

**REPORT OF THE JOINT  
SUBCOMMITTEE STUDYING**

**FUNDING FOR PUBLIC  
TRANSPORTATION IN HAMPTON  
ROADS**

**TO THE GOVERNOR AND  
THE GENERAL ASSEMBLY OF VIRGINIA**



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**Report of the  
Joint Subcommittee Studying  
Funding for Public Transportation  
in Hampton Roads  
to  
The Governor  
and the  
General Assembly of Virginia  
Richmond, Virginia  
April, 1996**

## **EXECUTIVE SUMMARY**

House Joint Resolution 656, passed by the 1995 Session of the General Assembly, established a joint subcommittee to study funding for public transportation in Hampton Roads. The subcommittee was specifically directed to examine three things: (i) the current sources of local funding for public transportation; (ii) the scope of property tax relief for homeowners and other property taxpayers in Hampton Roads by identifying dedicated funding sources, other than local general funds, to support public transportation; and (iii) sources of stable and reliable dedicated funding for public transportation.

Public transportation in Hampton roads is provided by the Peninsula Transportation District Commission, the Tidewater Transportation District Commission, and James City County Transit. These three agencies had a combined annual operating budget of approximately \$32.7 million in 1995. The largest portion of their operating budget, 39 percent, is funded by the farebox and other operating revenue. The shortfall is provided by local governments (24 percent), state government (22 percent), and the federal government (15 percent). Funds for capital budgets, which totaled nearly \$8.3 million, are provided by federal, state, and local governments.

The region's transit providers are facing a difficult financial future. Traditional sources of funding are not expected to permit the transit systems to continue to provide service at current levels, much less make anticipated expansions. In an era of rising costs, the public transportation systems are being forced to deal with cuts in federal operating assistance in the current fiscal year and the prospect of a total elimination of this funding source in the next three years. Operating aid from the Commonwealth to the region's transit providers has not been increasing, and the percentage of state funds available for matching federal grants for capital projects has dropped from 95 percent in 1988 to 26 percent in 1995. Local governments are under increasing fiscal stress at a time when pressure to fund other needs, such as education and public safety, is growing.

Fares cannot be expected to increase substantially without creating substantial barriers to ridership.

EPA's downgrading of the region's air quality classification from "marginal" to "moderate" may have a detrimental effect on economic development efforts. Greater use of public transportation would assist the region's efforts to improve air quality. Options for improving public transportation services include expanding bus service to unserved areas, instituting Sunday service, and increasing frequency of routes. Other service expansion ideas include the construction of light rail transit service between Norfolk and Virginia Beach and light rail service in the Peninsula running from Williamsburg to Hampton. Additionally, a third crossing of Hampton Roads is being studied, which is forecast to include a public transportation component.

The cost of providing public transportation services is expected to exceed the resources provided by current funding sources. A report issued by the Hampton Roads Planning District Commission indicates that if a light rail system is built on Southside Hampton Roads, the three transit agencies face a deficit of \$116 million over the next ten years; if the light rail system is not built, the estimated deficit is \$31 million. These deficits will be even greater if federal operating subsidies are eliminated. If local governments are not able to contribute matching funds required for federal and state funding, the ability of the transit systems to continue operations at even the current level will be impaired.

The inability of traditional transit funding sources to meet current and future needs requires the identification of innovative financing techniques. After reviewing a broad range of funding techniques implemented across the country, the joint subcommittee focused its analysis on a sales tax on motor fuel. Such a tax is imposed at a rate of two percent within the member jurisdictions of the Northern Virginia and Potomac-Rappahannock Transportation Districts. A two percent sales tax on motor fuel in the ten Hampton Roads district served by public transportation would raise an estimated \$14.5 million. A similar tax at a rate of five percent was estimated to raise approximately \$36 million.

The statute imposing the two percent gas tax in Northern Virginia requires that localities use the proceeds to roll back property tax rates by the amount previously contributed to public transportation. If the proceeds of such a tax in Hampton Roads were applied to offset local government contributions for public transit, real property tax rates could be reduced by two cents or more per hundred dollars of assessed value in Norfolk, Portsmouth, Hampton and Newport News. In the other jurisdictions studied, the rate reductions would be more modest, ranging from 0.7 cents to 0.09 cents.

The Peninsula Transportation District Commission reported that the proceeds of a two percent sales tax on motor fuel, after offsetting local government contributions and reductions in federal operating assistance, would not be sufficient to finance service expansions. A five percent tax would allow bus and paratransit

service expansion and the financing of debt service on a fixed guideway system on the Peninsula. The Tidewater Transportation District Commission advised that the net proceeds of a two percent gas tax in its member jurisdictions would permit the agency to provide enhanced fixed-route bus and Handi-Ride services. A five percent tax is expected to generate sufficient net revenue to fund the design, engineering and construction of a light rail transit system between Virginia Beach and Downtown Norfolk and an associated bus feeder system. Revenue from a two percent gas tax in Williamsburg and James City County was expected to be adequate to allow James City County Transit to compensate for the loss of federal operating funds while financing its five year capital program.

The joint subcommittee recognizes the importance of a viable public transportation system to the economy, environment, and quality of life in Hampton Roads. A stable and dedicated funding source must be identified if the region's transit providers are to continue to provide services at their current or expanded levels. The subcommittee considered a proposal for the imposition of a 4.5 percent sales tax on motor fuel, modeled on the levy imposed in Northern Virginia, within the ten localities served by the three public transportation systems. Although the joint subcommittee did not formally endorse the proposed 4.5 percent sales tax on motor fuel during its deliberations, subsequent to the conclusion of the subcommittee's meetings a working consensus developed which supported the introduction of fuel tax legislation.





# TABLE OF CONTENTS

<b>EXECUTIVE SUMMARY</b> .....	i
<b>I. INTRODUCTION</b> .....	1
<b>II. BACKGROUND</b> .....	2
A. The Role of Public Transportation in Hampton Roads .....	2
B. Regional Public Transportation Systems .....	3
1. Peninsula Transportation District Commission.....	3
2. Tidewater Transportation District Commission.....	4
3. James City County Transit .....	4
C. Current Sources of Funding .....	5
1. Federal Funding.....	5
2. State Funding .....	5
3. Local Funding .....	6
4. Farebox Revenue.....	7
D. Previous Studies of Transportation Funding.....	7
<b>III. SOURCES OF FISCAL STRESS</b> .....	11
A. Limits of Current Funding Sources.....	11
B. Deficiencies in Current Service Levels.....	13
C. Major Investment Transportation Studies.....	13
1. CSX Corridor MIS.....	14
2. Norfolk-Virginia Beach MIS.....	14
3. Hampton Roads Crossing MIS .....	15
D. Regional Public Transportation Funding Needs .....	15
<b>IV. OPTIONS FOR A DEDICATED FUNDING SOURCE</b> .....	19
A. Financial Assistance Provided in Other States .....	19
B. Northern Virginia's Sales Tax on Motor Fuel.....	19
C. Other Public Transportation Financing Techniques .....	21
<b>V. ANALYSIS OF A REGIONAL MOTOR FUEL SALES TAX</b> .....	29
A. Estimated Revenue.....	29
B. Scope of Possible Property Tax Relief.....	35
C. Impact on Public Transportation Providers .....	36
<b>VI. WORK OF THE JOINT SUBCOMMITTEE</b> .....	38
A. Meetings of the Joint Subcommittee .....	38
B. Public Hearings .....	41
C. Advisory Committee .....	43
<b>VII. FINDINGS AND RECOMMENDATIONS</b> .....	44
<b>VIII. APPENDICES</b> .....	47



## I. INTRODUCTION

The General Assembly passed House Joint Resolution No. 656 in 1995, which created an eleven-member joint subcommittee to study funding for public transportation in Hampton Roads. (Appendix A) The joint subcommittee was specifically directed to examine: (i) the current sources of local funding for public transportation; (ii) the scope of property tax relief which could be realized for homeowners and other property tax payers in Hampton Roads by identifying dedicated funding sources, other than general funds, to support public transportation; and (iii) sources of stable and reliable dedicated funding for public transportation. The joint subcommittee was instructed to complete its work in time to submit its findings and recommendations to the Governor and the 1996 Session of the General Assembly.

The joint subcommittee was chaired by Delegate Flora D. Crittenden of Newport News. Senator Stanley C. Walker of Norfolk served as vice chairman. The other legislative members of the joint subcommittee were Delegate Howard E. Copeland, Delegate Shirley F. Cooper, Delegate Frank W. Wagner, Senator Hunter B. Andrews, and Senator Frederick M. Quayle. Two citizen members, Mr. Andrew Fine of Virginia Beach and the Honorable Joe S. Frank, were appointed by the Speaker of the House of Delegates, and two citizen members, Mr. John F. Malbon and Mr. James T. Hopkins, both of Virginia Beach, were appointed by the Senate Committee on Privileges and Elections.

The resolution directed that technical assistance be provided by the Peninsula Transportation District Commission, the Tidewater Transportation District Commission, James City County Transit, and the Department of Rail and Public Transportation. Delegate Crittenden appointed a 10-member advisory committee consisting of representatives of local governments in the region. The primary purpose of the advisory committee was to serve as a forum for input by political subdivisions throughout Hampton Roads. The advisory committee members attended the meetings of the joint subcommittee and served as liaison between local governments and the joint subcommittee.

## **II. BACKGROUND**

### **A. The Role of Public Transportation in Hampton Roads**

The Hampton Roads region, with a population of 1.4 million, is the 27th largest metropolitan area in the nation. Though the Hampton Roads region generally is considered to include the 14 localities in the Hampton Roads Planning District, this study focused on the 10 jurisdictions served by public transportation systems: the Peninsula localities of Hampton, Newport News, Williamsburg, Gloucester County, James City County, and York County, and the Southside cities of Norfolk, Chesapeake, Portsmouth, Virginia Beach, and Suffolk.

Growth in population and employment in Hampton Roads, coupled with dispersed land development and personal travel patterns, have strained the area's transportation systems. Reliance on the automobile has increased congestion on the region's roadways. Expanding the highway system is becoming difficult as a result of environmental concerns, increasing construction costs, and lack of available rights-of-way.

The role of public transportation in a balanced, efficient and environmentally sound transportation system has been recognized in the federal Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA). Under ISTEA, local governments and metropolitan planning organizations (MPOs) are required to redirect their focus from a highway dependent transportation system to one that recognizes the beneficial role of public transportation.

Public transportation plays a vital role in the lives of many of the region's citizens. In 1994, ridership on the public transportation systems in Hampton Roads totaled 14.7 million passengers. Sixty percent of all bus trips are work-related, 75 percent of all passengers have no other means of transportation, and 82 percent of passengers ride buses more than one day per week.

A strong public transportation system contributes to a cleaner environment, promotes economic development, creates jobs, relieves congestion, enhances independence for elderly citizens and improves the quality of life for all people by providing access to jobs, education, shopping, and medical care.

Hampton Roads has exceeded federal limits for ozone pollution levels established by the federal Clean Air Act Amendments of 1990. The federal Environmental Protection Agency's downgrading of the region's air quality from "marginal" to "moderate" may require the region to reduce automobile emissions, implement a vehicle exhaust inspection program, and require stationary air pollution sources to implement expensive air pollution control measures. A

moderate air quality designation can stifle economic development in the region by precluding many new businesses from considering locating to Hampton Roads. In Hampton Roads, automobiles release 278,000 tons of emissions annually. Transportation sources account for 70 percent of the region's air pollution. A strong public transportation system can help improve the designation of the region's air quality.

The Hampton Roads Chamber of Commerce, through its Plan 2007, has recognized the need for adequate transit services. A viable public transportation system can make available to the workforce a large number of potential employees who otherwise would not be able to report to work with reliability. A Chamber spokesperson recommended that new or redirected revenue sources, dedicated to mass transit funding, be found to support current and future needed modes of transportation.

The societal benefits of a strong public transportation system are numerous. With the recent changes to the Commonwealth's welfare program that stress bringing beneficiaries into the job market, the role of public transportation in getting people who do not have cars to and from their places of employment will be heightened. A strong public transportation system is essential if many elderly and disabled citizens are to maintain their independence. Those who cannot maintain their independence may be institutionalized at considerable expense. Money spent on public transportation may save the Commonwealth money by avoiding the public expenditures on nursing home care.

## **B. Regional Public Transportation Systems**

Hampton Roads is served by three public transportation systems: the Peninsula Transportation District Commission (known as Pentran), the Tidewater Transportation District Commission (known as Tidewater Regional Transit or TRT), and James City County Transit. A map showing the fixed transit routes in the Hampton Roads region is attached as Appendix B. TRT, Pentran, and James City County Transit have a combined operating budget for fiscal year 1995 of \$32,703,000. They employ 840 people, operate 286 buses and 126 paratransit vehicles, make nearly 15 million annual passenger trips, and travel almost 10 million service miles annually.

### **1. Peninsula Transportation District Commission**

Since its establishment in 1975, Pentran has provided public transportation services for the cities of Hampton and Newport News. In addition to twelve fixed bus routes, Pentran operates the Shipyard express, work trips, Handi-Ride curb-to-curb demand responsive service for the disabled and elderly, and trolley shuttle service in downtown Hampton. Pentran also provides school bus service for grades

6-12 in Hampton under contract with the school board. Pentran and TRT cooperatively operate the Crossroads bus service linking South Hampton Roads and the Peninsula.

In fiscal year 1994, Pentran recorded a ridership of 6,326,169. In that year, Handi-Ride ridership totaled 76,789. Average daily ridership is approximately 23,000, of which 8,457 are school students in Hampton. Appendix C lists Pentran's funding and ridership levels for 1988-1994.

## **2. Tidewater Transportation District Commission**

TRT was chartered in 1973 to provide public transportation for the cities of Norfolk, Portsmouth, Virginia Beach, Chesapeake, and Suffolk. TRT provides fixed route bus, ferry, and trolley services, area tours, paratransit services for persons with disabilities, and a variety of commuter services.

Daily bus ridership is approximately 23,000. In addition, approximately 260,000 passengers per year use TRT's paratransit services, which consist of Handi-Ride and Maxi-Ride. Handi-ride, which accounts for 15,00 riders monthly, provides transportation for disabled persons certified under the Americans with Disabilities Act. The Maxi-ride program provides service to anyone who calls and requests pick-up, thereby offering convenient connections with TRT fixed-route bus service to persons to complete trips outside its service territories. Another half a million passengers ride its Elizabeth River ferry services each year. Funding and ridership levels for TRT for the period 1988-1994 are listed in Appendix D.

## **3. James City County Transit**

James City County Transit Company is a public nonprofit company that operates as a division of the James City County government. Prior to its formation in 1977, James City County Transit's services were provided by a private company under contract with the county. James City County Transit provides fixed route bus service and paratransit service for persons with disabilities in James City County, the Bruton District of York County, and the City of Williamsburg.

Annual ridership for fiscal year 1994, including both bus and paratransit services, totaled 80,000. Of this number, 73,500 were bus passenger trips and the balance were paratransit rides. The levels of ridership and funding for James City County Transit for 1988-1994 are set forth in Appendix E.

## C. Current Sources of Funding

As shown in Table 1, in 1994 the federal government disbursed over \$10.6 million to TRT, Pentran, and James City County Transit. This money accounted for 27 percent of operating and capital funds. The three transit systems in Hampton Roads received \$8.6 million, or 22 percent, of their operating and capital budgets from the Commonwealth. Local governments provided \$8.2 million, or 21 percent of their operating and capital budgets. Fares from riders and other operating income, which provided the largest portion of the capital and operating budgets, totaled over \$12 million, or 31 percent of the total. However, the farebox and other operating revenue accounted for 39 percent of the operating budgets of the transit systems.

