Annual Legislative Briefing

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*Hilton Springfield, 6550 Loisdale Road, Springfield, VA*

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- Robert Schneider, PRTC Executive Director

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- Maggie Parker, Vice President, Communications & Community Outreach, Comstock Partners
- David Touhey, President of Venues, Monumental Sports & Entertainment
- Seema Wadhwa, Assistant Vice President for Sustainability and Wellness, Inova

**PANEL: TRANSIT MEANS BUSINESS**
- Jeffrey McKay, NVTC Chairman, Moderator
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The Northern Virginia Transportation Commission brings the region together to plan, coordinate, and secure funding for transit systems that are financially sustainable and high performing. NVTC enjoys a special relationship with the Washington Metropolitan Area Transit Authority (WMATA) and Virginia Railway Express (VRE), as it is charged with the funding and stewardship of both. Founded in 1964, in part to represent the interests of the Commonwealth during the establishment of WMATA, NVTC continues to serve as Virginia’s voice on the WMATA Board of Directors through its appointments to the panel. Following Metrorail’s launch, NVTC began planning for a commuter rail service, VRE, which became operational in 1992. NVTC, as the railway’s co-owner, appoints members to the VRE Operations Board.

The Potomac and Rappahannock Transportation Commission (PRTC) is a multi-jurisdictional agency representing Prince William, Stafford and Spotsylvania counties and the cities of Manassas, Manassas Park and Fredericksburg. Located in Virginia about 25 miles southwest of Washington, D.C., PRTC provides commuter bus service along the busy I-95 and I-66 corridors to points north (OmniRide & Metro Direct), and local bus services in Prince William County and the cities of Manassas and Manassas Park (OmniLink and Cross County Connector). PRTC also offers OmniMatch, a free ridesharing service. Operated by PRTC in partnership with NVTC, the Virginia Railway Express (VRE) provides commuter rail service along the Manassas and Fredericksburg lines, connecting to transit providers at stations in Virginia and the District of Columbia.
Northern Virginia’s economic growth and global competitiveness are directly tied to the region’s transit network. Transit links businesses to employees, customers, suppliers and investors and residents to jobs, school, shopping and entertainment. With nearly 60 percent of jobs within a quarter-mile of a rail station or bus stop, Northern Virginia is among the nation’s most transit-accessible areas. For the past five decades, the Northern Virginia Transportation Commission (NVTC) has promoted an efficient, high-quality and innovative transit network to fuel the economy and sustain the region’s quality of life.

High-quality transit not only brings economic benefits to Northern Virginia but to the entire Commonwealth. The high-capacity service offered by the Washington Metropolitan Area Transit Authority’s (WMATA) Metrorail and the Virginia Railway Express (VRE) provides more than $600 million per year to the Commonwealth of Virginia in sales and income tax revenues\(^1\). This reflects a more than 250 percent return on investment to the Commonwealth for its support of these transit systems.

Each work day, 550,000 Northern Virginians commute via transit, saving the region 35.5 million hours of congestion-related traffic delays annually. VRE riders, nearly 19,000 daily, take the equivalent of two lanes of traffic – one each on I-66 and I-95 – off the highways during rush hour. With six bus systems extending from Loudoun County to the City of Alexandria and commuter- and fixed-rail systems, Northern Virginia continues to explore ways to better connect businesses, residents and visitors.

NVTC supports legislation and policies that will:

- Maintain and expand opportunities for dedicated, sustainable funding for transit capital and operations;
- Ensure a level playing field for investment in transit state of good repair and expansion when compared to other surface transportation modes;
- Promote and strengthen regional cooperation and accountability;
- Maximize use of existing assets to enhance transit performance and safety; and
- Foster innovation and technological integration to improve transit operations and expand service.

Transit Systems that Serve NVTC’s Communities

\(^1\) NVTC, The Value of Metrorail and the Virginia Railway Express to the Commonwealth of Virginia, September 2017
Maintain and Expand Opportunities for Dedicated, Sustainable Transit Funding

NVTC’s top legislative and policy priority is identifying stable, secure and dedicated sources of funding for regional transit systems including WMATA, VRE, and local and commuter bus service. Maintaining and expanding stable, secure and dedicated revenue sources for operations and capital is essential to system safety and the region’s ability to reduce traffic congestion. This includes a focus on the following items:

1. **Identify and Secure Dedicated Funding for WMATA**

WMATA’s transit service is the backbone of the Washington, DC region’s transportation network. Metrorail and Metrobus provide more than 131 million trips in and from Virginia each year. Businesses locate near Metrorail stations in Virginia; 500,000 jobs in Northern Virginia are within a quarter mile of a Metrorail station or bus stop. New development is active along Metrorail’s Silver Line with more than $18 billion in investment along that corridor.

WMATA’s Metrorail represents a $40 billion asset that generates returns on regional, state and national investment through mobility, traffic congestion relief, improved air quality, and economic development. Now, 40+ years after its first trains went into operation, WMATA’s customers are experiencing the effects of an aging system, representing years of deferred maintenance. In April 2017, WMATA’s general manager, Paul Wiedefeld, identified a systemwide total of $25 billion in unfunded capital needs, projecting that WMATA “needs $15.5 billion over the next 10 years to remain safe and reliable.”

WMATA is a regional system, supported through a partnership between Virginia, Maryland, the District of Columbia and the federal government. All parties play a role in ensuring WMATA’s success. Further, WMATA is one of the only major transit systems in the United States that does not have a dedicated funding source.

WMATA has one of the highest cost recovery rates in the country. Still, WMATA’s general manager has outlined an action plan to control operational costs so that annual increases in jurisdictional contributions are limited to no more than 3 percent per year. This aggressive approach to containing costs while investing in key state of good repair improvements is a positive step toward returning WMATA to a world class transit system.

As the health of the WMATA system is critical to the economic, social and transportation vitality of Northern Virginia, NVTC supports the following legislative and policy actions related to WMATA funding:

- Identify dedicated and sustainable state and regional revenue sources that will allow WMATA to address state of good repair and help accommodate growth in the region;
- Ensure the Commonwealth continues its commitment to support its local jurisdictions’ share of WMATA capital and operating costs using funds that provide the most flexibility for financing;
- Continue the Commonwealth’s match any federal funding for WMATA, through PRIIA or similar authorization;
- Maintain the current capital allocation formula to ensure Virginia’s financial commitments to WMATA are consistent with Virginia’s ridership, stations and other factors;
- Empower the WMATA General Manager and Board of Directors to implement operational cost containment and reforms necessary to ensure the efficiency and reliability of the system;
- Develop and expand opportunities for the use of innovative state financing to support WMATA.

In its movement of people and role in our economy, failure to invest in WMATA threatens not only the economic vitality of Northern Virginia but the Commonwealth as a whole.
2. Establish Floor on Regional Gas Tax to Match State Gas Tax Floor

NVTC supports enacting the same floor on the 2.1 percent regional gas tax that is currently provided for the statewide gas tax. Such protection is critical for Northern Virginia and Hampton Roads because the reduction in gas prices has directly affected the revenues available for local governments to fund their transportation commitments, including subsidies for WMATA and VRE. The monthly revenues collected via the regional gas tax – the only dedicated source of funding for WMATA in Northern Virginia – are down as much as 40 percent since 2013. During fiscal 2017 alone, NVTC jurisdictions lost $17 million because the regional gas tax lacks the same protective floor as the statewide tax.

