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

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

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2018</th>
<th>5-Year Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.7% Local SUT</td>
<td>$115.2</td>
<td>$145.8</td>
<td>$668.4</td>
</tr>
<tr>
<td>2.1% Regional Motor Fuel Tax</td>
<td>$60.4</td>
<td>$76.3</td>
<td>$352.2</td>
</tr>
<tr>
<td>Total</td>
<td>$175.6</td>
<td>$222.1</td>
<td>$1,020.6</td>
</tr>
</tbody>
</table>
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.

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

- Additional Bond Authorizations.  
  - With a growing debt service fund, additional authorizations will now be possible.

- Composition of State and Regional Oversight Bodies.

- Project Selection and Return on Investment Criteria.
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