Table 1: Sources of Operating and Capital Funds of the Transit Systems Serving Hampton Roads, 1994

	<i>TRT</i>	<i>Pentran</i>	<i>JCCT</i>	<i>Total</i>
Federal	\$4,045,100	\$6,209,353	\$391,070	\$10,645,523
State	5,304,158	3,140,021	126,582	8,570,761
Local	4,855,043	3,234,129	105,487	8,194,659
Revenue	8,082,116	3,890,039	82,023	12,054,178
<i>Total</i>	<i>\$22,286,417</i>	<i>\$16,473,542</i>	<i>\$705,162</i>	<i>\$39,465,121</i>

Source: Hampton Roads Planning District Commission

### 1. Federal Funding

The Federal Transit Administration (FTA) provides operating, capital, and planning assistance to transit agencies. Until recently, up to 50 percent of a transit agency's net operating deficit has been eligible for reimbursement, though most systems do not receive the full amount to which they are eligible. In 1994, the FTA funneled \$1.1 million to Pentran; \$3.5 million to TRT; and \$181,750 to James City County Transit.

The FTA also provides an 80 percent match for capital and planning expenses. Pentran and TRT receive most of their federal funds through Section 9 Formula Grants. James City County Transit receives its federal funding through the Section 18 Formula Grant Program. Both grant programs allocate funds among local public transportation agencies in accordance with statutory formulae.

### 2. State Funding

The Virginia Department of Rail and Public Transportation (VDRPT) provides operating and capital assistance for transit agencies in the Commonwealth. The primary source of the state's contribution to mass transit is

the Commonwealth Mass Transit Fund, which receives 8.4 percent of the moneys in the Transportation Trust Fund. Proceeds from the 0.5 percent sales tax increase adopted by the General Assembly in its Special Session in 1986 constitute approximately half of the \$530 million paid into the Transportation Trust Fund.

Proceeds in the Mass Transit Fund are allocated by the Commonwealth Transportation Board in accordance with formulae set out in § 58.1-683 of the Code of Virginia.<sup>\*</sup> Up to 1.5 percent of the Mass Transit Fund may be allocated to special programs including ridesharing, experimental transit, and technical assistance. Allocations for ridesharing may cover up to 80 percent of the local costs associated with these programs, and allocations for experimental programs may cover up to 95% of the capital, planning, development and operating costs of projects approved by the Board. At least 73.5 percent of the Mass Transit Fund is reserved for distribution to transit properties based on the ratio of their operating expenses to total operating expenses. These moneys may be used to pay for fuel, lubricants, tires, and maintenance parts and supplies. The remaining 25 percent of the Mass Transit Fund is distributed to capital purposes, and part can be used for matching federal money.

The Commonwealth also provides funds for mass transit purposes through the Highway Maintenance and Operating Fund (HMOF). The Appropriations Act has directed the Commonwealth Transportation Board to distribute HMOF and Mass Transit Fund moneys among formula (operating) assistance, capital assistance, and special projects in accordance with § 58.1-2425.E.3. State mass transit assistance in 1993-94 totaled \$74 million, consisting of 8.4 percent of the Transportation Trust Fund (\$39 million) plus \$35 million from the Highway Maintenance and Operating Fund. Together, these two funds provide approximately 30 percent of public transportation funding statewide. From 1988 through 1994, the Commonwealth distributed approximately \$61 million to Hampton Roads' three transit systems.

### **3. Local Funding**

Local funding provides the balance of the funds required to fund public transportation after federal and state assistance and operating revenues are applied. Contributions are proportioned on the basis of services received by each locality under cost allocation agreements.

Local contributions to public transportation are supported entirely from general fund revenue sources, primarily real and personal property taxes and business gross receipt taxes. From 1988 through 1994, local governments

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<sup>\*</sup> Subsequent citations are to the Code of Virginia unless otherwise indicated.



contributed \$27 million to Pentran, \$31 million to TRT, and \$428,000 to James City County Transit.

#### **4. Farebox Revenue**

As previously noted, passenger fares and other operating revenues provide the largest single source of operating funds for the region's mass transit providers. In fiscal year 1994, TRT earned operating revenues of \$8,082,116. This represents almost 40 percent of its operating budget. Of this sum, TRT collected \$5,939,671 in bus passenger fares and \$1,042,801 from other passenger fares, including trolleys, maxi-ride, and ferry service, for a total of \$6,982,472. In addition to passenger fares, TRT earned operating revenue from charter services (\$333,942), E & H agency contract revenues (\$289,688), van leasing (\$50,188), advertising and other auxiliary sources (\$181,677), and other non-transportation activities (\$244,149).

Pentran earned \$3,818,628 in operating revenue in the same period, exclusive of "Adopt-a-bus" advertising program revenues which are used to finance capital projects. Operating revenue sources, which accounted for 39 percent of operating budget, include (i) farebox revenue of \$2,707,622; (ii) Hampton School Board revenue of \$939,876; (iii) advertising revenue of \$60,000; and (iv) other revenues of \$111,130.

James City County Transit earned \$82,023, or 18 percent of its operating budget, from passenger fares in fiscal year 1994.

#### **D. Previous Studies of Transportation Funding**

In the course of its work, the joint subcommittee reviewed the efforts of three previous legislative studies of transportation funding.

Senate Joint Resolution 94 (1990): Senate Joint Resolution 94, introduced by Senator Robert C. Scott, created a subcommittee to study the transportation needs of the Hampton Roads area. In its two-year study, the subcommittee studied the desirability and feasibility of meeting Hampton Roads' transportation needs through the mechanism of a regional transportation financing authority. The subcommittee concluded that improved efficiencies at the Virginia Department of Transportation (VDOT), the opening of the Interstate 664 Bridge-Tunnel, and additional federal funds available under ISTEA will relieve traffic congestion for the next several years. In the midst of the economic recession, new taxes and additional tolls would impose a burden on the region. Accordingly, the subcommittee did not recommend the creation of a regional financing authority or the imposition of new local or regional taxes or tolls in the Hampton Roads region. However, the subcommittee noted that it may be appropriate for the General Assembly to reconsider this question in the future: "If the opening of the Interstate

Route 664 crossing of Hampton Roads fails to provide the expected relief for the Hampton Roads Bridge Tunnel, the question of new funding for the region's needs will require urgent reassessment." Additionally, the report concluded that if Hampton Roads continues to grow at the present rate, many of the underlying transportation needs of the region will go unmet without new sources of revenue. The group added that if a regional financing authority is created, it should be vested with regional planning and taxing authority and be made accountable to the region's voters. Report of the Joint Subcommittee Studying the Transportation Needs of the Hampton Roads Area (Senate Document 26 -- 1992).

Senate Joint Resolution 188 (1991): Senate Joint Resolution 188 of the 1991 Session directed the Virginia Department of Transportation to study the allocation formulae for distributing Transportation Trust Fund revenues and to make recommendations for revisions in order to maintain equity in its distribution. Public transportation was one of several allocation equity and policy issues evaluated. In its interim report, VDOT noted that the Suffolk Construction District (which encompasses Hampton Roads) had \$1.2 billion in operating, capital, and ridesharing needs through the year 2010. This estimate included a light rail system in Norfolk-Virginia Beach. For the entire state, the year 2010 needs for public transportation were estimated at \$10.8 billion, of which almost \$3.9 billion, or 39.5 percent, was unfunded. The VDOT interim report concluded that the statutory allocation of funds among the various transportation modes may no longer be adequate. A Study of Transportation Trust Fund Allocation Formulae (SJR 188) 1992 Interim Report (Senate Document 4--1993).

In 1992, House Joint Resolution 135 expanded the scope of the SJR 188 study to require VDOT to specifically address alternate methods of evaluating needs and equity. In its final report, VDOT recommended increasing the modal share of the Transportation Trust Fund for public transportation from 8.4 percent to 15.77 percent, and eliminating transfers from the HMOF. VDOT also recommended that the distribution of funds for public transportation purposes be studied, including an analysis of the formulae for distributing funds to transit providers and an evaluation of the appropriate use of state funds. A Study of Transportation Trust Fund Allocation Formulae (SJR 188) 1993 Final Report (Senate Document 39--1993).

Senate Joint Resolution 240 (1993): In the 1993 Session, the General Assembly established a 17-member Select Committee, chaired by Senator Hunter B. Andrews, to, among other things, study the recommendations of the Department of Transportation regarding the allocation of trust fund revenues in the VDOT study pursuant to SJR 188. The Select Committee considered alternatives to the current mass transit distribution formula. Under the current formula, 73.5 percent of mass transit assistance is distributed according to each transit operation's pro rata share of total operating costs, and 25 percent is distributed according to each operation's

pro rata share of total capital needs each year. A suggested alternate formula would establish a base year operating cost for each transit operation. The base cost would be adjusted annually for inflation, changes in service, and efficiency. The Commonwealth could agree to finance a set percentage of operating costs, taking into account the ability of local governments to assist in financing. It was also suggested to the Select Committee that the Commonwealth Transportation Board adopt a more in-depth process to examine the capital outlay plans for each transit operation before committing state funding.

The Select Committee also reviewed several alternatives for increasing revenues for transportation:

- Each one cent increase in the motor fuels tax would generate \$36 million annually statewide.
- A one percent increase in the motor vehicle sales and use tax would generate about \$86 million annually for the Transportation Trust Fund.
- Every one dollar increase in motor vehicle license fees would generate about \$5 million annually.
- Indexing Virginia's motor fuel tax rate annually, as is done in North Carolina and Kentucky, would automatically adjust the revenue base to reflect economic growth.
- Consider raising taxes and fees on trucks so that they pay their share of costs for maintaining roads.
- Consider building more toll roads and using existing excess toll road revenues to fund other projects.

Other options for consideration included (i) giving regional and local governments more responsibility for funding urban and secondary roads and transit funding, and (ii) privatizing funding of special situation transportation improvements. Report of the Select Committee to Review the Findings and Recommendations of the Virginia Department of Transportation Concerning the Sufficiency and Distribution of Funds in the Transportation Trust Fund (Senate Document 49 -- 1994).

In addition to these three legislative studies, the joint subcommittee was also briefed on the report entitled A Transportation Financing Strategy for the Hampton Roads Region, prepared by the firm of Linton, Miels, Reisler and Cottone in October 1989. This report was the product of a study commissioned by the region's planning district commissions. The study addressed both highway and transit programs. It recommended a transportation finance strategy composed of a regional transportation finance authority, state revenue programs, and federal efforts. Revenues from tolls and a tax on gasoline and diesel fuel were suggested as a regional resource. A sales tax was suggested either as a regional resource or,

along with other revenue options, as a guaranteed source of funding for projects within a jurisdiction. The report identified eight candidate funding strategies, and estimated the revenue potential for the region based on certain assumed rates, as follows:

- Regional gas tax of five percent per gallon, with a base guarantee of five cents per gallon, would generate \$38,000,000 (based on a fuel price of \$1 per gallon) annually.
- Regional sales tax of one half of one percent would raise \$44,000,000 per year.
- Impact fees of \$3 per square foot of gross leasable area and \$1,200 per residential unit would generate \$8,000,000 annually.
- A special assessment district corridor 20 miles long by one mile wide in which property was subject to a levy of five cents per \$100 of assessed value would generate \$6,000,000 annually.
- Real estate transfer tax of one-half of one percent of the value of property conveyed would generate \$15,000,000 annually.
- Local automobile decals at a rate of \$10 per vehicle would raise \$9,000,000 per year.
- Local option income tax at a rate of one fourth of one percent would raise \$35,000,000 per year.
- An intraregional toll program generating \$320,000,000 annually.

The report concluded that tolls “appear to provide the best opportunity for visitors and other non-residents traveling in the region] to help pay for needed transportation improvements, followed by a local option sales tax and then a local option gas tax.” The authors noted that imposing tolls on federal-aid highways, bridges and tunnels and Interstate facilities would require changes in federal law.

### III. SOURCES OF FISCAL STRESS

#### A. Limits of Current Funding Sources

Public transportation service in Hampton Roads currently faces threats on several fronts. At a time when the need for a viable public transportation system is increasing, the current sources of funding are approaching their limits.

Rising costs: As with other sectors of the economy, transit providers must deal with the rising costs of the labor, fuel, insurance, equipment, and other components of their business. Michael Townes, Executive Director of Pentran, noted that in addition to coping with the effects of inflation, transit providers have been forced to comply with federally-mandated requirements, such as the Americans with Disabilities Act and the Clean Air Act, that have increased their cost of conducting operations at the same time that federal operating funds have been slashed. To date the public transportation providers have attempted to meet these challenges by increasing fares and finding economies in administration. Further cuts in operating and capital expenditures cannot be expected to offset continued increases in costs.

TRT has estimated that normal expenses will increase at a rate of 2.3 percent between the current and following fiscal years. This increase, coupled with increases in capital matches, will total \$733,898 in the next fiscal year.

Cuts in Federal Assistance: In 1994 the federal government contributed \$4.8 million to the operating budgets of TRT, Pentran, and JCCT. For the three transit systems, this amounted to 15 percent of their total operating budgets. Though appropriations of federal operating funds have remained relatively stable over the period 1988 through 1994, when adjusted for inflation, the value of the funds has fallen by 50 percent over the last decade.

Nationally, operating assistance for public transit systems last year totaled \$710 million. Congress is considering cutting the federal operating subsidy for mass transit by nearly 44 percent to \$400 million for next year. Proposed Congressional reductions in operating subsidies for public transportation would eliminate \$2 million for Hampton Roads in the current fiscal year. Under a plan before Congress, the subsidy will then be phased out entirely over the following three years. In the KPMG Peat Marwick LLP 1994 study for VDRPT entitled "Virginia's Rail, Public Transportation and Ridesharing Needs Assessment Study," it was assumed that federal operating assistance will not be available to transit agencies after 1995.

The House Budget Committee budget resolution would also lower the federal share of all transit capital expenditures from 80 percent to 50 percent. The Intermodal Surface Transportation Efficiency act of 1991 (ISTEA) established an 80-20 federal-local grant share for both highway and transit capital projects. Cutting the match for transit expenditures from 80 percent to 50 percent, while leaving the match percentage for highway projects at 80 percent, may tilt the playing field toward highway projects. The purpose of ISTEA was to equalize the percentage of matches allowed for both types of projects at 80 percent; before the law took effect, there was a 75 percent federal match for discretionary transit capital projects. Congress may allow federal funds earmarked for capital expenditures to be used for the maintenance portion of the operating expenses. The net result would be the granting of fewer dollars for capital projects, coupled with some additional flexibility in how this money is applied.

Pentran estimated that \$1,405,225 per year will be needed to offset the loss of federal assistance. For TRT, additional revenues of \$1,840,659 will be needed between the 1996-97 and 1997-98 budget years to offset reductions in federal aid.

Stagnant Levels of State Aid: State operating assistance has leveled off, while the percentage provided by the Mass Transit Fund for the local match of federal funds has been steadily declining. The joint subcommittee was informed that Hampton Roads receives 11 percent of state financial assistance for mass transit, while localities comprising Northern Virginia receive 76 percent. The state matching percent for capital funding is stagnant. Prior to fiscal year 1988, VDRPT funded 95 percent of the non-federal share of capital projects. Since then, the percentage of state funding for the majority of capital projects has declined to 37 percent in fiscal year 1994 and 26 percent in fiscal year 1995. Moreover, if cuts in state aid cause service levels to decline, transit agencies may be eligible for even fewer state dollars, which in turn can reduce service even further.

Competition for Local Funds: Local governments are faced with increasing demands for funding of education, public safety, and other vital services. Public transportation is forced to compete with these other needs for local general fund revenue. The ability of local governments to make ever-increasing local contributions to public transportation is constrained by revenue limitations. As property values have stagnated or even declined, property taxes have proven to be an inelastic revenue source. Taxpayers will continue to face the pressure of rising tax rates as demands on the local general fund grow.

Limits on Farebox Revenue: As federal and state funding have declined, Hampton Roads' public transportation providers have been obliged to rely more heavily on farebox revenue. Nationally, fares from riders provide an average of 29 percent of public transportation budgets. Pentran and TRT have reported that

raising transit fees substantially above prevailing levels will depress ridership levels such that gross revenues may decline.

