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## **CHAPTER 6: FUNDING**

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At present, George Washington Region transit services are funded through a variety of sources that include federal, state, city, county funds, a 2% motor fuels tax (in Fredericksburg and Stafford County), fares, and other miscellaneous sources such as advertising. These sources cover existing costs, but would not be sufficient to fund major increases in service. This chapter describes the existing funding sources, and potential new sources that could fund transit expansion plus other transportation projects.

### **EXISTING FUNDING SOURCES**

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Transit services in the George Washington Region are funded through a variety of Federal, State, and Local sources. These sources are described in the following sections.

#### **Federal Funding**

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FRED and VRE receive substantial funding from the Federal Transit Administration (FTA) to support operations and for capital investments.

#### **Section 5307 Urban Area Funds**

The FTA 5307 Urbanized Area Formula Program is one of the most important sources of transit funding for urbanized areas and the cities within them. The federal formula funds are apportioned by the FTA each year to large urbanized areas (a large urbanized area is one that has more than 200,000 residents) and to the state for all small urbanized areas in that state (including the Fredericksburg urbanized area).

For FY 2008, a total of \$1.2 million was apportioned to the Fredericksburg Urbanized Area. Of this, FRED received \$662,000 in operating assistance, which funded approximately 15% of operating expenses. However, after the 2010 Census has been completed (likely in 2012), funding amounts will change, as will eligible uses. As of the 2000 Census, the Fredericksburg urban area had a population that was less than 200,000 residents. For small urbanized areas, available funds are apportioned based on a

combination of population and population density and administered and allocated by the State (in Virginia, by DRPT). In small urbanized areas, Section 5307 funds can also be used for operating expenses or capital expenses.

However the 2010 Census results are expected to confirm that the Region's population is over 200,000 residents, which will mean that the area will become a medium-sized urbanized area for funding transit formula funding apportionment purposes. In this case, Section 5307 funds will be apportioned using a formula that considers the types of services provided (i.e., fixed-guideway and bus), the magnitude of service provided (i.e., revenue miles), the utilization of the service provided (i.e., passenger miles), and demographic statistics (i.e., population and population density). As a result, the amount of service provided within the Region will become a major determinant in how much Section 5307 funding will be available. Becoming a medium-sized urbanized area also means that, with a few exceptions such as preventative maintenance, Section 5307 funds cannot be used for operating expenses, but instead must be used for capital purposes.

### **FTA Section 5309**

FTA Section 5309 funds bus and bus facility capital projects and fixed-guideway projects. Section 5309 Bus and Bus Facility funds can be used for capital projects such as replacement or expansion of buses or bus facilities, and are earmarked by Congress.

FTA Section 5309 Fixed Guideway (FG) funds are distributed to large urban areas on an urbanized area formula. Unlike 5307 funds, these funds are generated in large urbanized areas only, and can be used for capital purposes on fixed guideway transit services such as rail, ferry, cable cars, and buses operating in exclusive rights of way. Following the completion of the 2010 U.S. Census, the Fredericksburg area will begin accruing these funds, which would be available for VRE improvements.

### **FTA Section 5311**

FTA Section 5311 supports transit in rural areas and small urban areas (less than 50,000 in population). FTA 5311 funds are administered through the VDRPT and are available for transit capital and operating purposes in non-urbanized areas, and fund up to 50 percent of operating costs to support transit operations. Caroline and George Counties receive FTA 5311 funds.

## **Congestion Mitigation Air Quality Funds (CMAQ)**

CMAQ funds are available for projects that contribute to the attainment of a national ambient air quality standard. CMAQ funds can only be expended in areas identified by the U.S. Environmental Protection Agency (USEPA) as in non-attainment of a national air quality standard, and cannot be used for projects that result in new capacity for single occupant vehicles. Eligible programs include public transit improvements, High Occupancy Vehicle (HOV) facilities, Employee Trip Reduction (ETR) programs, traffic-flow improvements that reduce emissions, bicycle/pedestrian facilities, park-and-ride facilities, and programs to restrict vehicle use in areas of emission concentration. CMAQ funds can be used for capital purchases covering up to 88.5% of the cost. CMAQ Demonstration funds can also be used for operating costs to “jump start” new services for a period of up to three years. CMAQ funds are available for programs and projects in Stafford County

## **Surface Transportation Program Funds**

The Surface Transportation Program (STP) provides flexible funding that may be used by States and localities for projects on any Federal-aid highway, including the NHS, bridge projects on any public road, transit capital projects, and intracity and intercity bus terminals and facilities. The Virginia Department of Transportation administers and allocates these funds (which are known in Virginia as SSTP) for eligible transit capital projects. STP funds are currently allocated to VRE to cover the annual cost of VRE track leases from CSX Transportation, Norfolk Southern, and Amtrak. The State appears to have an ongoing commitment to cover the lease cost for VRE. There is no formula or methodology for determining the amount; it is simply based on the cost of the track leases. The amount is not expected to fluctuate greatly from year to year.