3. Identify Funds to Address Statewide Transit Capital Shortfall

NVTC supports a statewide solution to the pending transit capital shortfall. An urgent and immediate threat to transit systems across the state will hit starting in fiscal year 2019 when the Commonwealth Transportation Board (CTB) allocates the last revenues received from the 2007 Transportation Capital Project Revenue Bonds. These bond proceeds have been a key element in Virginia’s funding for transit capital, representing 40 percent of the available revenue for transit capital investments across the state. The Transit Capital Projects Revenue Advisory Board’s recent report to the General Assembly indicates that the loss of these bond proceeds would lead to an unfunded need of more than $130 million annually in transit capital funding.

A loss of funding will be disastrous for Northern Virginia transit providers. The reliability and service performance of our transit systems will be greatly affected, as the state match for vehicle replacement will be drop from 68 percent to less than 30 percent. A reduction in state funds will force transit to compete with local core services. Further, the loss of these funds will eliminate the Commonwealth’s ability to match federal funding for WMATA under the Passenger Rail Investment and Improvement Act of 2008 (PRIIA). PRIIA funding expires in federal fiscal 2019 and will result in the loss of $300 million per year in federal and state/local capital funding for WMATA state of good repair projects.

The transit shortfall affects the entire Commonwealth; it is not just a Northern Virginia issue. More than 41 transit agencies across the state rely on these funds to maintain safe and reliable transit operations. In areas with limited local resources, a loss of more than 20 percent in state transit capital funding will be devastating. Finding a long-term, sustainable funding solution for the Commonwealth’s transportation needs is imperative if we are to avoid the collapse of Virginia’s transit capital program and, with it, transit operations.

4. Secure Dedicated Funding for VRE

As VRE executes its 2040 System Plan, it has developed an accompanying Financial Plan that identifies capital and operating needs of $45 million annually, on average, to sustain the railroad’s current service levels. This clear and compelling need was verified by the CTB’s VRE Long Range Service Plan & Financial Analysis Review, completed in late 2016. Without additional resources to cover operating costs, service levels must be cut, leading to a “death spiral” that will force the cessation of VRE service by 2033. NVTC supports VRE’s efforts to seek this funding from the General Assembly to ensure that the commuter railroad remains a safe, reliable and viable option to residents.
Support Opportunities to Reform and Enhance WMATA

Since its inception in 1964, NVTC has served as the venue for Northern Virginia’s engagement with WMATA, responsible for administrating funds and appointing Northern Virginia representatives to the WMATA Board. Virginia is unique in the WMATA Compact region in that its local governments – the cities of Alexandria, Falls Church, and Fairfax and the counties of Arlington and Fairfax – are the Compact funding partners, with Loudoun County becoming a funding partner as the Silver Line Phase 2 becomes operational in 2020. As such, NVTC – through its appointees to the WMATA Board – directly represents the Northern Virginia jurisdictions that fund WMATA.

NVTC strongly supports continued NVTC representation on the WMATA Board. It recognizes the benefit of a board that both represents the funding jurisdictions and includes elected and non-elected officials with a range of professional backgrounds. NVTC supports full voting authority for all members and a streamlining of the WMATA Board committee structure to reduce bureaucracy. NVTC supports the continued review by WMATA of its Board policies regarding conflicts of interests and fiduciary interests so that it can maintain its principled approach to decision making. It also supports elimination of the jurisdictional veto, as it impedes regional cooperation.

NVTC supports financial and operating improvements that ensure that the capital and operation funding needs of the system are sustainable. In labor negotiations, NVTC supports actions that provide the WMATA General Manager and Board with greater authority to make operational decisions and tools, such as competitive contracting of targeted functions, to improve the system’s cost effectiveness without jeopardizing safety. Further, NVTC supports actions that allow WMATA to maintain funding discipline for labor costs through collective bargaining or subsequent arbitration.

Ensure a Level Playing Field for Transit

NVTC supports the Commonwealth’s SMART SCALE program and the Northern Virginia Transportation Authority’s HB599 processes, where both transit and highway projects can compete for expansion funding on a level playing field for much-needed resources. As the General Assembly looks to address the future allocation of state transit capital funds, NVTC supports the use of these types of performance-based competitions when prioritizing transit expansion projects but cautions against the use of these processes for state of good repair efforts.

Transit state of good repair needs, which can be compared to highway repairs and repaving, should not be treated differently or create a larger administrative burden than is required by the highway program. Transit state of good repair needs, estimated by the Virginia Department of Rail and Public Transportation to be between 80 and 90 percent of the state transit capital funding program, are needed to replace aging buses and facilities, perform vehicle overhauls, and repair facilities and systems. For Virginia Department of Transportation (VDOT) programs, these types of projects are primarily funded through an allocation model to district offices where requests are prioritized based upon need. NVTC supports a level playing field for transit state of good repair funding that provides predictability and reflects agency priorities while not requiring additional administrative burdens.

Foster Innovation and Technology to Improve Transit Operations and Service

NVTC will continue to support innovative technological opportunities for transportation including:

- Leveraging toll revenues to support investments in multimodal transportation improvements;
- Funding and deploying Transportation Demand Management (TDM) and Intelligent Transportation Systems (ITS);
- Acquiring a regional electronic fare payment system that decreases costs and allows riders to move seamlessly from VRE to Metro to local bus systems;
- Expanding telecommuting, ridesharing and transit ridership during peak and off-peak times through innovative incentives.
Facilitating efficient surface transportation, including public transportation, has long been recognized as a federal responsibility and is critical to U.S. global economic competitiveness. According to the American Public Transportation Association, 87 percent of the 35 million public transportation trips taken each day directly impacts the U.S. economy because Americans ride public transit to work or spend money at retail businesses and entertainment venues. In Northern Virginia, federal funding for public transportation supports capital investments in WMATA and VRE, as do allocations made by the Commonwealth and local jurisdictions. Also, the tax benefits provided to large employers – most notably the federal government – play a key role in supporting commuters who utilize transit, which benefits all the transit providers in our region.

Reauthorize Dedicated Federal Funding for WMATA

NVTC strongly supports continued dedicated federal funding for WMATA to support critical safety and state of good repair projects to match or exceed the current 10-year commitment under PRIIA. WMATA is critical to the federal government. More than half of Metrorail stations serve federal facilities and approximately 40 percent of morning peak-period customers in Virginia are federal employees. Further, WMATA enables special events in the Washington metropolitan region, such as festivals, sporting events, and inaugurations. Metrorail also allows for the evacuation of more than 120,000 people per hour during an emergency.

In 2008, Congress authorized a total of $1.5 billion over 10 years to WMATA under PRIIA, leveraged by an equal match of funds from Virginia, Maryland and the District of Columbia. These funds have been critical in supporting the major maintenance and capital rehabilitation activities that were necessary to restore the safety and reliability of the aging transit system.

As a forum for the Northern Virginia funding jurisdictions of WMATA, NVTC is invested in its future. As such, NVTC has taken several actions demonstrating its commitment to WMATA reform. In June 2017, NVTC issued a resolution supporting financial and operating improvements that ensure that the capital and operation funding needs of the system are sustainable. In September 2017, NVTC issued a resolution identifying a series of governance and operational reforms aimed at addressing concerns of board membership, reducing bureaucracy, addressing conflicts of interests, strengthening labor negotiations and maximizing regional cooperation.

