



PROPOSED VIRGINIA LEGISLATION TO PROVIDE A DEDICATED SOURCE OF FUNDING FOR WMATA

Report of a Joint Committee of the
Northern Virginia Transportation Commission and
Northern Virginia Transportation Authority

Approved by NVTC:
--December 1, 2005--



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RECOMMENDATIONS

The joint NVTC/NVTA committee is recommending legislation to be enacted at the 2006 Virginia General Assembly to dedicate to WMATA a quarter-cent increase in the sales and use tax in the five local jurisdictions financially supporting WMATA (Alexandria, Arlington, Fairfax (city), Fairfax County and Falls Church). For the tax to take effect, an affirmative vote would be needed by local governing bodies representing at least 90 percent of the population of these five jurisdictions. This action will provide over \$55 million annually to meet Virginia's share of the unfunded needs documented by the Blue Ribbon Panel. Maryland and the District of Columbia will also have to act to provide dedicated funding to cover their respective shares of the needs identified by the Panel. Details of the legislative proposal are listed in Attachment 1.

BACKGROUND

The Metro Blue Ribbon Panel confirmed in January, 2005 that a shortfall exists of required funding to support Metro of about \$300 million per year for FY 2008 through 2015. The Panel recommended a uniform regional sales tax of a quarter cent to be paired with an equal contribution from the federal government. The Panel called for the tax proceeds to be contributed to Metro based on point of sale, (which would result in 47.0% from Virginia, 19.0% from D.C. and 34.0% from Maryland. Current (FY2006) subsidy responsibilities for Metro have a significantly different allocation, with 25.6% for Virginia, 37.0% for D.C. and 37.4% for Maryland.

The Panel identified an additional shortfall of Metro Access (specialized transportation for persons with disabilities) funding of \$100 million annually but recommended that this funding issue should be deferred to another panel. Also, the Panel assumed local subsidies would grow at 5.3% annually, thereby continuing pressure on local property tax payers, even if Metro's cost recovery ratio was maintained at 57%.

Several regional groups have endorsed the need for a dedicated source of funding for WMATA documented in the Panel's report (MWCOG, TPB, NVTA, NVTC), while not necessarily agreeing to every detail. The jurisdictions are considering implementation of such a dedicated source of funding from either new or existing revenue sources. Representative Tom Davis has introduced a bill (HR 3496) that would provide \$1.5 billion of federal funding over 10 years, but only if all non-federal subsidies are dedicated, including a 50% match for the new federal funds. Currently only NVTC's two percent motor fuels tax is dedicated to Metro yielding about \$25 million annually.

NVTA and NVTC have formed a joint committee to recommend the approach that should be followed in Virginia to achieve a dedicated funding

source for WMATA and qualify for the anticipated \$1.5 billion of new federal funding. Members of the committee are listed in Attachment 2.

LEGISLATIVE PROPOSAL

Recent NVTA and other survey evidence suggests that residents are willing to pay significant amounts for better transportation, especially public transit. (See Attachment 3).

Accordingly, the following statutory change is recommended for action in the 2006 Virginia General Assembly session:

Increase the state sales and use tax by a quarter-cent in NVTC's five jurisdictions supporting Metro, subject to an affirmative vote by local governing bodies representing at least 90 percent of the population of the five jurisdictions supporting Metro in which the tax will be levied. Once these local actions have been taken and the tax is in effect, the legislation should state that the tax can only be eliminated by action of local governing bodies representing at least 90 percent of the population of those five jurisdictions. The proceeds should be dedicated to Metro and held in trust by NVTC on a point of sale basis. The commonwealth should be required to maintain its financial level of effort to ensure that the new tax revenues result in a net increase in available transit funding in Northern Virginia.

YIELD OF NEW TAX VERSUS METRO'S NEED

As shown in Attachment 4, the Blue Ribbon Panel confirmed a \$300 million average annual shortfall from FY 2008 through 2015, of which Virginia's current formula share would be \$38.4 million at 25.6% of the \$150 million non-federal amount.