## **State Funding**

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The Virginia Mass Transit Trust Fund (MTTF) is funded from an allocation from the state’s Transportation Trust Fund. Under Virginia Code, \$800,000 is taken off the top of the MTTF for paratransit capital projects, 73.5% is allocated for state operating assistance (also known as formula assistance grants), 25% is awarded for capital assistance, and 1.5% is awarded through special projects grants.

### **State Formula Assistance**

These funds help transit agencies cover “eligible” operating costs, which consist of fuel, maintenance, and tires, and local shares for federal capital grants. Of the portion allocated for eligible operating expenses, recipients of Section 5307 funds generally receive a portion of the Virginia transit trust fund equivalent to their share of the total state transit operating cost. For recipients of Section 5311 funds, the State share generally covers approximately 18 to 20% percent of total operating costs, although this percentage can fluctuate from year to year.

### **State Capital Assistance**

VDRPT distributes State Capital Assistance from Virginia’s transit trust fund in support of a range of activities including vehicle purchase, lease and rehabilitation, construction of improvement of facilities, debt service for major capital projects, and safety and security equipment. The actual apportionments vary based on available state resources. Funds are distributed among the approved capital projects on the basis of uniform state participation ratio in the non-federal costs of all approved projects. In recent years, the State has funded approximately 23 percent of capital improvements, but the percentage has been declining.

### **State Demonstration Project Assistance**

State Demonstration Project Assistance are available to develop and test new or existing technologies or procedures that:

- Improve the efficiency of public transportation providers in all functional areas
- Offer creative approaches to identify and penetrate public transportation markets
- Increase private sector involvement in all areas of public transportation
- Raise the utilization and productivity of existing public transportation services
- Improve public transportation services to the disabled

These funds are intended to be used for one year. Eligible recipients are local governments, transportation districts and public service corporations.

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## Local Government and Other Fund Sources

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### Local Contributions

Both FRED and VRE have established partnerships with jurisdictions to help fund their services. FRED's partners consist of the five jurisdictions constituting the George Washington Region: the City of Fredericksburg, Stafford County, Spotsylvania County, King George County, and Caroline County. Each jurisdiction currently funds all FRED costs that are not funded through other sources based on a revenue hours formula. The Transit Policy Plan proposes changes to this methodology, but it would continue to be based largely on revenue vehicle hours.

VRE receives funding from its member jurisdiction for both operations and capital projects. These financial contributions include PRTC Motor Fuels Tax revenues collected in PRTC member jurisdictions, which in the George Washington Region include Fredericksburg and Stafford County.

### Potomac and Rappahannock Transportation Commission (PRTC) Motor Fuels Tax

The Potomac and Rappahannock Transportation Commission (PRTC) is a multi-jurisdictional agency representing Prince William and Stafford Counties and the cities of Manassas, Manassas Park and Fredericksburg. Membership in the PRTC results in the automatic collection of a 2% sales tax on retail sale of motor vehicle fuel within the member jurisdiction. Expenditure of these revenues is controlled by each jurisdiction. Revenues from the 2% Motor Fuels Tax are used for a range of transportation improvements in the region. A portion of revenues collected in Fredericksburg and Stafford County are provided annually to FRED and VRE.

### Contributions

FRED receives contributions from a number of area businesses and organizations. These include the University of Mary Washington, Mary Washington Hospital, GEICO, and others. Often, these arrangements also provide for free transportation for students or employees.

### Miscellaneous

FRED also receives funding from other miscellaneous sources. These include commissions from Greyhound for ticket sales and vending machine revenues.