## **B. Deficiencies in Current Service Levels**

Representatives of the transit providers identified several deficiencies in services. Many areas of Hampton Roads, including areas of Virginia Beach, Chesapeake, Suffolk, York County, Poquoson, Gloucester, and James City County are not served adequately if at all. Budgetary constraints have limited service to major employment centers. There is no Sunday service in Hampton or Newport News.

Even where service is now provided, the infrequency of bus operations is problematic. Service at intervals of 60 minutes may be considered unreliable, thereby reducing ridership levels. Other deficiencies include the lack of integration of transportation resources, limitations on the Handi-ride paratransit service, the lack of interconnection of tourism centers, and the lack of money for adequate marketing of transit services.

## **C. Major Investment Transportation Studies**

The federal Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA) authorized higher levels of funding for transit than any previous federal highway program while requiring greater coordination of highway and transit planning to provide for a more efficient surface transportation system intended to meet local needs. To implement ISTEA's planning requirements, a Major Investment Study (MIS) is conducted to develop information about the consequences of alternative transportation investment strategies in a transportation corridor. The MIS process is intended to result in improved transportation decisions, consistent with land use, environmental considerations, transportation system performance, and community resources. Public participation, involving a broad range of interests, is a major component of the MIS process. Elements of an MIS include establishing goals and objectives, selecting a priority corridor, developing a statement of purpose and needs, and generating and analyzing alternatives.

The joint subcommittee was briefed on studies of projects which, if built, will greatly expand the presence of public transportation in the Hampton Roads region: light rail on the Peninsula, light rail on the South Side, and a third crossing of Hampton Roads. In addition, the members were advised of several other feasibility studies currently underway for several major public transportation projects in the region, including a connection to the proposed Washington-Charlotte high speed rail corridor and the widening of I-64 on the Peninsula.

## **1. CSX Corridor MIS**

The City of Newport News has initiated an MIS to establish feasible alternatives leading to the development of a multi-modal transportation system on the Virginia Peninsula. Partners in the MIS include PENTRAN, local governments in the area from James City County to Hampton, and state agencies. Federal funds account for eighty percent of the one-half million dollar cost of the current phase of the study, with the balance being provided by VDOT and VDRPT.

The corridor to be addressed by the MIS encompasses the path of the CSX railway line from Williamsburg to the Monitor & Merrimac Bridge Tunnel, with a spur to downtown Hampton. Over the next twenty years, the number of vehicle miles traveled in the area is projected to increase approximately 2.6 percent annually, while road mileage is expected to grow at a rate of 1.1 percent annually. The lack of undeveloped land and environmental issues make widening existing roads on the Peninsula very difficult and expensive. Consequently, light rail or other public transit along this corridor may be the optimal way to reduce congestion and address air quality concerns.

The first phase of the CSX Corridor MIS, which is expected to take one year, is underway. A regional advisory committee, consisting of representatives of federal and state agencies, public transportation providers, citizens, regional commissions and authorities, local governments, and industry and business, will identify issues and goals, and review and comment on the scope of the consultant's study and any alternatives identified.

## **2. Norfolk-Virginia Beach Corridor MIS**

The Tidewater Transportation District Commission is heading an MIS that is examining strategies to address traffic congestion in the Norfolk-Virginia Beach Corridor. The study area runs along the Route 44/Interstate 264 corridor from Atlantic Avenue to downtown Norfolk, with a connection to the Norfolk Naval Base.

The study has identified three final alternatives. The first is a no-build congestion management system (CMS) relying on car pooling, park-and-ride lots, ride sharing, queue bypasses, and HOV lanes. The second is an enhanced bus system, including separate busway lanes. The third is a light rail transit system along the Norfolk Southern Railway right-of-way. Any light rail transit system would be built in phases over several years, and would depend on bus service to feed the trunk lines. Over the next three months, the project advisory committees will examine these alternatives, and recommendations are expected early next year.



### **3. Hampton Roads Crossing MIS**

Under ISTEA, demonstration funds were allocated to investigate innovative methods of relieving congestion at the I-64 Hampton Roads Bridge Tunnel. The MIS for the Hampton Roads Crossing should be completed next year. An analysis of congestion problems at the Hampton Roads Bridge Tunnel revealed that the number of delays of 15 minutes or more, and the length of delays, increased greatly between 1993 and 1994. Over 40 potential solutions will have been reviewed during the course of the MIS process, and all include a public transportation component. Three options for the location of a third crossing have been identified, including corridors parallel to the Hampton Roads Bridge Tunnel, parallel to the Monitor & Merrimac Bridge Tunnel, and tangential off the Norfolk Naval Base tying into the Monitor & Merrimac Bridge Tunnel area.

Members of the Joint Subcommittee noted that the three MIS projects offer the prospect of a light rail system stretching from Williamsburg through the Peninsula, across Hampton Roads, to Norfolk and Virginia Beach. The synergies of such a system would have the potential to spur economic development throughout the region while alleviating traffic congestion and addressing the region's status as a nonattainment area under the Clean Air Act.

The joint subcommittee also received briefings on a variety of other public transportation projects under regional consideration. Proposals under review include connecting the region to the proposed high-speed rail system, a regional light rail system, and a commuter ferry service across the Chesapeake Bay.

#### **D. Regional Public Transportation Funding Needs**

The joint subcommittee was presented with three reports quantifying the costs of meeting the public transportation needs of Hampton Roads.

*The Public Transportation Funding and Allocation Process in Hampton Roads:* In June 1995, the Hampton Roads Planning District Commission (HRPDC) issued a report analyzing the public transportation needs in Hampton Roads relative to available funding. Based on information provided by Pentran, TRT, and James City County Transit, HRPDC reported that the total of operating and capital expenses for public transportation in the region from fiscal years 1994 through 2003 will be \$730 million if a light rail system is constructed on Southside Hampton Roads. If the light rail system is not built, the operating and capital expenses for the same period are expected to total \$490 million. A summary of the anticipated capital and operating expenses in the period 1994-2003 is attached as Appendix F.

Based on these estimates of the capital and operating expenses, the report projects operating and capital needs over the coming decade. If local government support stays at the 1994 level for the ten-year period, Pentran will incur a cumulative deficit of over \$20 million, while James City County Transit will earn a surplus of nearly \$7 million. If a light rail system is constructed on Southside Hampton Roads and local contributions stay at their 1994 level, TRT is expected to run a capital deficit averaging \$7.6 million annually and an operating deficit averaging \$2.7 million annually, for a cumulative deficit over the ten years of \$104 million. If the light rail system is not constructed, TRT is expected to run a capital deficit of \$6.5 million over the decade, and an operating shortfall of \$17.5 million in the ten-year period. The HRPDC's analysis of ten year operating and capital needs is attached as Appendix G.

The needs identified by the public transit providers cannot be met without additional reliable funding. If local funding remains constant over the next ten years, and if the light rail project is built on Southside Hampton Roads, there will be a net deficit of approximately \$116 million in funding the anticipated expenses of Pentran, TRT, and James City County Transit. If the light rail project is not built, the estimated deficit of the three systems would be \$31 million. The report contemplates that the three transit systems will receive \$52 million and \$58 million in federal operating funds over the decade; if federal operating assistance is eliminated, as has been proposed in Congress, the deficits will be even greater.

The ability of the region's public transportation agencies to provide basic service, or expand future service, is directly related to the amount of local financial support available. The amount of federal and state funding is contingent on the assumption that local governments will be able to produce the necessary local match. If they cannot, the levels of funding will be reduced, and the ability of transit providers to implement their programs will be greatly impaired. With the possibility of discontinued federal operating assistance, public transportation providers will be hard pressed to operate even the most basic level of service without additional financial assistance.

The report identified two development strategies. The first is to increase the share of public transportation funding in the Hampton Roads region. Options for implementing this strategy include:

- Pursue the recommendation of the Virginia Department of Transportation in its study of the sufficiency and distribution of funds in the Transportation Trust Fund pursuant to Senate Joint Resolution 240 (1993) that the formula for distributing operating assistance to transit providers be amended. Under the current formula, 73.5 percent of public transportation assistance is distributed according to each transit system's pro rata share of total

operating expenses. A recommended alternative would treat each transit operator the same and reward efficiency and service expansion.

- Explore other approaches to increase public transportation funding. Options listed include ear-marking for public transportation the revenue from a sales tax, income tax, payroll tax, tire disposal tax, automobile registration and license fees, vehicle lease/rental fees, or use of lottery proceeds.

The second development strategy is to provide equitable public transit funding for Hampton Roads. The author of the report suggested that Hampton Roads could benefit from a sales tax on motor fuels for transportation purposes similar to that enacted in Northern Virginia.

A list of recommendations contained in the HRPDC report is included in Appendix H.

*Rail, Public Transportation and Ridesharing Needs Assessment Study:* The final draft summary report prepared by KPMG Peat Marwick LLP for the Department of Rail and Public Transportation dated December 30, 1994, projected the funding needs of rail and public transportation during the period 1995-2014 with emphasis on the costs of capital projects and operating subsidies. The draft report indicates that the total capital and operating needs for public transportation and ridesharing in Hampton Roads over 20 years are \$517.8 million under a scenario providing for maintaining current levels of service; \$829.5 million under a scenario of moderate service expansion; and \$3.2 billion under a scenario of significant service expansion. The third scenario includes light rail transit service in both the Peninsula and Southside portions of Hampton Roads.

Leo Bevon, Director of VDRPT, advised the joint subcommittee that KPMG Peat Marwick's report was a cursory look at the situation and is not intended to be a project list. While a light rail system for Tidewater and the Peninsula would not eliminate the need for a third crossing, it would provide a significant boost to tourism and would benefit both daily commuting and economic development in the region. St. Louis and Portland were cited as examples of cities that have benefited from light rail.

*2015 Regional Transportation Plan:* In its 1993 report pursuant to SJR 188, VDOT stated that there were \$8.04 billion of highway needs and \$1.18 billion of public transit needs in the Suffolk construction district. VDOT estimated that less than 50 percent of the needs would be funded under present arrangements. Following completion of this report, the HRPDC staff developed the 2015 Regional Transportation Plan. This plan was developed in accordance with regulations

promulgated under ISTEA requiring that long range transportation plans be constrained by projected revenues. The HRPDC, which staffs the MPO for Hampton Roads, estimated that \$3.35 billion of highway improvements could be completed by 2015. The MPO also approved the dedication of \$170 million in future regional surface transportation program funds and congestion mitigation/air quality funds available under the ISTEA for public transportation. The total for highway and public transportation funding, \$3.5 billion, is less than 40 percent of the needs identified in VDOT's SJR 188 report.

## **IV. OPTIONS FOR A DEDICATED FUNDING SOURCE**

Testimony before the joint subcommittee revealed that a dedicated funding source is critical if Pentran, TRT, and James City County are to maintain current levels of service in an era of disinvestment at the federal level, stagnant state funding, stress on local budgets, and rising fares. The members were briefed on a variety of approaches adopted in the Commonwealth and across the nation to finance public transportation needs.

### **A. Financial Assistance Provided in Other States**

The 1993 report of the American Association of State Highway and Transportation Officials (AASHTO) entitled "Survey of State Involvement in Public Transportation" stated that states provided \$5.7 billion for public transportation, while the federal government provided \$3.8 billion. The table included in Appendix I summarizes the sources of direct and indirect state financial assistance for public transportation, other than from the general fund and transportation funds, in fiscal year 1993. This table only includes data on local or regional sources of funding if they are generated under a state-instituted procedure.

According to the AASHTO survey, the most widely-used source of direct or indirect state financial assistance for public transportation is the fuel tax, including a sales tax on fuel, which is levied in 12 states. A sales tax and the allocation of oil overcharge moneys follow with five states each. Most of the oil overcharge moneys have been collected and distributed, and the program does not offer a viable long-term funding source. In Virginia, oil overcharge revenues have been used primarily for low-income energy assistance programs.

Other state public transportation funding sources include lottery proceeds (2 states), vehicle registration fees (2 states), and vehicle use or excise taxes (2 states). Seven states are identified as using funding mechanism that fall into the "other" category, which includes such sources as interest on the transportation trust fund, revenue from casinos, a cigarette tax, a payroll tax, and recording taxes.

### **B. Northern Virginia's Sales Tax on Motor Fuel**

In Virginia, the only existing dedicated source of funding for public transportation in use is the sales tax on motor fuel levied in the Northern Virginia Transportation District and the Potomac-Rappahannock Transportation District.

A local sales tax on motor fuel was first approved by the General Assembly in 1976. House Bill 950, which was enrolled as Chapter 770 of the 1976 Acts of Assembly, allowed the counties and cities of any multimember transportation

district in existence on January 1, 1973 (the Northern Virginia Transportation District) to impose a local sales tax on motor fuel sold in the district at a rate of up to 4 percent of the retail sales price. However, the legislation stipulated that no county or city in the transportation district could impose the tax unless the governing body of each local government in the district approved the imposition of the tax. The tax was never imposed because one city in the district did not approve the tax.

In 1980, the General Assembly passed House Bill 631, enrolled as Chapter 225 of the 1980 Acts of Assembly, imposing a sales tax of 2 percent on all motor fuel sold in the Northern Virginia Transportation District. The tax was based on the retail sales price of fuel and was incorporated into the pump price. As originally enacted, the tax was due to increase from 2 percent of the pump price to 4 percent on July 1, 1982. However, this scheduled two percent increase was repealed in the 1982 Session.

In 1986, the law was amended to levy a 2 percent tax in any transportation district contiguous to the Northern Virginia Transportation District. As a result, a similar 2 percent tax was imposed on motor vehicle fuels sold within the Potomac-Rappahannock Transportation District. The extension of the tax to this district was prompted by the development of the Virginia Railway Express system.

The joint subcommittee's examination of the Northern Virginia motor fuels sales tax, which is set forth at Article 4 (§§58.1-1719 through 58.1-1724.1) of Chapter 17 of Title 58.1), focused on the following elements:

- In the first full fiscal year in which the tax is levied, each local governing body is required to reduce the rate of its real estate tax, or its real estate tax and other local taxes, in an amount that will reduce tax revenues in the following year by an amount equal to its allocation for rail and bus services which is paid as a result of the imposition of the motor vehicle fuel sales tax. The reduced tax rate cannot be increased during the year of its reduction, but may be raised in later years.
- The net tax revenues are distributed to the transportation district commission monthly. Tax revenues distributed to the Northern Virginia Transportation District Commission must be "applied to the operating deficit, capital and debt service of the mass transit system of such district." Tax revenues distributed to the Potomac-Rappahannock Transportation District must be "applied and expended for any transportation purpose of such district."

- The local motor fuel sales tax in the Northern Virginia Transportation District Commission and the Potomac-Rappahannock Transportation District Commission generated approximately \$18.6 million in the fiscal year ending July 1, 1995. Appendix J lists the amounts collected from this tax from 1990 through 1995 in each of the affected localities.

Representatives from the two transportation districts wherein the sales tax on motor fuel is imposed relayed their experiences to the members of the joint subcommittee. Leo Auger, Director of the Potomac-Rappahannock Transportation District Commission, told the joint subcommittee that revenues from the gas tax have not increased or decreased in tandem with changes in the price of fuel. Revenues from the gas tax have remained relatively stable. The imposition of the two percent gas tax has not uniformly caused the pump price of gasoline to increase by the same percentage. While revenues from the sales tax on fuel have been instrumental in the development of the Virginia Railway Express, the revenues are not sufficient to fund all of the necessary transportation improvements in the District.

J. Roderick Burfield of the Washington Metropolitan Area Transportation Authority recounted the colorful history of the implementation of the regional sales tax on motor fuel in Northern Virginia. The federal legislation authorizing the Metro system required Virginia, Maryland and the District of Columbia to provide stable and reliable dedicated funding for their portion of operating and debt service expenses. Virginia risked losing \$1.7 billion in federal money if a dedicated funding source for Metro, such as the sales tax on fuel in Northern Virginia, was not implemented.

### **C. Other Public Transportation Financing Techniques**

The joint subcommittee reviewed alternative techniques for financing public transportation adopted elsewhere across the nation. As a starting point, the members reviewed the methods identified by the Department of Transportation in its report, Alternative Financing for Urban Transportation (1986). The use of the same or similar techniques in the Commonwealth, or barriers to their implementation here, were noted.

