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EDITOR'S PICK

## Low gas prices cut into Fredericksburg-area's gas tax revenues

By SCOTT SHENK THE FREE LANCE-STAR May 20, 2017



While drivers like cheap gas, the low prices at the pump have caused headaches for localities that are partners with the Virginia Railway Express commuter train service.

Ridership is strong and VRE has plans to grow, but a big source of revenue for member localities has fallen off the rails since the summer of 2014, leading to the loss of millions of expected dollars, according to a report presented last week by the Fredericksburg Area Metropolitan Planning Organization at its Policy Committee meeting.

As part of being a VRE member, localities collect a 2.1 percent regional fuel tax. That revenue helps localities pay VRE subsidies and fund other transportation projects.

The regional gas tax revenue is dependent upon the price of gas.

In 2013, the state changed the way fuel taxes were collected, basing it on the wholesale price of gas. As part of the new tax policy, lawmakers established a "floor" of \$3.17 per gallon for the new state gas tax.

That means no matter how low the price of gas falls, the state still collects taxes based on a price no lower than the floor figure.

Lawmakers didn't establish a floor for the regional tax.

There was no problem for VRE at the time because gas prices were still around the \$3.50-a-gallon range. But prices plummeted in the summer of 2014 and remain comparatively low today at just more than \$2 a gallon.

The money flow from the regional fuel tax started slowing at that point and has continued to decline the past two years.

According to the report by the Potomac and Rappahannock Transportation Commission, VRE member localities lost a total of \$25 million in expected gas tax revenue in 2015 and 2016. Spotsylvania County lost more than \$5 million in expected revenue the past two years, Stafford County lost \$3.9 million and Fredericksburg nearly \$1.9 million.

The losses led to cuts in PRTC bus service in Northern Virginia. Some jurisdictions needed to find other sources to pay VRE and PRTC subsidies, according to the report.

Spotsylvania, Stafford and Fredericksburg have brought in enough funds from the tax to pay VRE subsidies, according to FAMPO administrator Paul Agnello.

Fredericksburg's tax revenue totaled \$3.1 million over the two-year span, Stafford brought in \$6.9 million and Spotsylvania's revenue totaled \$8.5 million, according to the PRTC report.

No local road projects have been impacted by the decreased fuel tax revenue. But the lower revenue will impact "what we do in the future," said Stafford spokeswoman Shannon Howell.

At the FAMPO Policy Committee meeting, Chairman Matt Kelly said that legislators, including retiring House Speaker Bill Howell, R-Stafford, told him leaving out a floor for the regional gas tax was a mistake and that it would be fixed.

"But now it's seen as a tax increase and nobody wants to touch it," said Kelly, also a Fredericksburg councilman. "It's costing all of us."

Fredericksburg Mayor Mary Katherine Greenlaw and Spotsylvania Board of Supervisor Gary Skinner echoed Kelly's sentiment. Local officials plan to keep pushing for a tax floor on the regional tax.

VRE and other mass transit officials have pushed for bills that would create the same floor as the state tax has, but those have stalled in the Senate the past two sessions.

"The key here is we've got to get that floor," Skinner said.

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