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## **POTENTIAL NEW REVENUE SOURCES**

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To significantly improve transit in the George Washington Region, new sources of revenue will be required. This section presents potential sources, and projected amounts, that could potentially be implemented in the George Washington Region. These sources include property taxes, sales taxes, and the variety of taxes and fees that were authorized for the Northern Virginia Transportation Authority (NVTA) and the Hampton Roads Transportation Authority (HRTA) through HB 3202 in 2007. (It should be noted that in 2008, the Virginia Supreme Court recently ruled against the imposition of the HB3202 taxes and fees because the mechanism by which they were imposed was unconstitutional. However, it is likely that the legislature will, in future, establish new procedures that will pass constitutional muster. Therefore, while the taxes and fees have not been levied, similar sources could still be possible.)

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### **Authority to Impose New Taxes and Fees**

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Local property taxes are set and imposed by individual jurisdictions, and the George Washington Region's five jurisdiction's all have the authority to increase property taxes to provide funding for transportation.

All of the other potential sources, however, would require legislative authority. The Legislature, through the Transportation Act of 1964 and the 2007 HB 3202 transportation funding bill, granted transportation authorities and their member jurisdictions in Northern Virginia and Hampton Roads with the authority to levy the taxes and fees described in this document as "HB 3202 sources." As stated above, the Virginia Supreme Court ruled that the basis by which these taxes and fees were authorized was unconstitutional (in effect, because the Legislature delegated its taxing authority to local officials, which it cannot do). However, It is likely that the legislature will ultimately establish new authorizations for the same or similar taxes and fees that will pass constitutional muster. The imposition of similar fees and taxes in the George Washington Region would require the same type of legislative approval.

The imposition of a local 1% sales tax for transit would also require legislative approval. While local general sales taxes are a common source of transportation funding in other states, they are not currently used in Virginia, and thus there is no established precedent for such a tax. However, the Northern Virginia Transportation Commission and the Potomac Rappahannock Transportation Commission (PRTC) do levy a 2% tax on retail gasoline sales that is earmarked for transportation purposes. Gaining legislative approval for a local general sales tax may be more difficult than for the HB 3202 sources, for which precedents have already been set.

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## **NVTA AND HRTA REVENUE SOURCES**

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HB 3202 authorized eight different types of regional taxes and fees that will be collected region-wide, and three types of local-option taxes and fees that can be levied at the discretion of each individual jurisdiction:

### **Region-Wide**

- Motor Fuel Sales Tax
- Grantor's Tax
- Motor Vehicle Rental Tax
- Transient Occupancy Tax
- Safety Inspection Fee
- Initial Vehicle Registration Fee
- Sales Tax on Auto Repairs
- Regional Registration Fee

### **Local Option**

- Commercial Real Estate
- Local Registration Fee
- Commercial/Residential Impact Fee

The authorizations for the two authorities and regions varies slightly in terms of specific sources and rates (see Table 6-1):

**Table 6-1: H 2302 Funding Authorizations**

	Northern Virginia Transportation Authority	Hampton Roads Transportation Authority
<b>Region-Wide</b>		
Sales Tax on Gasoline	--	2%
Grantor's Tax (property transfer tax)	40¢/\$100	40¢/\$100
Motor Vehicle Rental Tax	2%	2%
Transient Occupancy Tax	2%	--
Safety Inspection Fee	\$10	\$10
Initial Vehicle Registration Fee	1%	1%
Sales Tax on Auto Repairs	5%	5%
Regional Registration Fee	\$10	\$10
<b>Local Option</b>		
Commercial Real Estate	Up to 25¢	Up to 10¢
Local Registration Fee	\$10	\$10
Commercial/Residential Impact Fee	TBD	TBD
<b>Annual Revenue (millions)</b>	<b>\$200 - \$215</b>	<b>\$425 - \$445</b>

- H 2302 authorizes a 2% sales tax on motor fuels in the Hampton Roads region (this tax is already collected in Northern Virginia).
- The bill authorizes a 2% transient occupancy tax in Northern Virginia but not in the Hampton Roads area.
- The commercial real estate tax can be up to 25¢ per \$100 in Northern Virginia, but only up to 10¢ in the Hampton Roads area.

In both regions, the governing bodies of a specified number of local jurisdictions were required to vote to impose the new “regional taxes (these votes have occurred). In Northern Virginia, the approval of six of the region’s nine cities and counties was required, and in Hampton Roads the approval of 7 of 12 localities representing at least 51% of the population was required. In both cases, approval by sufficient majorities means that the new taxes and fees will be levied in all jurisdictions. For the local option taxes, approval and imposition is on a jurisdiction-by-jurisdiction basis.