State Sales Tax: California earmarks a portion of its six percent state sales tax for public transportation through two separate funds: the Local Transportation Fund (LTF) and the regional State Transit Assistance Fund (STAF). The LTF receives 0.25 percent of the revenues from the state's sales tax. LTF funds are returned to the county of origin. LTF funds (less percentages reserved for pedestrian and bicycle facilities and service for the elderly and disabled) are apportioned within the county on the basis of population for specific purposes. The

STAF receives an amount equal to the revenues from the state sales tax attributable to sales of gasoline in excess of the amount of general fund revenue paid into the LTF funds. Thirty percent of these "spillover" funds are allocated proportionately based on each transit operator's percentage of total revenues from such sources as fareboxes, appropriations from localities, and local sales taxes dedicated to transit. Seventy percent of STAF moneys are allocated to regions based on population. To qualify for funding under LTF and STAF, a transit claimant must maintain a ratio of farebox revenues to operating costs. The ratio that must be maintained is higher in urban areas (20 percent) than in other areas (10 percent).

Virginia has earmarked one half of one percent of the 3.5 percent state sales and use tax for public transportation through the Transportation Trust Fund.

Local Option Sales Tax: Arizona, California, Florida and Georgia authorize a local option sales tax for transportation funding. In Arizona, counties are authorized to impose an additional 0.5 percent sales tax with a duration of 20 years. The enabling legislation required approval of the tax at a referendum. While most of the tax revenues are used for road construction, a portion is earmarked for augmenting public transportation service.

California localities, upon voter approval, are authorized to impose an additional sales tax of up to one percent, for a maximum of 20 years, for transportation purposes. Currently, 17 California localities levy at least one 0.5 cent local sales tax for transportation purposes. These local sales taxes collectively generate \$22.1 billion annually. Forty-three percent of the revenues will be spent on rail transit systems.

The Florida legislature has authorized a local option sales tax to help fund the Dade County rail transit system. The discretionary sales surtax would have been levied at 20 percent of the general sales tax rate. None of the five counties authorized to levy this tax have done so.

Georgia utilizes a one percent regional sales tax to fund local mass transit in Fulton and DeKalb Counties. Adoption of the tax required a referendum.

Virginia does not permit localities to implement a broad-based sales and use tax dedicated for transportation purposes. As the one percent local portion of the sales and use tax is returned to local general fund coffers and some localities contribute general fund moneys to the operating and capital need of their public transportation systems, a portion of the local sales and use tax may be said to be available for public transportation.



Local Option Motor Fuel Tax: According to the AASHTO survey (Appendix I), twelve states and the District of Columbia authorize localities to levy a motor fuel tax, to pay for public transportation. Florida has two types of local motor fuel taxes: the voted gas tax and the local option gas tax. Both may be implemented at local option. Funds from both taxes can be dedicated for highway or public transit needs. The voted gas tax requires voter approval by referendum. This tax is limited to one percent per gallon. Twelve counties have adopted the voted gas tax. The local option gas tax requires a simple majority vote of the members of a county commission. The tax rate is limited to six percent per gallon. Of the 56 counties with the local option gas tax, 31 have imposed it at the maximum rate.

Virginia does not permit localities to enact a local motor fuel tax. However, a sales tax on motor fuel is levied within the localities comprising the Northern Virginia Transportation District and the Potomac-Rappahannock Transportation District pursuant to Article 4 (§ 58.1-1719 et seq.) of Chapter 17 of Title 58.1, as discussed above.

Motor Vehicle Excise Tax: Washington's Motor Vehicle Excise Tax (MVET) is a 2.2 percent tax based on the fair market value of motor vehicles, collected annually at the time of registration. Localities may direct one percent for local public transportation. The state general fund receives one percent (plus any portion of the municipal levy not used for local public transportation), and the ferry system receives 0.2 percent. In order to receive the one percent of MVET funds, a locality must match the funds dollar-for-dollar with funds from a local tax source (such as a sales tax, or household or business tax) or local general fund revenues.

Localities may use one percent of state MVET for local public transportation, if they match the funds with local revenues (i.e., local sales tax; \$1/month/household special transit excise; local MVET; local business and occupation tax for mass transit). Two counties and 14 cities levy a local 1% motor vehicle excise tax.

The Washington state MVET is essentially an ad valorem tax on personal property; such a tax cannot be levied at the state level in the Commonwealth because the Constitution segregates tangible personal property for local taxation.

Beer Tax: Alabama levies a statewide tax on beer at the rate of 1.625 cents per four fluid ounces. The revenues are collected locally, and are allocated to the county of origin for purposes approved by the state legislature. In Jefferson County (Birmingham), one-sixth of the tax revenue or \$2 million, whichever is greater, is distributed to the local transit authority.

Virginia does not have a similar mechanism allowing the dedication of any of the proceeds of the state beer and beverage excise tax or other state taxes or profits from the sale of alcoholic beverages to be dedicated to local public transportation purposes.

Payroll and Income Taxes: Oregon allows local transit districts to levy a payroll tax, based on the amount of wages paid by an employer, to finance public transportation. The transit districts for Portland and Eugene have implemented this tax at rates of 0.6 percent and 0.5 percent, respectively. The tax is assessed on the payrolls of employers and the earning of self-employed persons. Though units of government are exempt from the tax, the state pays an equivalent amount in lieu of the tax.

In Ohio and Kentucky, revenues from employee income taxes have been dedicated to support public transportation.

In 1989, the General Assembly authorized certain localities to impose a local income tax for transportation purposes, including both highways and public transportation. (§§ 58.1-540 through 58.1-549) Only the City of Norfolk and the Northern Virginia Counties of Arlington, Fairfax, Loudoun, and Prince William and Cities of Alexandria, Fairfax, Falls Church, Manassas, and Manassas Park may enact the tax. The maximum local income tax rate in Virginia is one percent. The law also requires state and local "maintenance of funding efforts"; that is, neither the Commonwealth nor the locality is permitted to reduce its funding of local transportation projects. Any local income tax levied by a locality is required to expire automatically on a date five years from the effective date of the tax in the locality. A precondition for imposition of a local income tax is approval of the tax by the local voters by referendum. At this time, no locality has placed the issue before the voters, and no local income tax has been enacted by any locality.

Tax Increment Financing: Tax increment financing (TIF) is a technique by which increases in property values attributable to a transportation project are taxed to finance the cost of the project. Thirty-seven states allow TIF. In practice, a locality may designate an area as a tax increment district. Base year property values are then determined for property in district. Property taxes collected on the difference in value of property pre- and post-completion of projects are used to finance the projects.

Maryland allows local governments to designate certain areas as Tax Increment Districts as a mechanism for funding transportation improvements. In Prince George's County, 10 districts were created and have been used to fund parking garages, a pedestrian overpass, traffic signals, and road projects.

Virginia permits tax increment financing pursuant to Article 4.1 (§ 58.1-3245 et seq.) of Chapter 32, Title 58.1. In Virginia, TIF is available to finance development projects in blighted areas.

Lottery Proceeds: Pennsylvania and Arizona have dedicated portions of lottery proceeds for public transportation purposes. The Pennsylvania lottery was authorized in 1972 with the provision that the net proceeds are appropriated to programs for senior citizens. The transportation programs for senior citizens receive between 8 and 12 percent of net lottery proceeds.

Arizona implemented a lottery in 1980. The following year, the legislature earmarked \$190 million of revenues from the lottery over the next ten years for the local transportation assistance fund. The funds are allocated to localities based on population. Cities with a population of over 300,000 must use the funds for capital or operating assistance for mass transit. Other localities may use the funds for any transportation purpose, including road maintenance.

In Virginia, § 58.1-4022 requires that 100 percent of the lottery proceeds transferred to the general fund be appropriated for the purpose of public education.

Special Assessments: Assessments are taxes or fees on all properties within a special district which pay for all or a part of specific improvements made within that district. Revenues are typically used to retire bonds issued to finance construction of capital improvements, but may be used to fund maintenance or operating costs. Special assessments for public transportation have been implemented in Denver, Los Angeles, and Miami.

Virginia has allowed the use of special improvement districts for transportation purposes. Such districts may be established pursuant to the Local Transportation Districts Act of 1993 (§ 33.1-409 et seq.). A special improvement district was used to finance the Route 28 project in Northern Virginia. The enabling legislation defines "transportation improvements" to include "public mass transit systems."

Impact Fees: Impact fees are generally associated with defraying the costs of highway and road construction necessitated by development. An impact fee for public transportation has been assessed in San Francisco. The Transit Impact Development Fee Ordinance authorized the city to collect a one-time fee of up to \$5 per square foot from the developers of new downtown office space. Payment of the fee is a condition for issuance of a certificate of occupancy. The proceeds of the fee are used to defray the capital and operating costs of additional peak-period public transit services.

Localities in Northern Virginia are authorized to levy road impact fees pursuant to Article 8.1 (§ 15.1-498.1 et seq.). Impact fees may cover the cost of reasonable road improvements necessitated by new development. No locality has adopted a road impact fee ordinance.

Negotiated Investments: Negotiated investments are contributions of cash or improvements by the private sector fulfilling public sector requirements, and are often made as proffers in return for rezoning of property. Though negotiated investments are more typically used to finance road projects, they have been utilized to finance portions of mass transit projects in several cities.

In New York City, a developer may receive a development density bonus if its proposed subway access improvements are approved by the planning commission. In Washington, D.C., an owner/developer may negotiate a system-interface project. These projects allow businesses to construct, at their own expense, entrances into Metro areas. The value of the business is enhanced by the direct access to the subway station. Finally, a private developer in Portland, Oregon has been required to construct a light rail transfer station and park-and-ride lot in exchange for a conditional use permit.

In Virginia, proffered improvements and payments, voluntarily made by developers, may be accepted by local governments, usually in connection with rezonings.

Private Donations and Initiatives: A private donation or initiative results when a private party desires an improvement in facilities or service that is not of sufficient priority with the public agency. It may also result when a private party perceives that providing public sector transportation services may provide him with a benefit.

Examples of private donations tend to be sui generis. They include: (i) Grand Rapids, Michigan, where a wealthy individual agreed to donate a \$100,000 local match required for the acquisition of five buses in exchange for the expansion of the system to include a stop at the zoo; (ii) Cedar Rapids, Iowa, where participating merchants subsidize 3.1 percent of the city bus department's operating costs through the Ride-and-Shop card program; and (iii) Secaucus, New Jersey, where Hartz Mountain Industries built a commuter rail station and provides shuttle bus service for its employees from the station to its offices.

RF&P's proposal to build a Metrorail station in the Potomac Yards development in Alexandria is an example of a private initiative in Virginia. The cost of the station, which will include Virginia Railway Express and Amtrak service, is estimated at \$20 million. The annual operating costs are expected to be \$1 million, which will be paid by fares and local contributions.

Use of Property and Property Rights: Highway and transit agencies have generated revenue by selling or leasing development rights, negotiating land leases, and leasing or selling existing facilities to the private sector. The use of the transit company's property rights to generate profits is most valuable in urban areas where development options are limited. The viability of this option depends on the agency's ownership of marketable assets.

One example of its applicability to public transportation is found in Washington, D.C., where the transit system leases land on which a subway station is located to Prudential Insurance Co. Prudential has built a seven story office building on the site, which is leased from the transit system for a minimum of \$260,000 per year. Similar approaches have been implemented in Cedar Rapids, Iowa, Santa Cruz, California, and Tacoma, Washington.

An example of a transit operator's use of its property rights to generate income is the sale of advertising space on buses, which has been implemented by transit systems throughout Virginia.

Private Provision of Facilities and Services: The private sector has been developing and providing transportation facilities and services in a variety of ways. Arguments supporting private sector participation include savings due to the creation of a competitive environment and the opportunity for earlier financing of infrastructure.

Privately-financed public transportation projects include people-mover systems in Tampa, Florida, Las Vegas, Nevada, and Irving, Texas. Other examples include (i) contracting bus service and maintenance to private firms in suburban Kansas City, Kansas, and Snohomish County, Washington; (ii) contracting taxi service for the region's elderly and handicapped in Kankakee, Illinois; (iii) contracting taxi service to operate a late-night, shared ride general transit service in Ann Arbor, Michigan; and (iv) establishing a separate transit district to contract with private bus system operators, as has been contemplated in an area of Los Angeles.

One example of the use of private provision of services in Virginia is Fairfax County's contracting of bus maintenance services to a private contractor.

Public-Private Partnerships: Public-private partnerships have been suggested as a way to finance expensive transit facilities. A feasibility study for a rapid transit system serving the Dulles Airport corridor found that a cooperative venture between local governments and the private sector may cost about two-thirds as much as a purely public sector project funded only with dedicated tax revenues. The study envisioned the creation of a transportation district which would pay a service fee to the system's private owner. The transportation district

would have taxing or assessment powers to generate revenue to pay the service fees.

In the Commonwealth, the Dulles Greenway private toll road is an example of public-private partnership developing a transportation project. The Virginia Public-Private Transportation Act (§ 56-556 et seq.) authorizes similar ventures.

*Creative Debt Financing:* Several transit systems have found that creative debt instruments enhance their ability to replace outdated equipment and to expand transit services. Techniques such as certificates of participation and cross border leasing allow transit systems to spread payments for capital expenditures over time to more closely match revenue sources.

*Other Financing Techniques:* The list of funding options provided in the DOT report is not complete, and the joint subcommittee was advised of many other approaches to paying for public transportation projects. An example of the variety of funding mechanism available is evident in New York's approach, which provides funding from five taxes. These include (i) a 0.75 percent gross receipts tax on oil company sales; (ii) a corporate franchise tax surcharge; (iii) a 0.75 percent "long lines" tax on the interstate gross earnings of telecommunications business activities carried on within the state; (iv) a 0.25 percent sales tax for the 12-county New York City area; and (v) allocation of portions of the mortgage recording and transfer tax in the six regions with transportation authorities.

## V. ANALYSIS OF A REGIONAL MOTOR FUEL SALES TAX

After being briefed on a range of financing options utilized to finance public transportation, the joint subcommittee focused its analysis on a regional motor fuel sales tax similar to that imposed in Northern Virginia. Three aspects of this option were attractive to many members of the joint subcommittee. The fuel tax has a record of implementation in Northern Virginia. By requiring cities and counties to rollback property taxes equivalent to the support previously provided to public transportation from general funds, such a tax shifts costs from property taxpayers to persons utilizing transportation in Hampton Roads, including tourists, transient traffic, and many who pay little or no property tax. In addition, though a fuel tax was considered to be relatively non-intrusive, it is capable of generating a considerable amount of revenue.

### A. Estimated Revenue

The joint subcommittee requested information on the amount of revenue that would be generated by a fuel sales tax in the region. Unfortunately, data on the value of motor fuels sold in each locality within the Commonwealth is not collected and maintained by any state agency. Consequently, staff prepared estimates of fuel tax revenues at rates of two and five percent by extrapolating tax collection data from the two transportation districts where a similar tax is levied.

