

February 7, 2007

TO: Chairman Gibbons and Commissioners

FROM: Alfred H. Harf
Executive Director

RE: Legislative Information Item

Introduction

January was a very eventful month legislatively, particularly on the state side, as preparations for the General Assembly session now underway got going in earnest. Transportation funding once again occupies center stage, and proposals have been introduced for both one-time funding relief involving state surpluses and sustained funding.

Federal

As previously rumored, the new leaders of the House and Senate Appropriations Committees have confirmed that unfinished FY 2007 appropriations business will be handled by a year-long continuing resolution, funding most programs at FY 2006 levels. As reported in APTA's January 18th *Legislative Alert* (attachment one), however, APTA has joined forces with a broad coalition of transportation interests to urge Congress to fund the SAFETEA-LU programs at FY 2007 levels, which for transit is about 4.5% higher than FY 2006. While a final decision on this appeal has not been made as yet, there is reason for some optimism inasmuch as the majority and ranking members of all Senate and House authorizing committees have sent a letter to the leadership expressing support for this position. With Chairman Gibbons' assent, a letter was sent to Representatives Moran and Wolf (both members of the House Appropriations Committee) expressing this same sentiment (attachment two).

State

The General Assembly commenced its short (45-day) session on January 10th. Over 3000 bills were introduced, including dozens of direct interest to PRTC. Transportation bills providing one-time relief and others providing sustained relief are among these bills and they in particular warrant highlighting.

Governor Kaine's "one-time relief" proposal would tap \$500 million of the budget surplus for transportation, \$165 million of which would be for transit and rail. The \$165 million would be designated for specified purposes as detailed in a summary prepared by VTA Executive Director Linda McMinimy (attachment three). Three of the designated transit/rail uses are of particular interest to PRTC, namely:

- \$15 million for VRE
- A \$25 million increase for the mass transit capital assistance program in FY 2008 only, which would raise the state participation rate to 45% (VRE and PRTC would realize an additional \$2.2 million and \$612,000, respectively); and
- \$20 million for "technology challenge grants" to promote congestion management solutions in NOVA and Hampton Roads (each would receive half of the \$20 million).

The Governor also announced his proposal for a sustained state transportation funding increase, featuring the recurring use of 50% of general fund surpluses beginning in FY 2009, the dedication of auto insurance premium taxes, and tax increases. As described in materials released by the Governor's office (attachment four), the Governor's "sustained funding" proposal is complemented by "land use" legislative proposals and complemented by initiatives that are already being pursued to improve government accountability.

The Governor's "land use" proposals would:

- Give local governments the power to deny rezoning requests where the resultant traffic would overwhelm available transportation capacity;
- Establish improved criteria for acceptance of local subdivision streets into the state highway system; and
- Increase the state's authority to regulate access along state highway frontages.

"Government accountability" initiatives referenced in the descriptive materials include: ongoing pursuit of out-sourcing where appropriate; the work of the Governor's Transportation Accountability Commission which is working on improved performance

standards; and “locking up the state’s Transportation Trust Fund by the use of enactment clauses. Again referring to the materials released by the Governor’s office), the “sustained funding” proposal would generate approximately \$1.16 billion for transportation in FY 2008 (the combination of \$500 million of the current budget surplus and the yields of the dedication/tax increase proposals), and \$800 million per year beginning in FY 2009. If this “sustained funding” proposal is enacted, the state capital participation rate for transit would increase to 95% beginning in FY 2008 instead of the 45% level resulting from the mere “one-time relief”.

About ten days later, Republican leaders in the Senate and the House announced their transportation funding proposal, with complementary “land use” and “governmental reform” elements. The proposal is described at length in materials released by the leadership and in news reports (attachment five), and is summarized more succinctly in a brief prepared by the Northern Virginia Transportation Authority’s (NVTA) Interim Technical Committee Chairman Tom Biesiadny (attachment six). On the “funding” side, the proposal has three major pieces: a statewide piece; a Northern Virginia (NOVA) piece; and a Hampton Roads piece. The “statewide” piece calls for the use of multiple sources of funding totaling an estimated \$500 million of revenue yearly, namely:

- Increased use of general fund dollars for transportation on a recurring basis (\$250 million per year) ; and
- Tax/fee increases for abusive driver penalties (\$61 million per year), a higher diesel fuel tax (\$20 million per year), higher overweight truck penalties and heavy truck registration (\$30 million per year), an increase in the vehicle registration fee (\$71 million) and the dedication of 50% of the surplus each year (an estimated \$64 million per year beginning in FY 2009, and a higher amount -- \$227 million – in FY 2008).

The “statewide” piece would be supplemented by the use of one-time funds (the \$339 million of existing budget residual) and two rounds of bonding: \$1.3 billion up-front for projects undertaken in the FY 2008-2012 timeframe and \$700 million later for projects undertaken beginning in FY 2012.