As can be seen in Attachment 5, the yield of a dedicated quarter cent sales tax within NVTC's five Metro jurisdictions is \$55.0 million as of FY 2005. The difference between the yield (\$55.0 million) and the need (\$38.4 million) is \$16.6 million. Some of these funds in excess of Metro's needs might provide the opportunity to reduce the future burden on local property taxes.

BENEFITS OF THE PROPOSAL

1. Takes advantage of the likely emphasis on transportation in the 2006 General Assembly and the likely desire of the new Governor to act promptly and responsibly to solve the transportation funding crisis.

2. Can be integrated into broader legislative proposals to do more to solve the crisis (e.g. \$200 million is needed in FY 2007 and each year thereafter statewide to permit the commonwealth to meet its target of covering 95% of eligible public transit costs and restore equity among state transit and highway maintenance policies).
3. Is consistent with survey evidence that there is significant frustration with traffic, that taxes must be raised to pay for improvements, that individuals are willing to pay hundreds of dollars a year for these improvements and that a sales tax is the preferred method among citizens of paying for transportation improvements.
4. Ensures that tax proceeds stay in this region and are not diverted to other uses.
5. Qualifies the region for \$1.5 billion in new federal funding if the federal legislation passes and if Maryland and D.C. act to provide their shares.
6. Produces measurable improvements in Metro performance (e.g. eight-car trains in 75% of the system), again assuming action by Maryland and D.C.
7. Provides the opportunity to reduce the future burden on local property taxes.
8. Can easily be expanded to include Loudoun County and PRTC jurisdictions if they wish to participate, although in those jurisdictions the 1/4 –cent for Metro could instead go to NVTA and/or to NVTC or PRTC for other eligible public transit investments (e.g. Loudoun County Transit, VRE, Omni Ride, Omni Link).
9. The proposal is easy to understand, simple to administer and should not require an expensive referendum while ensuring accountability to voters through required local government action.

Attachment 1

RECOMMENDED LEGISLATION TO CREATE A QUARTER-CENT SALES TAX DEDICATED TO WMATA

- At the 2006 Virginia General Assembly session, act to dedicate a quarter-cent sales and use tax in the five jurisdictions financially supporting WMATA (Alexandria, Arlington, Fairfax (city), Fairfax County and Falls Church).
- Require affirmative action by the local governing bodies representing at least 90 percent of the population of the five jurisdictions supporting Metro in which the tax will be levied. Once these local actions have been taken and the tax is in effect, the legislation should state the tax can only be eliminated by action of local governing bodies representing at least 90 percent of the population of those five jurisdictions.
- Direct the proceeds to the Northern Virginia Transportation Commission to be held in trust on a point-of-sale basis for those five local governments to use for payments to WMATA, as is done with the proceeds of a two percent motor fuels tax provided to NVTC since FY 1981.
- Require the commonwealth to maintain its financial level of effort to ensure that the new tax revenues result in a net increase in available transit funding in Northern Virginia.
- The anticipated yield of the quarter-cent sales tax (as of FY 2004) is at least \$51.5 million annually. The need documented by the Blue Ribbon Panel is \$38.4 million annually. Therefore, some of the difference in excess of Metro's needs might be available reduce the future burden on local property taxes.

Attachment 2

COMMITTEE MEMBERS

<u>NAME</u>	<u>TITLE</u>	<u>AFFILIATION</u>
Gerald Connolly	Chairman, Fairfax County Board of Supervisors	Vice-Chairman, NVTC NVTA Member
William Euille	Mayor, City of Alexandria	NVTC Executive Committee and NVTA Member WMATA Board Alternate
Paul Ferguson	Member, Arlington County Board	Chairman, NVTC
Dana Kauffman	Member, Fairfax County Board of Supervisors, Lee District	NVTC Executive Committee Chairman, WMATA Board
William Mims	Senator, Virginia 33 rd District	NVTA Member
David Snyder	Member, City of Falls Church Council	Secretary-Treasurer, NVTC Chairman, NVTA
Margaret Vanderhye	Citizen	Member, NVTA
Mary Margaret Whipple	Senator, Virginia 31st District	NVTC Executive Committee
Christopher Zimmerman	Member, Arlington County Board	NVTC Executive Committee Vice-Chairman, NVTA WMATA Board Member