In the eleven cities and counties in the Northern Virginia and Potomac-Rappahannock Transportation Districts, the 1995 motor fuel tax revenues totaled \$18,571,153. Based on 1995 population projections in these jurisdictions of 1,702,387, the per capita motor fuel sales tax receipts were \$10.91. Based on the same per capita motor fuel sales tax collection amount in Northern Virginia of \$10.91, and 1995 population projections of 1,442,487, a two percent motor fuel sales tax in the Hampton Roads jurisdictions served by Pentran, TRT, and James City County Transit would generate \$15.7 million. (Table 2)

Assuming that the per capita fuel tax collections at a rate of five percent would be 250 percent of the amount collected at a two percent rate, a five percent motor fuel sales tax in Hampton Roads would raise an estimated \$39.3 million. (Table 2)

Table 2: Motor Fuel Sales Tax Revenue Estimates (Per Capita)

Locality	1995 Projected Population*	Collections from a Two Percent Sales Tax (\$10.91 per capita)	Collections from a Five Percent Sales Tax (\$27.27 per capita)
Hampton	138,062	\$1,506,256	\$3,764,951
Newport News	178,276	\$1,944,991	\$4,861,587
<b>Pentran Area</b>	<b>316,338</b>	<b>\$3,451,247</b>	<b>\$8,626,538</b>
James City Co.	39,735	\$433,509	\$1,083,573
York County	46,050	\$502,405	\$1,255,783
Williamsburg	12,060	\$131,575	\$328,876
<b>JCCT Area</b>	<b>97,845</b>	<b>\$1,067,489</b>	<b>\$2,668,232</b>
Norfolk	258,609	\$2,821,424	\$7,052,267
Virginia Beach	439,427	\$4,794,149	\$11,983,174
Chesapeake	170,942	\$1,864,977	\$4,661,588
Portsmouth	103,424	\$1,128,356	\$2,820,372
Suffolk	55,902	\$609,892	\$1,524,448
<b>TRT Area</b>	<b>1,028,304</b>	<b>\$11,218,797</b>	<b>\$28,041,849</b>
<b>Total</b>	<b>1,442,487</b>	<b>\$15,737,533</b>	<b>\$39,336,619</b>

\*Source: 1994-95 Virginia Statistical Abstract, Center for Public Service, Table 16.9.

Another approach to estimating the tax collections is to compare the amount collected in Northern Virginia based on the number of registered motor vehicles. Northern Virginia had 1,275,459 registered motor vehicles, and Hampton Roads had 941,940, in 1992. The motor fuel sales tax collection rate per motor vehicle in Northern Virginia, based on 1995 tax collections and 1992 vehicle registrations, is \$14.56. Assuming that the amount of motor fuel sales tax collected per motor vehicle in Hampton Roads will be identical, a two percent motor fuel sales tax in the Hampton Roads jurisdictions served by Pentran, TRT, and James City County Transit could be expected to generate \$13.7 million. (Table 3)

If motor fuel sales tax collections per registered motor vehicle at a rate of five percent are 250 percent of the amount collected at a two percent rate, a five percent tax in Hampton Roads would equate to collections of \$36.40 per registered motor vehicle. Accordingly, a regional five percent sales tax on motor fuel could be expected to raise \$34.3 million. (Table 3)



Table 3: Motor Fuel Sales Tax Revenue Estimates  
(Per Registered Motor Vehicle)

Locality	Registered Vehicles, 1992*	Collections from a Two Percent Tax (\$14.56 per registered vehicle)	Collections from a Five Percent Tax (\$36.40 per registered vehicle)
Hampton	95,853	\$1,395,620	\$3,489,049
Newport News	112,416	\$1,636,777	\$4,091,942
<b>Pentran Area</b>	<b>208,269</b>	<b>\$3,032,397</b>	<b>\$7,580,991</b>
James City Co.	27,628	\$402,264	\$1,005,659
York County	35,693	\$519,690	\$1,299,225
Williamsburg	10,653	\$155,108	\$387,769
<b>JCCT Area</b>	<b>73,974</b>	<b>\$1,077,062</b>	<b>\$2,692,653</b>
Norfolk	147,140	\$2,142,358	\$5,355,896
Virginia Beach	281,972	\$4,105,512	\$10,263,781
Chesapeake	124,144	\$1,807,537	\$4,518,842
Portsmouth	65,122	\$948,176	\$2,370,441
Suffolk	40,869	\$595,053	\$1,487,632
<b>TRT Area</b>	<b>659,247</b>	<b>\$9,598,696</b>	<b>\$23,996,592</b>
<b>Total</b>	<b>941,490</b>	<b>\$13,708,095</b>	<b>\$34,270,236</b>

\*Source: 1994-95 Virginia Statistical Abstract, Center for Public Service, Table 21.17.A.

Two additional methods of estimating the collections from a sales tax on motor fuel in Hampton Roads were also reviewed. First, in order to isolate the dollar value of gasoline sales, the number of registered vehicles in the Hampton Roads localities (941,490) was multiplied by the statewide average vehicle fuel consumption (715 gallons) and average retail price per gallon of all grades of gasoline in June 1995 of \$1.25. This approach indicated that a two percent sales tax on motor fuel would generate approximately \$18.3 million, and a five percent sales tax on motor fuel would generate approximately \$45.8 million. (Table 4)

Table 4: Motor Fuel Sales Tax Revenue Projections Based on Average Annual Fuel Consumption of Registered Vehicles and Current Retail Price of Gasoline

Locality	Annual vehicle fuel costs, based on vehicle registrations, statewide average fuel price and fuel consumption*	Projected fuel tax collections based on 2% of retail cost of gasoline	Projected fuel tax collections based on 5% of retail cost of gasoline
Hampton	\$85,668,619	\$1,713,372	\$4,283,430
Newport News	\$100,471,800	\$2,009,436	\$5,023,590
<b>Pentran Area</b>	<b>\$186,140,419</b>	<b>\$3,722,808</b>	<b>\$9,307,020</b>
James City Co.	\$24,692,525	\$493,851	\$1,234,627
York County	\$31,900,619	\$638,012	\$1,595,030
Williamsburg	\$9,521,119	\$190,422	\$476,055
<b>JCCT Area</b>	<b>\$66,114,263</b>	<b>\$1,322,285</b>	<b>\$3,305,712</b>
Norfolk	\$131,506,375	\$2,630,128	\$6,575,320
Virginia Beach	\$252,012,475	\$5,040,249	\$12,600,622
Chesapeake	\$110,953,700	\$2,219,074	\$5,547,685
Portsmouth	\$58,202,788	\$1,164,056	\$2,910,140
Suffolk	\$36,526,669	\$730,533	\$1,826,332
<b>TRT Area</b>	<b>\$589,202,007</b>	<b>\$11,784,040</b>	<b>\$29,460,099</b>
<b>Total</b>	<b>\$814,456,688</b>	<b>\$16,829,134</b>	<b>\$42,072,831</b>

\*Source: 1994-95 Virginia Statistical Abstract, Center for Public Service, Table 23.8.C, and Federal Highway Administration Monthly Motor Fuel Reported by States, May 1995.

Second, an attempt was made to utilize federally-collected data from 1987 for the value of sales made at gasoline service stations in the Hampton Roads localities. However, the data includes all goods and services sold through service stations, such as repairs, automotive supplies, and incidental sales of food and beverages. In addition, the data does not reflect the fact that motor fuel is sold at convenience stores and other places not classified as gasoline service stations. Again, the corresponding data for Northern Virginia localities was examined to ascertain that the amount of fuel tax collections per dollar of gasoline service station sales was 2.2 cents. Furthermore, the age of the data, which was compiled nine years ago, severely limits its usefulness. Nevertheless, based on a volume of service station sales in Hampton Roads in 1987 of \$564.5 million, a two percent sales tax on motor fuel could generate tax revenues of approximately \$11.8 million. The corresponding figure based on a five percent sales tax rate would be \$29.4 million. (Table 5)

Table 5: Motor Fuel Sales Tax Revenue Projections Based on Gasoline Service Station Sales

Locality	Gasoline Service Station Sales (1987) (Thousands of dollars)	Projected collections at 2% rate (Assuming \$0.022/dollar of sales)	Projected collections at 5% rate (Assuming \$0.055/dollar of sales)
Hampton	60,196	\$1,324,312	\$3,310,780
Newport News	76,546	\$1,684,012	\$4,210,030
<b>Pentran Area</b>	<b>136,742</b>	<b>\$3,008,324</b>	<b>\$7,520,810</b>
James City Co.	13,097	\$288,134	\$720,335
York County	10,626	\$233,134	\$584,430
Williamsburg	19,629	\$431,838	\$1,079,595
<b>JCCT Area</b>	<b>43,352</b>	<b>\$953,744</b>	<b>\$2,384,360</b>
Norfolk	87,126	\$1,916,722	\$4,791,805
Virginia Beach	149,314	\$3,284,908	\$8,212,270
Chesapeake	66,277	\$1,458,094	\$3,645,235
Portsmouth	31,487	\$692,714	\$1,731,785
Suffolk	21,360	\$469,920	\$1,174,800
<b>TRT Area</b>	<b>355,564</b>	<b>\$7,822,358</b>	<b>\$19,555,895</b>
<b>Total</b>	<b>535,658</b>	<b>\$11,784,426</b>	<b>\$29,461,065</b>

Source: 1994-95 Virginia Statistical Abstract, Center for Public Service, Table 23.8.C.

Estimates based on extrapolating Northern Virginia's tax collections per capita and per registered vehicle to Hampton Roads are not reliable. Differences between Northern Virginia and Hampton Roads in commuting patterns, demographics, fuel costs, fuel sales to tourists and other transients, and other variables will affect the tax collection rates in these very different regions of the Commonwealth. Further, the estimates for a sales tax rate of five percent assume that collections will be 250 percent as much as at a two percent rate, which would only be accurate if the demand for motor fuel was totally elastic with respect to the commodity's price.

Predicting future revenues from a regional sales tax on fuel is difficult because of the multiplicity of variables involved. These variables include, but are not limited to, (i) the retail price of gasoline, which includes federal and state taxes; (ii) the average fuel efficiency of motor vehicles; (iii) the availability and use of public transportation, which renders the demand for motor fuel less elastic; (iv) such demographic factors as the size of the driving-age population; and (v) economic trends as reflected in tourism, automobile ownership, and commuting patterns.

However, in the absence of reliable retail fuel sales data for each locality, these estimates provide a measure of the scope of tax revenue that may be collected from a sales tax on motor fuel. The four approaches to estimating the collections from a sales tax on motor fuel produce ranges of revenue at the two percent tax rate

of between \$11,784,426 and \$16,829,134 for the ten affected Hampton Roads localities. The average of the four estimates based on a two percent rate is \$14.5 million. (Appendix K) The revenue estimates for a two percent sales tax on motor fuel are consistent with the figures in the Department of Taxation's Legislative Impact Statement for House Bill 1383 (1994). The Department estimated that a two percent motor fuel sales tax in the jurisdictions served by Pentran, TRT, and James City County Transit would generate collections of between \$13,090,000 and \$18,150,000.

The corresponding range of the estimates based on a five percent tax rate is between \$29,461,065 and \$42,072,831. The average of the four estimates based on a two percent rate is \$36 million. (Appendix L) This average is near the revenues estimated by Linton, Miels, Reisler, and Cottone in their 1989 report, "A Transportation Financing Strategy for the Hampton Roads Region," in which they estimated that a five percent sales tax on gasoline in fourteen Hampton Roads jurisdictions would produce annual revenues of \$38 million.

In its discussion, the subcommittee noted that revenues from the sales tax on motor fuel in the Northern Virginia and Potomac-Rappahannock Transportation Districts have been relatively stable over the period 1990-1995. The revenues from the tax in the Northern Virginia Transportation District increased 8.4 percent over the five year period, for an average annual increase of 1.7 percent. In the Potomac-Rappahannock Transportation District, revenues from the tax increased 12.8 percent over the period 1991 through 1995, for an average annual increase of 3.2 percent.

The relative stability of motor fuel sales tax collections in Northern Virginia was attributed to two causes. First, gasoline prices have fluctuated within a relatively narrow range when compared to the price spikes experienced in 1973-1974 and 1979. Second, gasoline consumption has not increased at a rate that reflects the growth in the region's population because the fuel efficiency of motor vehicles has increased as the result of implementation of federal CAFE requirements.

The joint subcommittee discussed whether some type of escalator may be appropriate if the sales tax on fuel is to remain a viable source of funding in view of expected increases in regional funding needs. It was noted that general sales and use tax revenues have increased at a much greater rate over recent years than have collections from the sales tax on motor fuel in Northern Virginia.

## **B. Scope of Possible Property Tax Relief**

House Joint Resolution 656 directed the joint subcommittee to examine the scope of property tax relief for homeowners and other property taxpayers that could be achieved by identifying dedicated funding sources to support public transportation. Currently, local governments provide financial support to transit providers from general fund revenues. From 1988 through 1994, localities paid over \$58 million for operating and capital expenses of Pentran, TRT, and James City County Transit.

The legislation implementing the regional sales tax on motor fuel in the Northern Virginia and Potomac-Rappahannock Transportation Districts recognized that the dedicated tax could offset local contributions funded by property tax revenues. Section 58.1-1721 requires localities, in the first year of the implementation of the tax, to reduce the rate of their real estate tax, or their real estate tax and other local taxes, in an amount that will reduce tax revenues in the following year by an amount equal to their allocation for rail and bus services which is paid as a result of the imposition of the motor vehicle fuel sales tax.

The joint subcommittee studied the amount of local real property tax relief that might be achieved in Hampton Roads by substituting revenues from a motor fuels sales tax for the local transit contributions. The tax rollback estimates were calculated based on the amount of a locality's contribution to public transit compared to the revenue generated by each cent of its real property tax rate. Based on 1994 real estate tax collections and tax rates, the amount of the real property tax rate rollback in the Hampton Roads localities varied from 3.9 cents per hundred dollars of assessed value in Norfolk to less than a tenth of a cent in York County. The amount of tax relief that could be afforded by offsetting the local general fund payments for public transportation is primarily a function of the size of the local contributions. The four jurisdictions paying the most to their transit systems (Norfolk, Newport News, Hampton, and Portsmouth) were estimated as being able to effect the largest reductions in estate tax rates. Estimates for the amount of the real estate tax rates represented by contributions to public transit in each of the localities served by Pentran, TRT, and James City County Transit are attached at Appendix M.

Members of the joint subcommittee expressed two concerns with a requirement that all local general fund contributions be offset by revenue from a new motor fuel sales tax. First, if the revenues from a motor fuel tax in the jurisdictions served by Pentran were applied to offset local contributions, the net proceeds from a two percent motor fuel tax would not be sufficient to allow the transit system to expand its services. The second concern involved the limited duration of the property tax rollback requirement. Section 58.1-1721 of the *Code of*

*Virginia*, requires localities only to maintain the lowered property tax rates for the first year following the implementation of the new motor fuel tax.

### **C. Impact on Public Transportation Providers**

TRT, Pentran, and James City County Transit were asked by the joint subcommittee to analyze the affect of receiving revenues from a sales tax on motor fuel at both the two percent and five percent rates. Pentran's representative reported that a two percent sales tax on motor fuel generating annual revenue of \$3.3 million would be offset by the need to replace the loss of federal funds and normal increases in operating costs (\$1.4 million) and reductions in local government contributions (\$2.7 million). Consequently, a two percent tax would not permit the agency to implement service and capital improvements over the period 1997-2006. The primary benefit of a tax at this level would be to provide financial relief for local governments.

A five percent motor fuel sales tax generating \$8,258,840 annually, after deducting \$1.4 million for lost federal funds and \$2.7 million for reduced local contributions, would increase Pentran's available revenues by \$4.1 million. These additional funds could be used to (i) expand transit service in Hampton and Newport News, (ii) expand service into neighboring jurisdictions as requested, (iii) purchase new and replacement transit vehicles, and (iv) finance debt service on a fixed guideway system on the Peninsula. The revenues would not be sufficient to fund the initial investment to begin construction in fiscal year 2006.

In its analysis of the effect of a sales tax on motor fuel, TRT assumed that local contributions would be reduced by one-half of the current level. A two percent tax generating \$10.1 million per year, after deducting \$2.8 million for reductions in local contributions and \$2.6 million for the loss of federal funds and normal operating cost increases, would produce net revenue of \$4.7 million. This level of increased funding could be used to provide new express bus service, increased frequency on major routes, stabilized fares, and expanded Handi-Ride service.

A five percent motor fuels sales tax, estimated to generate gross revenues of almost \$25.3 million, would raise net revenues of \$19.9 million. This estimate assumes the same reductions in federal and local funds as in the two percent tax scenario. Additional funding at the five percent level could allow TRT to fund the design, engineering and construction of a light rail transit system between Virginia Beach and Downtown Norfolk and an associated bus feeder system, as well as a revenue stream of approximately \$3 million for light rail service to the Norfolk Naval Base.