### **Potential New George Washington Region Taxes and Fees**

With the development of a new George Washington Regional Transportation Authority, it is possible that similar sources could be developed for the George Washington Region. The following sections describe these potential sources, initial assumptions on rates and how they could be imposed, and the resulting revenue.

## Initial Assumptions and Potential Revenue Sources

To produce the revenue estimates, we assumed that the same sources would be levied in the George Washington Region as in the NVRTA and HVRTA areas, and in a similar manner. In the two case where there were differences between the authorizations for the two areas, we assumed the following:

- HB 3202 authorizes a 2% transient occupancy tax for NVRTA but not for HVRTA. We included this tax in the projections.
- HB 3202 authorizes the collection of a commercial real estate tax in both areas, but with a rate of up to 25¢/\$1000 in Northern Virginia, and up to 10¢/\$1000 in Hampton Roads. We used the lower 10¢/\$1000 rate.

On this basis, the revenue sources and rates that were examined for the George Washington Region were :

<u>Revenue Source</u>	<u>Rate</u>
Motor Fuels Sales Tax	2%
Grantor's Tax	40¢/\$100
Motor Vehicle Rental Tax	2%
Transient Occupancy Tax	2%
Safety Inspection Fee	\$10
Initial Vehicle Registration	1%
Sales Tax on Auto Repairs	5%
Regional Registration Fee	\$10
Commercial Real Estate	10¢/\$1000
Local Registration Fee	\$10
Commercial/Residential Impact Fee	Locally Set

## Projected Revenue

In FY 2009 dollars, the potential revenue sources would generate approximately \$65 million per year (see Table 6-2). The Grantor's Tax would generate the largest amounts (\$16.4 million) followed by the Motor Fuels Sales Tax (\$15.2 million). The Motor Vehicle Rental Tax would generate the smallest amount of new revenue (\$400,000 per year).

**Table 6-2: Projected Annual Revenue: 2009 and 2032**

	Rate	Fredericks- burg	Caroline County	King George County	Spotsylvania County	Stafford County	George Washington Region	Annual Rate of Growth
<b>2009</b>								
Grantor's Tax	40¢/\$100	\$974,683	\$1,020,786	\$903,338	\$6,326,340	\$7,170,621	\$16,395,768	
Motor Vehicle Rental Tax	2%	\$58,931	\$854	\$65,904	\$168,853	\$105,030	\$399,572	
Transient Occupancy Tax	2%	\$840,654	\$151,853	\$113,006	\$989,739	\$1,084,439	\$3,179,691	
Safety Inspection Fee	\$10	\$208,730	\$332,672	\$267,918	\$1,321,089	\$1,178,342	\$3,308,750	
Initial Vehicle Registration	1%	\$646,658	\$1,030,639	\$830,028	\$4,092,824	\$3,650,582	\$10,250,731	
Sales Tax on Auto Repairs	5%	\$340,594	\$542,837	\$437,175	\$2,155,686	\$1,922,758	\$5,399,050	
Regional Registration Fee	\$10	\$208,730	\$332,672	\$267,918	\$1,321,089	\$1,178,342	\$3,308,750	
Motor Fuels Sales Tax	2%	\$1,485,563	\$4,780,719	\$725,916	\$4,012,757	\$3,843,776	\$14,848,731	
Commercial Real Estate	10¢/\$1000	\$933,726	\$153,301	\$184,552	\$1,784,302	\$1,700,069	\$4,755,949	
Local Registration Fee	\$10	\$208,730	\$332,672	\$267,918	\$1,321,089	\$1,178,342	\$3,308,750	
Commercial/Residential Impact Fee	Locally Set	TBD	TBD	TBD	TBD	TBD	TBD	
<b>Total</b>		<b>\$5,906,997</b>	<b>\$8,679,002</b>	<b>\$4,063,674</b>	<b>\$23,493,767</b>	<b>\$23,012,301</b>	<b>\$65,155,741</b>	
<b>2032</b>								
Grantor's Tax	40¢/\$100	\$1,225,335	\$1,283,295	\$1,135,644	\$7,953,240	\$9,014,640	\$20,612,154	1.0%
Motor Vehicle Rental Tax	2%	\$92,928	\$1,346	\$103,924	\$266,264	\$165,622	\$630,084	2.0%
Transient Occupancy Tax	2%	\$1,325,626	\$239,456	\$178,199	\$1,560,718	\$1,710,052	\$5,014,052	2.0%
Safety Inspection Fee	\$10	\$641,118	\$1,021,808	\$822,917	\$4,057,756	\$3,619,304	\$10,162,903	5.0%
Initial Vehicle Registration	1%	\$1,986,226	\$3,165,632	\$2,549,451	\$12,571,205	\$11,212,850	\$31,485,365	5.0%
Sales Tax on Auto Repairs	5%	\$1,046,143	\$1,667,335	\$1,342,794	\$6,621,242	\$5,905,797	\$16,583,311	5.0%
Regional Registration Fee	\$10	\$641,118	\$1,021,808	\$822,917	\$4,057,756	\$3,619,304	\$10,162,903	5.0%
Motor Fuels Sales Tax	2%	\$2,861,025	\$9,207,118	\$1,398,032	\$7,728,112	\$7,402,674	\$28,596,960	2.9%
Commercial Real Estate	10¢/\$1000	\$1,676,837	\$275,306	\$331,428	\$3,204,350	\$3,053,080	\$8,541,002	2.6%
Local Registration Fee	\$10	\$641,118	\$1,021,808	\$822,917	\$4,057,756	\$3,619,304	\$10,162,903	5.0%
Commercial/Residential Impact Fee	Locally Set	TBD	TBD	TBD	TBD	TBD	TBD	
<b>Total</b>		<b>\$12,137,474</b>	<b>\$18,904,914</b>	<b>\$9,508,222</b>	<b>\$52,078,399</b>	<b>\$49,322,627</b>	<b>\$141,951,636</b>	<b>3.4%</b>

