o Concessions to key House and Senate Ds
- o Dulles Rail \$300 million

- **Something for Most to Like/Dislike**

- o Eliminate taxes/Increase Fees
- o Use General Funds
- o Use New Source (MEA)



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Lessons Learned

- **House Majority Leadership**

- o Focused on gas tax elimination to get conservative Rs
- o Keep process moving. Get it through House. Can be changed in Conference.
- o Appointed open-minded conferees

- **Senate R & D Leadership**

- o Neither liked gas tax elimination/General Fund transfer
- o More moderate Rs worked with Ds to pass alternative



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Lessons Learned

Conference Report Process

- o House Speaker appointed non-ideological reps
- o Senate appointed less outspoken D
- o Outside reps served as resources
- o Learning process



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Final Compromise

- **Gas tax** – Reduced but did not eliminate
- **Retail Sales Tax** – Raised (.3%) less than Governor proposed (.8%)
- **Motor Vehicle Sales Tax** – Substituted for part of retail tax increase/transportation link
- **Increase Use of GF Sales Tax** – Split the difference between 0 and 0.25%
- **Vehicle Registration Fee** – Dropped as gesture to rural legislators
- **Alternative Fuel Fee** – Kept Governor's proposal
- **MEA** – Retained governor's proposal but provides 1.6% gas tax fallback if MEA not passed by 2015
- **Regional Component** – Incorporated Senate Recommendation
- **Democrats/Opposition provided margin of victory in BOTH houses**
- **Incentivized Maryland**





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