Nearly 90 percent of VRE passengers and 65 percent of Metro’s Virginia riders rely on the commuter tax benefit, a tax relief program that was restored in 2015 and serves employees of federal agencies and private sector companies across the country. NVTC supports continuation of transit commuter benefits, providing key incentives for commuters to use transit and vanpools, that are on par with the tax incentive provided for parking. This tax benefit makes transit service more attractive to commuters who currently drive alone. Further, NVTC encourages programs that support the use of carpools, vanpools, rideshare, bike share, and transportation demand management (TDM) as effective tools to eliminate traffic congestion.
To aid in controlling costs at WMATA, NVTC supports passage of federal legislation that would strengthen the requirement that transit labor arbitration awards be consistent with the financial conditions of the negotiating transit agency. Currently, the National Capital Area Interest Arbitration Standards Act (Wolf Act) permits but does not mandate arbitration awards based upon financial condition. Strengthening this language would allow management to keep labor costs in alignment with the financial condition of the transit agency and its funding jurisdictions.

Fully Fund Federal Surface Transportation Programs

The Fixing America’s Surface Transportation (FAST) Act of 2015 provides $61.1 billion over five fiscal years for programs administered by the Federal Transit Administration (FTA). The law, which authorized $11.8 billion for public transit programs in fiscal 2016, increases the total authorization to $12.6 billion in fiscal 2020, which is 17.7 percent over the fiscal 2015 level. It continues funding programs that are used by systems in Northern Virginia, including Urbanized Area Formula Grants, grants for the Enhanced Mobility of Seniors & Individuals with Disabilities, Bus and Bus Facilities Grants Program, discretionary grant programs, and State of Good Repair Formula Grants. It also authorizes the Capital Investment Grants program, which supports new major transit expansion activities. The legislation continues the Transportation Infrastructure Finance and Innovation Act (TIFIA) and the Railroad Rehabilitation and Improvement Financing programs, as well as the multimodal Surface Transportation Program (STP) and Congestion Mitigation and Air Quality Program (CMAQ).

In anticipation of the next authorization and during annual appropriations activity, NVTC supports Congressional actions that:

- Identify new and enhanced revenues to increase the level of federal investment in the nation’s transportation infrastructure;
- Ensure that funding structures support all modes of public transportation and the use of innovative funding techniques;
- Allow transit labor arbitration awards to reflect the financial conditions of the transit agency;
- Affirm that all interstate highway toll revenues can be used for transit capital and operations;
- Appropriate annual funding for the FTA’s Capital Investment Grants program (New Starts, Small Starts, and Core Capacity) consistent with the authorized levels of the FAST Act;
- Provide annual funding for the Transportation Improvements Generating Economic Recovery (TIGER) discretionary grant and the Federal Highway Administration’s Infrastructure for Rebuilding America (InFRA) grant programs;
- Simplify the distribution of federal flex funding through programs like STP and CMAQ to provide greater authority to local government and regional agencies to determine how the funding is spent; and
- Streamline environmental reviews when multiple federal agencies are involved so that the environmental impacts of a project can be efficiently identified and addressed.

Enable In-State Collection of Online Retail Sales Tax

NVTC supports passage of legislation, such as the Marketplace Fairness Act of 2015, to allow the Commonwealth of Virginia to collect sales tax on purchases made through online retailers. If Marketplace Fairness is enacted, Virginia Code (HB2313) includes a provision to ensure that the Commonwealth spends a portion of the collected funds on transit projects.
Where things stand

Northern Virginia jurisdictions continue to lose millions of dollars in gas tax revenue that could be used to meet their Metro subsidies. In fiscal year 2017, the counties of Arlington, Fairfax and Loudoun and the cities of Alexandria, Fairfax and Falls Church missed out on more than $16.9 million, or 37 percent of what they should have received were a floor in place. The gas tax, which is based on the sales price of fuel, has fluctuated as prices have fallen in recent years. While the state gas tax has protections that maintain a minimum level of revenue, the regional gas tax does not.

What is the regional gas tax?

A 2.1 percent tax is imposed on fuel sold by wholesale dealers in Northern Virginia. The Commonwealth of Virginia collects the tax and remits it to NVTC, where it is held in trust for member jurisdictions’ restricted use. The regional gas tax was first levied in 1981 at 2 percent of retail sales. In 2010, the tax was changed to 2.1 percent of wholesale prices (Virginia Code Section 58.1-2291). The rate increase served to cover the loss of dealer profit included in the earlier retail tax.

Why have revenues fallen 40 percent over four years?

In early 2013, gas prices were hovering around $3.50 per gallon. Because the tax is tied to the price of fuel, as gas prices dropped – in subsequent years going below $2 per gallon – gas tax revenues plummeted.

What would happen if a tax floor was established?

Ensuring a minimum threshold of revenues, as was done with the state gas tax, would provide a level of fiscal assurance to NVTC jurisdictions, allowing them to budget more effectively. If the regional gas tax had the same protections as the state gas tax, NVTC jurisdictions would have taken in $45.5 million in fiscal 2017, as opposed to the $28.5 million they received.

How does the regional gas tax work?

Wholesale gas sales in both Northern Virginia and Hampton Roads are taxed at 2.1 percent. The state allocates revenues based on gas sales in specific jurisdictions. It then disburses the funds to NVTC and the Potomac and Rappahannock Transportation Commission (PRTC) in Northern Virginia and to the Hampton Roads Transportation Accountability Commission (HRTAC) in Coastal Virginia.

Gas tax revenues must be used for specific purposes. NVTC jurisdictions apply the funds to cover their WMATA subsidies. Loudoun County, which currently may use gas tax receipts for roads, will use them for Metro when the Silver Line opens in 2020. PRTC jurisdictions use the revenues to help cover their Virginia Railway Express subsidies. HRTAC applies the funds to major road, bridge and tunnel projects.
Where things stand

An August 2017 report by a state advisory board outlined four funding packages, each of which would raise $130 million to $140 million annually to cover the state’s share of transit capital expenses in the Commonwealth of Virginia. The General Assembly requested the report after learning that $110 million in dedicated revenues will begin to phase out in 2019 as Capital Project Revenue (CPR) bonds expire. Failure by the General Assembly to replace the funds will limit the ability of transit systems throughout Virginia to offer safe and reliable service and may result in a loss of federal funding, as transit agencies may no longer be able to provide the required match.

What is the transit capital fiscal cliff?

Virginia has long supported the transit systems that serve its residents, providing funds for public transportation capital expenditures. Over the last four years, those funds have comprised 45 percent of the total statewide investment in transit capital. To provide this funding, the Commonwealth Transportation Board (CTB) has relied on bonds, as authorized by the Commonwealth Transportation Capital Projects Bond Act of 2007. In fiscal year 2019, the CTB will allocate the last of the CPR bond revenues. In 2020, the estimated gap between transit capital needs and available funds will be $35 million, growing to $178 million by 2027.

What happens if the gap isn’t closed?

About 80 percent of transit capital expenditures are to replace existing assets – such as buses, rail cars, maintenance facilities, and technology – to maintain a state of good repair. A loss of funds could threaten the safety and reliability of bus and rail service operating in Virginia. Transit providers could be forced to reduce or eliminate routes or services. A decline in funding could result in fewer federal transit dollars coming to Virginia, as many agencies use state funds to match grants from the Federal Transit Administration. This funding shortfall could jeopardize the Commonwealth’s ability to fund its $50 million annual match to Metro, as required under the federal Passenger Rail Investment and Improvement Act of 2008.

What is the solution?

During its 2018 session, the General Assembly must dedicate a steady and reliable stream of revenues to fund transit capital investments throughout Virginia. An advisory board has presented lawmakers with four funding alternatives, including two that rely solely on state revenues and two that rely on a combination of state and regional revenues. NVTC has voiced concern about tapping regional revenue sources to fund a state program. Legislators also must secure a sustainable source of revenue that can be earmarked for Metro and Virginia Railway Express capital and expansion needs. Metro’s general manager has indicated that along with operational and structural reform, his transit agency needs $15.5 billion over the next 10 years to ensure passenger safety and service reliability. VRE’s capital needs over the next five years will require at least $2.1 billion, the bulk of which currently is unfunded.