James City County Transit did not count on tax revenues from a motor fuel sales tax in York County, which reduced the annual revenues from a two percent

tax to approximately \$600,000. Over a five year period, \$1 million would be needed to offset the loss of federal funds. Another \$2.5 million is needed to fund the agency's five year capital program to replace buses and comply with ADA requirements, and establish a shopper/visitor shuttle in the Greater Williamsburg area. Accordingly, the James City County Transit spokesman reported that the revenues from a two percent tax would be sufficient to cover the loss of federal revenues and pay for most of the capital program.

## VI. WORK OF THE JOINT SUBCOMMITTEE

### A. Meetings of the Joint Subcommittee

The joint subcommittee was required by HJR 656 to report its findings and recommendations to the Governor and the 1996 Session of the General Assembly. In pursuing its legislative mandate, the joint subcommittee conducted five work sessions.

June 28, 1995; Hampton: At its organizational meeting, the joint subcommittee elected Delegate Flora D. Crittenden as chairman and Senator Stanley C. Walker as vice chairman. The meeting featured a briefing on existing deficiencies in, and goals for expansion of, regional transit services. The members were cautioned by Pentran, TRT, and James City County Transit that without a reliable, dedicated source of funding, the three public transit systems serving the region may not be able to maintain the current level of services.

August 22, 1995; Hampton: The second meeting of the joint subcommittee focused on the needs for public transportation in Hampton Roads. Several organizations stressed the benefits of public transportation and presented proposals for financing regional public transit:

- Y. B. Williams of the Hampton Roads Public Transportation Alliance recommended the adoption of a transit distribution formula that provides adequate funding for public transit needs, advocated state matching of all passenger rail and transit financial assistance in the same manner as highways, and supported regional dedicated funding to expand and enhance public transportation. He noted that TRT, Pentran, and James City County Transit have \$722 million in transportation needs over the next ten years, of which \$231 is unfunded. Unmet needs include maintenance and updating of operating and maintenance facilities, replacement of vehicles, new commuter bus services, providing alternative solutions to industry through the transportation demand management program, expansion of paratransit services, passenger ferry services, and the addition of light rail passenger services.
- Martha McClees of the region's Chamber of Commerce noted that her organization has recognized the importance of an intermodal approach to meeting the transportation needs of Hampton Roads, and suggested that new or redirected revenue sources be dedicated to fund current and future modes of public transportation.



- George Olson, Transportation Director at Southeastern Virginia Areawide Model Program, Inc., a regional community service agency serving the needs of the elderly, advocated dedicated, predictable, adequate and reliable sources of public transportation funding.
- Sandra Brandt, Executive Director of Step-Up, Inc., a community service agency providing job training and placement services, contended that money invested in public transportation saves money. Mass transit should also be adequate to allow access to educational and job-training facilities.

September 12, 1995; Hampton: The third meeting of the Joint Subcommittee featured reports on the status of three Major Investment Studies addressing public transportation projects in Hampton Roads. The Hampton Roads Planning District Commission also presented its report on the public transportation funding and allocation process in Hampton Roads.

November 27, 1995; Hampton: In its fourth meeting the Joint Subcommittee reviewed techniques employed in other jurisdictions for financing public transportation. Representatives of the two Northern Virginia transportation districts relayed their experiences to the Joint Subcommittee.

December 19, 1995; Hampton: Members discussed the revenue potential of a regional sales tax on motor fuel. The joint subcommittee intended to develop recommendations identifying a stable and dedicated source of funding for public transportation in Hampton Roads at its final meeting. However, a quorum was not present. The members in attendance elected, after much discussion, to circulate among the members not in attendance a proposal for a 4.5 percent regional sales tax on motor fuel. Under the proposal circulated among the subcommittee members, a 4.5 percent sales tax on motor fuel would be levied within the cities and counties comprising the Peninsula Transportation District and the Tidewater Transportation District and those served by James City County Transit. A referendum or local government approval would not be required. The tax would be modeled on the sales tax on motor fuel imposed in localities within the Potomac-Rappahannock Transportation District. Major features of the proposal include:

- Rate: The tax rate will be 4.5 % of the retail price of motor fuel. The 4.5% rate was offered in part because that is the current combined state and local general sales tax rate.
- Localities affected: Hampton, Newport News, Norfolk, Virginia Beach, Chesapeake, Portsmouth, Suffolk, James City County, York County, and Williamsburg.

- Disposition of revenue: Net tax revenues will be distributed to the applicable transportation district commission (or in the case of the three localities served by James City County Transit, to James City County). The funds collected from each jurisdiction will be applied to and expended for public transportation purposes, provided that after the public transportation needs have been met as determined by the transportation district commission (or the three local governments served by James City County Transit), the funds collected from each jurisdiction will be used for other transportation purposes of such jurisdiction.
- Reduction of local taxes: The governing body of each city or county in which the tax is levied may reduce the rate of its real estate (or other local tax) by an amount needed to reduce collections by up to one half of the locality's contributions for rail and bus services.
- Estimated revenue: Based on the same per capita collection rate for each cent of motor fuels sales tax in Northern Virginia, a 4.5 percent gas tax would generate \$7,765,306 in Hampton and Newport News, \$25,242,293 in the localities in South Hampton Roads served by TRT, and \$2,401,850 in James City County, Williamsburg, and York County. Table 6 sets forth an estimate of the tax revenue in each of the affected localities, based on the same per capita collection rate per each cent of motor fuels sales tax in Northern Virginia.

Table 6: Local Motor Fuel Tax Collection Projections  
(4.5% motor fuel sales tax rate)

Locality	1995 Projected Population*	Projected Revenue Collections @ \$24.25 Per Capita*
Hampton	138,062	\$3,389,076
Newport News	178,276	\$4,376,230
<b>Pentran Area</b>	<b>316,338</b>	<b>\$7,765,306</b>
James City Co.	39,735	\$975,395
York County	46,050	\$1,130,411
Williamsburg	12,060	\$296,044
<b>JCCT Area</b>	<b>97,845</b>	<b>\$2,401,850</b>
Norfolk	258,609	\$6,348,204
Virginia Beach	439,427	\$10,786,835
Chesapeake	170,942	\$4,196,198
Portsmouth	103,424	\$2,538,801
Suffolk	55,902	\$1,372,255
<b>TRT Area</b>	<b>1,028,304</b>	<b>\$25,242,293</b>
<b>Total</b>	<b>1,442,487</b>	<b>\$35,409,449</b>

\* Estimated per capita fuel tax collection amount is 2.25 times the \$10.91 per capita amount collected in the Northern Virginia and Potomac-Rappahannock Transportation Districts, with a two percent tax rate, in fiscal year 1995 .

## B. Public Hearings

The Joint Subcommittee conducted public hearings on the north and south sides of Hampton Roads to receive citizen input on funding public transportation in the region. Most speakers echoed the theme that a healthy public transportation system is vital to both the economic health of Hampton Roads and the quality of life of all of its citizens. A list of the persons speaking at the public hearings is attached as Appendix N.

*Hampton Public Hearing:* Seven citizens spoke at the evening public hearing at Hampton's City Council Chambers. Two speakers used the opportunity to criticize the current level of bus service. Others praised the rail transit systems in Northern Virginia, the San Francisco area, and St. Louis, and urged the implementation of similar systems in the Hampton Roads region. Rather than focusing on light rail projects, however, many speakers stressed the need to identify dedicated funding sources in order to maintain service at its current level, or increase the hours and areas of service, in an era of declining federal funding.

Michael Townes, Executive Director of the Peninsula Transportation District Commission (Pentran), responded to a citizen's query by noting that passenger fares provide only 40 percent of the system's operating costs. Raising fares can be

counterproductive by pricing the service beyond the ability of many riders. While the development of an expanded transit system could increase ridership, funds are not currently available to finance an expansion of Pentran's system.

Ideas for public transportation funding offered by participants at the public hearing included (i) allocating lottery proceeds, (ii) assessing a tax on gasoline, (iii) increasing the sales tax, (iv) increasing local parking fees, and (v) levying an additional tax on trucks. Another speaker suggested that reimposing tolls on the Hampton Roads Bridge Tunnel could provide money for expanded bus service.

*Norfolk Public Hearing:* Senator Yvonne B. Miller began the afternoon public hearing by welcoming the members to Norfolk State University's Brown Hall Auditorium. She identified several groups with distinct needs for a viable public transportation system: senior citizens, the disabled, residents of the central city, and suburban commuters who can relieve traffic congestion and improve air quality by taking the bus instead of their single-occupancy vehicles.

The fourteen citizens speaking at the hearing offered both support for the area's public transportation system and suggestions for funding the system. Several speakers contended that maintaining the mobility of elderly citizens is a good investment because it can postpone or avoid the expensive alternative of nursing home placement. Public transportation was also identified as a critical element of a welfare reform program seeking to place persons in jobs. Other speakers denounced cutbacks in bus service, and cautioned against committing resources to a light rail system that may have to be heavily subsidized.

Two members of Norfolk's City Council addressed the Joint Subcommittee. John Butt, who is also chairman of the Tidewater Transportation District Commission, noted that 75 percent of the system's riders do not have access to alternative transportation. Dedicated funding is needed if TRT is to maintain fares at their current levels while expanding bus system service, alleviating pressure on municipal budgets, and examining a light rail option. Reverend Joseph Green noted that TRT has struggled in the past decade as population and employment in the region have become more decentralized. Nevertheless, TRT has recently witnessed several positive developments, including the restoration of some bus routes, the major investment study of a light rail project, and the potential merger of Pentran and TRT. He cautioned that unless a funding source is identified to compensate for the loss of federal operating revenue, this momentum will be lost and TRT will struggle to keep a skeletal bus system on the street.

Cameron Pitts, member of the Portsmouth City Council, warned that the \$3 million per year federal operating subsidy for TRT could be lost under legislation pending in Congress. Local governments such as Portsmouth, which has difficulty

funding its current annual contribution to TRT of almost \$1 million, should not be expected to replace the lost federal funds.

A wide range of funding ideas were offered for the Joint Subcommittee's contemplation. Suggested funding sources include a sales tax on gasoline, an allocation from lottery proceeds, a fee on new vehicle sales, an increase in license fees, a surcharge on automobile insurance policies, a special sales tax on transportation-related purchases, and a surcharge on convictions of motor vehicle laws. Several speakers conditioned the imposition of new fees on approval at a referendum. Other ideas suggested by speakers include (i) increasing the percentage of the Transportation Trust Fund allocated to public transportation, (ii) requiring that public transit projects receive state matching funds in the same manner as highway projects, and (iii) limiting the potential tort liability of volunteer ride providers in order to prevent increases in their automobile insurance rates.

### **C. Advisory Committee**

After soliciting nominations from members of the joint subcommittee, Delegate Crittenden appointed an advisory committee of representatives of local governments in the region. The purpose of the joint subcommittee was to advise the Joint Subcommittee and to provide a forum for input by localities throughout Hampton Roads.

The members of the joint subcommittee included Anna D'Antonio of Chesapeake, Doug Powell of James City County, Tom Slaughter of Newport News, Vincent Mastracco of Norfolk, Gloria Webb of Portsmouth, Myles Standish of Suffolk, Barbara Henley of Virginia Beach, Phillip Rodenberg of Williamsburg, Ray Baisley of York County, and George E. Wallace of Hampton.

The advisory committee members were invited to attend the meetings of the joint subcommittee and provide reactions from the local governments to the work of the joint subcommittee. The members of the advisory committee met with Delegate Crittenden after the joint subcommittee's November meeting.

## VII. FINDINGS AND RECOMMENDATIONS

*Findings:* The joint subcommittee recognizes the importance of a healthy public transportation system to the well-being of Hampton Roads. Public transportation provides the only means of mobility for many citizens. Public transit contributes to air quality, aids economic development efforts, and enhances the quality of life for residents throughout the region. An expanded system of public transportation would contribute to the vitality of the region. In order to continue providing its current level of service, much less expand services, a dedicated stable and reliable source of funding for public transportation must be identified and implemented.

*Recommendations:* The joint subcommittee intended to develop recommendations identifying a stable and dedicated source of funding for public transportation in Hampton Roads at its December meeting. In the absence of a quorum, no formal action was taken. The members in attendance elected, after much discussion, to circulate among the members not in attendance the proposal for a 4.5 percent regional sales tax on motor fuel, as previously described.

The proposal for a 4.5 percent fuel tax was not formally endorsed during a meeting of the joint subcommittee. However, subsequent to the completion of the group's scheduled activities, consultation between the chair and members revealed a working consensus supporting of the general concept of a dedicated fuel tax to support public transit operations in Hampton Roads.

The Virginia Beach City Council voted 10-1 on December 12 to support a dedicated transit revenue source modeled on Northern Virginia's two percent sales tax on gasoline, with \$1 million of the revenue being used to reduce city taxes to offset its public transit contributions. Norfolk, Chesapeake, and Portsmouth also adopted resolutions voicing support for a similar funding mechanism.

*Conclusion:* Although the joint subcommittee did not formally recommend a proposal for public transit funding legislation, all members voiced their support for public transportation in the region. The members hope that their efforts will be a valuable resource to the General Assembly and the citizens of Hampton Roads as the region continues to confront the dilemma of financing public transportation.

*Postscript:* Although the joint subcommittee did not formally recommend any legislation addressing the lack of a dedicated funding source for public transit in Hampton Roads, the joint subcommittee's findings provided the impetus for efforts in the 1996 Session of the General Assembly to implement a solution. After discussing the issue with the legislative members of the joint subcommittee and finding support for the proposal, Delegate Crittenden introduced House Bill 1346.

This bill established a sales tax on motor fuel in the localities that are members of Pentran and TRT, and in the localities served by James City County Transit. The bill established a tax rate of two percent, but authorized the local governing bodies to increase the rate up to five percent. Revenues generated by the tax in excess of the amount needed for a district's public transportation needs would be available for other transportation purposes, as determined by the locality from which the taxes were generated. The bill was carried over to the 1997 Session for further study by the House Committee on Finance.

The joint subcommittee extends its gratitude to all interested persons who contributed to its work. Special appreciation is given to the members of the Advisory Committee for their efforts. In addition, the members of the joint subcommittee wish to acknowledge the technical assistance provided by Michael S. Townes, Claudia Bolitho and Allison LeCuyer of Pentran; James C. Echols and Jayne Whitney of TRT; Richard Drumwright of James City County Transit; Dwight Farmer and Danielle Kosiek of the Hampton Roads Planning District Commission; and Leo J. Bevon and Charles M. Badger of the Department of Rail and Public Transportation.

Respectfully submitted,

Del. Flora D. Crittenden, Chairperson  
Sen. Stanley C. Walker, Vice Chairperson\*  
Del. Shirley F. Cooper  
Del. Howard E. Copeland\*\*  
Del. Frank W. Wagner  
Sen. Hunter B. Andrews  
Sen. Frederick M. Quayle  
Andrew Fine  
Joe S. Frank  
James T. Hopkins, III  
John F. Malbon

\* See attached statement of clarification.

\*\* Mr. Copeland concurs with Senator Walker's attached statement.

COMMONWEALTH OF VIRGINIA



STANLEY C. WALKER  
PRESIDENT PRO TEMPORE  
5TH SENATORIAL DISTRICT  
PART OF THE CITIES OF NORFOLK  
AND VIRGINIA BEACH  
30 WEST PLUME STREET  
SUITE 750  
NORFOLK, VIRGINIA 23510

COMMITTEE ASSIGNMENTS  
FINANCE, CO-CHAIRMAN  
EDUCATION AND HEALTH  
GENERAL LAWS  
PRIVILEGES AND ELECTIONS  
RULES

SENATE

May 22, 1996

I generally approve of the foregoing report of the Joint Subcommittee Studying Funding for Public Transportation in Hampton Roads pursuant to House Joint Resolution 656. However, I wish to clarify that I was not part of a working consensus developed after the conclusion of the Joint Subcommittee's work which supported fuel tax legislation.

Sincerely,

A handwritten signature in cursive script that reads "Stanley C. Walker".