By jurisdiction, the largest amount of revenue would be generated in Spotsylvania and Stafford Counties, at \$23.5 million and \$23.0 million per year, respectively. The amount of revenue generated in the other three jurisdictions would be \$8.7 million in Caroline County, \$5.9 million in Fredericksburg, and \$4.1 million in King George County. The large amount of revenue from Caroline County relative to its size would be due to high motor fuel tax revenue from the I-95 truck stops in Carmel Church.

The projections that were produced during the HB 3202 deliberations for Northern Virginia and Hampton Roads projected that revenue from the HB 3202 sources would increase at 1 to 5% per year, depending upon the source. Using similar assumptions, total revenue from all of the sources for the George Washington Region would grow at an average annual rate of 3.4%, or to \$142.0 million in FY 2032:

**Grantors Tax:** The Grantor's Tax would be levied when property changes hands, and would be levied at a rate of 40¢ per \$100 of property value. Future changes in Grantor's Tax revenues would be largely tied to real estate sales volumes and prices. Over the past few years, there have been very large increases in volume and prices, which have produced very large increases Grantor's Tax revenues. Recently, sales volumes have declined significantly, and prices have also weakened. As a result, changes in Grantor's Tax revenues could vary significantly on a year-to-year basis. These projections assume a 1% average annual growth rate,

**Motor Vehicle Rental Tax:** The Motor Vehicle Rental Tax of 2% would be levied on motor vehicle rental charges and total revenues would be related to rental volumes, the length of the rentals, and prices. Future growth was projected at 2% per year.

**Transient Occupancy Tax:** The Transient Occupancy Tax of 2% would be applied to lodging receipts. Total revenues would be related to visitation levels, the length of average stays, and lodging rates. Future growth was projected at 2% per year.

**Sales Tax on Auto Repair:** The Sales Tax on Auto Repairs of 5% would be levied on automobile repair charges. Total revenue would vary from year-to-year based on those charges, which would be closely related to the number of registered vehicles, which are projected to increase by 5% per year.

**Safety Inspection Fee:** The Safety Inspection Fee of \$10 would be added to the annual safety inspection fee. Future year increases were based on the projected 5% annual growth in vehicle registrations.

**Initial Vehicle Registration:** The initial Vehicle Registration Fee of 1% would be applied to the value of new vehicle registrations. Annual changes in the registration fee revenue would be related to closely to vehicle sales. Future year increases were based on the projected 5% annual growth in vehicle sales based on the 5% growth in vehicle registrations.

**Regional Registration Fee:** The Regional Registration Fee of \$10 would be applied to vehicle registrations. Future year increases were based on the projected 5% annual growth in vehicle registrations.

**Motor Fuels Sales Tax:** The motor fuels sales tax would be levied as a 2% tax on the sale of all motor fuels in the same manner authorized for NVTD and PRTC by the “Transportation District Act of 1964,” and by HB 3202 for Hampton Roads.