The Commonwealth needs a steady and reliable stream of dedicated revenues for its transit capital program to meet state of good repair needs and support much needed transit expansion to keep up with population growth.

Transit Capital Projects Revenue Advisory Board, August 2017
Where things stand

In order to provide safe and reliable service, WMATA needs $15.5 billion over the next 10 years for capital improvements. Metrorail, a $40 billion asset, is suffering due to years of deferred maintenance. WMATA is the backbone of the region’s transportation network. Metrorail and Metrobus provide more than 131 million trips in Virginia each year. More than 500,000 jobs in Northern Virginia are within a quarter mile of a Metrorail station or Metrobus stop. Metrorail’s Silver Line has attracted more than $18 billion in real estate investment.

What is necessary to restore WMATA as a world class transit system?

Failure to invest in WMATA threatens the economic vitality of both Northern Virginia and the Commonwealth. As such, NVTC supports legislative and administrative actions that:

- Create a multi-year, stable and bondable revenue source to allow WMATA to address critical safety and state of good repair projects;
- Ensure the Commonwealth continues to support its local jurisdictions’ share of WMATA capital and operating costs using funds that provide the most flexibility for financing;
- Continue the Commonwealth’s match of any federal funding for WMATA, through the Passenger Rail Investment and Improvement Act or similar authorization;
- Maintain the current capital allocation formula to ensure that Virginia’s financial commitments to WMATA are consistent with Virginia’s ridership, stations and population;
- Develop and expand opportunities for the use of innovative financing to support WMATA.

What reforms could boost WMATA’s success?

NVTC endorses organizational and operational reforms to restore WMATA to a world class transit system. NVTC supports legislative and administrative actions that:

- Ensure the WMATA Board represents the local funding jurisdictions and includes elected and non-elected officials with a range of professional backgrounds;
- Provide full voting authority for all members and streamline the WMATA Board committee structure to reduce bureaucracy;
- Require the WMATA Board to continually review its policies regarding conflicts of interests and fiduciary interests to maintain its principled approach to decision making;
- Eliminate the jurisdictional veto as it impedes regional cooperation.

NVTC also supports actions that provide the WMATA General Manager/CEO and Board with greater authority to make operational decisions and utilize tools, such as competitive contracting of targeted functions, to improve the system’s cost-effectiveness without jeopardizing safety. NVTC also supports actions that allow WMATA to maintain funding discipline for labor costs through collective bargaining or subsequent arbitration.

WMATA provides economic benefits to the entire Commonwealth

Metrorail and VRE support economic activity that generates more than $600 million in sales and income taxes each year that flow to the Commonwealth of Virginia. That is a more than 250 percent return on the Commonwealth’s investment in these transit systems.
Where things stand

Tax reform legislation pending in both the U.S. House and Senate would repeal a deduction for businesses that provide transit passes as a fringe benefit for their employees. Combined with a reduction in the corporate tax rate, this repeal leaves little incentive for employers to provide transit benefits. The bills leave in place a provision that allows employees to use pretax dollars to pay for transit. The Senate bill would repeal the commuter bicycle benefit.

What is the commuter tax benefit for transit?

The Protecting Americans from Tax Hikes (PATH) Act of 2015 provided permanence and parity (with parking benefits) for the pretax transit benefit. Considered a “Qualified Transportation Fringe” under Internal Revenue Code Section 132(f), the benefit allows commuters to spend up to $260 per month on a pretax basis. Employers save on payroll-related taxes and employees save on federal income taxes. Commuters may use pretax dollars to pay for transit passes and vanpool fares and parking. Bicyclists may receive reimbursement from employers, up to $20 per month, for reasonable expenses related to their commutes.

What would happen if the commuter tax benefit for transit disappeared?

In short, public transit ridership would decline and traffic congestion would worsen, having a deleterious effect on the local economy and quality of life. Greater congestion has myriad impacts, including a decline in employee productivity and job satisfaction, increase in workforce tardiness, and rise in costs to ship and receive products. Elimination of the transit benefit also would increase employees’ commuting costs and taxes. On an annual basis, this could translate to over $1,000 per employee, according to Benefit Resource, Inc. Such an impact on household budgets would reduce discretionary spending, which fuels economic growth.

On a regional level, elimination of these benefits would lead to dramatic ridership and revenue loses for VRE, WMATA and transit throughout the Commonwealth. In addition, more Virginians would be sitting in gridlock on I95, I395, I66, and other regional roadways.

What is the solution?

Because nearly 90 percent of Virginia Railway Express passengers and 65 percent of Metro’s Virginia riders rely on the commuter transit benefit to pay all or part of their fares, Northern Virginia has a vested interest in ensuring the continued availability of the pretax program. Congress must recognize the economic value of the transit benefit and ensure that tax reform legislation does not eliminate or scale back this vital program.
Where things stand

Funds available through the Passenger Rail Investment and Improvement Act of 2008 (PRIIA) are critical to the Washington Metropolitan Area Transit Authority’s (WMATA) ability to provide safe and reliable service. Without Congressional reauthorization of PRIIA or passage of a substitute measure prior to the end of fiscal year 2018, WMATA stands to lose up to $300 million annually.

PRIIA provides a total of $300 million a year to WMATA for state of good repair projects, leveraging $150 million annually in federal investment with $150 million a year in state match.

What is PRIIA funding?

When Congress passed PRIIA, which was designed to strengthen the nation’s passenger rail network, it authorized $1.5 billion in federal funds for WMATA over 10 years. The legislation requires that Virginia, Maryland and the District of Columbia provide an annual match of $150 million, or $50 million each. PRIIA funds help WMATA address federal safety mandates, repair aging track, purchase new rail cars, fix escalators and elevators, and rehabilitate rail stations and platforms.

What happens if PRIIA is not renewed?

Because it is not possible to reduce Metro’s capital budget without impinging on the safety and reliability of service, jurisdictions that are signatories to the WMATA compact would be forced to make up the difference. In Virginia, that would place an extreme financial burden on the cities of Alexandria, Fairfax and Falls Church and the counties of Arlington and Fairfax. Congress’ failure to reauthorize PRIIA or pass replacement funding legislation would make it impossible for Metro to perform much-needed safety, reliability and efficiency upgrades.

What is the solution?

Given that more than 40 percent of morning rush hour trips on Metro are taken by federal employees, it is incumbent on Congress to fund WMATA at a level no less than the current $1.5 billion over 10 years to support Metro’s state of good repair program. Looking to the future, WMATA estimates it will need $15.5 billion over the next 10 years to ensure passenger safety and service reliability. The bulk of that amount – more than 90 percent – remains unfunded. Additional long-term federal funding is essential to maintain and modernize a system that provides over 600,000 rail trips each weekday, 30 percent of which are by Virginians. Without these investments, we risk undermining the region’s future prosperity and may actually incur greater costs should Metro deteriorate.
Metrorail and the Virginia Railway Express (VRE), the state’s only commuter railroad, are the backbone of Northern Virginia’s transit system, moving approximately 293,000 people on an average weekday in Northern Virginia. These systems get people to work, help create thriving communities and relieve congestion on roadways. They also fuel economic development across Northern Virginia. High density development clustered around rail stations produces property tax and other revenues that help fund schools, parks, and a range of public services in our communities. The local economic value of high capacity transit is well studied, yet Metrorail and VRE also produce significant revenues for the Commonwealth of Virginia. In fact, the households and jobs supported by Metrorail and VRE generate over $600 million in state general fund revenues.