The “NOVA” and “Hampton Roads” pieces are “self-help” proposals whereby the affected local governments would be authorized to increase specified taxes¹ such that an estimated \$383 million would be generated in NOVA alone each year for NOVA transportation investment (assuming all the NOVA jurisdictions approved the increases). These funds would flow to the Northern Virginia Transportation Authority (NVTa) for specified purposes, including among other purposes \$30 million per year for VRE.

The “land use” and “governmental reform” elements are summarized in attachment four.

As this report was being finalized, a news report appeared indicating that a bipartisan group of Senators would soon be introducing a competing transportation funding proposal reliant on a gasoline sales tax increase, among other funding sources, that reportedly averts the ongoing use of general fund appropriations as a funding source (attachment seven). The proposal has not been released as yet so nothing more can be said about it here. Presumably more will be known about it and reactions to it by the time of the Commission meeting, permitting further discussion.

In addition to the foregoing transportation funding proposals, several dozen bills of direct interest to PRTC have been introduced. All of the above have been grouped into ten categories² to improve clarity, with tabular summaries of all the bills in each group and one-page briefs on each bill showing the bill number, a brief description, sponsor, and last known status – products of the Legislative Information Service bill retrieval system (appearing here as attachment eight). Those bills that are especially important to PRTC are highlighted below:

- HB2055 (McQuigg). A bill that Delegate (and PRTC Commissioner) McQuigg agreed to sponsor at PRTC’s request to permit transit operators to effectively ban the use of bus services by those that pose a danger to the public welfare.
- HB2071 (Brink). The Administration’s transportation funding bill.

¹ A 2% increase in the rental car tax (yielding \$8 million per year), an increase in the commercial real estate assessment to \$0.28/\$100 value (yielding \$275 million per year), a “local congestion relief” fee in the form of an increase in the grantor’s tax to \$0.40/\$100 value (yielding \$95 million per year), and an increase in the initial driver’s license fee (yielding \$6 million per year).

² Funding (statewide), Funding (local), Planning/governmental, HOV/HOT, Allocation, Dedication, Enforcement, Rail, Studies, and PPTA.

- HB3202 (Howell). The Republican leadership's statewide and Northern Virginia transportation funding bill (House version).
- SB1417 (Norment). The Republican leadership's statewide transportation funding bill (Senate version).
- SB1414 (Devolites-Davis). The Republican leadership's Northern Virginia transportation funding bill (Senate version).
- SB830 and SB843 (Devolites-Davis). Two other alternative Northern Virginia transportation funding bills.
- HB2698 and HB2699 (Hugo). WMATA funding bills.
- SB1399 (O'Brien). Would make the state (DRPT) responsible for local governments' present WMATA financial obligations, and redirect NVTC's 2% motor fuels tax to the Transportation Trust Fund (TTF) where it would be allocated according to the TTF formula (14.7% for transit, 85.3% for roads). The bill would also redirect PRTC's 2% motor fuels tax such that PRTC's member governments would receive it directly for transportation uses as they see fit.
- HB2499 (Orrock). Authorizes counties to levy an extra 2% transient occupancy tax to be used solely for local transportation needs.
- HB1648 (Cole). Makes the imposition of the 2% motor fuels tax optional for jurisdictions that are members of transportation districts like PRTC.
- HJ607 (Caputo). Creation of a ten-member committee to study transportation (including mass transit) financing.
- SB1271 (Whipple). Would allow public bodies to meet by electronic communication without quorum in one place.
- SB1272 (Whipple). Would allow transportation districts to increase remuneration rates for all members to the equivalent of what legislative members are currently entitled.
- HB2132 (Hugo) and HB3057 (Plum). Extends the sunset date for one year for vehicles bearing the clean special fuel vehicle license plates.

- HB2433 (Albo). Would require interim or comprehensive agreements associated with the PPTA to be competitively bid.
- HB2232 (Nutter). Would require a local match contribution by local government for a project proposed to be funded by the Rail Enhancement Fund.
- HB2233 (Nutter). Would require the local governing body to approve a project proposed for Rail Enhancement Fund funding as a prerequisite for the project to receive funding.
- HB2334 (Nutter). Would require the creation of a five-year plan for Rail Enhancement Fund-funded projects.
- HB2164 (Valentine) and SB1389 (Edwards). Would authorize the creation of the Trans Dominion Express Commission or Authority.

Attachment nine is a summary of all the bills being tracked by the VTA.

Because events are still unfolding in the session, it is sensible to hold off as long as possible on an evaluation of how things are faring relative to the PRTC state legislative agenda adopted by the Commission in December 2006. Such an evaluation is in preparation, and will be blue-sheeted for the Commission meeting so it as current as possible.

The Commission may wish to direct management to communicate a point-of-view on the bills highlighted here or others, a determination that will need to await the Commission meeting/discussion.

Attachments: As stated