Stanley C. Walker  
Member, Senate of Virginia



## VIII. APPENDICES

- Appendix A: House Joint Resolution 656 (1995)**
- Appendix B: Hampton Roads Region Transit Routes**
- Appendix C: Peninsula Transportation District Commission Capital & Operating Budgets 1988-1994**
- Appendix D: Tidewater Transportation District Commission Capital & Operating Budgets 1988-1994**
- Appendix E: James City County Transit Capital & Operating Budgets 1988-1994**
- Appendix F: Anticipated Capital and Operating Expenses, 1994-2003**
- Appendix G: Ten Year Operating and Capital Needs, 1994-2003**
- Appendix H: Recommendations of Hampton Roads Planning District Commission (June 1995)**
- Appendix I: Sources of Direct and Indirect State Financial Assistance for Public Transportation, FY 1993**
- Appendix J: Gas Tax Revenue Collections in Northern Virginia localities, 1990-1995**
- Appendix K: Summary of Estimates for Revenue Generated by a Two Percent Fuel Sales Tax**
- Appendix L: Summary of Estimates for Revenue Generated by a Five Percent Fuel Sales Tax**
- Appendix M: Possible Real Estate Tax Reductions from Offsetting Local Transit Contributions**
- Appendix N: Speakers at Public Hearings**

## Appendix A

### HOUSE JOINT RESOLUTION NO. 656

*Establishing a joint subcommittee to study funding for public transportation in Hampton Roads.*

Agreed to by the House of Delegates, February 23, 1995

Agreed to by the Senate, February 21, 1995

WHEREAS, public transportation, an essential element of the transportation system on the Peninsula and in South Hampton Roads which comprise the Hampton Roads region of the Commonwealth, provides mobility to commuters, shoppers, tourists and many citizens who would otherwise be isolated from jobs, family members, retail stores, tourist destinations, medical treatment, and other facilities; and

WHEREAS, public transportation is vital to the physical well-being, safety, and quality of life of both older and disabled citizens in Hampton Roads, many of whom would have no safe and reliable means of travel but for the existence of the public transportation services of Hampton Roads, including James City County Transit, the Peninsula Transportation District Commission (PENTRAN), and the Tidewater Transportation District Commission (TRT); and

WHEREAS, a reliable and efficient public transportation system is a crucial factor in attracting future economic development and preserving existing jobs in Hampton Roads, as evidenced by the support of the Hampton Roads Chamber of Commerce and the Peninsula Chamber of Commerce for dedicated, reliable funding for public transportation in the region; and

WHEREAS, the United States Environmental Protection Agency (EPA) has downgraded the characterization of the Hampton Roads region to a "moderate" air quality nonattainment area under the Clean Air Act amendments of 1990, posing a substantial threat to Hampton Roads' future ability to attract new economic development and to retain existing businesses which are the heart of the region's economy, and placing an absolute premium on maintaining an effective system of public transportation that will serve the entire Hampton Roads region; and

WHEREAS, federal policies contained in the Clean Air Act Amendments, the Intermodal Surface Transportation Efficiency Act, and energy policies require an expanded role for public transportation; and

WHEREAS, federal funding for public transportation has declined dramatically over the past decade, placing increased stress on state and local funding for public transportation and resulting in large increases in fares paid by passengers, many of whom live on fixed incomes; and

WHEREAS, reduced funding for public transportation has also resulted in service reductions, which deprive citizens of basic and essential mobility, and further reductions in federal and state financial assistance have raised the probability of further service cuts in the immediate future; and

WHEREAS, local governmental support for public transportation throughout Hampton Roads currently is drawn from general funds in local treasuries, placing the responsibility for local support of public transportation primarily upon homeowners and other property taxpayers; now, therefore, be it

RESOLVED by the House of Delegates, the Senate concurring, That a joint subcommittee be established to study funding for public transportation in Hampton Roads.

The joint subcommittee shall consist of 11 members as follows: four members of the House of Delegates to be appointed by the Speaker of the House; three members of the Senate to be appointed by the Senate Committee on Privileges and Elections; and four members at large who are residents of the Hampton Roads region, two to be appointed by the Speaker of the House and two to be appointed by the Senate Committee on Privileges and Elections.

In its deliberations, the joint subcommittee shall examine: (i) the current sources of local funding for public transportation; (ii) the scope of property tax relief which could be realized for homeowners and other property taxpayers in Hampton Roads by identifying dedicated funding sources, other than local general funds, to support public transportation; and (iii) sources of stable and reliable dedicated funding for public transportation.

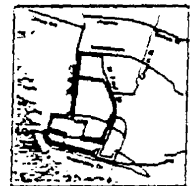
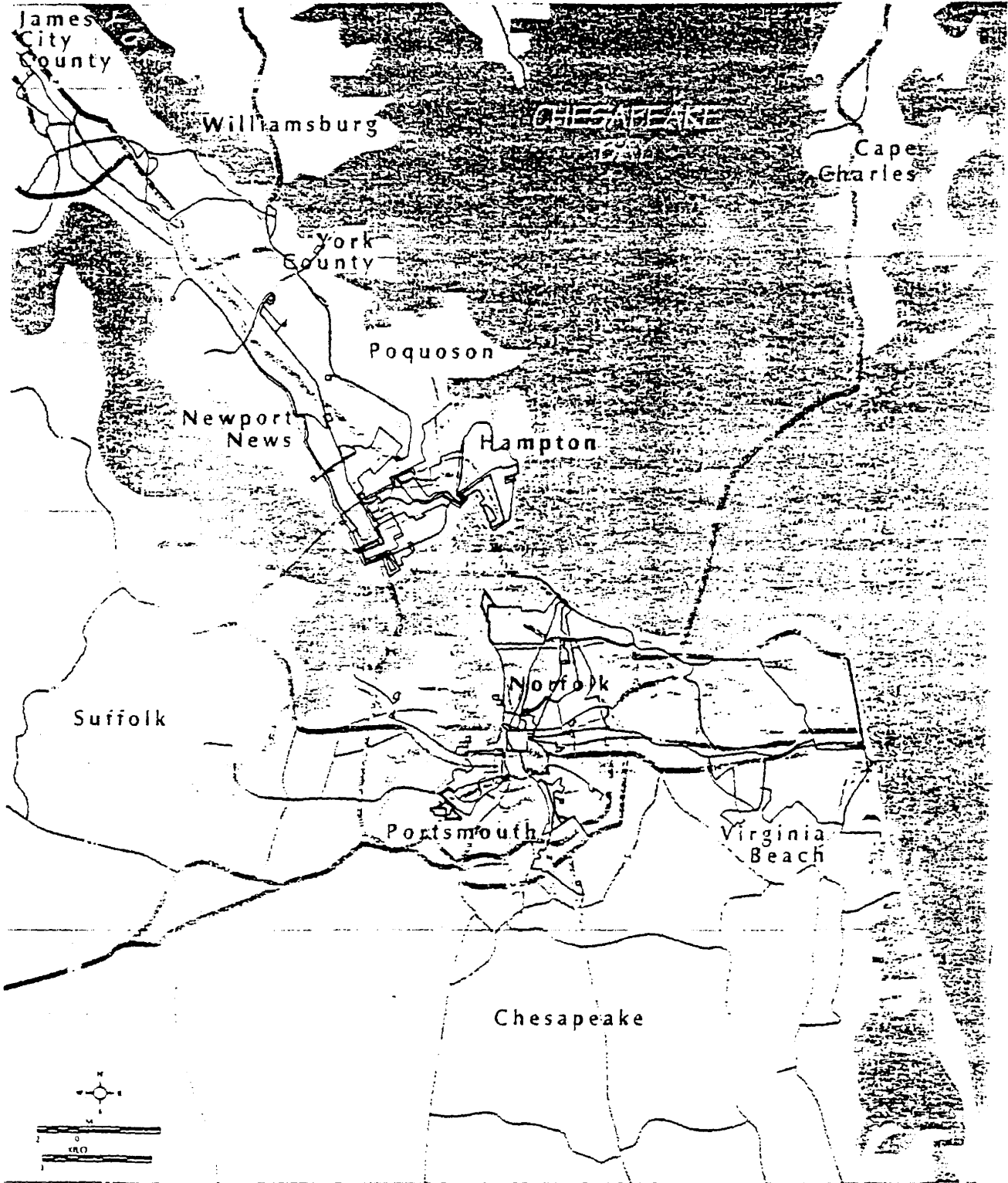
The Division of Legislative Services shall provide staff support for the study. Technical assistance shall be provided to the joint subcommittee by the Peninsula Transportation District Commission, the Tidewater Transportation District Commission, James City County Transit, and the Department of Rail and Public Transportation. All agencies of the Commonwealth shall provide assistance to the joint subcommittee, upon request.

The direct costs of this study shall not exceed \$6,500.

The joint subcommittee shall complete its work in time to submit its findings and recommendations to the Governor and the 1996 Session of the General Assembly as provided in the procedures of the Division of Legislative Automated Systems for the processing of legislative documents.

Implementation of this resolution is subject to subsequent approval and certification by the Joint Rules Committee. The Committee may withhold expenditures or delay the period for the conduct of the study.

Appendix B



Appendix C

**PUBLIC TRANSPORTATION FUNDING  
CAPITAL & OPERATING BUDGETS  
PENINSULA TRANSPORTATION DISTRICT COMMISSION (PTDC)  
1988-1994**

**Operating Budget**

	1988	1989	1990	1991	1992	1993	1994	Totals
Federal	\$1,224,904	\$1,121,488	\$1,045,565	\$1,240,000	\$1,320,000	\$1,430,000	\$1,126,953	\$8,508,910
State	\$1,874,816	\$1,929,887	\$2,098,453	\$2,065,061	\$1,890,738	\$1,838,347	\$1,970,441	\$13,667,743
Local	\$1,058,141	\$1,233,073	\$1,198,948	\$1,366,849	\$1,665,173	\$1,425,760	\$2,798,077	\$10,746,021
Revenue	\$3,024,173	\$3,070,777	\$3,193,326	\$3,443,606	\$3,828,455	\$3,906,851	\$3,890,039	\$24,357,227
<b>Total</b>	<b>\$7,182,034</b>	<b>\$7,355,225</b>	<b>\$7,536,292</b>	<b>\$8,115,516</b>	<b>\$8,704,366</b>	<b>\$8,600,958</b>	<b>\$9,785,510</b>	<b>\$57,279,901</b>

**Capital Budget**

	1988	1989	1990	1991	1992	1993	1994	Totals
Federal	\$3,529,625	\$1,854,632	\$132,800	\$1,059,520	\$862,400	\$3,413,600	\$5,082,400	\$15,934,977
State	\$876,961	\$597,892	\$341,490	\$2,151,990	\$392,800	\$720,250	\$1,169,580	\$6,250,963
Local	\$119,914	\$161,554	\$96,710	\$1,351,890	\$122,800	\$442,150	\$436,052	\$2,731,070
<b>Total</b>	<b>\$4,526,500</b>	<b>\$2,614,078</b>	<b>\$571,000</b>	<b>\$4,563,400</b>	<b>\$1,378,000</b>	<b>\$4,576,000</b>	<b>\$6,688,032</b>	<b>\$24,917,010</b>

**Annual Ridership**

	1988	1989	1990	1991	1992	1993	1994	Totals
Patrons	4,815,048	4,734,782	5,053,048	5,494,768	5,837,913	6,225,656	6,326,169	38,487,384

Prepared By: HRPDC, March 1995

Appendix D

**PUBLIC TRANSPORTATION FUNDING  
CAPITAL & OPERATING BUDGETS  
TIDEWATER TRANSPORTATION DISTRICT COMMISSION (TTDC)  
1988-1994**

**Operating Budget**

	1988	1989	1990	1991	1992	1993	1994	Totals
Federal	\$3,249,722	\$3,192,843	\$3,173,508	\$3,132,470	\$3,148,446	\$3,217,429	\$3,467,946	\$22,582,364
State	\$4,803,067	\$4,836,603	\$4,921,785	\$4,747,092	\$5,134,220	\$4,914,719	\$4,644,165	\$34,001,651
Local	\$3,819,317	\$4,200,416	\$3,893,321	\$3,434,709	\$4,350,255	\$4,772,485	\$4,752,410	\$29,222,913
Revenue	\$9,275,779	\$8,781,616	\$8,453,374	\$8,487,490	\$7,923,666	\$8,049,973	\$8,082,116	\$59,054,014
<b>Total</b>	<b>\$21,147,885</b>	<b>\$21,011,478</b>	<b>\$20,441,988</b>	<b>\$19,801,761</b>	<b>\$20,556,587</b>	<b>\$20,954,606</b>	<b>\$20,946,637</b>	<b>\$144,860,942</b>

**Capital Budget**

	1988	1989	1990	1991	1992	1993	1994	Totals
Federal	\$3,586,890	\$6,652,487	\$8,017,810	\$976,423	\$1,288,113	\$4,925,523	\$577,154	\$26,024,400
State	\$827,044	\$1,473,810	\$1,513,844	\$188,831	\$275,206	\$1,160,348	\$659,993	\$6,099,076
Local	\$132,220	\$309,265	\$492,455	\$91,496	\$133,421	\$567,382	\$102,633	\$1,828,872
<b>Total</b>	<b>\$4,546,154</b>	<b>\$8,435,562</b>	<b>\$10,024,109</b>	<b>\$1,256,750</b>	<b>\$1,696,740</b>	<b>\$6,653,253</b>	<b>\$1,339,780</b>	<b>\$33,952,348</b>

**Annual Ridership**

	1988	1989	1990	1991	1992	1993	1994	Totals
Patrons	11,324,466	10,117,644	10,110,563	9,013,846	8,569,188	8,453,147	8,341,851	65,930,705

Prepared By: HRPDC, March 1995

**Appendix E**

**PUBLIC TRANSPORTATION FUNDING  
CAPITAL & OPERATING BUDGETS  
JAMES CITY COUNTY TRANSIT (JCCT)  
1988-1994**

**Operating Budget**

	<b>1988</b>	<b>1989</b>	<b>1990</b>	<b>1991</b>	<b>1992</b>	<b>1993</b>	<b>1994</b>	<b>Totals</b>
Federal	\$104,342	\$118,184	\$121,832	\$164,280	\$184,738	\$219,429	\$181,570	<b>\$1,094,375</b>
State	\$71,696	\$72,113	\$80,530	\$95,824	\$118,160	\$113,398	\$102,387	<b>\$654,108</b>
Local	\$41,058	\$28,940	\$40,126	\$56,790	\$66,578	\$79,316	\$79,182	<b>\$391,990</b>
Revenue	\$58,169	\$61,106	\$65,647	\$76,637	\$80,299	\$84,070	\$82,023	<b>\$507,951</b>
<b>Total</b>	<b>\$275,265</b>	<b>\$280,343</b>	<b>\$308,136</b>	<b>\$393,531</b>	<b>\$449,775</b>	<b>\$496,213</b>	<b>\$445,162</b>	<b>\$2,648,424</b>

**Capital Budget**

	<b>1988</b>	<b>1989</b>	<b>1990</b>	<b>1991</b>	<b>1992</b>	<b>1993</b>	<b>1994</b>	<b>Totals</b>
Federal	\$25,000	\$0	\$0	\$28,000	\$72,000	\$80,000	\$209,500	<b>\$414,500</b>
State	\$5,125	\$0	\$0	\$6,650	\$10,350	\$19,000	\$24,195	<b>\$65,320</b>
Local	\$1,125	\$0	\$0	\$350	\$7,650	\$1,000	\$26,305	<b>\$36,430</b>
<b>Total</b>	<b>\$31,250</b>	<b>\$0</b>	<b>\$0</b>	<b>\$35,000</b>	<b>\$90,000</b>	<b>\$100,000</b>	<b>\$260,000</b>	<b>\$516,250</b>

**Annual Ridership**

	<b>1988</b>	<b>1989</b>	<b>1990</b>	<b>1991</b>	<b>1992</b>	<b>1993</b>	<b>1994</b>	<b>Totals</b>
Patrons	54,079	57,895	67,679	74,849	73,915	77,751	79,636	<b>485,804</b>

Prepared By: HRPDC, March 1995

**Appendix F**

**ANTICIPATED CAPITAL AND OPERATING EXPENSES  
1994-2003**

<b><u>PTDC/JCCT</u></b>	
<b>Total Capital Expenses</b>	<b>\$45,266,918</b>
Includes: New vehicles (buses, paratransit vehicles, passenger ferry), construction (satellite facility, multi-modal center), and other capital (including radio system, fareboxes, maintenance equipment).	
<b>Total Operating Expenses</b>	<b>\$134,505,094</b>
Includes: Maintenance of existing service and expansion into York, Gloucester, James City and Isle of Wight Counties and the City of Poquoson.	
<b><u>TTDC</u></b>	
<b>Total Operating Expenses</b>	<b>\$250,000,000</b>
Includes: New vehicles (buses, trolley buses, paratransit vehicles, vanpool vans), construction (Park & Ride lots, transfer and ferry docking facilities, satellite operating and maintenance facility) and Light Rail design, engineering and construction for Norfolk-Virginia Beach line	
<b>Total Operating Expenses</b>	<b>\$300,000,000</b>
Includes: Maintenance of existing service, modest expansion into unserved areas (particularly Virginia Beach and Chesapeake), Express Bus Service on HOV System, and operating expenses for Light Rail service beginning in 2000.	