**OVERVIEW**

NVTC’s analysis finds that:

- The presence of Metrorail and VRE supports an additional 85,000 households and 130,500 jobs in Northern Virginia.
- Those households and jobs generate more than $600 million annually in sales and income tax revenue that flow to the state’s general fund.
- Given Virginia’s annual transit operating and capital contribution to Metrorail and VRE (about $170 million budgeted in fiscal year 2018), the return on investment to the Commonwealth exceeds 250 percent.
- $600 million, which represents just over 3 percent of general fund revenues, covers Virginia’s annual, general fund expenditures on state colleges and universities (about $316 million) and state police (about $266 million).

**BACKGROUND**

The benefits that accrue to communities served by rail are well documented. Several studies — including one in 2011 by the Washington Metropolitan Area Transit Authority (WMATA) and another
in 2017 by the Metropolitan Washington Council of Governments (COG) — demonstrate the value of transit to localities in the greater Washington, D.C. region. According to WMATA:

- $235 billion of property value is within a half-mile of Metrorail stations.
- This land generates $3.1 billion annually in property tax revenues.
- This land represents 28 percent of the jurisdictions’ property tax base, but only 4 percent of their land.
- Proximity to Metrorail increases property values by 7 to 9 percent.

COG notes that $25 billion of development has occurred near Metro stations over the past eight years.

With Metrorail experiencing track segment shutdowns to handle a backlog of deferred maintenance and as discussions about finding dedicated funding for WMATA gained traction in late 2016, NVTC planners considered whether the economic benefits associated with the rail system extended beyond the property taxes collected by local jurisdictions. The question arose as to what value Metrorail and VRE, which NVTC co-owns, bring to Virginia.

NVTC planners applied a model to determine the additional number of households and jobs that exist in Northern Virginia resulting from rail service. The model used the existing level of roadway congestion as a base and then determined the likely level of congestion and deterioration in travel times were Metrorail and VRE not available. Staff then rebalanced households and jobs in the region until they reached the level of congestion that currently exists on Northern Virginia’s roadways.

Part of what distinguishes this study from previous ones, including reports issued by NVTC in 1994 and 2005, is that it is dynamic rather than static, accounting for the level of activity that the regional transportation network can support. NVTC’s approach is unique in that it evaluates the interaction between land use and transportation demand. The study found that the presence of Metrorail and VRE alone supports an additional 85,000 households and 130,500 jobs in Northern Virginia, which enhances the amount of sales and income taxes collected by the Commonwealth. The fact is that the entire state reaps dividends — to the tune of approximately $600 million in general fund revenues — from Metrorail and VRE service in Northern Virginia.

Where in Northern Virginia Do Metrorail Riders Live?

Of the approximately 665,000 Metrorail riders per weekday, 30 percent live in Virginia. More than 90 percent of Virginia’s average weekday riders come from NVTC jurisdictions – the counties of Arlington, Fairfax and Loudoun and cities of Alexandria, Fairfax and Falls Church. Given the extent of VRE service and other commuter connections, over 13,000 of Metrorail’s average weekday riders live in Virginia outside of NVTC jurisdictions. Many of these riders live south and west of the compact area and use VRE to connect to Metrorail in Virginia or the District of Columbia. About a third of Virginia riders live within a half mile of a Metrorail station.

Who rides Metrorail in Northern Virginia?

Virginians access Metrorail stations by walking (38 percent), taking the bus (27 percent), and driving and parking (21 percent). Thirty-seven percent of Virginia riders are federal employees and 50
percent have household incomes greater than $100,000. There are over 300,000 jobs within a half mile of Virginia Metrorail stations and Metrorail is commonly used by residents of the district, Maryland and Virginia to commute to these jobs.

Where do VRE riders live in Northern Virginia?

VRE provides roughly 20,000 trips on an average weekday. Given that VRE is a commuter railroad, its ridership extends farther in the region than Metrorail. Over 60 percent of VRE’s riders come from Stafford, Fairfax, Prince William and Spotsylvania counties.

How much does the Commonwealth spend on Metrorail and VRE?

Virginia spends about $170 million annually on Metrorail and VRE from its transit capital and operating funds, which total nearly $380 million for all transit in the Commonwealth in fiscal 2018. The revenue for these funds comes from a variety of sources, including the recordation tax, retail sales and use tax, statewide motor vehicle fuels tax and 10-year Capital Project Revenue (CPR) bonds. The expected revenue sources for the CPR debt service payments are insurance premium taxes and the statewide motor vehicle fuels tax.

How is WMATA funded in Virginia?

In Virginia, WMATA is funded by the localities identified in the WMATA Compact: Fairfax and Arlington counties and the cities of Alexandria, Falls Church and Fairfax. Loudoun County will join in supporting Metro as the Silver Line Phase 2 becomes operational. NVTC jurisdictions primarily use local funds to meet this obligation, with a considerable portion of expenditures reimbursed by the Commonwealth. Regardless of the availability of state funds, the local jurisdictions are responsible for meeting Metro’s financial needs.
Funding sources for local government use include:

- General funds
- General obligation bonds
- Northern Virginia Transportation Authority 30-percent funds
- 2.1 percent regional gas tax revenues

In fiscal 2018, the Commonwealth budgeted about $195 million for WMATA operating and capital subsidies. This funding is for all WMATA modes: Metrorail, Metrobus and MetroAccess. Based on the Department of Rail and Public Transportation’s (DRPT) funding methodologies, the commonwealth’s budget for Metrorail is $146 million. The funding comes from DRPT’s transit capital and transit operating funds.

How is VRE funded in Virginia?

VRE’s capital and operating expenditures are funded by a combination of sources, including passenger revenue, federal formula transit and rail funds, Commonwealth of Virginia funds, local jurisdictional contributions, in-kind contributions, regional funding, local matches, and other revenues. In fiscal 2018, the Commonwealth budgeted over $26 million for VRE operating and capital funding from DRPT’s transit capital and operating programs. VRE is eligible for and has received funding from DRPT’s rail programs and from the Virginia Department of Transportation’s SMART SCALE program for capital expansion projects. Because they are not used for VRE’s current or ongoing capital and operating needs, these funds are not included in the table below.

Threats to Rail Transit Funding in Northern Virginia

Regional Gas Tax

A flaw in the 2.1 percent regional gas tax has led to a more than 40 percent decline in revenues between fiscal 2017 and 2013, when gas prices were at their highest. The regional gas tax – unlike the state tax, which no matter how low the price of gas goes has a fixed minimum – has no bottom threshold. Receipts from the regional gas tax are used by local jurisdictions to support their financial commitment to WMATA.

Transit Capital Funding Shortfall

With the expiration of CPR bonds, the amount available for transit capital investments in Virginia will begin to drop by $110 million or more than 40 percent in fiscal 2019. Legislative action is needed to insure adequate support for all transit agencies in the Commonwealth, including NVTC jurisdictions that rely on these funds for reimbursement of their WMATA capital subsidies. This funding shortfall could jeopardize the Commonwealth’s ability to fund its $50 million match required under the federal Passenger Rail Investment and Improvement Act of 2008.
Methodology for Calculating the Value of Metrorail and VRE to the Commonwealth

1)  **Determine the existing level of roadway congestion**
Use the regional land use and transportation model to calculate the existing level of roadway congestion in Northern Virginia.

2)  **Calculate the households and jobs supported by high capacity transit**
Remove Metrorail and VRE from the transportation model in Northern Virginia and recalculate roadway congestion. Rebalance households and jobs across the region until congestion reaches current levels.