Attachment 3



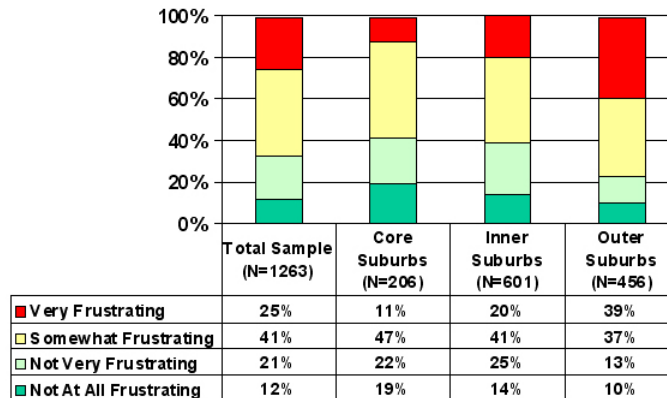
NORTHERN VIRGINIA RESIDENTS ARE FRUSTRATED WITH TRAFFIC AND WILLING TO PAY MORE FOR PUBLIC TRANSIT IMPROVEMENTS

Background

The Northern Virginia Transportation Authority is preparing a 2030 transportation plan with citizen input. The Authority surveyed 1,263 Northern Virginia adults in April and May, 2005. The survey had an overall margin of error of $\pm 2.5\%$ and allowed detailed examination of attitudes in each jurisdiction. The results were very encouraging regarding support and willingness to pay for public transit improvements throughout the region.

Frustration

Three-fourths of outer suburb residents are frustrated with their commuting trips and three-fifths are frustrated in the inner suburbs and core of the region.

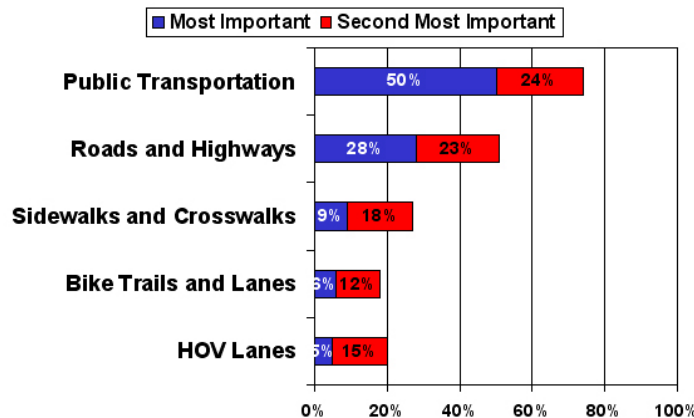


Preferred Projects

Commuters often selected public transit improvements as their first or second priority in corridors in which they actually travel. Examples include Metrorail in the Dulles Corridor (71% first or second priority); Metrorail from Dunn Loring to Maryland through Tysons Corner (74%); and Metrorail along I-66 to Centreville (52%).

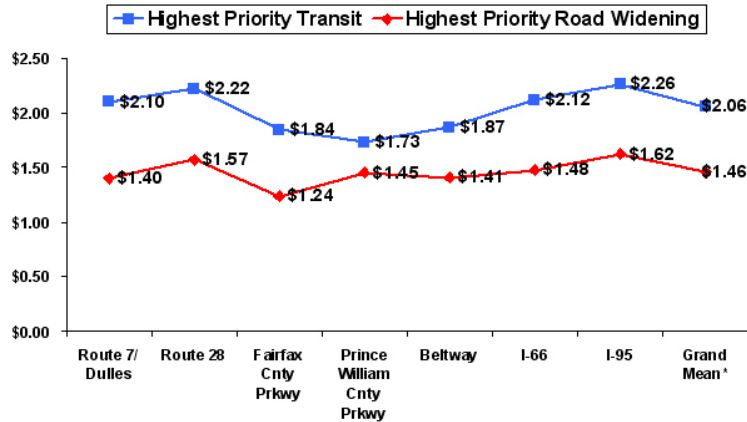
Preference for Transit

Overall, 74% picked transit as their first (50%) or second (24%) most important priority, with roads ranked next with only 51%. Surprisingly this preference for transit held steady over all jurisdictions. While 66% of transit users ranked transit as their top priority, almost half (48%) of non-transit users also picked transit first.