Estimates were developed for all George Washington Region localities, including Fredericksburg and Stafford County, where the 2% sales tax is already levied due to membership in PRTC. In those two jurisdiction, the tax and fund amounts presented this document would be in addition to the existing amounts.

To develop these estimates, a methodology similar to one developed by PRTC was used to project motor fuel sales tax revenues for its member jurisdictions. Given the unavailability of actual motor fuels consumption data on a locality basis, the PRTC method uses past experience to project revenues on a per capita basis. As shown in Table 6-3, per-capita motor fuels tax revenues range from \$31.94 (Prince William) to \$71.36 (Fredericksburg). The PRTC area average is \$34.93.

For Fredericksburg and Stafford County, which are members of PRTC, PRTC’s FY 2007 projections of motor fuels tax revenues were used. For Spotsylvania and King George Counties, the PRTC area average of \$34.93 per capita was used. For Caroline, County, the County's estimate of \$4.9 million was used ([www.co.caroline.va.us/prtc.html](http://www.co.caroline.va.us/prtc.html)).

**Table 6-3: PRTC FY 2007 Motor Fuels Tax Revenue Projections**

	2006 Population	FY07 Fuel Tax Revenue	FY 2007 Revenue per Capita
Prince William	369,216	\$11,794,533	\$31.94
Manassas	36,576	\$1,518,027	\$41.50
Manassas Park	13,910	\$852,662	\$61.30
Fredericksburg	21,651	\$1,545,041	\$71.36
Stafford	120,511	\$3,917,268	\$32.51
PRTC Total	561,864	\$19,627,531	\$34.93

Source: PRTC

Future growth in motor fuel sales tax revenues would be related to consumption and the price of motor fuel. Consumption continues to be on an upward trend, while prices are volatile and on a generally upward trend. For FY 2007 to FY 2012, PRTC estimated that annual changes in Fredericksburg and Stafford County revenues would range from -3.6% to +3.3%. For that period, the composite Fredericksburg and Stafford County annual changes were used. Beyond FY 2012, the growth in motor fuels tax revenues was assumed to average 3% per year, although wider fluctuations would be likely on a year-to-year basis.

**Commercial Real Estate Tax:** The Commercial Real Estate Tax of 10¢ would be applied to every \$100 of assessed valuation for commercial property. The total assessed value of commercial real estate was assumed to increase at an average annual rate of 5%.

**Local Registration Fee:** The Local Registration Fee would be a local counterpart to the Regional Registration Fee, and would generate equivalent revenue.

**Commercial/Residential Impact Fee:** Commercial/Residential Impact fee levels would be set at the discretion of the local jurisdictions.

### Local Sales Tax

At present, the sales tax in Virginia is 5%, 4% of which is retained by the Commonwealth, and 1% of which is collected on behalf of local jurisdictions. A new local sales tax for transit could be set at any rate; for the purposes of this analysis, and to facilitate “what-if” exercises for other rates, a 1% sales tax increase was used.

In total, based on the FY 2008 budgeted sales tax receipt projections, and assuming a 3% increase for FY 2009, a 1% Region-wide Transportation Sales Tax would generate \$48.1 million in FY 2009 (see Table 6-4). This would be nearly three-quarters of the amount that would be collected by all of the HB 3202 sources combined, and could be a simpler, more straight-forward, possibly more locally acceptable way to generate large amounts of new revenue. Assuming that sales tax revenue would increase by 3% per year, sales tax revenue would increase to \$95.0 million by 2032.

**Table 6-4: Projected Annual Revenue: 1% Sales Tax (millions)**

	Rate	GWR Total Revenue
<b>2009</b>		
Sales Tax	1%	\$48.1
<b>2032</b>		
Sales Tax	1%	\$95.0

**PROPERTY TAX**

At present, local property tax rates range from 48¢ per \$100 of assessed value in King George County to 63¢ in Stafford County. Each 1¢ increase in these rates would generate approximately \$4.3 million throughout the George Washington Region. As shown in Table 6-5, the amount of revenue generated would be highest in Stafford and Spotsylvania Counties (\$1.8 and \$1.5 million, respectively). Assuming the property tax revenues would increase at an average annual rate of 3%, total property tax revenues for each 1¢ would increase to \$8.5 million per year by 2032.