3)  **Estimate state revenues**
With the number of households and jobs supported by Metrorail and VRE calculated, estimate the annual contribution to Virginia’s general fund from state income and sales taxes.

THE VALUE OF METRORAIL AND VIRGINIA RAILWAY EXPRESS TO COMMUTERS IN THE REGION

In quantifying the value that Metrorail and VRE bring to the Commonwealth, NVTC determined the amount of land use and development that could be supported with only the current roadway and bus networks. The existing level of roadway congestion was used as the base level. The regional travel demand forecast model was then run without Metrorail and VRE to assess the likely level of congestion and deterioration in travel times. Households and jobs were removed to return the level of congestion to what exists today. Congestion was measured by the distance of the average commuter trip and the distribution of congested lane miles of travel.

Commuters have a travel time budget. Based on the congestion level, a specific trip can travel only so far in a given amount of time. Historical data shows little change in average commuter travel times for mature urban areas. The Metropolitan Washington Council of Governments (COG) does regional household travel surveys, which consistently show an average commuter trip travel time of about 30 minutes.

Following the removal of Metrorail in Northern Virginia and VRE from the model, households and jobs were shifted to Maryland and the district. The model was run iteratively until the average commuter trip distance matched what currently exists. The level of congestion on the roadway network was also matched to the existing level.

The first model runs removed rail transit in Northern Virginia and held to the existing land use totals. The results of these runs demonstrate the importance of rail in Northern Virginia. With the added congestion, commuters could not travel as far in the same amount of time. Their trip length decreased by about 5 percent, which is significant. By comparison, the trip length decrease projected by COG in 2040 with all funded regional projects was less than 5 percent.

The major impacts associated with a lack of rail transit in Northern Virginia are:

- 56,500 more lane miles of congestion on arterial roadways;
- 50 percent fewer transit trips in the peak period; and
- 80 percent decrease in jobs accessible by transit for Northern Virginia households.

### Table 3

<table>
<thead>
<tr>
<th>Jurisdiction</th>
<th>Average Commuter Trip Distance (miles)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arlington</td>
<td>7.89</td>
</tr>
<tr>
<td>Alexandria</td>
<td>9.26</td>
</tr>
<tr>
<td>Fairfax</td>
<td>11.64</td>
</tr>
<tr>
<td>Loudoun</td>
<td>17.22</td>
</tr>
<tr>
<td>Prince William</td>
<td>17.06</td>
</tr>
<tr>
<td>Northern Virginia Combined</td>
<td>13.44</td>
</tr>
</tbody>
</table>

*Table 3 Source: Transportation Planning Board V2.3.66 Travel Demand Forecast Model*
Rail transit is an important option for commuters living inside the Beltway. Nearly half of Arlington County’s commuters use transit. That share drops to 28 percent without rail. Just under 40 percent of commuters in the City of Alexandria take transit. That number falls to 24 percent without rail. In Fairfax County, the percentage of commuters using transit drops from 17 to 6. Some of these commuters switch to buses, but the majority switch to automobiles. Without rail transit in Northern Virginia there is a loss of 130,000 daily transit trips.

<table>
<thead>
<tr>
<th>Jurisdiction</th>
<th>Existing Modes</th>
<th>Existing without Rail Modes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arlington</td>
<td>49%</td>
<td>28%</td>
</tr>
<tr>
<td>Alexandria</td>
<td>38%</td>
<td>24%</td>
</tr>
<tr>
<td>Fairfax</td>
<td>17%</td>
<td>6%</td>
</tr>
<tr>
<td>Loudoun</td>
<td>4%</td>
<td>2%</td>
</tr>
<tr>
<td>Prince William</td>
<td>5%</td>
<td>3%</td>
</tr>
<tr>
<td>Northern Virginia Total</td>
<td>18%</td>
<td>8%</td>
</tr>
</tbody>
</table>

Table 4 Source: Transportation Planning Board
V2.3.66 Travel Demand Forecast Model

WHAT METRORAIL AND VIRGINIA RAILWAY EXPRESS SUPPORT IN NORTHERN VIRGINIA

The elimination of Metrorail and VRE from Northern Virginia’s transportation network significantly increased traffic congestion. Assuming that the regional total of jobs and households remains constant, achieving current levels of roadway congestion without rail transit required the rebalancing of 85,000 households and 130,500 jobs within the region to the areas of Maryland and the district with planned growth.
THE VALUE OF METRORAIL AND VIRGINIA RAILWAY EXPRESS TO THE COMMONWEALTH

The land use supported by Metrorail and VRE generates over $600 million in general fund revenues for Virginia. This is 3 to 4 percent of the $18.2 billion collected in the state in fiscal 2016. For every dollar the Commonwealth invests in Metrorail and VRE, it receives $2.50 in return.

Metrorail and VRE move large numbers of people, relieve congestion and are integral components of local land use and economic development plans. Rail transit attracts jobs and households to Northern Virginia. Whether in new apartment buildings in transit oriented developments near Metrorail stations or in more traditionally suburban locations, these households pay income taxes to the Commonwealth of Virginia.

Commonwealth Data Point provides a frame of reference for understanding the magnitude of $600 million dollars in general fund revenue. Looking at the state’s general fund expenditures by agency, this funding can be compared to various agency budgets.

By way of comparison, $600 million is higher than the collective $582 million in general fund spending on higher education and public safety in fiscal 2016. General fund expenditures totaled $316 million for Virginia’s universities, community college systems and the State Council for Higher Education and $266 million for the Department of State Police.

The Value of Metrorail and VRE to the Commonwealth

<table>
<thead>
<tr>
<th>General Fund Revenues and Expenditures</th>
<th>FY 2018 State Transit Capital and Operating Investment in Metrorail and VRE</th>
<th>General Fund Revenues Generated by Metrorail and VRE</th>
<th>General Fund Expenditures on Higher Education and State Police</th>
</tr>
</thead>
<tbody>
<tr>
<td>(in millions)</td>
<td>$170+</td>
<td>$600+</td>
<td>$582</td>
</tr>
<tr>
<td>$0</td>
<td>$316</td>
<td>$266</td>
<td>$600+</td>
</tr>
<tr>
<td>$100</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>$200</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>$300</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>$400</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>$500</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>$600</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Figure 9 Source: NVTC, DRPT, and Commonwealth Data Point

Technical Review Team

NVTC engaged staff at WMATA, the Transportation Planning Board, the Federal Transit Administration, George Mason University, and other organizations in a comprehensive technical review of the study’s methodology and assumptions. These groups reviewed the work plan, technical approach, and findings and provided comments to NVTC on the study.
As the premier transit organization in Northern Virginia, NVTC brings the region together to plan, coordinate, and secure funding for transit systems that are financially sustainable and high performing. NVTC enjoys a special relationship with the Washington Metropolitan Area Transit Authority and Virginia Railway Express (VRE), as it is charged with the funding and stewardship of both. Founded in 1964, in part to represent the interests of the Commonwealth during the establishment of WMATA, NVTC continues to serve as Virginia’s voice on the WMATA Board of Directors through its appointments to the panel. Following Metrorail’s launch, NVTC began planning for a commuter rail service, VRE, which became operational in 1992. NVTC, as the railway’s co-owner, appoints members to the VRE Operations Board. Learn more at www.novatransit.org.

Metrorail is the second largest, based on track mileage, and third busiest, based on passenger trips, heavy rail transit system in the U.S. The network includes six lines (four in Virginia), 91 stations (25 in Virginia) and 118 track miles (41 in Virginia). The Silver Line is the largest rail expansion project by route mileage since Metrorail’s inception in 1976. Phase 1 opened in July 2014 and Phase 2, which will serve Dulles International Airport and Loudoun County, will open in 2020. Learn more at www.wmata.com.