Source: Local Transit Operators  
Prepared By: Hampton Roads Planning District Commission, June 1994



**Appendix G**

**10 YEAR OPERATING AND CAPITAL NEEDS  
FY 1004 - FY 2003**

	PENTRAN	JCCT	TTDC	
			WITH RAIL	W/O RAIL
	<b>CAPITAL</b>	<b>CAPITAL</b>	<b>CAPITAL</b>	<b>CAPITAL</b>
FEDERAL	\$29,170,258	\$955,900	\$100,000,000	\$40,000,000
STATE	\$10,763,349	\$124,367	\$72,500,000	\$2,200,000
LOCAL	\$4,140,285	\$112,732	\$77,500,000	\$7,500,000
*LOCAL Constant	\$4,360,520	\$263,050	\$1,026,330	\$1,026,330
SURPLUS (DEFICIT)	\$220,235	\$150,318	(\$76,473,670)	(\$6,473,670)
	<b>OPERATING</b>	<b>OPERATING</b>	<b>OPERATING</b>	<b>OPERATING</b>
FAREBOX	\$50,064,402	\$1,907,256	\$105,000,000	\$91,000,000
FEDERAL	\$11,012,000	\$2,357,159	\$45,000,000	\$39,000,000
STATE	\$18,400,000	\$1,043,038	\$75,000,000	\$65,000,000
LOCAL	\$48,628,778	\$1,092,461	\$75,000,000	\$65,000,000
*LOCAL Constant	\$27,980,770	\$7,918,200	\$47,524,100	\$47,524,100
SURPLUS (DEFICIT)	(\$20,648,008)	\$6,825,739	(\$27,475,900)	(\$17,475,900)

\*This represents an estimate based on holding 1994 local costs constant for the ten-year period

Source: Local Transit Operators

Prepared By: Hampton Roads Planning District Commission, March 1995

## Appendix H

## RECOMMENDATIONS

<u>Participating Agency(s)</u>	<u>Recommendations</u>
Transit Agencies	<ul style="list-style-type: none"><li>• Continue to foster relationships with key elected officials, whose influence is essential for its (transit's) support.</li></ul>
Transit Agencies	<ul style="list-style-type: none"><li>• Begin or continue efforts to keep elected officials well-informed on transit needs and the dilemma of financing them.</li></ul>
Transit Agencies	<ul style="list-style-type: none"><li>• Continue to apply for federal funds under the flexible funding provisions of ISTEA (Regional STP, CMAQ, etc.). Increased transit service aimed at implementing aggressive TDM solutions to address congestion and air quality issues will enhance the role of public transportation.</li></ul>
Hampton Roads Public Transportation Alliance	<ul style="list-style-type: none"><li>• Seek the adoption of a regional dedicated source of transportation funding upon which public transportation agencies could draw.</li></ul>
State	<ul style="list-style-type: none"><li>• Explore various taxes and fees that have proved successful in other states' attempts to fund public transportation, as well as creative financing strategies.</li></ul>
Transit Agencies Private Sector	<ul style="list-style-type: none"><li>• Consider techniques used by successful transit authorities and their respective jurisdictions. For example, supporting transit as the preferred mode for increased transportation access to major employment centers, especially along congested corridors and requiring new development to assist in determining whether or not service expansion is appropriate.</li></ul>
Transit Agencies Regional	<ul style="list-style-type: none"><li>• Monitor and evaluate current and future service in an effort to pursue improved efficiency. Continue to provide effective transportation service.</li></ul>
State Regional Transit Agencies	<ul style="list-style-type: none"><li>• Explore the possibility of public-private partnership opportunities. For example, encourage large employers to divert funds currently used for ample/free employee parking to funding TDM and transit measures that are aimed at reducing congestion.</li></ul>

Source: The Public Transportation Funding and Allocation Process in Hampton Roads. HRPDC (June 1995).

## Appendix I

### Sources of Direct and Indirect State Financial Assistance for Public Transportation Fiscal Year 1993

State	Fuel Tax (Inc. fuel sales tax)	Oil overcharge funds	Sales Tax	Lottery Proceeds	Vehicle registration fees	Vehicle Use or Excise Tax	Other
Arizona		x		x	x		Air quality surcharge
California	x						
Delaware	x						
Florida	x						
Georgia			x				
Indiana			x				
Iowa						x	
Kansas	x						
Maine	x						
Michigan	x	x	x				
Mississippi		x					
Montana	x						
Nebraska	x						
Nevada							Trust fund interest
New Jersey							Casino revenue funds
New York	x		x (1/4%- MTA district only)				Mortgage recording tax; petroleum business tax; corporate franchise tax
N. Dakota					x (\$1/license plate)		
Ohio	x						
Oklahoma		x					
Oregon				x			Cigarette tax; Payroll tax
Penn.				x			
Rhode Island	x						
S. Dakota							Unclaimed agricultural gas tax rebates
Utah		x	x				Resort tax
Virginia	x (in 2 districts)						
Washington						x	
TOTAL	12	5	5	3	2	2	7

Note: Excludes direct state financing from general fund (22 states) and transportation fund (11 states, including Virginia).

Source: Survey of State Involvement in Public Transportation, American Association of State Highway and Transportation Officials (1994), Tables 4 and 5.

## Appendix J

### VIRGINIA MOTOR FUEL SALES TAX REVENUE COLLECTIONS BY LOCALITY Deposits of July through June

Locality	FY 1990	FY 1991	FY 1992	FY 1993	FY 1994	FY 1995
Arlington County	\$1,347,275	\$1,440,119	\$1,284,797	\$1,406,667	\$1,399,521	\$1,492,059
Fairfax County	8,027,395	8,091,624	7,693,722	7,832,283	7,809,938	8,259,268
Loudoun County	1,129,337	1,164,472	1,096,256	1,166,315	1,307,686	1,499,961
Alexandria City	1,121,156	1,168,571	1,210,882	1,189,689	1,133,086	1,149,054
Fairfax City	430,131	665,209	593,390	638,005	632,906	676,703
Falls Church City	262,695	238,091	256,066	255,922	279,086	276,235
<u>Northern Virginia</u>						
<u>Transportation Commission</u>	\$12,317,986	\$12,768,086	\$12,135,113	\$12,488,881	\$12,562,224	\$13,353,279
Prince William County	\$2,656,153	\$2,630,174	\$2,625,890	\$2,706,832	\$2,740,771	\$2,911,036
Stafford County	954,262	1,030,927	993,128	1,015,817	1,002,655	1,089,132
Fredericksburg City	0	393,177	422,697	402,425	458,215	515,604
Manassas City	290,286	429,539	376,360	468,846	492,736	566,898
Manassas Park City	141,032	142,359	104,985	126,833	134,191	135,203
<u>Potomac and Rappahannock</u>						
<u>Transportation Commission</u>	\$4,042,032	\$4,626,176	\$4,523,060	\$4,720,753	\$4,828,567	\$5,217,874
<b>Aggregate</b>	<b>\$16,360,018</b>	<b>\$17,394,262</b>	<b>\$16,658,173</b>	<b>\$17,209,635</b>	<b>\$17,390,791</b>	<b>\$18,571,153</b>

Note: Loudoun County was transferred from the Loudoun Transportation District. From July 1989 to November 1989, Loudoun received deposits totaling \$486,568 in the Loudoun Transportation District. From December 1989 to June 1990, Loudoun received deposits totaling \$642,769 in the Northern Virginia Transportation District.

Source: Virginia Department of Taxation

Appendix K

**SUMMARY OF ESTIMATES OF REVENUE GENERATED  
ANNUALLY BY A TWO PERCENT FUEL SALES TAX**

<b>Locality</b>	<b>Per Capita (Table 2)</b>	<b>Per Registered Vehicle (Table 3)</b>	<b>Gasoline Service Station Sales 1987 (Table 4)</b>	<b>Fuel Consumption By Registered Vehicle (Table 5)</b>	<b>Average of Projections</b>
Hampton	\$1,506,256	\$1,395,620	\$1,324,312	\$1,713,372	\$1,484,890
Newport News	\$1,944,991	\$1,636,777	\$1,684,012	\$2,009,436	\$1,818,804
<b>PENTRAN Area</b>	<b>\$3,451,247</b>	<b>\$3,032,397</b>	<b>\$3,008,324</b>	<b>\$3,722,808</b>	<b>\$3,303,694</b>
James City County	\$433,509	\$402,264	\$288,134	\$493,851	\$404,440
York County	\$502,405	\$519,690	\$233,772	\$638,012	\$473,470
Williamsburg	\$131,575	\$155,108	\$431,838	\$190,422	\$227,236
<b>JCCT Area</b>	<b>\$1,067,489</b>	<b>\$1,077,062</b>	<b>\$953,744</b>	<b>\$1,322,285</b>	<b>\$1,105,145</b>
Norfolk	\$2,821,424	\$2,142,358	\$1,916,722	\$2,630,128	\$2,377,658
Virginia Beach	\$4,794,149	\$4,105,512	\$3,284,908	\$5,040,249	\$4,306,205
Chesapeake	\$1,864,977	\$1,807,537	\$1,458,094	\$2,219,074	\$1,837,421
Portsmouth	\$1,128,356	\$948,176	\$692,714	\$1,164,056	\$983,326
Suffolk	\$609,891	\$595,053	\$469,920	\$730,533	\$601,349
<b>TRT Area</b>	<b>\$11,218,797</b>	<b>\$9,598,636</b>	<b>\$7,822,358</b>	<b>\$11,784,040</b>	<b>\$10,105,958</b>
<b>TOTAL</b>	<b>\$15,737,533</b>	<b>\$13,708,095</b>	<b>\$11,784,426</b>	<b>\$16,829,134</b>	<b>\$14,514,797</b>

## Appendix L

### SUMMARY OF ESTIMATES OF REVENUE GENERATED ANNUALLY BY A FIVE PERCENT FUEL SALES TAX

Locality	Per Capita (Table 2)	Per Registered Vehicle (Table 3)	Gasoline Service Station Sales 1987 (Table 4)	Fuel Consumption By Registered Vehicle (Table 5)	Average of Projections
Hampton	\$3,764,951	\$3,489,049	\$3,310,780	\$4,283,430	\$3,712,053
Newport News	\$4,861,587	\$4,091,942	\$4,210,030	\$5,023,590	\$4,546,787
<b>PENTRAN Area</b>	<b>\$8,626,538</b>	<b>\$7,580,991</b>	<b>\$7,520,810</b>	<b>\$9,307,020</b>	<b>\$8,258,840</b>
James City County	\$1,083,573	\$1,005,659	\$720,335	\$1,234,627	\$1,011,049
York County	\$1,255,783	\$1,299,225	\$584,430	\$1,595,030	\$1,183,617
Williamsburg	\$328,876	\$387,769	\$1,079,595	\$476,055	\$568,074
<b>JCCT Area</b>	<b>\$2,668,232</b>	<b>\$2,692,653</b>	<b>\$2,384,360</b>	<b>\$3,305,712</b>	<b>\$2,762,740</b>
Norfolk	\$7,052,267	\$5,355,896	\$4,791,805	\$6,575,320	\$5,943,822
Virginia Beach	\$11,983,174	\$10,263,781	\$8,212,270	\$12,600,622	\$10,764,962
Chesapeake	\$4,661,588	\$4,518,842	\$3,645,235	\$5,547,685	\$4,593,338
Portsmouth	\$2,820,372	\$2,370,441	\$1,731,785	\$2,910,140	\$2,458,185
Suffolk	\$1,524,448	\$1,487,632	\$1,174,800	\$1,826,332	\$1,503,303
<b>TRT Area</b>	<b>\$28,041,849</b>	<b>\$23,996,592</b>	<b>\$19,555,895</b>	<b>\$29,460,099</b>	<b>\$25,263,609</b>
<b>TOTAL</b>	<b>\$39,336,619</b>	<b>\$34,270,236</b>	<b>\$29,461,065</b>	<b>\$42,072,831</b>	<b>\$36,285,188</b>

**Appendix M**

**POSSIBLE REAL ESTATE TAX REDUCTIONS FROM OFFSETTING LOCAL TRANSIT CONTRIBUTIONS**

<b>Locality</b>	<b>Real Estate Tax Collections (Year ending 6/30/94)</b>	<b>1994 Real Estate Tax Rate (per \$100 assessment)</b>	<b>Collections Per Cent of Tax Rate</b>	<b>Local Payments to Public Transit Systems, 1994</b>	<b>Real Estate Tax Rate Represented by Public Transit Payments (cents)</b>
Hampton	\$51,090,868	\$1.23	\$415,373	\$1,317,047	3.171
Newport News	\$70,159,046	\$1.15	\$610,079	\$1,481,030	2.428
James City County	\$19,473,603	\$0.81	\$240,415	\$77,487	0.322
York County	\$18,475,804	\$0.83	\$222,600	\$20,000	0.090
Williamsburg	\$3,735,752	\$0.54	\$69,181	\$8,000	0.116
Norfolk	\$93,795,827	\$1.38	\$679,680	\$2,660,691	3.915
Virginia Beach	\$192,299,814	\$1.14	\$1,686,840	\$658,237	0.390
Chesapeake	\$87,833,125	\$1.27	\$691,599	\$452,881	0.655
Portsmouth	\$33,935,541	\$1.32	\$257,087	\$848,900	3.302
Suffolk	\$18,949,052	\$1.03	\$183,971	<u>\$131,701</u>	0.716
<b>TOTAL</b>				<b>\$7,655,974*</b>	

\*Does not include \$436,052 of local contributions to PENTRAN's capital budget, generated from advertising revenue.

Sources: Auditor of Public Accounts; Center for Public Service; James City County Transit, TRT, and PENTRAN.

## **Appendix N**

### **Speakers at Public Hearings**

#### October 23, 1995, Hampton City Council Chambers

Katherine M. Karpiak of Hampton  
Donald Fernell of Newport News  
Melvin Basnight of Chesapeake  
Effie C. Ash of Newport News  
Julian R. Scott  
Tom Burdan of the Amalgamated Transit Workers  
June Danewood of Hampton

#### October 25, 1995, Norfolk State University

Senator Yvonne Miller of Norfolk  
Connie Laws of TRT's paratransit committee  
John Butt, chairman of TRT  
Cameron Pitts of Portsmouth City Council  
Archie Whitehill of Norfolk  
Bob Avery of Virginia Beach  
Cindy Bokar of the Hampton Roads Transportation Alliance  
Mark Yatrovsky of Norfolk  
Kay Walsh of Norfolk  
Harvey Williams  
J.B. Moore  
The Reverend Joseph Greene of Norfolk  
John Scurvin of SEVAMP  
Clyde Benton of Norfolk  
Melvin Basnight of Chesapeake