**Table 6-5: Projected Annual Revenue: 1¢ Property Tax (000s)**

	Rate	Fredericksburg	Caroline County	King George County	Spotsylvania County	Stafford County	George Washington Region
<b>2009</b>							
Property Tax	1¢/\$100	\$422	\$306	\$244	\$1,503	\$1,819	\$4,294
<b>2032</b>							
Property Tax	1¢/\$100	\$832	\$603	\$482	\$2,967	\$3,590	\$8,475

## **Packaging of Potential New Revenue Sources**

As described above, in both Northern Virginia and Hampton Roads, a portion of the HB 3202 revenue sources would have been collected by the RTA, and a portion by the localities. In both regions, the RTAs would collect the Grantor's Tax, Motor Vehicle Rental Tax, Transient Occupancy Tax, the Safety Inspection Fee, Initial Vehicle Registration Fee, the Sales Tax on Auto Repairs, and the Regional Registration Fee. The jurisdictions would collect the Commercial Real Estate Tax and the Local Registration Fee, and the Commercial/Residential Impact Fee.

The only source that was treated differently in the two regions is the 2% Motor Fuels Tax. HB 3202 authorized a 2% motor fuels tax as an Authority tax in the Hampton Roads area. However, this tax was not included for Northern Virginia as it is already imposed through local jurisdiction membership in the Northern Virginia Transportation Commission.

In the George Washington Region, new revenues could also be split between a new RTA and local jurisdictions. This section presents two options: one for the packaging and allocation of HB 3202 revenues, and a second for sales and property taxes.

### **HB 3202 Sources**

In the George Washington Region, Fredericksburg and Stafford County also already impose a 2% motor fuels tax in the same manner as in Northern Virginia through their membership in PRTC. In addition, there is strong sentiment within some George Washington Region jurisdictions that the motor fuels tax be a local option tax. For consistency with existing practices in Fredericksburg and Stafford County, and to provide for local control, the 2% motor fuels tax could be implemented as a local-option tax in the George Washington Region.

With the 2% motor fuels tax as a local option tax and the same division of other taxes and fees as in Northern Virginia and Hampton Roads, the breakdown of Authority revenues versus local-option revenues would be as shown in Table 6-6. In total, in FY 2009, the RTA would receive approximately \$42 million per year, and the localities would receive \$23 million per year. Spotsylvania County would receive the largest amount of revenue (\$7.1 million per year), followed by Stafford County (\$6.7 million). By 2032, RTA revenues would increase to \$95 million per year, and local-option revenue would grown to \$47 million per year.