Virginia Railway Express (VRE) is the eighth largest, based on track mileage, and 10th busiest, based on passenger trips, commuter rail service in the U.S. It is a partnership of NVTC and the Potomac and Rappahannock Transportation Commission. VRE’s mission is to provide safe, cost-effective, accessible, reliable, convenient and customer-responsive commuter rail service. It provides over 4.5 million rides annually in Northern Virginia and Washington, D.C. and is based in Alexandria. Learn more at www.vre.org.

This report is a product of the Northern Virginia Transportation Commission

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Dan Goldfarb, PE, Principal Researcher / Lead Author
Andrew D’huyvetter, AICP, Researcher / Author
Nobuhiko Daito, Ph.D., Researcher / Author

For more information, contact Karen Finucan Clarkson at karenfinucanclarkson@novatransit.org or 571-483-3223
2018 Legislative Solutions to Addressing Transportation Problems within the PRTC Jurisdictions

OUR IMPACT The Potomac and Rappahannock Transportation Commission is a governing body for transportation funding and service operations under the name *OmniRide*, which includes local and express transit, vanpool, and ride-matching services for Prince William County, Manassas and Manassas Park. Key destinations are the Pentagon, Washington DC, and Tyson’s Corner—with connections to Virginia Railway Express & WMATA Metro Rail stations—*OmniRide* removes nearly 17,000 car trips from regional roadways every day.

The GAS TAX FLOOR

**GAS TAX REVENUE DECLINE** Wholesale gas sales in Northern Virginia are regionally taxed an additional 2.1% with revenues provided to jurisdictions based on sales. Gas tax revenues must be used for specific purposes and PRTC jurisdictions use them for *OmniRide* and VRE expenses. *Revenues are down 40%* because the tax is tied to the price of fuel. In early 2013 prices were $3.50 per gallon, but are now near $2.00 per gallon.

**THE FIX** While the state gas tax has protections that ensure a minimum level of revenue (a “floor”), the regional gas tax does not. This means the local jurisdictions don’t enjoy the same protections the Commonwealth created for itself. From June 2016—July 2017, PRTC partners left $14.7M “on the floor”.

**THE IMPACT** If the regional floor matched the Commonwealth’s floor, it ensures a minimum level of funding for transit, road improvements and traffic management solutions when fuel prices drop—a time when it becomes less expensive to drive and increases congestion.

<table>
<thead>
<tr>
<th>June 2016 – July 2017 Regional Fuel Tax Collection: Actuals &amp; Lost</th>
<th>Lost Revenue Without Floor Based on Statewide Gas Tax Floor</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Actual Collections</strong></td>
<td><strong>$</strong></td>
</tr>
<tr>
<td>City of Fredericksburg</td>
<td>1,257.0</td>
</tr>
<tr>
<td>City of Manassas</td>
<td>760.7</td>
</tr>
<tr>
<td>City of Manassas Park</td>
<td>658.0</td>
</tr>
<tr>
<td>Prince William County</td>
<td>10,702.2</td>
</tr>
<tr>
<td>Spotsylvania County</td>
<td>3,653.0</td>
</tr>
<tr>
<td>Stafford County</td>
<td>3,334.4</td>
</tr>
<tr>
<td><strong>Total PRTC</strong></td>
<td><strong>$ 20,365.3</strong></td>
</tr>
</tbody>
</table>

If the regional gas tax had the same protections as the state gas tax, PRTC jurisdictions would have received over $35 million in revenues instead of $20 million they received.
TRANSIT CAPITAL FISCAL CLIFF

WHAT IS THE TRANSIT CAPITAL FISCAL CLIFF?
Virginia has a long history of providing funds for public transportation capital expenditures. For PRTC, that includes rolling stock (buses), facility upgrades and maintenance, transit technology, and on-street amenities such as benches and shelters for customers. PRTC is particularly reliant on capital funds from Virginia because a long-standing agreement gives away an extremely high percentage of federal funds to WMATA and VRE. To provide this funding, the Commonwealth Transportation Board (CTB) has relied on bonds from the Commonwealth Transportation Capital Projects Bond Act (2007), which comprised 45% of the total statewide investment in transit capital in the past 4 years alone. In June 2018, the CTB will begin allocating the last of the Capital Projects Bond’s revenues. By 2020, the estimated gap between transit capital needs and available funds will be $35 million and reaching as high as $178 million by 2027. The revenue shortfall will impact transit systems across the Commonwealth, but due to the unique takeaway of federal funds from PRTC to WMATA, greater Prince William County jurisdictions will be hit particularly hard.

WHERE THINGS STAND The Commonwealth formed a Revenue Advisory Board (RAB) after learning that $110 million in dedicated revenues will begin to phase out in June 2018 as the Capital Project Revenue (CPR) bonds expire. The Revenue Advisory Board issued a report in August 2017, which examined the impending fiscal cliff and offered four funding packages, each of which would raise $130 - $140 million annually to meet Virginia’s share of transit capital. If the Commonwealth’s General Assembly doesn’t replace the funds from the former bond measure, it will severely limit the ability of transit systems throughout Virginia—and especially PRTC/OmniRide—to offer safe and reliable service. If the funds are used to match federal grants, transit systems across the state may lose access to federal revenues because the localities may not be able to make up the difference in matching revenues.

WHAT CAN THE COMMONWEALTH DO? During its 2018 session, the General Assembly must dedicate a steady and reliable stream of revenues to fund transit capital investments throughout Virginia. An advisory board has presented lawmakers with four funding alternatives, including two that rely solely on state revenues and two that rely on a combination of state and regional revenues. Tapping regional revenue sources to fund a state program can only go so far, so the legislature must secure a sustainable source of revenue that can meet the needs of its transit systems. Without the ability to buy transit equipment, systems could be forced to reduce or eliminate routes or services and limit the flow of federal transit dollars to Virginia—a major issue in the National Capital Region.

COMMITMENT TO COMMUTER TAX BENEFITS Nearly 70 percent of ALL PRTC riders rely on the commuter tax benefit, the tax relief program that was restored in 2015 that provides employees of federal agencies or supporting businesses with transit commuter benefits. The tax benefits offer incentives for commuters to use transit and vanpools on par with the tax incentive provided for parking. Commuter tax benefits make transit service more attractive to commuters who currently drive alone and support the use of carpools, vanpools, rideshare, bike share, and transportation demand management (TDM) as effective tools to eliminate traffic congestion in our region.
Service To The Region

- + 2.5 million Local and commuter bus trips and traveled 2.9 million revenue miles in FY 17
- 661 active vanpools in Vanpool Alliance program. 1.6 million vanpool and carpool trips in FY 17
- Worked with two dozen area employers to help expand commuting options for their employees
- OmniRide services remove 17,000 SOV trips from area roadways daily
OmniRide provides local and express transit, vanpool and ridematching services in Prince William County, Manassas and Manassas Park. The governing body, the Potomac and Rappahannock Transportation Commission, was established in 1986 and is comprised of six jurisdictions. OmniRide's local and express buses serve routes in:

- Dale City
- Dumfries
- Lake Ridge
- Woodbridge
- Route 1/Quantico
- Gainesville/Linton Hall
- Manassas
- Manassas Park

OmniRide's ridesharing program and the Vanpool Alliance program offers assistance to carpools and vanpools.