Willingness to Pay for Transit Benefits

Overall, persons traveling in each corridor would pay \$2.06 per day for top priority transit projects but only \$1.46 for highways. In virtually every corridor commuters were willing to pay more for transit. Examples include \$2.10 per day for Metrorail to Dulles; \$1.84 for priority buses on the Fairfax County Parkway; \$2.13 for express buses on the Beltway; \$2.12 for extending Metrorail to Centreville along I-66; and \$2.30 for extending VRE to Haymarket.

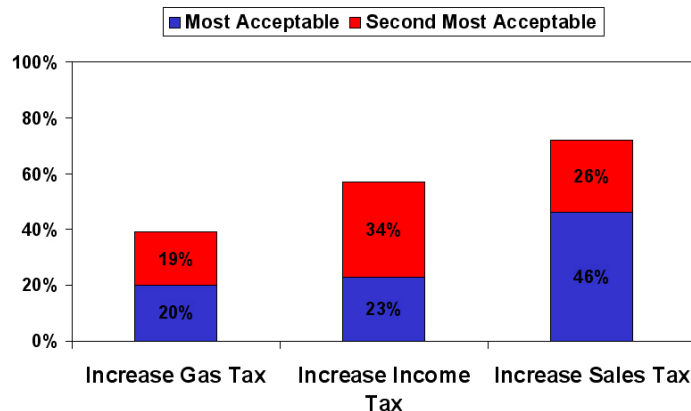


Paying for Expanded Transit and Reduced Crowding on Metro and VRE

Over a fifth of respondents would pay \$3 or more per day (well over a thousand dollars a year). Another two-fifths would pay between \$1 and \$3 per day. This is equivalent to a 60-cent gas tax per gallon (assuming 12,000 miles traveled per year at 20 miles per gallon). Only 15% would be unwilling to pay anything.

Acceptable Funding Methods

Respondents were asked to choose between three options, each of which raised \$175 million annually. A half-cent sales tax was the overwhelming top choice with 46%, versus 23% for an income tax increase and 20% for a gas tax increase. Combining first and second choices, the sales tax share was 72%, versus 57% for the income tax and 39% for the gas tax. Almost as many respondents favor using highway tolls for transit improvements (70%) as for highway improvements, a result that held across all jurisdictions.



Survey Implications

The survey shows conclusively that there is strong support for transportation improvements in general and transit in particular and that residents in all jurisdictions are willing to pay to relieve their frustrations with traffic.

For Further Information

Refer to NVTA's website www.novaregion.org for details on the survey and to NVTC's website www.thinkoutsidethecar.org for information about transit funding and service.

Attachment 4

APPROXIMATE ANNUAL WMATA SHORTFALL SUBSIDY SHARES
BY JURISDICTIONS
-- \$ millions --

	Blue Ribbon Panel	
	\$M	%
Federal	150.0	50.0%
Non-Federal	150.0	50.0%
Total	<u>300.0</u>	<u>100.0%</u>
Non-Federal		
MD	56.1	37.4%
DC	55.5	37.0%
VA	38.4	25.6%
Total Non-Federal	<u>150.0</u>	<u>100.0%</u>

Source: Blue Ribbon Panel Report.

Attachment 5

**YIELD OF STATE SALES TAX
BY JURISDICTION
-- FY 2005 --**

<u>Jurisdiction</u>	<u>1/4 cent</u>
Alexandria	\$ 5,907,412
Arlington	7,745,581
Fairfax (City)	2,828,953
Fairfax County	37,566,835
Falls Church	965,884
WMATA Subtotal	<u>\$ 55,014,665</u>

Source: Virginia Department of Taxation.