**Table 6-6: Regional and Local Revenue: HB 2302 Sources: 2009 and 2032**

	Rate	Fredericks- burg	Caroline County	King George County	Spotsylvania County	Stafford County	George Washington Region
<b>2009</b>							
<b>Regional Taxes and Fees</b>							
Grantor's Tax	40¢/\$100	\$974,683	\$1,020,786	\$903,338	\$6,326,340	\$7,170,621	\$16,395,768
Motor Vehicle Rental Tax	2%	\$58,931	\$854	\$65,904	\$168,853	\$105,030	\$399,572
Transient Occupancy Tax	2%	\$840,654	\$151,853	\$113,006	\$989,739	\$1,084,439	\$3,179,691
Safety Inspection Fee	\$10	\$208,730	\$332,672	\$267,918	\$1,321,089	\$1,178,342	\$3,308,750
Initial Vehicle Registration	1%	\$646,658	\$1,030,639	\$830,028	\$4,092,824	\$3,650,582	\$10,250,731
Sales Tax on Auto Repairs	5%	\$340,594	\$542,837	\$437,175	\$2,155,686	\$1,922,758	\$5,399,050
Regional Registration Fee	\$10	\$208,730	\$332,672	\$267,918	\$1,321,089	\$1,178,342	\$3,308,750
Subtotal		\$3,278,979	\$3,412,311	\$2,885,288	\$16,375,619	\$16,290,114	\$42,242,311
<b>Local Option Taxes and Fees</b>							
Motor Fuels Sales Tax	2%	\$1,485,563	\$4,780,719	\$725,916	\$4,012,757	\$3,843,776	\$14,848,731
Commercial Real Estate	10¢/\$1000	\$933,726	\$153,301	\$184,552	\$1,784,302	\$1,700,069	\$4,755,949
Local Registration Fee	\$10	\$208,730	\$332,672	\$267,918	\$1,321,089	\$1,178,342	\$3,308,750
Com/Res Impact Fee	Locally Set	TBD	TBD	TBD	TBD	TBD	TBD
Subtotal		\$2,628,018	\$5,266,691	\$1,178,386	\$7,118,148	\$6,722,187	\$22,913,430
<b>Total</b>		\$5,906,997	\$8,679,002	\$4,063,674	\$23,493,767	\$23,012,301	\$65,155,741
<b>2032</b>							
<b>Regional Taxes and Fees</b>							
Grantor's Tax	40¢/\$100	\$1,225,335	\$1,283,295	\$1,135,644	\$7,953,240	\$9,014,640	\$20,612,154
Motor Vehicle Rental Tax	2%	\$92,928	\$1,346	\$103,924	\$266,264	\$165,622	\$630,084
Transient Occupancy Tax	2%	\$1,325,626	\$239,456	\$178,199	\$1,560,718	\$1,710,052	\$5,014,052
Safety Inspection Fee	\$10	\$641,118	\$1,021,808	\$822,917	\$4,057,756	\$3,619,304	\$10,162,903
Initial Vehicle Registration	1%	\$1,986,226	\$3,165,632	\$2,549,451	\$12,571,205	\$11,212,850	\$31,485,365
Sales Tax on Auto Repairs	5%	\$1,046,143	\$1,667,335	\$1,342,794	\$6,621,242	\$5,905,797	\$16,583,311
Regional Registration Fee	\$10	\$641,118	\$1,021,808	\$822,917	\$4,057,756	\$3,619,304	\$10,162,903
Subtotal		\$6,958,494	\$8,400,681	\$6,955,845	\$37,088,182	\$35,247,569	\$94,650,772
<b>Local Option Taxes and Fees</b>							
Motor Fuels Sales Tax	2%	\$2,861,025	\$9,207,118	\$1,398,032	\$7,728,112	\$7,402,674	\$28,596,960
Commercial Real Estate	10¢/\$1000	\$1,676,837	\$275,306	\$331,428	\$3,204,350	\$3,053,080	\$8,541,002
Local Registration Fee	\$10	\$641,118	\$1,021,808	\$822,917	\$4,057,756	\$3,619,304	\$10,162,903
Com/Res Impact Fee	Locally Set	TBD	TBD	TBD	TBD	TBD	TBD
Subtotal		\$5,178,979	\$10,504,233	\$2,552,377	\$14,990,217	\$14,075,058	\$47,300,865
<b>Total</b>		\$12,137,474	\$18,904,914	\$9,508,222	\$52,078,399	\$49,322,627	\$141,951,636

### Sales and Property Taxes

A potential split of sales and property taxes would be to for the sales tax to be implemented as a Regional RTA funding source and for the increase in property taxes to be used for local transportation improvements. With a 1% transportation sales tax and a 1¢ increase in property taxes, in FY 2009, this would produce \$46.7 million for an RTA and \$4.2 million for local jurisdictions (see Table 6-7). By 2032, these amounts would increase to \$95.0 and \$8.5 million respectively.

**Table 6-7: Regional and Local Revenue: Sales and Property Taxes (000s)**

	Fredericksburg	Caroline County	King George County	Spotsylvania County	Stafford County	George Washington Region
<b>2009</b>						
<b>Regional Taxes and Fees</b>						
1% Sales Tax						\$48,123
<b>Local Option Taxes and Fees</b>						
1¢ Property Tax	\$422	\$306	\$244	\$1,503	\$1,819	\$4,294
<b>Total</b>						\$50,890
<b>2032</b>						
<b>Regional Taxes and Fees</b>						
1% Sales Tax						\$94,974
<b>Local Option Taxes and Fees</b>						
1¢ Property Tax	\$832	\$603	\$482	\$2,967	\$3,590	\$8,475
<b>Total</b>						\$103,450

### SUMMARY OF POTENTIAL REVENUE AMOUNTS

As described in detail in the following sections, the sources described in this document could generate significant amounts of revenue to address the Region’s transportation challenges:

	<u>FY 2009</u>	<u>FY 2032</u>
HB 3202 Sources	\$65.2 million	\$142.0 million
1% Transportation Sales Tax	\$46.7 million	\$95.0 million
1¢ Property Tax	\$4.3 million	\$8.5 million

It would also be possible to collect lesser or higher amounts. For example, the Region could pursue only some of the HB 3202 sources, or seek different rates. Similarly, the Region could seek a transportation

sales tax that would be lower or higher than 1%, and levy property taxes that would be lower or higher than 1¢ per \$100 of assessed value.