$56 Million FY 17 Budget

Bob Schneider
Executive Director
703-580-6117
bschneider@OmniRide.com
PRTCtransit.org
Federal Legislative Strategy:

Generally, there is a need to keep abreast of the new Administration’s policies, programs and personnel. In addition, we will monitor any new funding and financing infrastructure initiatives, possible regulatory reform, changes to INFRA (formally FastLane) and TIGER, and workforce development. Specific issues to be tracked include:

**Issue 1: Positive Train Control (PTC) Implementation**
- Continue monitoring PTC legislative and regulatory activity.

**Issue 2: Commuter Benefits**
- Track possible federal tax reform including changes to commuter benefits.
- Analyze and communicate to our Congressional delegation any impacts of proposed changes to current commuter benefit levels.

**Issue 3: 49 CFR Part 270 System Safety Program**

State Legislative Strategy:

Our focus in Richmond will continue to be on funding, both for transit throughout the Commonwealth and specifically for VRE. In addition to tracking the specific issues outlined below, we will monitor any legislation that may affect VRE.

**Issue 1: Protective Floor for the Regional 2.1% Motor Fuels Tax**
- VRE will advocate for the creation of a “protective floor” for the regional 2.1% motor fuels tax at February 2013 levels, in coordination with its parent Commissions and member jurisdictions.
- To avoid a reduction in the current level of commuter rail service and the associated increase in traffic congestion on the I-95/I-395 and I-66 Corridors of Statewide Significance (CoSS), a protective floor on the regional 2.1% motor fuels tax must be implemented.
- Without a protective floor, the existing regional 2.1% motor fuels tax generates less revenue than expected due to the drop in fuel prices. This decrease in motor fuels
tax revenues is forcing many VRE jurisdictions to increase general fund outlays to cover their VRE subsidy obligations.

**Issue 2: Additional Commonwealth Transit Capital Support**

- VRE will support its parent commissions as they advocate for a fix to the reduced Commonwealth funding for Transit Capital.
- Will continue to coordinate with NVTC Executive Director Kate Mattice on issues being discussed by the Transit Service Delivery Committee (TSDAC), of which she's a member, and on any legislative initiatives arising from the Revenue Advisory Board’s (RAB) recommendations.

**Issue 3: Additional VRE Capital and Operating Funding**

- The general assembly must identify and secure long term, dependable funding sources for both existing and future commuter rail operations and capital costs to avoid a reduction and eventual termination of commuter rail service in the I-95/I-395 and I-66 CoSS and the accompanying catastrophic traffic congestion.
- VRE has developed a Financial Plan for implementation of its System Plan 2040 that identifies capital and operating requirements needed to implement the plan. A key finding in the Financial Plan is the clear need for increased funding, even without any major expansion of service.
- The deficit just to maintain the current operating scenario averages about $45 million per year (operating $11M and capital $34M) through 2040.
- To implement build-out of the full 2040 scenario, which more than doubles current ridership, will require an average of approximately $65 million per year (operating $20M and capital $45M) through 2040.
- The local jurisdiction members of VRE are financially constrained in their ability to fund existing VRE operations and capital needs and will experience even greater challenges in securing funding for the expansion scenario’s operations and capital costs identified in the System Plan.
 Gov. Terry McAuliffe's parting gift to the commonwealth next month will be a budget proposal that recommends creating a dedicated state funding source for Washington's regional Metro system — a move likely supported by former Secretary of Transportation Ray LaHood, based on the early copy of his report on Metro reforms released last week.

Should Governor-elect Ralph Northam follow LaHood and McAuliffe's lead?

It's a fair question, considering that those of us in Hampton Roads, Richmond, Roanoke, or Bristol may wonder about the hidden return on investing state funds in a transit system used primarily by federal workers, tourists, and citizens in Northern Virginia. The danger, however, is in assuming that what happens in Northern Virginia does not have a direct impact on economic growth and the quality of life across Virginia.

Virginia has more of a stake in Metro's long-term viability than it may seem. The commonwealth's economic future depends heavily on the tax revenue and tourism dollars driven by Metro.

We can thank Metro — along with the Virginia Railway Express (VRE) — for more than $600 million in sales and income tax revenue to the state each year, according to a September report from the Northern Virginia Transportation Commission (NVTC). For every dollar invested by Virginia in Metro and VRE, we receive an impressive 250 percent return, making the investment worth it several times over.
If we allow Metro to decline, the region’s annual tax revenue has been projected by some to decrease by as much as $1 billion by 2025. The truth is, if Metro fails, Virginia fails, and our state budget would be crippled. We gain from Metro and VRE tens of thousands of dollars more than what Virginia spends on public safety and higher education combined. Without the tax revenue generated by Metro, what would the commonwealth have to do to fund these critical programs that impact every part of the state?

Looking to the future, Metro’s Silver Line extension has led to plans to develop the surrounding area of Northern Virginia. That brings more jobs and more taxpayers to our state. Already, NVTC’s study found that MetroRail and VRE have supported more than 130,000 jobs and 85,000 households in Northern Virginia, all expanding our state’s tax base and helping pay for education and public safety across the state.

But it’s not just residents paying Virginia taxes. Anyone who’s ever attended the National Cherry Blossom Festival has seen the influx of tourists using Metro — and frequenting Virginia businesses, boosting our economy.

As a region that attracts nearly 20 million U.S. tourists each year, Greater Washington will remain the center of the nation for years to come — and Virginia would be unwise to not capitalize on this burgeoning revenue source. When the Silver Line is complete in 2020, tourists can land at Dulles, shop at Tysons Corner, grab lunch in Arlington, and take a tour of Mount Vernon — all in the same day and all via Metro.

You may ask why the leaders of the commonwealth’s largest business organizations are so supportive of Metro. It’s because we understand the vital role Metro plays in the commonwealth’s future economic success. We know that Metro has experienced challenges, but it is making progress in addressing issues of safety, reliability, and fund management under the excellent leadership of new CEO Paul Wiedefeld.

However, without continued progress through additional reforms, Virginia cannot realize the benefits of Metro. The business community in the Washington region has put forth specific recommendations for improving Metro through changes in governance, operations, and funding that hopefully will be embraced by McAuliffe and his successor, Governor Larry Hogan of Maryland, and Mayor Muriel Bowser of the District of Columbia — especially in light of LaHood’s statements.

First, unlike other transit systems that often carry many fewer passengers, Metro has no dedicated funding source — leaving it up to Virginia, Maryland, the District, and the federal government to each contribute to the system in an ad hoc manner. Without a long-term, dedicated funding source from each jurisdiction, there won’t be a sustainable way to support Metro improvements and expansion — which ultimately benefits the entire region and the entire commonwealth.

Second, Virginia shouldn’t provide new money for Metro without strings attached. Yes, Virginia needs Metro, because whether you live in Great Falls or Galax, Ashburn or Accomack, Metro is important to your quality of life. That means we need to do our part to ensure it has dedicated funding. But in order to truly create the kind of safe, reliable, and sustainable transit system we’d be proud to have run in our state, this funding must be accompanied by bold and forward-looking reforms to Metro’s governance and operations. The current Metro board structure is large and unwieldy, and the system should embrace a more balanced approach to operations.

Therefore, Governor-elect Northam and our elected leaders in the General Assembly would be wise to address all these issues comprehensively. In this effort, they can be assured that the business community will stand with them each step of the way.

Barry DuVal, CEO of the Virginia Chamber of Commerce, may be contacted at b.duval@vachamber.com, or 644-1607.

Bryan K. Stephens, CEO of the Hampton Roads Chamber, may be contacted at bkstephens@hrchamber.com or (757) 622-2312.